The recent peace agreement is a unique opportunity to improve the Central African Republic's (C.A.R.) security and create the conditions for sustained and inclusive growth, poverty reduction, and job creation.

· Good progress was made in discussions with the authorities on economic and financial policies that could support completion of the sixth and final program review.

· C.A.R.'s macroeconomic performance remains favorable with increasing economic growth and contained inflation.

An International Monetary Fund (IMF) team, led by Mr. Édouard Martin, visited Bangui from April 24 through May 3, 2019 to conduct discussions for the sixth and final review of the Central African Republic's economic reform program supported by an Extended Credit Facility (ECF). The team met with President Touadéra, President of the National Assembly Ngon-Baba, Minister of Finance Dondra, Minister of Economy Moloua, National Director of the BEAC Chaibou, and other senior government officials. The team also met with parliamentarians and representatives of the business and donor communities.

At the end of the visit, Mr. Martin issued the following statement:

“The peace agreement signed on February 6, 2019 by the government and representatives of 14 armed groups represents a unique opportunity to improve the Central African Republic’s (C.A.R.) security situation and create the conditions for sustained and inclusive growth, poverty reduction, and job creation.

“C.A.R.’s macroeconomic performance remains favorable. Economic growth is estimated at around 4 percent in 2018 and is projected to reach 4½ percent in 2019. Inflation was subdued at 1.6 percent in 2018 and is expected to remain contained. The current account deficit (excluding grants) would decline from about 12 percent in 2018 to around 11 percent in 2019. The banking sector remains well capitalized and liquid, with the share of non-performing loans decreasing significantly thanks to the repayment of commercial arrears by the government. Risks to the outlook remain significant, relating on the downside to the volatile security environment and rising oil prices and on the upside to the implementation of the peace agreement.

“The implementation of the ECF-supported program—which will expire on July 19, 2019, as initially envisaged—is broadly on track. Program performance at end-December 2018 is satisfactory overall: all quantitative performance criteria were met, except for the domestic primary deficit, reflecting higher-than-expected current spending, and the repayment of domestic arrears, which was slightly delayed. Domestic revenue in the first quarter of 2019 was lower than expected, owing mainly to the forced closure in March of the main road from Cameroon and delays in the transfer on budget of the parafiscal taxes collected by public agencies. Most structural reforms have also been implemented, except for the elimination of parafiscal taxes without economic justification, which will require more time than initially estimated, and the submission to parliament of the draft law on public agencies, expected in the coming days.

“The Central African authorities and the IMF team made good progress in discussions on a set of economic and financial policies needed for the completion of the sixth and final review under the ECF. Discussions focused on the parameters of a revised budget for 2019—to be submitted to parliament before mid-June—with a view to optimize the use of the additional budget support provided by international partners to help sustainably meet the new priority spending needs generated by the peace agreement. Additional measures to improve and sustain revenue mobilization—including strengthening imports and export valuation—are also key to meeting these needs.

“The team urged the authorities to accelerate the integration of parafiscal taxes in the treasury single account and the implementation of the planed elimination of taxes and fees with no economic justification to support private sector development. The authorities are also encouraged to continue the strengthening of public expenditure management, to promote transparency and good governance. The authorities requested an IMF governance diagnostic mission and confirmed their commitment to limit borrowing—including concessional loans—to safeguard debt sustainability.

“The team thanks the authorities for their warm hospitality, cooperation, and constructive discussions.”

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