

AFRICAN DEVELOPMENT BANK GROUP

**CENTRAL AFRICAN REPUBLIC: COMPLETION POINT DOCUMENT
UNDER THE ENHANCED HIPC INITIATIVE**

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LIST OF ACRONYMS AND ABBREVIATIONS

ADB	African Development Bank Group
ADF	African Development Fund
APR	Annual Progress Report
ARV	Anti Retro Viral
BADEA	Arab Bank for Economic Development in Africa
BWI	Bretton Woods Institutions
CAR	Central African Republic
CEMAC	Central African Economic and Monetary Community
CPAR	Country Procurement Assessment Review
CPIA	Country Policy and Institutional Assessment
CSP	Country Strategy Paper
DMFAS	Debt Management and Financial Analysis System
DSA	Debt Sustainability Analysis
EFA/FTI	Education for All /Fast-Track Initiative
EITI	Extractive Industry Transparency Initiative
EU	European Union
FDI	Foreign Direct Investment
FSF	Fragile States Facility
GDP	Gross Domestic Product
HIPCs	Heavily Indebted Poor Countries
HIV/AIDS	Human Immunodeficiency Virus/Acquired Immune Deficiency Syndrome
IDA	International Development Association of the World Bank
IFC	International Finance Corporation
IMF	International Monetary Fund
IMF-SMP	IMF Staff-Monitored Program
JCPSP	Joint Country Partnership Strategy Paper
JISN	Joint Interim Strategy Note
JSAN	Joint Staff Assessment Note
MDGs	Millennium Development Goals
MDRI	Multilateral Debt Relief Initiative
NCPD	National Committee for Public Debt
NGO	Non-governmental Organization
NPV	Net Present Value
NTF	Nigeria Trust Fund
PBA	Performance-Based Allocation
PCCF	Post Conflict Country Facility
PFM	Public Financial Management
PRGF	Poverty Reduction Growth Facility
PRSP	Poverty Reduction Strategy Paper
RMC	Regional Member Country
SMP	Staff Monitored Program
SSA	Sub-Saharan Africa
UA	Unit of Account
UNCTAD	United Nations Conference on Trade and Development
UNICEF	United Nations Children's Fund
WHO	World Health Organization

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EXECUTIVE SUMMARY

Background

On June 30, 2009, the Boards of Directors of the IMF and the World Bank agreed that Central African Republic (CAR) has made sufficient progress to reach the completion point under the Enhanced Heavily Indebted Poor Countries (HIPC) Initiative. Thus, CAR becomes the 21st Regional Member Country (RMC) to reach completion point under the Enhanced HIPC Initiative and as a result qualifies for a HIPC debt relief of US\$ 578.2 million, in end-2006 NPV terms, which includes US\$ 84.7 million debt relief from the Bank Group. This document presents the justification for CAR reaching the completion point and seeks the Boards' approval for the Bank Group's portion of the debt relief to be provided to Central African Republic.

Assessment of Requirements for the Completion Point

CAR has fulfilled all the eight (8) triggers for reaching the completion point. These include: (i) preparation of a full PRSP and its satisfactory implementation and monitoring for at least one year; (ii) maintenance of macroeconomic stability as evidenced by satisfactory implementation of the PRGF-supported program; (iii) satisfactory implementation of the constitutional provision on asset declaration and disclosure by the Prime Minister, members of the government, and members of the constitutional court, and a new decree extending the asset declaration obligation to senior public enterprise officers and key senior civil servants; (iv) improvement in the regulatory oversight and reporting framework in the forestry and mining sectors; (v) improvement in effectiveness, transparency and accountability in public financial management; (vi) satisfactory launching of civil service reform; (vii) improvement in public debt management; and (viii) satisfactory progress in achieving education, health and HIV/AIDS goals.

CAR's Debt Stock

CAR's revised nominal stock of debt stock, as at end-2006, is US\$ 1087.5 million, and the NPV of debt, after traditional debt relief, US\$ 908.8 million. Based on the revised data, the NPV of debt-to-export ratio is estimated at 461.77 percent. The amount of HIPC debt relief required to bring the NPV of debt-to-exports ratio down to the HIPC threshold of 150 percent, is estimated at US\$ 578.2 million, in end-2006 NPV terms, representing a Common Reduction Factor of 67.5 percent.

HIPC Assistance at Completion Point and its Breakdown

The total debt relief to Central African Republic, (i.e. US\$ 578.2 million in end-2006 NPV terms), is broken down as follows: (i) debt relief from multilateral creditors, US\$ 362.5 million (62.7 percent); (ii) debt relief from bilateral creditors, US\$ 186.22 million (32.2 percent); and (iii) debt relief from commercial creditors, US\$ 29.48 million (5.1 percent). ADB's share of the debt relief is US\$ 84.7 million, which accounts for 23.4 percent of the multilateral debt relief and 14.6 percent of the total debt relief.

Debt Relief under the MDRI

With the approval of CAR's completion point, the country qualifies for additional debt relief under the MDRI from the World Bank (IDA), the IMF and the ADB. The total debt relief under the MDRI is estimated at US\$ 342.79 million in nominal terms broken down as

follows: IDA, US\$ 195.4 million; the IMF, US\$ 2.9 million; and the ADB, US\$ 144.49 million, all in nominal terms. This document seeks Boards' approval for US\$ 144.49 million of debt relief from the ADB to CAR under the MDRI.

Debt Sustainability and its Sensitivity

Full delivery of HIPC and MDRI debt relief at the completion point would reduce CAR's debt burden significantly. The NPV of debt-to-exports ratio is expected to drop from 359 percent at end-2008 to 74.8 percent at end-2009. It would subsequently rise to 91.3 percent by end-2011, as a result of high volume of new borrowing, before declining to 56.1 percent by end-2028. The NPV of debt-to-GDP ratio is expected to decline from 43 percent at end-2008 to 8.3 percent at end-2009. The ratio would decline further to 6.5 percent at end-2019, and start rising gradually to 7.3 percent at end-2026. The NPV of debt-to-revenue ratio would decline from 383.5 percent at end-2008 to 79 percent at end-2009. It would continue to decline to 49.2 percent at end-2019, and start rising again, reaching 50.4 percent at end-2028. Furthermore, CAR's debt-service-to-exports ratio is projected to decline from 4.9 percent at end-2009 to 3.4 percent at end-2011, but would increase to 10 percent at end 2015, reflecting a rescheduling assumption for arrears to non Paris Club creditors. The ratio would decline gradually to 1.3 percent at end-2021 and start increasing again, reaching 3.1 percent at end-2028.

The sensitivity analysis of the long-term debt shows that faced with lower GDP growth, lower export growth, and less grants in its financial assistance, CAR's external debt situation would worsen considerably. This calls for continued prudent fiscal and debt management policies, diversification of the export base, and a financing policy that relies on grants.

Delivery Modality and Indicative Financing Arrangement

It is proposed that the Bank Group makes a commitment to provide CAR with an irrevocable debt relief of US\$ 84.7 million, in end-2006 NPV terms, from 2008 to 2018. Part of the debt relief, US\$ 49.4 million in 2006 NPV terms, was delivered during CAR's arrears clearance operation with the Bank Group prior to the HIPC Decision Point and an 84 percent reduction in debt service during the interim period.¹ The remaining debt relief, US\$ 35.3 million in end-2006 NPV terms, equivalent to US\$43.47 million in nominal terms, would be provided during the period 2008 to 2018. About 20 percent of that amount, or US\$ 7.1 million in end-2006 NPV terms, equivalent to US\$ 8.7 million in nominal terms, would be financed from internal resources, and the remaining 80 percent, US\$ 28.2 million in end-2006 NPV terms or US\$ 34.77 million in nominal terms, through the HIPC Trust Fund. Part of the HIPC Trust Fund's portion of the debt relief, amounting to US\$ 5.19 million in end-2006 NPV terms, or US\$ 5.37 million in nominal terms, has already been provided as an interim debt relief to CAR during 2008-2009.

Recommendations

The Boards of Executive Directors are invited to approve: (i) CAR's qualification for HIPC assistance after reaching completion point under the enhanced HIPC Initiative; (ii) the proposed HIPC debt relief of US\$ 84.7 million in end-2006 NPV terms for CAR; (iii) CAR's qualification for debt relief under the MDRI; and (iv) US\$ 144.49 million, in nominal terms, of debt relief for CAR under the MDRI.

¹About 49.5% of the arrears was financed through the Post-Conflict Country Facility (PCCF), 49.5% by Bilateral Donors, and 1% by CAR.

**CENTRAL AFRICAN REPUBLIC -
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THE ENHANCED HIPC INITIATIVE**

I. INTRODUCTION

1.1 On June 30, 2009, the Boards of Directors of the IMF and the World Bank approved the Central African Republic (CAR) HIPC Completion Point Document and CAR became the 21st Regional Member Country (RMC) to reach completion point under the enhanced HIPC Initiative.² CAR reached decision point in September 2007 during which US\$ 583 million of debt relief in end-2006 NPV terms, was committed for the country with a common reduction factor (CRF) of 68.1 percent.³ At completion point, the CRF was revised downward to 67.5 percent due to an increase in exports of goods and services reported by the authorities. Consequently, the required HIPC assistance was revised downward to US\$ 578.2 million, in end-2006 NPV terms. At decision point CAR was expected to fulfil eight (8) triggers to reach completion point, and it has fully met all the eight completion point triggers.

1.2 This document presents the justification for CAR reaching the completion point and thus qualifying for debt relief from international financial institutions, including Bank Group, under the enhance HIPC Initiative. It also seeks the Boards' approval for the Bank Group's portion of the debt relief, US\$ 84.7 million in end-2006 NPV terms, to be provided to CAR. Following this introductory section, Section II assesses CAR's requirements for reaching the completion point. The breakdown of the total debt stock and HIPC debt relief is presented in Section III and Section IV evaluates CAR's qualification for additional HIPC debt relief (topping-up). Section V discusses CAR's qualification for debt relief under MDRI while Section VI examines the debt sustainability after HIPC and MDRI assistance. Section VII analyzes the sensitivity of CAR's long-term debt sustainability. The Bank Group's contributions to CAR's poverty reduction strategy are reviewed in Section VIII. The details of the debt relief delivery modality are presented in Section IX, and the recommendations for the Boards' consideration in Section X.

II. ASSESSMENT OF REQUIREMENTS FOR REACHING COMPLETION POINT

2.1 Central African Republic was required to fulfill the following conditions to reach completion point.

- (i) Preparation of a full PRSP and its satisfactory implementation and monitoring for at least one year;
- (ii) Maintenance of macroeconomic stability and satisfactory implementation of the PRGF-supported program;
- (iii) Satisfactory implementation of the constitutional provision on asset declaration and disclosure by the Prime Minister, members of the government, and members of the

² See Annex 6: IDA/IMF: Central African Republic – Enhanced Heavily Indebted Poor Countries (HIPC) Initiative: Completion Point Document and Multilateral Debt Relief Initiative (MDRI), June 15, 2009.

³ For more information, please refer to Central African Republic – Decision Point Document Under the Enhanced HIPC Initiative, ADB/BD/WP/2007/139 - ADF/BD/WP/2007/111, 28 November 2007.

- constitutional court, and a new decree extending the asset declaration obligation to senior public enterprise officers and key senior civil servants;
- (iv) Improvement in the regulatory oversight and reporting framework in the forestry and mining sectors;
 - (v) Improvement in effectiveness, transparency and accountability in public financial management;
 - (vi) Satisfactory launching of civil servants reform;
 - (vii) Improvement in public debt management; and
 - (viii) Satisfactory progress in achieving education, health and HIV/AIDS goals.

This section assesses the country's performance against the above requirements.

A. Preparation of a Full PRSP and its Satisfactory Implementation and Monitoring

2.2 CAR's full PRSP, covering the period 2008-2010, was prepared through an extensive participatory process involving a broad range of stakeholders including civil society, the private sector, development partners, and representatives from the country's seven regions. It presents the government's vision and priority actions for reducing poverty in line with the Millennium Development Goals (MDGs). The strategic framework is based on four pillars: (i) restore security, consolidate peace and prevent conflict; (ii) promote good governance and the rule of law; (iii) rebuild and diversify the economy; and (iv) develop human capital. The PRSP was adopted in June 2007.

2.3 The government is operationalizing the framework for implementing and monitoring the poverty reduction strategy (PRS). This includes the establishment of the following:

- (i) A national strategy committee chaired by the Prime Minister;
- (ii) A national technical committee responsible for maintaining a permanent dialogue between the government and development partners;
- (iii) A national technical secretariat which coordinates the implementation, monitoring and evaluation of the PRS;
- (iv) Nine sectoral committees responsible for the implementation of sectoral strategies; and
- (v) Seven regional committees responsible for monitoring and evaluation at the regional and local levels.

The national technical secretariat has produced its first annual PRSP progress report covering 2008. The statistical operations to generate the PRS tracking indicators are under way and expected to be completed with the help of donors. The results of the core welfare indicative survey undertaken in 2008 were expected in May 2009; and a new household survey is planned for 2009.

2.4 A review of the progress on the implementation and monitoring of the PRS by IDA and IMF staff concluded that the PRS implementation and monitoring have been satisfactory over the past year, despite some challenges related to the impact of the changing international environment, difficulty in mobilizing external resources to finance key activities, and inadequate

administrative capacity. Hence, the requirement for the full preparation of the PRS and its satisfactory implementation and monitoring for at least one year, has been met.

B. Maintenance of Macroeconomic Stability and Satisfactory Implementation of the PRGF-Supported Program

2.5 2008 was particularly difficult for CAR. There was a civil servants strike, a serious electricity shortage, food and fuel price hikes and trade and financial shocks. As result economic growth declined from 3.7 percent in 2007 to 2.2 percent in 2008; end-year inflation rose to 14.5 percent and current account deficit was 9.9 percent of GDP.⁴ Despite the difficult economic conditions, CAR still maintained a stable economy. Domestic revenues increased as a result of improvements in tax and customs administration, with revenue to GDP ratio increasing from 9.5 percent in 2006 to 10.4 percent in 2008. Domestic spending was carefully managed and poverty related expenditures were well executed. Also a significant portion of the domestic arrears was cleared and interim HIPC assistance and debt relief by the Paris Club helped to execute the budget smoothly.

2.6 The cost of petroleum imports rose sharply in 2008 and exports decreased. This caused the overall current account deficit to increase from 6.2 percent of GDP in 2007 to 9.9 percent of GDP in 2008. However, because of significant inflows in Foreign Direct Investment (FDI), short term private capital, and an increase IMF disbursement, the gross official reserves increased from 2.4 months of imports in 2007 to 3.3 months of imports in 2008.

2.7 Structural reforms that were introduced during the implementation of the PRS helped to make the government budget more resilient to negative shocks. For example, an automatic adjustment mechanism for petroleum prices was adopted to insulate the budget from fluctuations in international prices and secure resources for priority spending. With the adjustment mechanism in petroleum prices, the government is now generating significant revenues from petroleum consumption to offset the loss in revenue from the reduction in the output of the primary production sectors due to external shocks. Most of the quantitative targets through December 2008 have been achieved and good progress has been made with the structural reforms in PRGF-supported program.

2.8 IDA and IMF staffs have concluded that CAR has fully met the requirement of maintaining a macroeconomic stability as evidenced by the satisfactory implementation of the PRGF-supported program.

C. Asset Declaration and Disclosure

2.9 The Prime Minister, all Ministers of the current government, members of the previous government and members of the constitutional court have prepared and submitted a declaration of assets form to the constitutional court. In line with its mandate, the constitutional court has made the declaration public by posting them on the government's website. A presidential decree has extended the asset declaration obligation to senior directors of major public enterprises and

⁴ See Annex 6: IDA/IMF: Central African Republic – Enhanced Heavily Indebted Poor Countries (HIPC) Initiative: Completion Point Document and Multilateral Debt Relief Initiative (MDRI), June 15, 2009, p. 9.

selected senior civil servants. All individuals concerned have fully complied with the obligation. The information has been disclosed to the general public after verification.

2.10 Furthermore, the government has made substantial progress in strengthening the institutional framework to fight corruption and improve transparency. For example, the government has established a permanent anti-corruption committee charged with the responsibility of formulating, coordinating and monitoring anti-corruption strategy. The committee has drawn its priority action plan which is currently under review by the government and development partners. Some additional anti-corruption bodies have also been established including the national financial investigating agency, established in 2007 to investigate money laundering, and the *Bureau des Usagers* in the office of the General Inspectorate of Finance, established in July 2008 to facilitate and manage the reporting of corruption allegations and complaints.

2.11 With the declaration and disclosure of assets by all individuals concerned, the asset declaration and disclosure requirement has been met.

D. Structural Reforms in the Forestry and Mining Sectors

Forestry

2.12 A new forestry code that provides a legal and regulatory framework for promoting sustainable development of the forestry sector was adopted by Parliament and promulgated by the President in 2008. It differentiates forests by permanent and non-permanent domain where the permanent comprises of all the areas subject to mandatory management plans. The new legislation defines the usage rights of local and indigenous populations and the procedure for consultations before a concession is awarded. The taxation system underscores the need for sustainable forest management and provides for an equitable sharing of forests rents among government, private operators and local communities. The new legislation promotes concessional award system based on competitive bidding and demands that information about the allocation process be made public. It also requires new permit holders to adopt and implement forest management plans. The framework would permit awarding longer and more stable contracts.

2.13 A public information system is now set up by the government to ensure that local communities are informed about forestry and mining activities. For example, at community meetings and on local radio broadcasts, social mediators provide information to communities on the activities of forest companies, the revenue they generate, the revenue-sharing mechanism, and the revenue accruing to communities. The information has been available to all forest communities since December 2008.

2.14 The authorities are committed to ensuring that the reforms in the forestry sector are sustained. For example in March 2008, it cancelled two permits awarded in 2007 because with the new licenses it would have been possible to harvest without being in compliance with the new regulations.

Mining

2.15 The 2004 mining code has been revised to help improve governance in the sector. The discretionary powers of the government have been reduced and a transparent system for managing licenses instituted to enhance the stability of potential investors. Furthermore, the revised mining code permits training of nationals, and the employment of trained nationals in the mining ventures at competitive market rates. It also provides incentives to undertake local processing to increase the domestic value added to the mining sector. In addition, it is designed to facilitate the development of forward and backward linkages by encouraging mining and processing companies to use inputs from local suppliers. Lastly, tax incentives have been rationalized and standardized for all new mining projects. Parliament adopted the revised mining code in April 28, 2009.

2.16 Also, Parliament has adopted a new standard form for mining agreements based on best international practices which includes stability clauses. The new form intends to attract new investments by reducing investor risk in a transparent manner. It also seeks to enhance linkages at the local and community levels by facilitating formal agreements between mining companies and communities in the mining areas.

2.17 The government has adhered to the Extractive Industries Transparency Initiative (EITI) and has published its first EITI report on mining revenues covering 2006.

2.18 With all the reforms in the forestry and mining sectors, it is concluded that the government has met the completion point triggers for the forestry and mining sectors.

E. Improving Effectiveness, Transparency and Accountability in Public Financial Management

2.19 Government's efforts to improve the efficiency of public expenditure have centered on public financial management reforms. A new budget nomenclature, developed in 2008, allows expenditures to be classified on economic, administrative and functional basis, and permits the tracking of expenditures devoted to fight poverty. With the new nomenclature, budget documentation is also streamlined and simplified to improve fiscal transparency. Parliament has promulgated a new procurement code whose legal framework conforms to international practices. The new code promotes fair and transparent competition for public sector contracts. The government has created a general public procurement directorate (DGMP) responsible for public procurement policy, a regulatory authority to oversee the procurement function, and a bidders' complaint unit for resolving disputes during the procurement process. To facilitate the implementation of the new code, a manual of procedures for executing agencies, standard bidding documents, and a description of general condition of contracts has been prepared. A training program is also being implemented. All contracts recently awarded are in full conformity with the new legal and regulatory framework.

2.20 A computerized expenditure management system (GESCO) is operational and permits the tracking of the resource flow through the budget expenditure chain. The new system has facilitated the production of quarterly reports at various stages of the execution. These reports

have been produced on a regular basis since the first quarter of 2008. In addition, reports with a sectoral focus on the Ministries of Education, Health, Agriculture and rural Development, and Equipment have been published.

2.21 The civil servants file and wage data have been merged into a single database. The payroll directorate at the Ministry of Finance is able to validate the documentary evidence sent by Ministry of Civil Service, and routinely processes the monthly payroll after verification. A computer management information system has been introduced to facilitate and coordinate the management of the unified database. All these reforms have ensured a more effective administrative, budgetary and financial management of public human resources.

2.22 Significant progress has also been made in other areas of public financial management. For example, cash management has been strengthened with the creation of a liquidity committee and the limitation of non-cash backed cheques; CAR is implementing a treasury single account; most non-donor mandated commercial accounts with commercial banks have been closed; a consultation mechanism with line ministries and civil society has resulted in a better alignment of expenditures with sector policies; and a simplification and reduction in the number of steps required to process expenditures. All these have helped to improve budget execution.

2.23 Looking forward, government intends to build on the recent progress to further enhance the effectiveness of the public financial management system by: (i) developing a medium term approach to budgeting to align the budget with medium term goals such as MDGs and PRS; (ii) strengthening the external control of budget execution; and (iii) enhance accountability with the preparation of final accounting for 2008 and the 2008 budget execution law, for submission to the Court of Accounts and Parliament.

2.24 In view of these measures taken by the government, it is concluded that the government has made significant progress in improving public financial management, and that the related completion point trigger has been met.

F. Satisfactory Launching of Civil Service Reforms

2.25 In line with the PRSP recommendations a new organizational framework designed to improve efficiency and effectiveness in delivery of services has been designed and adopted by cabinet. The authorities are working to provide a clean definition of roles and functions of each unit and job description for each post.

2.26 A new civil service statute which defines the rights and obligations of civil servants, the structure of the civil service, the sanctions system, and the procedures for employment termination, has been prepared and submitted to the inter-ministerial council. The statute includes guidelines on conflict of interest and specifies the remuneration and performance assessment system. On remuneration, it defines the index-based system which ties pay to grades and levels. The index would be revised in line with the cost of living. It also specifies that bonuses cannot exceed 10 percent of salary. On performance, the annual evaluation is linked to promotion and remuneration. Civil servants would have to achieve a minimum score to be eligible for promotion every two years. The statute also defines a two-level recourse system

when a civil servant disagrees with the performance evaluation; first bringing it to the attention of the Minister, and second filing a complaint with an external agent. The statute also contains the basic rules of meritocratic civil service and condemns corruption. The government plans to set up a coordination mechanism under the Prime Minister's office that will help steer the Civil Service Reform Program.

2.27 With the aforementioned reforms in the civil service, it is concluded that the government has met the completion point trigger of satisfactorily launching civil service reforms.

G. Improving Public Debt Management

2.28 A computerized Debt Management and Financial Analysis System (DMFAS) is operational in the debt management department of the Ministry of Finance and can produce external debt reports. The capacity of the debt department has been reinforced with the recruitment of new staff and training by United Nations Conference on Trade and Development (UNCTAD) on the use and maintenance of DMFAS. Also, by a Presidential decree, a National Committee for Public Debt (NCPD) has been established with the mandate to coordinate and monitor the implementation of the government debt strategy and policy and to produce and publish debt statistics bulletin on a regular basis.

2.29 A comprehensive debt database containing data on domestic, external and guaranteed debt of the central government whose format conforms to international standards, has been established and is being maintained. The debt records contain major and detailed characteristics of all debt outstanding and disbursed and public and publicly guaranteed domestic and external debt as of December 2008, with all external debt fully reconciled. The database helps the debt department to produce periodic debt data with short lags. To guide the implementation of the debt management system, the authorities have adopted a manual of procedures that conforms to standard practices. With the functionality of DMFAS, the training and experienced gained by the debt department over the years and the mandate to produce statistical debt bulletins, there is a reasonable assurance that public debt data would be published annually

2.30 The government is consolidating the gains achieved in debt management by (i) making the NCPD fully operational; (ii) consolidating the mandate of the debt management and the technical skill acquired by the new staff; (iii) reducing the lag time for the production of the annual and quarterly reports; and (iv) reinforcing the capacity of the domestic debt management department to strengthen coverage and follow up of domestic debt including arrears for non central government institutions and agencies.

2.31 With all the measures put in place to improve public debt management, it is concluded that the government has met the completion point trigger on improving public debt management.

H. Satisfactory Progress in Social Sector Reforms to Achieve Education Health and HIV/AIDS Goals

Education

2.32 In 2007/2008, 850 new apprentice teachers were recruited and deployed in 483 primary schools across the country, including conflict zones. In addition, 171 student teachers from the national school of primary school teachers were recruited and are being deployed throughout the country. As a result of these recruitments, at least 1,000 new teachers would be available to provide teaching services to 2009/2010. These recruitment efforts are helping to address the need for primary school teachers and better educated staff.

2.33 In 2007, the government issued a decree that aims to eliminate repetition within each of the three levels of education and limit the repetition rate from one level to the next to 10 percent. This measure was implemented jointly with a training program which helped primary school directors and teachers design remedial programs for students who would have repeated under the previous arrangements. Preliminary impact of the decree shows some progress in reducing the national repetition rate from 28 percent in 2006/2007 to 26 percent in 2007/2008; and in the central-east area, from 30 percent in 2006/2007 to 26 percent in 2007/2008.

2.34 In February 2008, the Council of Ministers adopted the 2008-2020 National Education Strategy. The strategy was endorsed by the Education for All/Fast Track Initiative (EFA/FTI) in December 2008. The strategy attempts to address the systemic weaknesses in the education sector by improving access to education through school construction and rehabilitation, enhancing the quality of education through teacher training and education materials, and increasing the management capacity and efficiency of the education system. With these measures, it is possible to lower the repetition rate to less than 20 percent in the future.

2.35 With these reforms and progress, it is concluded that the government has met the completion point trigger on education.

Health

2.36 On improving the health status of the population, the government's main objectives are; to refurbish the sanitation infrastructure, increase the availability of basic health, reduce infant and maternal mortality, fight endemic diseases, and promote multisectoral approach to combating HIV/AIDS. Several key documents have been prepared to provide guidance to government's efforts to improve public health including the national strategic plan to reduce malaria, the extended multi-annual vaccination program 2007-2011, and the updated national strategy against HIV/AIDS (2006-2010).

2.37 At end-August 2008, the DPT3 immunization rate reached 67 percent, up from 40 percent in 2005, and well on track to reach at least 80 percent by end-2008. However, on September 1, 2008, a new vaccine (Pentavalent) was introduced at the recommendation of WHO officials, and as at October 2008, the Pentavalent coverage was 15 percent. The combined immunization rate was expected to exceed 80 percent at end 2008.

2.38 The government has exceeded its plan to distribute at least 300,000 impregnated mosquito nets. In 2007, the Ministry of Health distributed 650,000 impregnated mosquito nets. This was surpassed in 2008, when with the support from UNICEF, 840,687 treated mosquito nets were distributed throughout the country. The operation was combined with a vaccination campaign against measles, and the distribution of soaps and mosquito nets to children under five and pregnant women.

HIV/AIDS

2.39 From a 2006 study, the HIV infection rate in CAR was estimated at 6.2 percent with substantially higher rates for females (7.8 percent) than males (4.3 percent). The updated national strategy against HIV/AIDS (2006-2010) provides a sound framework for combating the HIV/AIDS epidemic. The number of condoms distributed increased substantially over the past years, reaching 16 million at end-2007 before stabilizing at 15 million in end-2008. In addition, awareness campaigns with special actions targeted at high risk groups are being carried out. Condom use is rising especially among the sexually active population.

2.40 Access to care treatment for persons living with HIV/AIDS was expanded through the decentralization of treatment centers, and with the opening of 13 new Anti Retro Viral (ARV) units that provided treatment to 700 persons living with HIV/AIDS on top of the 7,800 persons already benefiting from the ARV therapy program. Prevention of mother-to-child transmission is strengthened through the training provided in 30 health centers and the installation of new equipments in several health centers to improve access to voluntary testing.

2.41 With all the efforts and results in the health sector and the various measures to combat HIV/AIDS, it is concluded that the government has met the completion point triggers on the health sector and on HIV/AIDS.

I. Overall Assessment

2.42 Central African Republic (CAR) has fully implemented all the eight completion point triggers and fulfilled all the requirements for reaching the HIPC completion point. CAR should therefore be granted a HIPC completion point status, for it to qualify for an irrevocable debt relief under the enhanced HIPC Initiative.

2.43 A copy of the HIPC completion point document prepared by the Bretton Woods Institutions (BWI) is attached as Annex 6.

III. CAR'S DEBT STOCK AND HIPC DEBT RELIEF

3.1 After a reconciliation of the stock of debt against creditor statements as at end-December 2006, CAR's nominal stock of debt has been revised to US\$ 1087.5 million from US\$ 1086.6,

and the NPV of debt after arrears clearance and traditional debt relief⁵ revised to US\$ 856.6 million from US\$ 855.9, in end-2006 NPV terms, million, as highlighted in Annex 1.

3.2 **Multilateral creditors:** The nominal debt stock owed to the multilateral creditors remains at US\$ 686.1 million and the corresponding NPV in end-2006 terms, after arrears clearance and traditional debt relief at US\$ 536.7 million. The ADB's share of the multilateral debt remains at US\$ 169.5 million in nominal terms, and US\$ 125.5 million in end-2006 NPV terms.

3.3 **Paris Club Bilateral Creditors:** The nominal debt stock owed to Paris Club bilateral creditors is revised from US\$ 72.0 million to US\$ 72.5 million, and the NPV of the debt stock, after arrears clearance and traditional debt relief, from US\$ 47.3 million to US\$ 48.3 million, in end-2006 NPV terms.

3.4 **Non-Paris Club Bilateral Creditors:** The nominal debt stock owed to other official bilateral creditors is revised from US\$ 272.3 million to US\$ 272.6 million, and the NPV of the debt, after arrears clearance and traditional debt relief, from US\$ 228.3 million to US\$ 227.9 million, in end-2006 NPV terms. .

3.5 **Commercial Creditors:** The nominal debt stock owed to commercial creditors is revised from US\$ 56.2 million to US\$ 56.3 million, and the NPV of the debt stock, after arrears clearance and traditional debt relief, from US\$ 43.6 million to US\$ 43.7 million, in end-2006 NPV terms.

3.6 Estimates of exports of goods and services used to evaluate the HIPC assistance at decision point have been revised from an average of US\$ 182 million to US\$ 185.5 million. Based on the revised debt and exports data, the NPV of debt-to-export ratio, after traditional debt relief, is estimated at 461.77 percent compared to 470.27 percent at the decision point. The amount of HIPC debt relief required to bring the NPV of debt-to-exports ratio down to the HIPC threshold of 150 percent is estimated at US\$ 578.2 million, compared to US\$ 582.5 million at decision point. Consequently, the Common Reduction Factor is reduced from 68.1 percent to 67.5 percent.

3.7 Table 1 and Chart 1 present the breakdown of the HIPC debt relief to CAR by creditors. The total HIPC debt relief from multilateral creditors at completion point is estimated at US\$ 362.5 million in end-2006 NPV terms (62.7 percent); that from bilateral creditors at US\$ 186.18 million (32.2 percent); and that from commercial creditors, at US\$ 29.48 million (5.1 percent). The African Development Bank Group's share of the debt relief is US\$ 84.7 million, equivalent to 23.4 percent of the multilateral debt relief and 14.6 percent of the total debt relief.

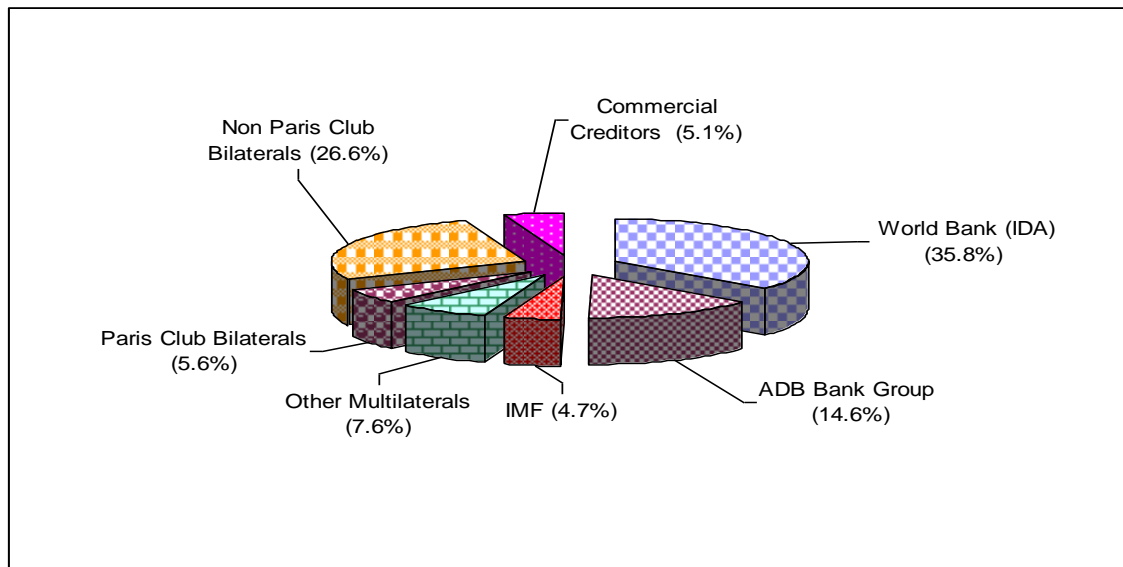
⁵ Traditional debt relief mechanism involves debt reduction through the restructuring of debt stock on Paris Club Naples terms which involves a 67 percent reduction in NPV terms of eligible debt and at least comparable action by bilateral creditors.

Table 1. Creditor Participation in CAR's HIPC Debt Relief
(US\$ million)

Creditors	Completion Point Debt Relief (end-2006 NPV)	Percentage of Total Debt Relief from Multilateral Creditors (%)	Percentage of Total Debt Relief from all Creditors (%)
Multilateral Creditors	362.5	100.0	62.7
<i>ADB Bank Group</i>	84.7	23.4	14.6
<i>World Bank (IDA)</i>	206.9	57.1	35.8
<i>IMF</i>	26.98	7.4	4.7
<i>Other Multilaterals</i>	43.92	12.1	7.6
Bilateral Creditors	186.22		32.2
<i>Paris Club</i>	32.38		5.6
<i>Non-Paris Club</i>	153.84		26.6
Commercial Creditors	29.48		5.1
Total HIPC Debt Relief	578.2		100.0

Sources: IDA/IMF: Central African Republic – Enhanced Heavily Indebted Poor Countries (HIPC) Initiative: Completion Point Document and Multilateral Debt Relief Initiative (MDRI), June 15, 2009.

Chart 1: Distribution of CAR's HIPC Debt Relief by Creditor Group (%)



3.8 Most multilateral and Paris Club creditors have confirmed their participation in the HIPC. In 2008 and 2009 the CAR authorities sent letters to their non-Paris club creditors to initiate negotiations of possible debt restructuring. Some of the creditors including Argentina (3.9 percent of total HIPC-eligible debt), Kuwait (2.2 percent), Libya (1.2 percent) Saudi Arabia (1.9 percent), and Serbia (2.4 percent), agreed in principle to provide debt relief at completion point. A number of the non-Paris club bilateral creditors, including China (2.9 percent of total HIPC-eligible debt), and Taiwan, China, (10.9 percent), have not responded. However, in January 2007, China cancelled two of its loans totaling US\$ 11 million accounting for 29 percent of the nominal amount of China's loans to CAR and 59 percent of its share of HIPC relief in end-2006 NPV terms.

3.9 The CAR authorities have also sent letters to all their commercial creditors to request a rescheduling of the existing debt. Some of these creditors totaling 3.1 percent of the total HIPC-eligible debt, agreed in principle to provide debt relief. Commercial creditors that have not responded favourably to CAR's request account for 2 percent of the total HIPC-eligible debt. The government is committed to negotiate in good faith with the remaining creditors. Even though non-participating creditors have filed lawsuits against post-completion HIPC countries in the past, as of now, the Bank Group Management is not aware of any litigation against the government of CAR.

3.10 **Interim HIPC Debt Relief:** Out of the respective amounts of debt relief shown in Table 1, IDA, the IMF the ADB, the EU, BADEA, and Paris Club bilateral creditors have provided interim debt relief. IDA has provided US\$ 81.1 million in NPV terms as interim debt relief through an arrears clearance program and a 63.4 percent reduction in debt service falling due during the interim period; the IMF has provided US \$ 10.3 million in the form of technical assistance; the ADB has provided US\$ 49.4 million through an arrears clearance program in December 2006 and an 84 percent reduction in debt services during the interim period; the EU has provided US\$ 1.8 million through an arrears clearance program on grant terms and a 100 percent reduction on debt service on selected loans during the interim period; BADEA has provided an estimated US\$ 3 million through rescheduling of accrued arrears and maturities, and the Paris Club has provided US\$ 4 million in end-2006 terms through a flow treatment of Cologne terms.

IV. CONSIDERATION FOR ADDITIONAL HIPC DEBT RELIEF (TOPPING-UP)

4.1 As of end-December 2008, after full delivery of the assistance committed at decision point, the NPV of debt-to-exports ratio, was revised to 148.0 percent, compared to 127.1 percent projected at the decision point. After additional bilateral debt relief beyond the HIPC Initiative, the NPV of debt-to-exports ratio is further reduced to 137.8 percent. Four main factors contributed to the higher-than-projected NPV of debt-to-exports ratio: (i) the depreciation of the dollar and a lower discount rate used to calculate the NPV of debt; (ii) significantly lower exports of diamonds and wood products in 2008; (iii) less concessional new borrowing; and (iv) changes in the amount of HIPC relief and the mechanism of assistance.

4.2 However, the NPV of debt-to-exports of 137.8 percent at end-2008 is below the 150 percent threshold for consideration of topping-up defined under the HIPC Initiative. Hence, CAR does not qualify for additional debt relief (topping-up).

V. DEBT RELIEF UNDER MULTILATERAL DEBT RELIEF INITIATIVE (MDRI)

5.1 With the approval of CAR's completion point under the enhanced HIPC Initiative and the associated debt relief, CAR qualifies for additional debt relief from IDA, IMF and ADB under the MDRI. MDRI debt relief would save CAR US\$ 342.79 million in debt service over a period of 33 years on debt owed to these institutions. The MDRI debt relief would be provided in accordance with the specific implementation modalities adopted by each institution.

5.2 IDA would provide MDRI debt relief through the cancellation of debt disbursed before end-2003 and still outstanding on June 30, 2009 which amounts to US\$ 195.4 million (SDR 128.2 million), in nominal terms. The ADB would provide debt relief to CAR under the MDRI amounting to US\$ 144.49 million (UA 93.09 million),⁶ in nominal terms, representing debt disbursed as of end December 2004, and still outstanding on June 30 2009. MDRI debt relief would be provided through CAR's post-completion-point repayment obligations. The IMF would provide debt relief under the MDRI amounting to US\$ 2.9 million, (SDR 1.9 million), in nominal terms, covering the full stock-of-debt owed to the IMF at end-2004 that remains outstanding at the completion point after full delivery of HIPC debt relief.

VI. DEBT SUSTAINABILITY AFTER HIPC AND MDRI ASSISTANCE

6.1 The medium-to-long term sustainability of CAR's debt is analyzed under a macroeconomic framework that is in line with the government's medium-term program under the current PRGF arrangement. The main elements include:

(i) an average annual real GDP growth of 4.4 percent for 2009-2029, predicated by sustained security and political stability, an improvement in the country's institutional and administrative capacity, and appropriate macroeconomic policies. Such an environment would boost private investment, especially in forestry, mining and telecommunication, and public investment in infrastructure would help revive agriculture;

(ii) the GDP deflator is projected to increase moderately by 2.5 percent on average for 2009-2029;

(iii) current account deficit (including grants) is projected at 10 percent of GDP in 2009-2010, and an average of 7 percent for 2009-2029. The current account deficits would be financed by official development assistance (project loans) and new borrowings. Trade balance is projected to improve over time due to stronger export performance resulting from the structural reforms;

(iv) the domestic balance would be in surplus until 2019 and decline to zero between 2020-2029. Overall fiscal deficit would average about 1.2 percent of GDP for 2009-2029. Domestic revenue is projected to rise from 10.5 percent of GDP in 2009 to 14 percent at end 2029 due to steady tax and custom administration improvement and tax policy reforms. Total expenditures are projected to increase from 17 percent of GDP in 2009 to about 20 percent in 2029 with most increase in infrastructure investment;

(v) annual loans and grants are assumed to amount to 5.4 percent of nominal GDP in the long run. Grants would account for 80 percent of total external assistance with the grant element of new external loans averaging 52 percent of the period;

⁶ The Exchange rate as at end-June 2009 is: UA 1.00 = US\$ 1.55223.

(vi) government would start accessing the securities being developed by the Central African Economic and Monetary Community (CEMAC) in 2010, and this will allow the government to reduce financing costs, improve liquidity management and repay domestic arrears. This coupled with prudent fiscal policy, would cause a decline a domestic debt during the period; and

(vii) the average real interest rate on domestic currency debt should converge at about 4.8 percent in the long-run.

6.2 Within the macroeconomic framework discussed above, after full delivery of HIPC debt relief at completion point, additional bilateral assistance beyond HIPC, and MDRI debt relief, CAR's external public debt would be reduced considerably and all external debt indicators would improve significantly. The NPV of debt-to-exports ratio would fall from 359 percent at end 2008, to 74.8 percent at end-2009. The ratio would rise to 91.3 percent by end-2011 as a result of high volume new borrowing but would subsequently decline to 56.1 percent at end-2028. The NPV of debt-to-GDP ratio would decline to 8.3 percent at end-2009 from 43.0 percent at end-2008. The ratio would decline gradually to 6.5 percent at end-2019 and start rising gradually to 7.3 percent at end-2026.

6.3 The NPV of debt-to-revenue ratio would decline to 79 percent at end-2009 from 383.5 percent at end-2008. The ratio would continue to decline to 49.2 percent at end-2019. It would then start increasing, peaking at 52 percent at end-2025, and decline again to 50.4 at end-2028.

6.4 Debt service to exports ratio decline from 4.9 percent at end-2009 to 3.4 percent at end-2011, but would increase to 10 percent at end-2015, reflecting the rescheduling of arrears to non-Paris Club creditors. The ratio would decline gradually to 1.3 percent at end-2021 and start increasing again to 3.1 percent in 2028.

VII. SENSITIVITY ANALYSIS AND LONG-TERM DEBT SUSTAINABILITY

7.1 The sensitivity of CAR's debt sustainability is analyzed under three alternative scenarios: (1) **Lower GDP Growth:** This assumes no growth acceleration as a result of which the real GDP growth is 1.3 percent on average over the projected period of 2009 to 2029., relative to the baseline scenario of 4.4 percent over the period; (2) **Lower Export Growth:** This assumes a reduction in growth of exports by 30 percent from 2010 onward as a result of a failure to diversify export products due to delayed foreign investment in key sectors such as gold, uranium and in higher value-added for wood products; and (3) **Less Grants:** This assumes that disbursement of budget support and project grants fall short of the baseline projection by 50 percent from 2010 onward and the short-fall is financed by additional borrowing on concessional terms. This leads to a higher ratio of loan financing to GDP ratio of 3.2 percent in 2029 compared to 1 percent in the baseline scenario.

7.2 Under Alternative Scenario 1, all indicators of NPV of debt would deteriorate compared to the baseline scenario. For example, the NPV of debt-to-revenue ratio would increase by 12.7 percentage points by 2018 and by 15.4 percentage points on average in 2019-2028, reaching 74.6 percent in 2028. Under Alternative Scenario 2, compared to the baseline, the NPV of debt-to-

exports ratio would be higher on average by 10.5 percentage points during 2008-2018, and by 23.5 percentage points during 2019-2028, reaching 89.8 percent in 2028. Under Alternative Scenario 3, all debt indicators would deteriorate substantially. The NPV of debt-to-GDP ratio, the NPV of debt-to-exports ratio, and the NPV of debt-to-revenue ratio, would all, on average, be more than double those in the baseline scenario for the period 2019-2028.

7.3 The results of the sensitivity analysis underscore the importance of continuing the prudent fiscal policies, and relying on grants to finance additional capital spending. The results also show the importance of diversifying the export base, the adoption of forward looking debt management practices, and the readiness to respond to unexpected shocks.

VIII. BANK GROUP'S CONTRIBUTION TO CAR'S POVERTY REDUCTION STRATEGY

8.1 After an accumulation of arrears on its debt repayments to the Bank Group, the Central African Republic was placed under sanctions in 1994.

8.2 Following a 2005-2006 Dialogue Paper, the Bank and the World Bank prepared a 2007-2008 Joint Interim Strategy Note JSIN for CAR to support sustainable and shared economic recovery. The strategy focused on two pillars: (i) strengthening the economic recovery, public sector governance and technical capacity; and (ii) restoring and promoting human development particularly for the under privileged.

8.3 Under Pillar I, the Bank Group focused on arrears clearance and improvement and effectiveness of government. In this regard, in December 2006, the Bank Group reached an agreement to clear CAR's arrears through its Post Conflict Country Facility (PCCF) (49.5%), CAR's Development Partners (49.5%), and payment by CAR (1%). Under Pillar II, the Bank Group focused on socio-economic projects aimed at rehabilitating and equipping health facilities and schools, and supporting the training of teaching and health staff.

8.4 Since re-engagement in 2006, the active portfolio of the Bank Group in CAR has been undergoing some reconstitution. As of April 2009, the active portfolio comprised of four projects totaling UA 38.87 million, of which UA 11.3 million (29.1%) has been disbursed (See Table 2 below). The projects are in the multi-sector, the transport sector and water and sanitation. The portfolio is young with an average project age of 1.43 years. In addition, UA 8.0 million was approved from the Fragile States Facility in July 2009 to finance The Project for Community Development and Support to Vulnerable Groups (PDCAGV).

Table 2. Bank Group Portfolio in CAR as at April 2009

Sector	Project	Approval date	Amount Approved (UA mil.)	% Disbursed	Age (years)
Multi-sector	Economic Planning Capacities Rehabilitation Support Project (PARCPE)	21-Jul-06	3.3	61.8%	2.61
Multi-sector	Economic Reform Support Program Phase II (PARE II)	15-Oct-08	6.5	100%	0.42
Multi-sector Total			9.8	90.1%	1.51
Transport	Regional Transport Facilitation Program on the Douala-Bangui and Douala-Ndjamenena corridors	5-Jul-07	27.8	0.0%	1.08
Transport Total			27.8	0.0%	1.08
Water and Sanitation	Water and Sanitation Study for 16 main cities	9-Aug-07	1.273	49.5%	1.61
Water and Sanitation Total			1.273	49.5%	1.61
Total			38.873	29.1%	1.43

Source: Joint Country Partnership Strategy Paper (JCPSP) for Central African Republic (CAR) (2009-2012)

8.5 ADB and the World Bank have prepared a Joint country Partnership Strategy Paper (JCPSP) for the Central African Republic (CAR) for 2009-2012 which reaffirms the commitment of ADB and the World Bank to deliver on the principles of the Paris Declaration on Aid Effectiveness and consolidate the results achieved under the JISN. The JCPSP is based on the following strategic principles: (i) address CAR's most pressing priorities identified in the Poverty reduction Strategy Paper (PRSP) 2008-2010, and the UN Peace-Building commission's Strategic Framework for CAR 2009-2011. (ii) target selectivity and tangible results; (iii) maximize opportunities for regional integration, and (iv) provide a framework for continuity of support under ADF-12 and IDA-16. The objective of the JCPSP is to promote strong economic growth and employment through two main strategic angles: (i) consolidation of economic governance and institutional capacity; and (ii) rehabilitation and development of socio-economic infrastructure.

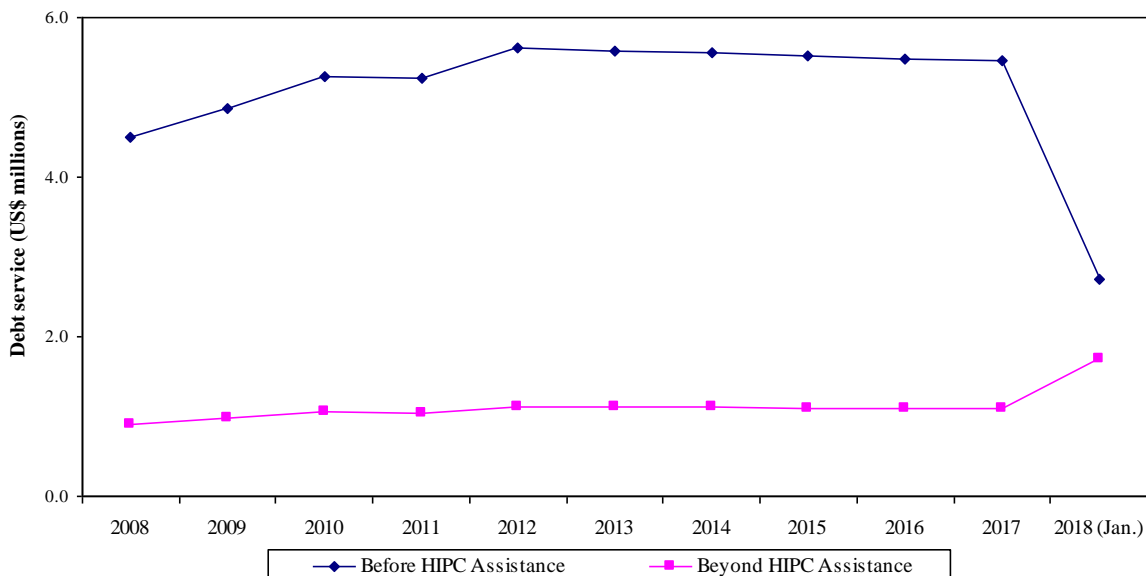
8.6 The indicative lending program for CAR under ADF-11 and ADF-12 has about six (6) projects covering the areas of capacity building, public financial management, governance, water and sanitation, and rural and urban. The projects are to be financed through CAR's indicative ADF-11 allocation of UA 29.57 million, as of 2009 country allocation calculation, including a UA 11.85 million supplementary financing component from the Fragile States Facility (FSF), and its yet to be determined allocation for ADF-12. In accordance with the ADF-11 financing modalities, CAR's total contribution to regional operations for 2008-2010 would be capped at UA 1.77 million (i.e. 10% of its PBA allocation of UA 17.72 million). Therefore, the Bank's strategy in CAR will also benefit from the contribution of regional economic infrastructure projects.

IX. DEBT RELIEF DELIVERY MODALITY

9.1 By reaching its completion point, it is proposed that the Bank Group makes a commitment to provide Central African Republic (CAR) with an irrevocable debt relief of approximately US\$ 84.7 million in end-2006 NPV terms from 2008 to 2018. Part of the debt relief, US\$ 49.4 million in end-2006 NPV terms, has already been delivered through CAR's arrears clearance operation with the Bank Group prior to the HIPC Decision Point and an 84 percent reduction in debt service during the interim period.⁷ The remaining debt relief of US\$ 35.3 million in end-2006 NPV terms, equivalent to US\$ 43.47 million in nominal terms, is to be provided during the period 2008 to 2018, as per the debt relief schedule given in Annexes 2.⁸ About 20 percent of the remaining debt relief, US\$ 7.1 million in end-2006 NPV terms, equivalent to US\$ 8.7 million in nominal terms, would be financed from internal resources, and the remaining 80 percent, US\$ 28.2 million in end-2006 NPV terms or US\$ 34.77 million in nominal terms, through the HIPC Trust Fund. Part of the HIPC Trust Fund's portion of the debt relief, amounting to US\$ 5.19 million in end-2006 NPV terms, or US\$ 5.37 million in nominal terms, has already been provided as an interim debt relief to CAR during 2008-2009.

9.2 CAR's debt service profile with the Bank Group before and after the HIPC assistance is provided in Annex 3, and the impact of the debt relief on CAR's debt service profile illustrated in Chart 2 below, based on the debt stock as at end year 2006. The provision of debt relief, as described, is consistent with the rules and regulations of the African Development Bank, the African Development Fund and the Nigeria Trust Fund.

Chart 2. Impact of Debt Relief on CAR's Bank Group Debt Service Profile*



* Loan Data are based on DOD, Dec. 2006.

⁷ About 49.5% of the arrears was financed through the Post-Conflict Country Facility (PCCF), 49.5% by Bilateral Donors and 1% by CAR. .

⁸ The exchange rates used in the conversion as at end-December 2006: UA 1.00 = US\$ 1.50.

Legal Aspects of Debt Relief Operations

9.3 Under the enhanced HIPC framework, debt relief for Central African Republic is to be provided in accordance with the terms described in paragraphs 9.1 and 9.2. These terms will be implemented by:

- (i) A Revised Debt Relief Agreement between the Bank Group and the Government of Central African Republic;
- (ii) A HIPC Trust Fund Grant Agreement between the Bank Group and the International Development Association (IDA) as administrator of the HIPC Trust Fund.

X. RECOMMENDATIONS

10.1 The Boards of Directors are requested to:

- (i) Take note of the justification for Central African Republic (CAR) reaching its completion point under the enhanced HIPC Initiative and thus qualifying for irrevocable debt relief under the initiative;
- (ii) Approve the completion point debt relief for Central African Republic of US\$ 84.7 million in end-2006 NPV terms, according to the financing arrangements presented in section IX;
- (iii) Note that US\$ 49.4 million of the debt relief, in end-2006 NPV terms, was delivered during Central African Republic's arrears clearance operation with the Bank Group prior to the HIPC Decision Point;
- (iv) Approve Central African Republic's qualification for debt relief under MDRI as outlined in section V; and
- (v) Approve debt relief of US\$ 144.49 million, in nominal terms, for Central African Republic under the MDRI.

**CAR: Revised Nominal Debt Stock and Net Present Value of External Debt by Creditor Groups as at
end-December 2006**
(In millions of US dollars)

Creditor Group	Nominal Debt Stock before Rescheduling		NPV of Debt after Arrears Clearance and Traditional Debt Relief	
	At Decision Point	Revised at Completion Point	At Decision Point	Revised at Completion Point
Multilateral	686.1	686.1	536.7	536.7
<i>World Bank/IDA</i>	<i>398.1</i>	<i>398.1</i>	<i>306.5</i>	<i>306.5</i>
<i>IMF</i>	<i>42.1</i>	<i>42.1</i>	<i>39.6</i>	<i>39.6</i>
<i>African Development Bank Group</i>	<i>169.5</i>	<i>169.5</i>	<i>125.5</i>	<i>125.5</i>
<i>Other Multilaterals</i>	<i>76.4</i>	<i>76.4</i>	<i>65.1</i>	<i>65.1</i>
Paris Club Bilateral	72.0	72.5	47.3	48.3
Non-Paris Club Bilateral	272.3	272.6	228.3	227.9
Commercial	56.2	56.3	43.6	43.7
TOTAL	1086.6	1087.5	855.9	856.6
TOTAL HIPC DEBT RELIEF			582.5	578.2

Source: IDA/IMF: Central African Republic – Enhanced Heavily Indebted Poor Countries (HIPC) Initiative: Completion Point Document and Multilateral Debt Relief Initiative (MDRI), June 15, 2009. p. 37

AFRICAN DEVELOPMENT FUND

HIPC Debt Relief Schedule*

(in US\$ millions)

**CENTRAL AFRICAN
REPUBLIC**Completion Point Date :
June 2009

CALENDAR YEAR	TOTAL ADF	ADF PERCENT IN THE TOTAL (%)	TOTAL BANK GROUP
2008	3.592897	100	3.592897
2009	3.890902	100	3.890902
2010	4.215422	100	4.215422
2011	4.190341	100	4.190341
2012	4.500636	100	4.500636
2013	4.471277	100	4.471277
2014	4.444045	100	4.444045
2015	4.416455	100	4.416455
2016	4.390694	100	4.390694
2017	4.361275	100	4.361275
2018	0.994893	100	0.994893
	43.468837		43.468837

Summary

Total Nominal Relief	US\$ 43.468837mn
<i>of which</i>	
ADB	US\$ 0.000000 mn
ADF	US\$ 43.468837mn
NTF	US\$ 0.000000 mn
Total NPV Relief**	US\$ 35.293373 mn
Duration	11 years

Notes: *Debt relief committed at decision point has been revised
**Total debt relief target of US\$ 84.7 million less the contributions made by the Donors, including the European commission within the arrears clearance framework amounting to US\$ 49.4 million

Impact of HIPC Debt Relief on CAR's Bank Debt Service Profile*

(In US\$ millions)

Year	Before HIPC Assistance	Debt Relief	Beyond HIPC Assistance
2008	4.491121	3.592897	0.898224
2009	4.863628	3.890902	0.972726
2010	5.269277	4.215422	1.053855
2011	5.237926	4.190341	1.047585
2012	5.625795	4.500636	1.125159
2013	5.589096	4.471277	1.117819
2014	5.555056	4.444045	1.111011
2015	5.520569	4.416455	1.104114
2016	5.488367	4.390694	1.097673
2017	5.451594	4.361275	1.090319
2018	2.716045	0.994893	1.721151
Total	55.808474	43.468837	12.339637

* Estimates based on DOD End-Dec. 2006.

AFRICAN DEVELOPMENT BANK GROUP
CAR: Structure of Debt Relief in Terms of Currency

Currency	Amount (US\$ million)	Percent in the total (%)
CAD	0.338533	0.8%
CHF	1.229707	2.8%
DKK	2.695841	6.2%
EUR	14.292168	32.9%
GBP	0.222800	0.5%
JPY	14.443528	33.2%
NOK	5.337221	12.3%
SEK	0.832308	1.9%
USD	4.076732	9.4%
TOTAL	43.468837	100.0

**Central African Republic: Discount and Exchange Rate
Assumptions as of end-December, 2006**

				<u>index</u>
Currency Name	Discount Rate 1/ (In percent per annum)	Exchange Rate 2/ (Currency per U.S. dollar)		
CAD	Canadian Dollar	5.2233	1.1653	5.22%
CFA	CFA Franc	4.7983	498.0691	4.80%
CHF	Swiss Franc	3.5067	1.2203	3.51%
CNY	Chinese Yuan	5.1300	7.8087	5.13%
DKK	Danish Krone	4.8083	5.6614	4.81%
EUR	Euro	4.7983	0.7593	4.80%
GBP	U.K. Pound	5.6817	0.5094	5.68%
JPY	Japanese Yen	2.5733	118.9500	2.57%
NOK	Norwegian Kroner	5.0450	6.2600	5.05%
SDR	Special Drawing Rights	5.1300	0.6647	5.13%
SEK	Swedish Krona	4.7267	6.8644	4.73%
USD	U.S. Dollar	5.8933	1.0000	5.89%
Memorandum item:				
	Paris Club cutoff date	January 1, 1983		

Sources: OECD; and IMF, International Financial Statistics.

1/ The discount rates used are the average commercial interest reference rates over the six-month period prior to end-December 2006, i.e., the end of the period for which actual debt and export data are available.

2/ The exchange rates are expressed as national currency per U.S. dollar at end-December 2006.

IMF/ World Bank HIPC Completion Point Document for Central African Republic