EXECUTIVE BOARD MEETING

EBS/20/198
Supplement 1
Correction 2

January 12, 2021

To: Members of the Executive Board

From: The Secretary

Subject: **Central African Republic—First and Second Reviews Under the Extended Credit Facility Arrangement and Request for Waivers of Nonobservance of Performance Criteria—Debt Sustainability Analysis**

Board Action:	The attached correction to EBS/20/198 (12/22/20) has been provided by the staff:
Factual Errors Not Affecting the Presentation of Staff's Analysis or Views	**Page 3**
Questions:	Mr. Martin, AFR (ext. 38323) Mr. Million, AFR (ext. 39602) Mr. Diaby, AFR (ext. 39621) Mr. Nshimiyimana, AFR (ext. 37204) Ms. Esham, AFR (ext. 39826)

Text Table 1. Central African Republic: Coverage of Public Sector Debt and Design of the Contingent Liability Stress Test

	Subsectors of the public sector	Sub-sectors covered
1	Central government	X
2	State and local government	X
3	Other elements in the general government	
4	o/w: Social security fund	X
5	o/w: Extra budgetary funds (EBFs)	
6	Guarantees (to other entities in the public and private sector, including to SOEs)	X
7	Central bank (borrowed on behalf of the government)	X
8	Non-guaranteed SOE debt	

1	**The country's coverage of public debt**	The central, state, and local governments plus social security, central bank, government-guaranteed debt		
		Default	**Used for the analysis**	**Reasons for deviations from the default settings**
2	Other elements of the general government not captured in 1.	0 percent of GDP	5.0	Possible domestic payment arrears not included in debt stock
3	SoE's debt (guaranteed and not guaranteed by the government) 1/	2 percent of GDP	5.0	Limited information on SOE's financial position
4	PPP	35 percent of PPP stock	0.0	
5	Financial market (the default value of 5 percent of GDP is the minimum value)	5 percent of GDP	5.0	
	Total (2+3+4+5) (in percent of GDP)		15.0	

1/ The default shock of 2% of GDP will be triggered for countries whose government-guaranteed debt is not fully captured under the country's public debt definition (1.). If it is already included in the government debt (1.) and risks associated with SoE's debt not guaranteed by the government is assessed to be negligible, a country team may reduce this to 0%.

Source: IMF staff estimates and country authorities

BACKGROUND ON DEBT

6. C.A.R.'s public and publicly guaranteed (PPG) debt has continued to gradually decline. (Text Figure 1). The end-2019 public debt to GDP ratio is now estimated at 47.2 percent (compared to 50 percent a year earlier), with the external debt to GDP ratio remaining steady at 36.1 percent at end 2019 (Text Figure 1).[6,7] However, the public debt to GDP ratio is now expected to slightly increase this year because of the Covid-19 pandemic, before resuming its downward trend from 2021 onwards.

[6] External debt is defined on a residency basis with the exception of BEAC advances, which are considered domestic debt as in the last DSA for C.A.R. Mechanically, the CFAF-denominated debt held by the BEAC would weaken the external debt sustainability indicators if they were considered external debt, but the risk from this debt is lower than foreign currency denominated debt owing to the lack of currency risk, strong institutional ties, and the relative ease of rescheduling. All outstanding T-bills are held by domestic banks and included in domestic debt.

[7] Excluding pre-HIPC arrears, the external debt stock amounted to 26.8 percent of GDP at end-2019. Pre-HIPC arrears are owed to Non- Paris Club creditors (Argentina, Equatorial Guinea, Iraq, Libya, and Taiwan, province of China). These arrears are expected to be rescheduled on HIPC terms. Authorities are pursuing their good faith efforts in contacting those Non-Paris Club creditors.