

SU/21/2

January 13, 2021

**The Acting Chair's Summing Up
Central African Republic—First and Second Reviews Under the Extended Credit
Facility Arrangement and Request for Waivers of Nonobservance of Performance
Criteria
Executive Board Meeting 21/3
January 12, 2021**

Executive Directors noted that the pandemic has had a substantial impact on C.A.R.'s economy. They urged the authorities to stand ready to put in place promptly additional measures in case of a resurgence. Directors acknowledged that the pandemic contributed to the program's underperformance, which also reflected pre-pandemic shortfalls in policy and reform implementation. They welcomed the improved program execution in recent months and urged stepped up efforts as the crisis abates to meet the ECF's objectives. Directors welcomed in this regard the integration of capacity development in the program.

Directors welcomed the authorities' focus on ensuring that the additional emergency donor financing is efficiently and transparently spent to fight the pandemic. They stressed the importance of an independent audit of Covid-related expenditures and publication of monthly data on these expenditures and related public procurement contracts.

Directors emphasized the need to deepen structural fiscal reforms to strengthen domestic revenue mobilization and enhance public financial management and public sector supervision. The elimination of public agencies that have no economic justification should not be postponed further. Improving spending efficiency and reducing arrears are also important.

Directors recommended intensifying efforts to enhance governance and the business climate, including through the adoption of the new labor and mining codes and the anti-corruption law, as well as the streamlining of parafiscal taxes.

Directors underscored that sustained grant financing and technical assistance remain crucial to program success. Given C.A.R.'s high risk of debt distress and the considerable uncertainty surrounding the economic outlook, Directors urged a prudent approach to contracting new external debt that prioritizes grant financing with some limited room for concessional borrowing.

C.A.R.'s program is supported by the implementation of policies and reforms by the CEMAC regional institutions, which are critical to its success. These include the updated policy assurance on regional net foreign assets accumulation provided in the updated letter of December 2020. Completion of the third review will be conditional on the implementation of the updated policy assurance.