

EBS/75/54

CONFIDENTIAL

February 14, 1975

To: Members of the Executive Board
From: The Secretary
Subject: Central African Republic - Purchase Under the Oil Facility

Attached for consideration by the Executive Directors is a communication from the Central African Republic informing the Fund of the C.A.R.'s intention to request a purchase under the oil facility, together with the staff's analysis and recommendation.

This subject will be brought to the agenda for discussion on Friday, February 21, 1975.

Att: (1)

INTERNATIONAL MONETARY FUND

Central African Republic - Purchase Under the Oil Facility

Prepared by the African Department

(In consultation with the Exchange and Trade Relations, Legal,
Research, and Treasurer's Departments)

Approved by Charles L. Merwin

February 13, 1975

I. Introduction

In a communication dated January 21, 1975 (copy attached), the Central African Republic (C.A.R.) has informed the Managing Director of its intention to request a purchase equivalent to SDR 645,000 under Executive Board Decision No. 4241-(74/67), adopted June 13, 1974, and Executive Board Decision No. 4529-(74/153), adopted December 6, 1974. On October 11, 1974 the C.A.R. made a purchase of SDR 0.57 million, equivalent to the balance of its gold tranche position in the Fund. Subsequently, on October 16, 1974 and on December 19, 1974 it effected purchases under the Oil Facility totaling the equivalent of SDR 2.655 million, or 20.4 per cent of quota. The proposed purchase is equivalent to almost 5 per cent of the C.A.R.'s quota of SDR 13 million and will raise the C.A.R.'s purchases under the Oil Facility to the maximum access of SDR 3.3 million in 1974 as shown in SM/74/220, Table 4, Option D; it would also raise the Fund's holdings of the currency of the C.A.R. to 125.4 per cent of quota. A waiver of the conditions of Article V, Section 3(a)(iii) is required.

In the communication, the Government of the C.A.R. has stated that the purchase from the Fund is needed to meet a balance of payments deficit in 1974. It has stated further that the C.A.R. intends to consult with the Fund in accordance with paragraph 5(a) of Decision No. 4241-(74/67) and has represented in accordance with paragraph 5(c) of that Decision that the C.A.R. is following policies consistent with the understandings set forth in paragraph 2 of the Rome Communiqué of the ad hoc Committee of the Board of Governors on Reform of the International Monetary System and Related Issues and in Executive Board Decision No. 4134-(74/4), adopted January 23, 1974. While the purchase is outstanding, the C.A.R. will refrain from imposing or intensifying restrictions on current international payments inconsistently with its obligations under the Fund Agreement and from imposing or intensifying restrictions on current international transactions without consultation with the Fund. The C.A.R. has also represented that it will make repurchases in accordance with paragraph 5(d) of Decision No. 4241-(74/67).

No par value for the currency of the C.A.R., the CFA franc, has been established with the Fund. The official exchange rate between the CFA franc and the French franc, which is the intervention currency, is fixed at CFAF 1 = F 0.02.

The C.A.R. is a participant in the Special Drawing Account and has received allocations totaling SDR 4.4 million. At the end of January 1975 its SDR holdings amounted to SDR 0.8 million, representing 18.7 per cent of the net cumulative allocations. At that time the C.A.R. had a need to reconstitute in a single amount of SDR 969,671. Since the quarterly amount is in excess of 10 per cent of its net cumulative allocations, the C.A.R. will become subject to designation in the second quarter of 1975.

II. Impact on the Balance of Payments of Increases in the Prices of Petroleum Products

The C.A.R.'s oil import costs in 1974 are estimated at the equivalent of SDR 8.5 million, an increase of SDR 3.8 million over 1973. Since the previous oil facility paper (EBS/74/435), which was considered by the Executive Board on December 6, 1974, provisional data on movements in net foreign assets of the banking and postal systems have become available indicating that the C.A.R. incurred an overall balance of payments deficit of the order of SDR 4.0 million in 1974. This deficit is smaller than earlier forecasts apparently on account of higher export receipts, lower import payments, and larger development assistance than had been projected by the authorities. Gross official foreign reserves, which amounted to SDR 1.6 million at the end of 1973, declined to SDR 1.4 million at the end of 1974, a level equivalent to only one week of the estimated 1974 import payments. At the same time, short-term foreign liabilities, including official debt to the French postal system, increased substantially.

No restrictions on current international payments and transactions have been introduced in recent months. The exchange tax of 2.5 per cent, introduced in June 1968 and levied on certain payments and transfers, which constituted a discriminatory multiple currency practice, was abolished effective November 19, 1974. As already described in EBS/74/435, the C.A.R. maintains a liberal system of trade and payments.

III. Staff Appraisal and Proposed Decision

The C.A.R. has informed the Managing Director of its intention to request a purchase equivalent to SDR 645,000 under Executive Board Decisions No. 4241-(74/67) and No. 4529-(74/153). The proposed purchase will raise the C.A.R.'s purchases under the Oil Facility to the maximum access of SDR 3.3 million shown in SM/74/220, Table 4, Option D. The estimated increase in the cost of net oil imports in 1974 is SDR 3.8 million. Available data now indicate an overall balance of payments deficit

of SDR 4.0 million in 1974; at the end of 1974 the C.A.R.'s gross official foreign reserves were at a very low level. Since the Rome Communiqué, no new restrictions on trade and payments have been introduced, nor have existing restrictions been intensified.

Accordingly, and in the light of the representations of the Central African Republic, the staff believes that the member's request for a purchase equivalent to SDR 645,000 is in conformity with the Oil Facility Decision, as reviewed, and the following decision is submitted for consideration by the Executive Directors:

1. The Fund has received a communication dated January 21, 1975 from the Government of the Central African Republic informing the Fund of the intention of the Central African Republic to request a purchase equivalent to SDR 645,000 under Executive Board Decisions No. 4241-(74/67), adopted June 13, 1974, and No. 4529-(74/153), adopted December 6, 1974. The Central African Republic has made representations in accordance with paragraph 5 of Executive Board Decision No. 4241-(74/67).

2. The Fund determines that the purchase would be in conformity with these Decisions, agrees to the purchase, notes the representations made by the Central African Republic in accordance with paragraph 5 of the Decision No. 4241-(74/67), and grants the necessary waiver of the conditions of Article V, Section 3(a)(iii) of the Articles of Agreement on the repurchase terms set forth in the communication dated January 21, 1975.

Table 1. Central African Republic: Balance of Payments, 1972-74

(In millions of SDRs)

	1972	1973 ^{1/}	1974 ^{2/}
Exports, f.o.b.	41.8	50.6	57.5
of which: Cotton	(8.7)	(9.4)	(12.2)
Coffee	(8.6)	(9.0)	(9.7)
Diamonds	(12.0)	(10.1)	(11.9)
Imports, c.i.f.	48.5	55.3	64.0
of which: Petroleum products	(4.9)	(4.7)	(8.5)
Balance of trade	-6.7	-4.7	-6.5
Services	-14.7	-15.8	-17.0
Balance on goods and services	-21.4	-20.5	-23.5
Unrequited transfers	13.0	18.2	22.0
Private	-1.2	-1.0	-1.0
Government ^{3/}	14.2	19.2	23.0
Capital account	6.3	-2.9	-2.5
Private	2.5	-1.7	-1.0
Government ^{3/}	3.8	-1.2	-1.5
Net errors and omissions	-1.0	-6.3	--
Allocation of SDRs	1.4	--	--
Overall balance of payments (deficit -)	-1.7	-11.5	-4.0
Net monetary movements (increase -)			
Central Bank	--	5.5	-1.2
Deposit money banks and postal system ^{4/}	1.7	6.0	5.2

Memorandum items

Gross official foreign reserves end of December 1974	SDR 1.4 million
End of December 1974 gross official foreign reserves equivalent to 1974 imports	One week
Fund quota	SDR 13.0 million
Fund holdings of the Central African Republic's currency as per cent of quota	120.4 per cent
Maximum access to Oil Facility in 1974	SDR 3.3 million

Sources: Data provided by the C.A.R. authorities; and staff estimates.

^{1/} Provisional figures.

^{2/} Projections based partly on staff estimates.

^{3/} The 1973 figures for government transfers and capital exclude off-setting accounting entries of SDR 7.8 million representing the cancellation by France of certain pre-independence debts of the C.A.R.

^{4/} Including net changes in the C.A.R.'s indebtedness vis-à-vis the French postal system.

January 21, 1975

MANAGING DIRECTOR
INTERFUND
WASHINGTON, D.C.

I am submitting this cable on behalf of the Government of the Central African Republic to inform the Fund of the intention of the Central African Republic to request a purchase equivalent to six hundred forty-five thousand special drawing rights (SDR 645,000) under Executive Board Decisions No. 4241-(74/67), adopted June 13, 1974, and No. 4529-(74/153), adopted December 6, 1974. This amount is needed to meet a balance of payments deficit in 1974. If the Fund finds that this intended request is in conformity with these Decisions, the request for the purchase will be submitted promptly.

In connection with the proposed request for a purchase, the Government of the Central African Republic represents that it is following policies consistent with the understandings set forth in paragraph 2 of the Rome Communiqué of the ad hoc Committee of the Board of Governors on Reform of the International Monetary System and Related Issues and in Executive Board Decision No. 4134-(74/4) adopted January 23, 1974, and that, while the purchase is outstanding, this Government will refrain: (i) from imposing new, and from intensifying existing restrictions on current international payments inconsistently with its obligations under the Fund's Articles of Agreement, and (ii) from imposing new, or intensifying existing restrictions on current international transactions without prior consultation with the Fund.

The Government of the Central African Republic further represents that it will consult with the Fund in accordance with paragraph 5(a) of Executive Board Decision No. 4241-(74/67) during 1975 and subsequently during the period purchases are outstanding.

The Government of the Central African Republic will make repurchases corresponding to the proposed purchase to the extent that the amounts resulting from the purchase are still outstanding as soon as the balance of payments problem for which the purchase was made has been overcome and in any event in sixteen equal quarterly installments to be completed not later than seven years after the proposed purchase. Repurchases with respect to the purchases under the Decisions, other than those arising under Article V, Section 7(b), will be made in media specified by the Fund at the time of the repurchase.

ALPHONSE KOYAMBA
MINISTER OF STATE FOR FINANCE
GOVERNOR OF THE IMF FOR THE CENTRAL AFRICAN REPUBLIC