

**AFRICAN DEVELOPMENT BANK
AFRICAN DEVELOPMENT FUND**



CENTRAL AFRICAN REPUBLIC

2005-2006 COUNTRY DIALOGUE PAPER

**COUNTRY OPERATIONS DEPARTMENT
CENTRAL REGION
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ACRONYMS AND ABBREVIATIONS

ADB	:	African Development Bank
ADF	:	African Development Fund
AFD	:	Agence française de développement (French Development Agency)
ANIF	:	National Agency for Financial Investigation
BDEAC	:	Development Bank of Central African States
BEAC	:	Bank of Central African States
BICA	:	International Bank of the Central African Republic
BONUCA	:	United Nations Peace-building Support Office in the Central African Republic
BPMC	:	Banque populaire Maroc-centrafricaine
BWI	:	Bretton Woods Institutions
CAR	:	Central African Republic
CEMAC	:	Central African Economic and Monetary Community
CEMI	:	Independent Electoral Commission
CEP	:	Primary Education
CFAF	:	Franc of the African Financial Community
CGP	:	Country Governance Profile
CMCA	:	Crédit mutuel centrafricain (Cooperative Credit of the Central African Republic)
CPIA	:	Country Policy and Institutional Assessment
EDF	:	European Development Fund
EITI	:	Extractive Industries Transparency Initiative
EPCP	:	Emergency Post-Conflict Programme
ERP	:	Economic Rehabilitation Programme
EU	:	European Union
FACA	:	Armed Forces of the Central African Republic
FOMUC	:	CEMAC Support Forces in the Central African Republic
FURGEC	:	Emergency Fund for Economic Management in the Central African Republic
GDP	:	Gross Domestic Product
GNP	:	Government Net Position
HDI	:	Human Development Index
HIPC	:	Heavily Indebted Poor Country
IGF	:	General Inspectorate of Finance
IMF	:	International Monetary Fund
LICUS	:	Low Income Countries Under Stress
MDGs	:	Millennium Development Goals
MTEF	:	Medium-Term Expenditure Framework
NEPAD	:	New Partnership for Africa's Development
NPV	:	Net Present Value
OHADA	:	Organization for the Harmonization of Business Law in Africa
PCCF	:	Post-conflict Countries Facility
PRAC	:	Special Project for the Rehabilitation of Ex-combatants and Support to Communities
PRGF	:	Poverty Reduction and Growth Facility
PRSP	:	Poverty Reduction Strategy Paper
SAP	:	Structural Adjustment Programme
SDR	:	Special Drawing Rights
SME/SMI	:	Small-and Medium-Scale Enterprises/Industries
TUPP	:	Single Tax on Petroleum Products
UA	:	Unit of Account
UNDP	:	United Nations Development Programme
US	:	United States
VAT	:	Value-Added Tax

CURRENCY EQUIVALENTS

January 2006

Currency Unit : CFA Franc

UA1	=	US\$ 1.42927
UA 1	=	CFAF 794.725
US \$ 1	=	CFAF 556.035

FISCAL YEAR

1 January – 31 December

I. INTRODUCTION

1.1 This Country Dialogue Paper is a follow-up to the one presented to the Boards of Directors in January 2005. At that time, the Boards recommended that consideration of the Paper be postponed to a later date, pending the conclusions of discussions with the IMF on the situation in the Central African Republic (CAR), on the one hand, and the outcome of the 2005 presidential elections, on the other hand. In this context, the Bank pursued dialogue with the country's authorities on the utmost importance of concluding a programme with the IMF and on the need to make progress in the fulfilment of the conditions of eligibility for the Post- Conflict Countries Facility (PCCF). It also sustained consultations with the Bretton Woods institutions (BWI) on trends in the economic situation in the CAR and recently took part in discussions on the second Emergency Post-Conflict Programme (EPCP) in July and November 2005.

1.2 The purpose of the 2005-2006 Dialogue Paper is to inform the Boards of Directors on recent developments in the Central African Republic (CAR) and propose a strategy for solving the problem of arrears with a view to resuming Bank Group operations in the country. This Paper comprises, apart from the introduction, the following chapters : (i) recent developments; (ii.) key elements of the Government's development programme; (iii) status of dialogue with the donor community; and (iv) the Bank's strategy for solving the problem of arrears.

Box 1 : Country Profile

The Central African Republic (CAR) is a landlocked country with a surface area of 622 980 km², 150 000 km² of which are used for agriculture. It is bounded to the north by Chad, to the south by the Republic of Congo and the Democratic Republic of Congo, to the east by Sudan and to the west by Cameroon. It has a tropical, humid climate. Annual rainfall varies between 700 mm in the extreme north-east and 1 700 mm in the south and south-west. The total population is estimated at 3 895 139 according to the last census conducted in 2003, 62% of whom are rural dwellers. The annual average population growth rate is estimated at 2.5% and per capita income is US\$ 260. The major towns are Bangui (524 000 inhabitants), Berberati (47 000 inhabitants), Bouar (43 000 inhabitants), Bambari (41 000 inhabitants) and Carnot (41 000 inhabitants). Besides animism practised by more than 60% of the population, the two main religions are Christianity (25% of the population) and Islam (5% of the population). The two official languages are French and the national language, Sango. The CAR's economy is based on the agricultural sector which accounts, on average, for 60% of GDP and employs about 80% of the working population. The bulk of export earnings is derived from timber (47%) and diamonds (40%). The past ten years have been characterized by social unrest and recurrent political and military crises which have impacted negatively on the living conditions of the people. The Human Development Index (HDI) which was 0.366 in 2001, dropped to 0.355 in 2003 (as against 0.615 for sub-Saharan Africa). Owing to this difficult political, economic and social situation, achievement of the Millennium Development Goals is a real challenge for the Government, civil society, the private sector and the donor community.

II. RECENT DEVELOPMENTS

2.1 Socio-political and Security Situation

2.1.1 **Socio-political Situation :** in recent years, the CAR has witnessed recurrent political and military conflicts, particularly mutinies within the armed forces in 1996 and 1997, three coup attempts in 1999, 2001 and 2002, and a coup d'état in March 2003 which brought the incumbent Head of State to power. During the transition period, a new Constitution adopted by referendum in December 2004 established a semi-presidential regime limited to two five-year terms of office. Presidential and legislative elections which were backed by the European Union (EU), France and the UNDP were conducted under good conditions. The first round of elections took place on 13 March 2005 and the second on 8 May 2005. The current Head of State was

elected. The political scene is shared between the leading opposition party, the Movement for the Liberation of the People of the Republic of Central Africa (MLPC) of the former President in exile and a coalition of parties of the presidential majority (Convergence Kwa Na Kwa) which has the highest number of seats in the National Assembly. The social situation is difficult, in an environment where the State is unable to regularly pay salaries and pensions.

2.1.2 Security Situation: on the whole, the security situation has improved, especially in Bangui. In the far-north of the country where it was worrying because of the presence of outlaws (highway robbers), it is being normalized with the deployment of CEMAC forces following the high-level tripartite meeting (Cameroon, CAR and Chad) which was held in August 2005 in Yaounde, Cameroon. In addition, the demobilization and rehabilitation process administered by the UNDP is being carried out normally and should end in 2006 (demobilization) and 2007 (rehabilitation). Lastly, at the regional level, the reinforcement by Chad of controls at its borders with the CAR in order to prevent the use of the territory of the Central African Republic as a base by rebel groups, the successful completion of the overall democratic process in the DRC, as well as implementation of the political agreement between the Government of Khartoum and the Sudan People's Liberation Army (SPLA) will contribute to improving the security situation in the CAR.

2.2 Governance Status

2.2.1 Democratic Institutions : the Constitution adopted by referendum was promulgated in December 2004. The institutional framework, which stipulates the principle of separation of powers, comprises : (i) the executive power which is exercised by the President of the Republic who is elected by universal suffrage and who appoints the Prime Minister ; (ii) the legislative power which is exercised by Parliament whose members, the deputies, are elected by universal suffrage for a five-year term ; (iii) the Constitutional Court which ensures the regularity of elections and referendums and resolves conflicts of jurisdiction between the executive power, the legislative power, and regional and local authorities ; (iv) the Supreme Court (Cour de cassation) which comprises three divisions, notably a Criminal Division, a Civil and Commercial Division and a Labour Division ; (v) the Court of Auditors which has jurisdiction to audit the accounts of public accountants, regional and local authorities and public enterprises; (vi) the Court of Impeachment composed of six magistrates and six deputies elected by secret ballot by their peers; (vii) the Economic and Social Council; and (viii) regional and local authorities. These institutions, and the administration in general, are facing difficulties regarding their operation and coordination, because of dysfunctions of the administration, failure to implement laws, the State's financial problems and weak institutional capacities.

2.2.2 Rule of Law, Accountability, Transparency and Fight against Corruption : conflicts have undermined governance, especially as the country does not have a national governance strategy. In this context, despite political pluralism and freedom of the press, the rule of law is not sufficiently established. Accountability is a major cause for concern. In fact, the State's economic management is confronted by non-compliance with enabling decrees of laws which is not often punished. The budget monitoring, accounting entry and public expenditure auditing system is defective. In addition, the Court of Auditors and the General Inspectorate of Finance (IGF) do not have the necessary resources to carry out their statutory audits. However, three ministers were suspended in October 2005 within the framework of the civil servants census operation. Conflicts have also undermined transparency and increased corruption because they have resulted in the weakening of budgeting procedures and aggravation of problems of transparency in public procurement. Nevertheless, the country's

authorities have prepared a new Public Procurement Code with the financial support of the European Union. The Draft of this new Code was submitted to the Bank which analysed it and transmitted its remarks to the authorities. As part of dialogue with the authorities, the Bank will encourage the Government to finalize and adopt it. The authorities have also confirmed their commitment to combat corruption by: (i) publishing, in February 2005, decrees on the organization and functioning of the Ministry of Justice and setting up the Financial Pole and the National Agency for Financial Investigation (ANIF); and (ii) forming, in August 2005, the Interministerial Anti-corruption Think-tank. The Bank will also encourage the Government to formulate a national anti-corruption policy and to set up, in the long run, an Anti-Corruption Observatory.

2.2.3 **Participation.** one of the formal institutional frameworks for enabling civil society organizations to participate in the formulation and implementation of development policies and strategies is the Monitoring Committee of the Poverty Reduction Strategy Paper (PRSP). However, the participation of civil society, including NGOs, and the private sector in the formulation and implementation of such policies and strategies is weak. This is due to the country's post-conflict situation, on the one hand, and to the State's financial difficulties which hamper the organization of meetings between the PRSP Monitoring Committee and stakeholders. These constraints could weaken the participatory nature of the Poverty Reduction Strategy Paper (PRSP) under preparation if the situation does not improve. Concerning NGOs specifically, they are not organized and lack capacities and material and logistical resources. Furthermore, they do not have an established institutional framework, because the enabling decrees of the Law of 21 May 2002 to institute a legal framework governing their intervention and a Government – NGO – Partner tripartite consultation framework on development have not yet been issued.

2.3 Macroeconomic Context

2.3.1 **GDP and Inflation :** the economy of the Central African Republic is dominated by the primary sector (food crop production and subsistence farming, stockbreeding and forestry) which accounts, on average, for 60% of GDP and employs about 80% of the working population. Food crop production represents more than 90% of agricultural production which accounts for 55%, on average, of the primary sector's value added. The shares of the mining-dominated secondary sector and the tertiary sector in GDP are 12% and 28% respectively. After the recessions of 2002 (-0.6%) and 2003 (-7.6%) due to political and military upheavals, real GDP increased slightly in 2004 (+1.3%), owing to the relative improvement of the political and security situation as well as to the return of the rural population. The upturn in GDP was sustained by the recovery of agricultural activities (+2.6%), manufacturing industries (+0.2% in 2004 compared with -7.0% in 2003) and mining (+7.8% in 2004 as against -21.2% in 2003). The private investment rate, which represents on average 65% of the national rate, increased (4.4% in 2004 compared with 3.9% in 2003) because of the rehabilitation of the sugar sector and restructuring of inland waterway transport. In 2005, according to forecasts, GDP is expected to increase by 2.2%, on account of the return to peace and improvement of the security situation. Lastly, inflation was negative in 2004 (-2.2% compared with +4.4% in 2003) due to the improvement of agricultural production and foodstuff transportation conditions.

2.3.2 **Public Finance :** the *public finance situation is worrying*, and the primary balance, which normally should be positive to enable the State to cover its recurrent expenditure, is structurally negative. In fact, the basic primary deficit rose from CFA F 14.9

billion to CFAF 18.6 billion between 2003 and 2004 and represents -2.1% and -2.7% of GDP respectively. In 2005, according to forecasts, the basic primary deficit should drop to CFAF 9.1 billion (-1.3% of GDP)¹ due to the recovery of economic activity, improvement in revenue collection and fall in State spending (subsidies and transfers, and goods and services). Additionally, the overall deficit excluding grants is high, though it dropped to 4.5% of GDP in 2005, as against 5.5% of GDP in 2004. More than 85% of State revenue is derived from fiscal revenue the major components of which are direct taxes, indirect taxes and taxes on foreign trade which account respectively for 32%, 46% and 22% of State revenue. The tax ratio (7.7% of GDP in 2003, 8.1% GDP in 2004 and 8.3% of GDP estimated in 2005) is low considering primary expenditure in relation to GDP (10% in 2003, 10.7% in 2004 and 9.5% forecast in 2005). It is also low compared with the average tax ratio in 2003 and 2004 of other sub-Saharan African countries which is higher than 15% of GDP. Recurrent expenditure represents more than 70% of State expenditure, and the wage bill, transfers and subsidies, and expenditure on goods and services represent respectively 58%, 15% and 27% of State expenditure.

2.3.3 The low level of public revenue is due to the disarticulation of taxation services, in particular tax and customs services, weak capacities and lack of material and logistical resources, including the lack of reliable statistics on taxpayers and national accounts. This results in serious liquidity problems which are aggravated by the fact that 35%, on average, of public revenues are deducted at source because they have already been allocated to offset commitments (Treasury cheques, subsidizing of oil products through the Single Tax on Petroleum Products – TUPP, bank charges, etc.). However, the Government has undertaken, within the framework of the second EPCP, to put an end to these practices.

2.3.4 **Money and Banking System** : the banking system is made up of three banks : the International Bank of the Central African Republic (BICA) ; the Commercial Bank of the Central African Republic (CBCA) ; and the Banque populaire Maroco-Centrafricaine (BPMC). In addition to these three banks is the Cooperative Credit of the Central African Republic (CMCA) which is a federation of eighteen savings banks which is supposed to be approved as a microfinance body by the BEAC. The banking system is weakened by the accumulation of State arrears and by the huge amount of bad debts, including the debts of public enterprises. The recovery of economic activities in 2004 was reflected in the trend of monetary aggregates. In fact, money supply increased by 14.2%, due to a rise in fiduciary currency circulation which represents, on average, more than 70% of money supply. Domestic credit increased by 13.6%, reflecting an improvement in the government's net position (GNP) vis-à-vis the banking system and an increase in credits to the private sector, essentially short-term credits (85% - 90%, on average, of total credits). The increase in the GNP was due to the CEMAC financing agreement covering an amount of CFAF 12 billion concluded in August 2004.

2.3.5 **Balance of Payments** : about 84% of export earnings come from timber (43.5% in 2004) and diamonds (40% in 2004). Despite the worsening of the trade balance (CFAF - 6.6 billion in 2004 compared with 2.2 billion in 2003), the current balance of payments deficit improved by 0.6 percentage point of GDP in 2004 (4.9% of GDP in 2003 as against 4.3% of GDP in 2004). Such deterioration of the trade balance reflects a 6% rise in imports following the resumption of the transportation of goods and a concomitant drop in exports (-

¹ In relation to the modern sector's GDP, the basic primary deficit stands in 2003, 2004 and 2005 respectively at 4.7%, 5.8% and 2.8%.

7%), notably the fall in timber exports (-17%) due to the streamlining of logging and difficulties² in the transportation of products to the Douala port. The drop in the current account deficit is also due to: (i) the reduction of the services deficit by CFAF 5.5 billion owing to a fall in freight charges related to the resumption of transportation by water of hydrocarbons; (ii) the improvement in the current transfers balance due to the support of some development partners; and (iii) the improvement of the capital balance relating to the progressive recovery of economic activities. Lastly, the overall balance deficit dropped, to CFAF19.5 billion (2.7% of GDP) in 2004 compared with CFAF 32.4 billion in 2003 (4.2% of GDP). It was financed by a CFAF 1.4 billion fall in reserves and by external arrears accumulation (CFAF 18.1 billion).

2.4 Public Debt and Arrears Situation

2.4.1 External Public Debt : at end 2004, the outstanding medium-and long-term external public debt (excluding arrears) stood at US\$ 1.1 billion or 72.4% of GDP. Multilateral debt accounted for 69.7% of this amount or 744 million ; bilateral debt (Paris Club) 22.8% or 244 million ; and bilateral debt, excluding the Paris Club, 7.5% or 80 million. The Central African Republic has hardly serviced its external debt in recent years. At the end of September 2005, external arrears were US\$ 342 million (23% of GDP) owed to the following creditors: Paris Club (6%), bilateral creditors other than the Paris Club (46%), World Bank (14%), ADB/ADF (11% or about US\$ 37 million), ABEDA (4%), OPEC Fund (3%), IFAD (1%), and BDEAC (0.5%). According to IMF projections, the NPV of the debt stock would represent in 2005 and 2006 respectively 435% and 421% of export earnings of nonfactor goods and services, after application of the usual reduction mechanisms, well beyond the 150% threshold specified by the HIPC Initiative.

2.4.2 Domestic Public Debt : the domestic public debt stock amounted to CFAF 149 billion (22% of GDP) on 31 December 2004 of which 61.3 billion in social debt (salaries, pensions, bursaries and arrears owed the social security system), 53.5 billion in trade debt (suppliers) and 33.3 billion in financial debt. These data are provisional, given that the commission responsible for recording arrears is pursuing the arrears auditing operation which will be endorsed by a firm of international repute in 2006.

2.5 Reform Performance

2.5.1 The Government prepared an Economic Rehabilitation Programme (ERP) for the January 2004-June 2005 period which benefited from an IMF loan amounting to SDR 5.6 million under the first EPCP (July-December 2004) to primarily support budgetary reforms, and a World Bank LICUS grant. The ERP aimed at: (1) strengthening security and restoring constitutional order; (ii) improving the economic and financial situation; (iii) enhancing good governance; (iv) rehabilitating services in the social sectors; and (v) building institutional capacities. However, all budgetary measures envisaged under the EPCP at the end of December 2004 were not implemented; they were only implemented in 2005. These reform measures are reviewed hereunder.

² These difficulties were due to problems of insecurity as well as to roads which are impassable in the rainy seasons.

2.5.2 In 2005, the measures relating to *governance* concern the establishment of ANIF, adoption of a new organization chart for justice, setting-up of the Financial Pole and formation of an Interministerial Anti-corruption Think-tank. Decrees published in the first half of 2005 were not implemented in 2005 mainly because of the State's financial difficulties. The other measures were essentially budgetary. Concerning *improvement of revenue*, the main measures were the following: adoption of tax audit guides; strengthening the control of eligibility of enterprises liable to the discharge tax, and consolidation of services responsible for the verification of the recovery of taxes from major taxpayers; and establishment of two customs barriers on the major highways linking the country to Cameroon. These measures were complemented by the grant of new forest exploitation licences on the basis of competitive bidding and by the review of the forestry sector taxation system, with notably the introduction of the environmental penalty ecological tax aimed at ensuring the sound exploitation and management of natural resources. In the mining sector, the measures were supplemented by the grant of new diamond mining permits on the sole basis of the provisions of the new Mining Code. The budgetary reforms helped strengthen revenue collection and increase State revenue by 4% in 2004 and 7% in 2005.

2.5.3 Liquidity monitoring and expenditure control actions aimed to: reduce the number and strengthen the monitoring of the State's bank accounts; carry out a census of civil servants and freeze new recruitments into the civil service, with the exception of the health and education sectors where recruitments are made to fill vacancies occurring as a result of retirement; re-establish the General Inspectorate of Finance (IGF); reduce the gross monthly remuneration of civil servants with salaries above CFAF 300 000 at progressive reduction rates of 25% to 30%; and limit the number of children giving entitlement to family allowances to five. These reforms resulted in the reduction of the rate of increase of State expenditure as attested by a decrease estimated at 1% in 2005 compared with an increase of 9.8% in 2004. Concerning the wage bill, the positive results perceived in 2004 were wiped out during the period that preceded the elections. It increased by CFAF 7 billion, which necessitated a monthly reduction of CFAF 600 million in order to balance the budget. That is why the Government took the following corrective measures under the second EPCP negotiated with the IMF in November and December 2005 to reduce the wage bill by CFAF 600 million each month: (i) the census – payment operation conducted in August 2005 helped make savings of CFAF 260 million; (ii) the placement on retirement of 1 000 State employees and the limitation of the number of children giving entitlement to family allowances to five resulted in a reduction of CFAF 240 million; and (iii) a credit balance of CFA 100 million will be realized by additional reductions from salaries above CFAF 300.000³.

2.6 Sectoral Context

2.6.1 Agriculture and Livestock Sector: agriculture which is one of the key sectors of the country's economy is dominated by food crop production and subsistence farming. The average annual production of cassava, which is a staple, is about 560 000 tonnes (compared with 587 000 tonnes in 2000), that is about 60% of the country's food production, followed by groundnut with a production of 130 000 tonnes (as against 58 000 tonnes in 2000) and corn whose production stands at 120 000 tonnes (compared with 65 000 tonnes in 2000). Coffee and cotton production dropped respectively from 11 800 tonnes in 2000 to 3 800

³ This measure which was implemented in December 2005 was a condition precedent to presentation of the second EPCP to the IMF Executive Board in February 2006.

tonnes in 2004 and from 21 000 tonnes in 2000 to 6 800 tonnes in 2004, because of conflicts, problems relating to seasonal credits, supervision of producers, inputs and fall in world prices. Lastly, concerning stockbreeding, the herd is, on average, 1.2 million head including cattle (26%), goats (22%) and poultry (38%). Agriculture and stockbreeding have suffered not only from conflicts but also from the absence of sectoral policy and supervisory and credit structures.

2.6.2 Forestry Sector: in 2004, the forestry sector accounted for 12.6% of the production and 43.5% of the exports of the primary sector. It employs about 4 000 direct salaried workers. The average annual undressed timber production was 570 000 tonnes over the 2001-2004 period, 54% of which was exported (310 000 tonnes). The average annual production of sawn timber and plywood over the same period stood at 80 000 tonnes per annum, 73% of which was exported (58 500 tonnes), thus indicating a low rate of processing (14%). The sector is penalized by public management marked by weak capacities of institutions of the sub-sector with respect to the challenge of achieving a large part of its sustainable development and its contribution to poverty reduction. To address this situation, the Government should pursue efforts in the following areas: (i) streamline and improve the structure of forest exploitation permits; and (ii) place emphasis on priority and urgent activities, namely the strengthening of administrative controls by the ministry in charge of forests and the Forestry Fund, the collection of forestry taxes and the continuation of sustainable management activities.

2.6.3 Mining Sector and Diamonds : the subsoil of the Central African Republic abounds in mineral resources (cobalt, copper, diamond, iron, manganese, gold, oil and quartz), but only diamonds and gold are mined on a small scale. The mining sector accounts, on average, for 23% of the value added of the secondary sector, 3% of GDP and 40% of export earnings. The mining of alluvial diamonds is fraught with massive irregularities, which make it impossible to organize the subsector and enable it to play a key role in the economy. Security problems are also an impediment to the harmonious development of the sector. However, the deployment of the FACA and the CEMAC forces in the diamantiferous area of Bria have mitigated security threats. In 2005, the Government took the decision to introduce greater transparency in the granting of permits. It is planning to set up a mine policing in order to ensure a better monitoring of diamond production, and also seeking financing to revise the Mining Code adopted in 2003. Since 2003, the Government has adhered to the Kimberley process and the Extractive Industries Transparency Initiative (EITI), but the mining administration lacks human, material and logistical resources to implement them. Concerning oil, it is not yet being exploited. The oil exploration permit which had been granted under the former regime to an American company (RSM Production Corporation) was annulled by the new regime. In November 2005, the company submitted a request for arbitration of the dispute between it and the CAR to the World Bank International Centre for Settlement of Investment Disputes (ICSID).

2.7 Social Context

2.7.1 Poverty and Human Development: over the past ten years, the Central African Republic has witnessed social unrest and political and military crises which have had a negative impact on the living conditions of the people. Hence, the Human Development Index (HDI) which was 0.366 in 2001, dropped to 0.355 in 2003 (compared with 0.615 for sub-Saharan Africa). The proportion of people living below the poverty line was more than 70% in 2003. The educational system suffered from strikes by teachers due to non-payment of salaries as well as to the destruction of working equipment and tools during conflicts.

Thus, the net primary enrolment ratio (NER) which was 48% in 1988 fell to 41% in 2003. The NER of the town of Bangui which is 79.5% shows a profound regional imbalance in access to basic education due to rural-urban migration and to lack of a decentralization policy. On the health front, health facilities are dilapidated and lack staff, financial resources, drugs and equipment. Life expectancy at birth declined from 49 years in 1988 to 43 years in 2003, while maternal mortality has increased. Indeed, more than 1300 deaths per 100 000 live births were recorded in 2003, compared with 683 in 1988. The infant mortality rate was 132‰ in 2003, compared with 80.6‰ for Africa. Concerning HIV/AIDS, 15% of the population are infected, including 22% of pregnant women. Furthermore, the socio-political crisis has destabilized families and created even more difficult conditions for households, thus aggravating the existing imbalances between genders in terms of access to and control of resources. In the area of gender, the participation of women in decision-making bodies is marginal. Considerable efforts must be made to ensure their advancement through multisector interventions concerning at the same time improvement of training, employment, information and access to basic social services.

2.8 Major Constraints

2.8.1 **Institutional and Structural Constraints:** political instability has been one of the major constraints to the country's development. In fact, successive conflicts over the past ten years have aggravated dysfunctions of the administration, in particular: (i) low staff strength and insufficient skilled managers; (ii) difficulties in coordination of activities between the different ministries, especially in respect to public finance management; and (iii) inadequacy and decay of working tools and equipment. This is compounded by corruption which is deepened by lack of instruments for the rigorous control of State financial management, and salary arrears which demotivate workers.

2.8.2 **Macroeconomic Constraints :** the predominance of diamond and timber production in exports increases the sensitivity of the economy to external shocks. In addition, the narrowness of the tax base limits the level of tax revenues and contributes to the persistence of the budget deficit and domestic and external payment arrears. Such persistence of external arrears limits the mobilization of resources for development and contributes to the unsustainability of the external debt. Lastly, the CAR is a landlocked country which imports oil products; hence rising oil prices increase financial constraints on the State budget. In fact, subsidizing the price of petrol at the pump to mitigate the impact of rising oil prices is costing the State over CFAF 200 million each month.

2.8.3 **Sectoral Constraints :** factors impeding agricultural development are the limited use of inputs because they are scarce and expensive, problems of supervision, extension and agricultural research, and low access to credit and dilapidated rural infrastructure. In the mining sector, diamond mining is on a small scale. Besides problems of security of exploitation sites and fraud, the routine control of the extraction of the ore requires resources, which is difficult because of its alluvial nature. The landlocked nature of the country, lack of transport infrastructure and the poor maintenance of existing infrastructure increase the cost of factors of production. The low level of development of the private sector is a constraint to the sustainability of growth. As a matter of fact, this sector has suffered not only from political instability but also from the weaknesses of the regulatory framework, deterioration of infrastructure, high cost of factors of production and difficulties of access to bank financing. Lastly, the HIV/AIDS pandemic has become a major constraint, affecting all population segments and particularly teachers and servicemen, in a weak health system.

III. GOVERNMENT'S DEVELOPMENT AGENDA

3.1 Key Elements of the Government's Agenda

3.1.1 The Government has not yet completed the formulation of its Medium-term Development Programme, which will be reflected in the Poverty Reduction Strategy Paper (PRSP), the finalization of which is envisaged in the third-quarter of 2006. However, based on the progress made in public finance management under the ERP, it prepared, with IMF assistance, within the framework of negotiation of the second EPCP in November 2005, a Short-Term Programme for 2006. This programme aims to: (i) pursue improvement of the security situation; (ii) pursue fiscal consolidation; (iii) strengthen good governance practices; (iv) finalize the PRSP; and (v) speed up the normalization of relations with donors. To implement this programme, the Government expressed to donors, including the Bank, the need for technical assistance in the following areas: public finance, macroeconomic management, statistics system, PRSP formulation, and project planning and management. The programme will be jointly monitored with the BWI and the other donors. Its successful implementation by the end of June 2006 should pave the way for discussions on the PRGF.

3.1.2 **Improvement of the Security Situation:** in peace-building and security, the Government will pursue the restructuring of defence and security forces and strengthen the country's security operations. These actions are based, in a first step, on the smooth implementation of the schedule of the operation to demobilize ex-combatants and rebels launched in December 2004 and expected to end in 2006 as well as their rehabilitation up to 2007. The actions are also based on the training, supervision and equipment of the police, gendarmerie and the FACA, with the support of France, the United Nations Peace-building Support Office in the Central African Republic (BONUCA) and CEMAC forces (FOMUC). Lastly, they are based on the strengthening of relations with neighbouring countries (Cameroon, Congo, Sudan, Chad and DRC) and the deployment at the borders and in the diamond-producing areas, of the FACA, still with the support of FOMUC and French forces.

3.1.3 **Fiscal Consolidation :** with a GDP growth target of 3.5% in 2006, the Government aims at reducing the overall public finance deficit excluding grants to 3.3% of GDP, as against 4.5% estimated in 2005. In this respect, the interim objectives in 2006 are to attain a slightly positive basic primary balance (0.5% of GDP compared with -1.3% of GDP estimated in 2005), increase revenue by 0.5 percentage point of GDP (8.8% of GDP as against 8.3% of GDP estimated in 2005) and reduce expenditure by 0.8 percentage point of GDP (12% of GDP compared with 12.8% of GDP estimated in 2005). Measures identified for the achievement of these objectives relate to revenue, expenditure and cash management. They are to be implemented in the first half of 2006 under the monitoring protocol of the second EPCP concluded with the IMF in November 2005. Regarding revenue, the Government will strengthen the management of major taxpayers as well as tax control. To this end, it will ensure routine follow-up and apply deterrent penalties for failure to submit tax returns and step up general verifications and spot checks. It will integrate the Cameroonian One-Stop-Shop into the customs data processing system and carry out checks in collaboration with the Cameroonian customs. Lastly, it will finalize the migration of the customs data processing system, SYDONIA, towards SYDONIA++ for a greater control of the inflow of goods transiting through Cameroon. Concerning the monitoring of expenditure and liquidity, the Government will pursue the preparation of the monthly cash plan which it will publish on the Internet. It will also prohibit all expenditure settlement through the automatic debiting of Treasury accounts in banks, and limit and control the issuance of

Treasury cheques on deposit accounts. In addition, it will consolidate the positive results of the recent census of State employees by finalizing, with the support of an international consulting firm, the single card-index of civil servants (salaries – civil service). Lastly, it will prepare budgeting procedure manuals with a simplified structure of the expenditure channel.

3.1.4 Enhancement of Good Governance Practices : in combating corruption, the Government will pay special attention to the activities of the Committee responsible for evolving an anti-corruption strategy as well as to the strengthening of the ‘ Financial Pole’ recently instituted within the Ministry of Justice to reinforce the State’s power of financial investigation. It will also ensure that administrative and criminal penalties for persons guilty of acts of embezzlement and corruption are strengthened. To improve transparency, it will establish an Internet site on which will be published, on a monthly basis, from March 2006, the monthly cash plan as well as information relating to the forestry sector (production, exportation, revenue generated, permits granted, etc.) and to the mining sector (diamond and gold mining permits granted and/or annulled, volumes produced and exported, and public revenue generated, etc.). Furthermore, the Government will pursue the auditing of domestic payment arrears.

3.1.5 Finalization of the PRSP : the Government is planning to discuss the reconstruction of the country with its partners in 2006. Discussions will focus on the rehabilitation of basic infrastructure, particularly transport, energy and water, and on the revitalization of productive sectors, as well as health and education. The sectoral policies and the medium-term macroeconomic framework which will underpin the country’s reconstruction strategy are being prepared to back up the PRSP which will be finalized in the third quarter of 2006. The Government will organize sectoral and community consultations for the identification of priority actions and will prepare the medium-term macroeconomic framework as well as the PRSP monitoring and evaluation framework .

3.1.6 Speeding-up of the Normalization of Relations with Donors : in 2006, the Government will continue to reconcile the CAR’s external debt data with its creditors and will intensify discussions with the international community so as to agree, by the end of 2006 at the latest, on a comprehensive arrears clearance plan and on a financing plan for the reconstruction programme, aimed at reaching the decision point of the HIPC initiative in the first half of 2007 at the latest.

3.1.7 Financing of the Programme : the programme cost for 2006 stands at CFAF 28.1 billion, including CFAF 6.8 billion in identified external financing (essentially project loans) and CFAF 21.3 billion in financing to be sought corresponding to the CAR’s external obligations, with the exception of payments to the IMF. To back the Government’s programme, the IMF’s financial assistance under the EPCP concluded in November 2005 and which should be presented to the Executive Board of this institution in early February 2006 would be equivalent to 12.5% of the quota of the CAR, that is about SDR 7 million⁴. To this end, there were nine preconditions met in December 2005, the three major ones being: (i) a further reduction of salaries above CFAF 300 000 in order to save additional CFAF 100 million and attain the goal of CFAF 600 million monthly savings; (ii) an increase in the VAT rate from 18% to 19%; and (iii) an increase in the price of oil products so as to generate CFAF 2 billion of additional revenue.

⁴ This amount represents 12.5% of the CAR’s quota at the IMF as at 30 November 2005, or SDR 55.70 million. The exact amount will be mentioned in the EPCP document which will be submitted to the IMF Executive Board.

3.2 Evaluation of the Government's Agenda

3.2.1 **Programme Coherence and Realism** : the Government's approach aimed at consolidating the security situation and focusing its economic strategy on a stabilization programme in 2006 is relevant. In fact, apart from peace-building without which recovery efforts would be in vain, this programme addresses the most urgent issues of fiscal consolidation in order to generate resources to cover primary expenditures. The macroeconomic framework within which it falls is in keeping with its quantitative objectives (economic growth and budget balances). Furthermore, the projection of the basic primary balance at 0.5% of GDP in 2006 and the evaluation of profit in terms of tax ratio of 0.5 percentage point in 2006 are realistic and take into account institutional capacities and the time frame for implementation of technical assistance. However, given the difficult financial situation of the CAR, substantial financial support is necessary for the implementation of the programme.

3.2.2 **Growth and Equity in Favour of Poverty Reduction** : the Government's programme, which is essentially budgetary, does not address the issue of sustainability of economic growth and its distribution for poverty reduction. However, through the improvement of the framework for resource allocation which it will foster, it is a basis for the formulation of a medium-term expenditure framework as well as a medium-term programme.

3.3 Challenges and Risks

3.3.1 The major challenges which the Government must face during the implementation of its programme are : (i) the maintenance of the country's political stability and security ; (ii) the restoration of a minimum level of functionality of the administration, in particular the administration in charge of the economy and finance ; and (iii) the mobilization of donors. Concerning the risk of political instability, it could come from the resurgence of armed groups, the opposition and social tensions related to the non-payment of salaries. To mitigate this risk, the Government will intensify political dialogue with the opposition and carry through the restructuring of defence and security forces (FDS). This risk will also be mitigated by the State's efforts to rehabilitate public finance in order to generate more resources, as well as by the budgetary assistance expected from the EU and France in 2006. As regards the risk relating to weak capacities, it could be mitigated by the efforts undertaken by the Government with the support of development partners including the Bank to build national managerial capacities. Lastly, the third risk will be mitigated by donors' commitment to support the Government in the implementation of its reform programme.

IV. DIALOGUE WITH DONOR COMMUNITY

4.1 Dialogue between the Government and donors is coordinated by the Ministry of the Economy, Planning and International Cooperation. However, to coordinate their interventions as part of their gradual re-engagement under the second EPCP, the development partners adopted the principle of organizing meetings co-managed by the representatives of the European Union and the United Nations system. The frequency of these meetings was not defined. They will be held as and when necessary. The Bank took part in the first two meetings in July and November 2005 and will do so in 2006 during its missions in the country. The outcome of the two donor meetings on the CAR held in Paris on the initiative of France in July and November 2005 is the will to speed up the normalization of relations with the CAR. Thus, it was decided to prepare, in the first quarter of 2006, a roadmap which

will guide the actions of development partners. Such a roadmap will reflect the will to help the country pursue its reform programme through budgetary assistance and support for capacity building in 2006, on the one hand, and the will to help the country solve the problem of arrears and undertake its reconstruction. Recent developments relating to the CAR's cooperation with some development partners are reviewed hereunder.

4.2 Bretton Woods Institutions and other Multilateral Organizations

4.2.1 **IMF:** from July to December 2004, the Central African Republic benefited from an EPCP concluded with the IMF and backed by a loan of SDR 5.6 million. The second EPCP concluded in November 2005 with the IMF and whose preconditions were satisfied by the Government (cf. 3.1.7) is expected to be presented to the institution's Executive Board in early 2006. The amount of the loan relating to it is about SDR 7 million from which would be deducted debt repayments due in 2006 to the IMF. It should be recalled that the conclusion of the second EPCP was envisaged in February 2005. However, negotiations were delayed by slippages in the organization of elections, the appointment in July 2005 of a new Government and the time taken by the Government and the IMF to reach an agreement on the preconditions of the second EPCP. The IMF's support for capacity building in 2006 will be focused on macroeconomic management, in particular the budgetary framework and public finance, and on the preparation of national accounts.

4.2.2 **World Bank :** the World Bank is the principal multilateral creditor of the CAR (outstanding debt of CFAF 368 billion at end 2004) with arrears at end August 2005 of CFAF 26 billion. The World Bank's Re-engagement Paper focusing on governance and security issues (disarmament, demobilization and rehabilitation) as well as the restoration of minimum social services was adopted by its Executive Board in July 2004. In this regard, it awarded a US\$ 4 million grant under the LICUS initiative. In 2005, the unspent LICUS grant balance, that is US\$ 841 000, will be used in the form of technical assistance funds to support the finalization of the PRSP and public finance (budgetary and accounting reforms, liquidity and customs). In 2006, the World Bank is expected to pursue institutional capacity building, with a second LICUS grant of an amount almost equivalent to the preceding grant, up to the end of the second EPCP, and then, under the PRGF, carry out an arrears auditing operation. The World Bank provides secretarial services for the Special Project for the Rehabilitation of Ex-combatants and Support to Communities (PRAC) for an amount of US\$ 9.8 million administered by the UNDP, and supports HIV/AIDS control.

4.2.3 **European Union:** cooperation with the EU falls within the framework of Article 96 of the Cotonou Agreements. The EU supported, together with France and the UNDP, the electoral process to the tune of US\$ 13 million and, in July 2005, resumed its official cooperation with the CAR suspended after the coup d'état of March 2003. Project agreements covering an indicative amount of €60.5 million are being signed. Furthermore, an amount of €12 million will be earmarked for adjustment in the form of budgetary assistance. Of this amount, a budgetary assistance of €4 million was envisaged in 2005. In 2006, four technical assistants will be recruited for the General Directorate of Customs, the General Inspectorate of Finance (IGF), the General Directorate of Taxation and the General Directorate of the Budget for a longer period (three years).

4.2.4 **United Nations System:** during the transition period, the UNDP supported the electoral process and the United Nations Peace-building Support Office in the Central African Republic (BONUCA) the elections and security situation. During the donor meeting

in Paris in July 2005, the UNDP proposed the idea of an Emergency Fund for Economic Management in the Central African Republic (FURGEC) of which it would be the administrator. This Fund whose initial amount was estimated at US\$ 30 million would be used to finance the incremental resources needed monthly for the payment of salaries. It would enable the Government to implement reforms in a less tense socio-political environment. In 2006, the UNDP will continue dialogue with donors on the FURGEC proposal and will pursue its technical assistance through support for the formulation of the PRSP, promotion of microfinance, governance (formulation of the national anti-corruption strategy) and peace-building (management of the demobilization and rehabilitation process).

4.3 Bilateral Partners

4.3.1 **France:** the total amount of France's assistance in 2005 was CFAF 16 billion. In 2006, it will concern civil cooperation (technical assistance in the areas of health, education, research and economic management) and operations of the Agence française de développement (AFD), notably in transport and infrastructure, forestry and rural sector, and health. France will also contribute towards the consolidation of the security situation through the training and equipment of the armed forces of the Central African Republic (FACA), training of the police and gendarmerie and support to FOMUC.

4.3.2 **China:** in 2002 China granted an interest-free loan of 75 million yuans, or about CFAF 6 billion, for building the Bangui stadium. In 2004, it granted another interest-free loan (over a five year period) of 20 million yuans (about CFAF 1.7 billion) following a request by the Government for office supplies and expendable farm equipment, as well as a budgetary support of 12 million yuans (about CFAF 1 billion) for the payment of salaries. This loan was followed by a grant of 20 million yuans (about CFAF 1.7 billion) for the continuation of work on Bangui stadium, the financing of a feasibility study on the construction of a cement factory and the building of health centres in Bangui. Lastly, in 2005, China granted a loan of 30 million yuans (about CFAF 2.7 billion) for financing projects to be identified. China's loans to the CAR have a useful life of five years, a grace period of ten years and an amortization period of ten years. They are repayable either in convertible currency or in export products.

4.3.3 Discussions are under way for resumption of cooperation of some erstwhile important bilateral partners such as Germany which intervened in rural development and rehabilitation of hospitals and Japan which intervened in road infrastructure (tarring of roads).

4.3.4 Lastly, exceptionally, Algeria paid €250 000 to the Bank in May 2003 on behalf of the CAR and Tunisia granted assistance of US\$ 500 000 to the CAR in September 2005.

V. BANK GROUP ASSISTANCE STRATEGY

5.1 Bank Group Portfolio and Management

5.1.1 Since 1972, the Bank Group has funded 23 operations with a net total commitment of UA 109.98 million (UA 13.72 million from the ADB and UA 96.26 million from the ADF) broken down as follows: multisector (30.12%); agricultural sector (25.12%); public utilities (23.72%); transport (11.95%) and social sector (9.09%). The Bank Group cofinanced two economic reform programmes with the Bretton Woods institutions (BWI).

Because of the lingering problem of arrears since 1994 and in order to reduce the CAR's debt, it cancelled all its loans and grants in 1996. Implementation of operations encountered the following problems: (i) the Government's delay in paying its contributions to project financing; (ii) administrative redtape; (iii) long delays in effectiveness of loan agreements resulting in several extensions of the deadlines for the last disbursements; (iv) lack of familiarity with Bank Group procedures for the procurement of goods and services; and (v) debt repayment arrears.

5.2 Status of Arrears to the Bank Group

5.2.1 Since 1994, the Central African Republic has been under sanctions due to arrears on its debt repayment. As at 31 December 2005, the total amount of arrears due stood at UA 25.31 million, comprising UA 21.14 million to the ADF and UA 4.17 million to the ADB. Repayments planned for the next three years are shown in Table 1 below :

Table 1
Repayment of Loans Due in 2006-2007
(UA million)

Loan Repayment		Arrears as at 31/12/2005	2006	2007
ADF	Principal	14.10	2.27	2.34
	Interest	7.04	0.73	0.71
	Total	21.14	3.00	3.05
ADB	Principal	2.40	-	-
	Interest	1.77	-	-
	Total	4.17	-	-
TOTAL	Principal	16.50	2.27	2.34
	Interest	8.81	0.73	0.71
	Total	25.31	3.00	3.05

Source : ADB Group

5.3 Arrears Clearance Actions by the Bank

5.3.1 Attempts at clearing arrears owed to the Bank Group since 1994 have not been successful because of the country's economic hardships, political instability and lack of a programme with the BWI, even though the Bank has intensified its dialogue with the authorities of the Central African Republic and strengthened its consultation with other development partners, in particular the BWI. In this connection, it has conducted several joint programme review missions with the BWI as well as arrears monitoring missions to the CAR, and discussed with the authorities on several occasions at its head office the problem of arrears clearance. In the context of such dialogue, the Bank agreed with the Government on several arrears clearance plans, including the July 2002 plan covering arrears of UA 16.2 million (about CFAF15 billion) which focused on the following points: (i) payment of 20% of arrears at the time of approval of the PRGF (July 2002 – June 2005) with the support of France; (ii) payment of the outstanding amount by the mid-term review of the PRGF at the latest but before the decision point scheduled for the first half of 2003. However, the discussions were interrupted due to the political upheavals which followed the 2002 coup attempt and to the non-presentation of the PRGF to the IMF Executive Board. The resumption of discussions in 2003 on the 2002 plan was not also successful

because of the coup d'état of March 2003. In 2004-2005, the Bank presented to the authorities of the Central African Republic the Post-Conflict Countries Facility (PCCF) adopted by the Boards in July 2004 and pursued dialogue on the need to make progress in the fulfilment of conditions of eligibility for this arrears clearance instrument. It also continued dialogue with the authorities on the crucial importance of concluding a programme with the IMF, maintained consultations with the Bretton Woods institutions (BWI) on developments in the economic situation in the CAR and participated in discussions on the second Emergency Post-Conflict Programme (EPCP) in July and November 2005.

5.4 Strategy and Instruments for Strengthening of Macroeconomic Dialogue and Clearance of Arrears in 2006

5.4.1 **Objective:** the strategy aims at contributing towards the creation of conditions necessary to solve the problem of arrears, with a view to resuming in the long run the Bank's operations in the CAR. To this end, the Bank will focus on two thrusts, namely: (i) continuation of dialogue on fulfilment of conditions of eligibility for the Post-Conflict Countries Facility (PCCF) which is the Bank's key instrument for arrears clearance; and (ii) institutional capacity building. Implementation of the PCCF will be subject to fulfilment of its eligibility conditions, taking into account the "case by case" consideration principle. In the assumption that a PRGF will be concluded by the end of 2006, the Bank will prepare its Interim Strategy Paper as well as the proposal aimed at clearing arrears in accordance with the framework for clearance of arrears of post-conflict countries. In the medium term, when the problem of arrears is solved, a Country Strategy Paper will be prepared which will be a comprehensive frame of reference for its interventions in the form of sector grants and institutional and economic reform support. The amount of the country's indicative allocation under ADF X for the 2005-2007 period stands at UA 10.2 million, including a maximum of UA 3 million to finance capacity building.

Thrust 1 : Dialogue for Arrears Clearance

5.4.2 *Review of the PCCF framework, principles and eligibility conditions* : the framework for clearance of arrears will be the PCCF adopted by the Boards in July 2004, the effective implementation of which requires fulfilment of specific eligibility conditions, namely : (i) be an HIPC initiative-potentially eligible country ; (ii) satisfactorily implement a medium-term reform programme backed by the IMF and donor community, and have a viable financing plan ; (iii) be up to-date with debt repayments due to the Bank since the cut-off date, (iv) do not discriminate against the Bank concerning the payment of current debt due ; (v) make maximum effort to contribute to the payment of arrears from own resources ; and (vi) make efforts to mobilize the contribution of bilateral partners to the financing of the arrears clearance plan. As stipulated by the PCCF's guiding principles, the arrears clearance framework will be implemented with flexibility, taking into consideration the special circumstances of the country on a case-by-case basis. The funding of arrears clearance will be carried out on the basis of a formula for sharing expenses between the country, the Bank and bilateral partners. The evaluation of the country's situation with regard to these main conditions, as well as the actions to be carried out by the Bank and the Government are presented below.

5.4.3 Qualification as post-conflict country (PCC): the guidelines of the PCCF stipulate that the country will be effectively designated as a PCCF-eligible post-conflict country if it meets the following conditions : (i) an acceptable level of peace ; (ii) substantial efforts to promote and establish good governance mechanisms, notably credible legal and judicial systems ; (iii) resumption of normal economic activities ; (iv) significant progress in resettling people, and disarming and rehabilitating ex-combatants; and (v) acknowledgement of efforts made by international opinion, in particular the United Nations and the BWI. Concerning these different conditions, the process of peace, resumption of economic activities and demobilization has been launched. In the area of governance, progress has to be made to remedy weaknesses in public finance management, to combat corruption and to improve the legal, judicial and public procurement systems. In this connection, dialogue will aim at encouraging the Government to implement all of its programme's measures relating to transparency and the fight against corruption. The overall evaluation of the country's situation by the international community is improving.

5.4.4 Evaluation of other PCCF eligibility conditions and prerequisites mentioned in paragraph 5.4.2: with regard to the payment of current debt due from the cut-off date scheduled for 31 December 2003, the CAR has to date not settled any debt due that could stabilize the stock of its arrears and it is unlikely to make payments in the near future. Regarding compliance with the Bank's preferred creditor status, in relation with the BWI (IMF and World Bank in particular), the Bank will reaffirm its demand for non-discrimination in the clearance of current debt due conferred on it by this status. With regard to the conditions relating to the implementation of a reform programme, preparation of a viable financing plan and mobilization of partners, their fulfilment is not sufficiently advanced at this stage. However, the country has satisfied the preconditions agreed upon with the IMF in order to benefit in early 2006 from a second EPCP of this institution. The satisfactory implementation of this EPCP, as well as the finalization of the PRSP would in turn pave the way by the end of 2006 for the conclusion of a medium-term programme backed by the PRGF which is the framework for the formulation of a viable financing plan.

5.4.5 Concerning the mobilization of partners, the process is gradually being established. In fact, following a consultation meeting in Paris in November 2005, the Bank, France, the IMF, the World Bank and the European Union agreed to prepare a 'Joint Roadmap for 2006', which will be presented to the authorities and then to the other donors at an extended information meeting in the first quarter of 2006. The two set objectives are: (i) to help the Government to meet liquidity requirements in the first half of 2006 through budgetary support and (ii) to propose by end 2006 a comprehensive, sustainable solution to the clearance of domestic and external arrears under a medium-term programme which could be backed by the PRGF. Discussions will also focus on reaching the decision point. To this end, the Bank will encourage the authorities to contact their partners but will actively back this process through consultation with the latter. It will take part in donor consultation meetings on conditions of mobilization of resources for a sustainable solution to the arrears and debt

problem. To this end, the Bank is planning, in consultation with other donors, to host a specific partners meeting on the CAR. This meeting, which should take place in the fourth quarter of 2006, will discuss the finalization of financing for the clearance plan of the CAR's arrears owed the Bank, the clearance plan of arrears owed the World Bank and the funding of the reconstruction of the country.

5.4.6 Lastly, macroeconomic dialogue will target public finance, in particular the sound implementation of the budgetary reform measures presented in the Government's programme for 2006. Furthermore, for the reconstruction of the country, the dialogue will seek to advise the Government to review existing sectoral policies as well as those to be formulated in the areas of governance, socioeconomic rehabilitation, gender, agriculture (Agricultural Master Plan), water supply, private sector, education and health development.

5.4.7 *Amount of arrears* : the amount of arrears, which stood at UA 25.31 million on 31 December 2005, is estimated at UA 28.41 million on 31 December 2006, prospective date of putting in place of the reform programme backed by the PRGF and the clearance plan, according to the current assumptions. The Bank will sensitize the Government to the importance of the sound implementation of the second EPCP, which is the unavoidable PRGF gateway. It will also closely monitor the implementation of this programme in close coordination with the BWI. As part of the preparation of the arrears clearance plan in 2006, the Bank will study the flexibility to be applied given the extreme weakness of the country. These adjustments could, among other things, concern the amount of contribution of the country and the PCCF.

5.4.8 If the efforts to gradually normalize the situation are pursued, the country could satisfy the PCCF-eligibility preconditions by the end of 2006. The authorities have the will to undertake reforms and to normalize relations with partners. The weak points on which the country should concentrate its efforts are governance, notably the fight against corruption and dysfunctions of the legal and public procurement systems, and capacity building. It will also have to make efforts to pay current debt due and its quota in the arrears clearance plan, even if the Bank is ready to consider flexibilities in keeping with its policy of sanctions and the PCCF guidelines. Indeed, the Bank will intensify dialogue with the Government and development partners in order to speed up the fulfilment of all conditions precedent, on the one hand, and to mobilize their financial contributions to the financing of the programme and the PCCF, on the other hand. Lastly, the indicative implementation schedule of this strategy is shown in Annex 1.

Thrust 2 : Institutional Capacity Building

5.4.9 The second thrust of the strategy will be to support capacity building of the administration in economic management and statistics. It is complementary to dialogue and activities undertaken by the Bank under PCI-Africa since 2004. In early 2006, the Bank will finance the economic management and statistics support project in the

Ministry of the Economy, Planning and International Cooperation, and the Ministry of Finance and the Budget in order to back the Government in the implementation of reforms, preparation of a medium-term macroeconomic framework and finalization of the PRSP, as well as the implementation of an external debt management system. This choice can be explained by the discussions held with the authorities to identify needs during the project preparation mission and by the complementarity sought with the interventions of the other donors, essentially focused on public finance (IMF, World Bank and European Union) and on the formulation of the PRSP (UNDP, and World Bank). This financing will be an ADF grant of a maximum amount of UA 3 million. The first component of this project is support to economic management structures and to the Poverty Reduction Strategy Paper (PRSP), in order to improve the capacities of the concerned ministries in macroeconomic management, public investment programming and public debt management. It will also strengthen the PRSP management unit. The second component is support to structures responsible for the preparation of macroeconomic and social statistics, in order to revitalize the national statistics system (NSS). The expected results are the strengthening of capacities for preparation of decision-making tools for economic policy management, in particular: rapid accounts for national accounting; (ii) macroeconomic projections for the budgetary framework; (iii) medium-term expenditure framework (MTEF) for the preparation of the Government's medium-term programme; (iv) social indicators for the PRSP poverty indicators monitoring framework ; and (v) SYGAGE software for domestic and external debt management. This support, which is also an instrument of dialogue with the country, will be implemented in coordination with the other donors, notably the UNDP, the World Bank, the IMF, the EU and France.

VI. CONCLUSION AND RECOMMENDATION

6.1 **Conclusion :** after a decade of military and socio-political unrest, the political and security situation of the Central African Republic is improving with the smooth conduct of elections. The economy is recovering and the authorities have the will to gradually normalize relations with development partners. In fact, in November 2005, the Government concluded a second EPCP with the IMF which should be presented to the Executive Board of this institution in February 2006. However, the limited solvency of the country does not allow it to service its domestic and external debt, and as at 31 December 2005 the stock of arrears owed the Bank was UA 25.31 million.

6.2 The goal of the strategy of this Dialogue Paper is to contribute towards the creation of conditions necessary to solve the problem of arrears, in order to resume the Bank's operations in the CAR. The strategic thrusts proposed to this effect are : (i) pursue dialogue on the fulfilment of PCCF-eligibility conditions, and (ii) build institutional capacities by financing the economic management and statistics support project with a maximum amount of UA 3 million in ADF grant out of a total allocation of UA 10.2 million. The Bank is planning to organize, in the fourth quarter of 2006, in consultation with the other donors, a specific partners meeting on the CAR to discuss the finalization of financing for the clearance plan of the CAR's arrears owed to the Bank and the World Bank, as well as the financing of the country's reconstruction. If the current recovery efforts are pursued, and subject to the conclusion of a PRGF, the Bank will prepare its interim Country Strategy Paper which will present an arrears settlement plan under the PCCF. In the medium term, when the problem of

arrears will be solved, the Bank will undertake the preparation of a Country Strategy Paper for the CAR which will be a comprehensive frame of reference for its interventions in the form of sectoral projects, institutional support and economic reforms.

6.3 **Recommendation :** in light of the foregoing, the Boards of Directors are invited to adopt the 2005-2006 Dialogue Paper proposed for the Central African Republic.

CAR : 2006 Programme of Activities Relating to the Solution to the Problem of Arrears

January - March 2006

1. Finalization of the Country Dialogue Paper (presentation to the Boards in February).
2. Appraisal Mission of the Economic Management and Statistics Institutional Support Project, PAGES (January).
3. Reception of the draft joint roadmap from the World Bank, and distribution to the concerned ministries (January/February).
4. Transmission of the Bank's contribution for the finalization of the joint roadmap (February).
5. Participation in the sensitization meeting on the CAR in Paris or Brussels (February).
6. OCCC/FFMA dialogue mission on arrears : (i) presentation of the arrears clearance framework; and (ii) evaluation of the country's economic and financial situation with a view to preparing discussions on the arrears clearance plan (February/March).
7. Launching of the donor sensitization and appeal process on the arrears clearance framework (February/March).

April - August 2006

8. Presentation of the PAGES to the Boards (April/May).
9. Preparatory work on the arrears clearance proposal in accordance with the framework for the settlement of arrears of post-conflict countries (April-August).

September-October-December 2006

10. Donor meeting in Tunis on arrears and financing of reconstruction (October/November).
11. Presentation of the arrears clearance proposal to the Boards (December).
12. Presentation of the interim CSP to the Boards (December).
13. Presentation of the Reform Support Programme (December).

Table 2. Central African Republic: Central Government Operations, 2001–08

	2001	2002	2003	2004			2005	2006	2007	2008
				Prog. 1/	Rev. 2/	Est.	Proj.			
(In billions of CFA francs)										
Revenue	63.2	78.4	53.7	63.4	55.1	55.8	59.8	67.3	74.5	81.6
Tax revenue	51.8	61.4	45.3	51.9	46.1	48.3	51.2	57.7	64.1	70.6
Direct taxes	15.2	17.2	14.0	16.8	14.0	15.6	14.6	16.3	17.4	19.0
Indirect domestic taxes	24.8	33.3	20.5	24.4	22.4	22.1	25.4	28.4	32.0	34.9
Taxes on international trade	11.8	10.9	10.7	10.7	9.7	10.6	11.2	12.9	14.7	16.7
<i>Of which: taxes on imports</i>	7.0	7.6	7.7	7.8	6.8	7.1	7.4	8.5	9.1	9.6
Nontax revenue	11.4	17.0	8.4	11.5	9.0	7.5	8.6	9.6	10.3	11.0
<i>Of which: MONUC receipts 3/</i>	4.4	2.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Expenditure	-93.6	-114.6	-85.5	-90.2	-86.7	-93.4	-92.5	-92.4	-98.8	-107.4
Current primary expenditure	-51.0	-57.3	-58.1	-57.6	-55.4	-66.7	-61.6	-55.0	-58.9	-63.4
Wages and salaries	-29.2	-33.1	-34.5	-33.0	-33.0	-38.9	-42.0	-35.0	-35.7	-36.5
Transfers and subsidies	-7.2	-7.1	-7.3	-10.1	-9.4	-10.0	-7.9	-8.2	-8.9	-9.7
Goods and services	-14.6	-17.1	-16.3	-14.4	-13.0	-17.8	-11.7	-11.8	-14.3	-17.2
Interest due	-9.8	-11.3	-7.9	-8.5	-8.5	-8.5	-8.4	-9.9	-8.9	-9.1
External	-8.5	-7.3	-5.0	-5.5	-5.5	-5.5	-5.4	-6.2	-6.2	-6.2
Domestic	-1.3	-3.9	-2.9	-3.0	-3.0	-3.0	-3.0	-3.8	-2.7	-2.9
Capital expenditure	-32.8	-46.0	-19.5	-24.1	-22.8	-18.2	-22.5	-27.4	-31.0	-35.0
Domestically financed	-9.7	-13.5	-10.5	-10.1	-8.8	-7.7	-7.3	-8.2	-9.9	-11.9
Externally financed	-23.1	-32.5	-9.0	-14.0	-14.0	-10.5	-15.2	-19.2	-21.1	-23.1
Overall balance, commitment basis										
Excluding grants	-30.5	-36.2	-31.8	-26.8	-31.7	-37.7	-32.8	-25.1	-24.3	-25.9
<i>Of which: narrow primary balance 4/</i>	2.5	7.6	-14.9	-4.3	-9.2	-18.6	-9.1	4.1	5.6	6.3
Including grants	-6.2	-8.6	-21.8	-7.4	-10.9	-15.0	-19.1	-10.5	-9.1	-10.0
Change in arrears (net; reduction -)	-7.3	21.3	30.5	0.0	20.4	21.1	3.5	-3.0	-3.0	-4.0
Domestic	-15.1	-4.7	6.2	0.0	-2.3	2.9	3.5	-3.0	-3.0	-4.0
External	7.8	26.1	24.3	0.0	22.7	18.2	0.0	0.0	0.0	0.0
Overall balance (cash basis)	-37.7	-14.8	-1.4	-26.8	-11.3	-16.6	-29.2	-28.1	-27.3	-29.9
Identified financing	37.7	14.8	1.4	4.1	11.3	16.6	5.0	6.8	2.5	3.8
External, net	26.5	14.5	-1.3	6.2	7.5	8.1	4.2	4.1	2.4	3.2
Projects	23.1	32.5	9.0	14.0	14.0	10.5	15.2	19.2	21.1	23.1
Grants	21.8	26.5	6.0	10.0	10.0	7.9	11.4	14.6	15.2	15.8
Loans	1.3	6.0	3.0	4.0	4.0	2.6	3.8	4.6	5.9	7.2
Program	12.2	2.3	9.1	9.4	10.7	14.8	2.2	0.0	0.0	0.0
Grants	2.5	1.0	4.1	9.4	10.7	14.8	2.2	0.0	0.0	0.0
Loans	9.7	1.3	5.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Amortization due	-15.2	-20.4	-19.4	-17.2	-17.2	-17.2	-13.2	-15.0	-18.7	-19.9
External debt relief	6.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Domestic, net	11.2	0.4	2.7	-2.1	3.8	8.5	0.8	2.7	0.1	0.6
Banking system	9.1	1.0	2.9	-2.1	3.8	8.5	0.8	2.7	0.1	0.6
Bank of Central African States	8.9	2.1	2.9	-1.3	4.8	9.9	1.5	1.0	0.9	0.0
Counterpart to IMF resources	7.3	0.0	0.0	-1.3	3.1	3.1	-2.6	-3.2	-3.9	-4.6
Other	1.7	2.1	2.9	0.0	1.7	6.7	4.0	4.3	4.8	4.6
Commercial banks	0.2	-1.1	0.0	-0.8	-1.0	-1.4	-0.7	1.7	-0.8	0.6
Nonbank	2.1	-0.6	-0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Residual financing need	0.0	0.0	0.0	22.7	0.0	0.0	24.2	21.2	24.9	26.1
Memorandum items:	(In percent of GDP)									
Revenue	8.9	10.8	7.7	8.7	7.8	8.1	8.3	8.8	9.1	9.4
Expenditure	-13.2	-15.8	-12.3	-12.4	-12.3	-13.5	-12.8	-12.0	-12.1	-12.3
<i>Of which: wages and salaries</i>	-4.1	-4.6	-5.0	-4.5	-4.7	-5.6	-5.8	-4.6	-4.4	-4.2
transfers and subsidies	-1.0	-1.0	-1.1	-1.4	-1.3	-1.4	-1.1	-1.1	-1.1	-1.1
goods and services	-2.1	-2.4	-2.4	-2.0	-1.8	-2.6	-1.6	-1.5	-1.7	-2.0
domestically financed investm	-1.4	-1.9	-1.5	-1.4	-1.3	-1.1	-1.0	-1.1	-1.2	-1.4
Balance, commitment basis (deficit -)										
Excluding grants	-4.3	-5.0	-4.6	-3.7	-4.5	-5.5	-4.5	-3.3	-3.0	-3.0
Including grants	-0.9	-1.2	-3.1	-1.0	-1.6	-2.2	-2.7	-1.4	-1.1	-1.2
Narrow primary budget balance 4/	0.3	1.0	-2.1	-0.6	-1.3	-2.7	-1.3	0.5	0.7	0.7
Basic balance 5/	-1.0	-0.5	-3.3	-1.8	-2.5	-3.9	-2.4	-0.8	-0.4	-0.3
Sources: C.A.R. authorities; and IMF staff estimates and projections.										
1/ In line with the program (EBS/04/97, paragraph 43), the projection for 2004 includes 1 percent of GDP in priority spending financed by grants.										
2/ Revised on the basis of an October 2004 staff visit.										
3/ United Nations Mission in C.A.R.										
4/ Excludes interest payments, foreign-financed investment, and grants.										
5/ Excludes foreign-financed investment and grants.										

Table 2 : Central African Republic : Government Financial Operations for 2001-2008

	2001	2002	2003	2004			2005	2006	2007	2008
				Program/	Revised 2/	Est.					Projections
(in CFAF billion)										
Revenue	63.2	78.4	53.7	63.4	55.1	55.8	59.8	67.3	74.5	81.6
Fiscal revenue	51.8	61.4	45.3	51.9	46.1	48.3	51.2	57.7	64.1	70.6
Direct taxes	15.2	17.2	14.0	16.8	14.0	15.6	14.6	16.3	17.4	19.0
Indirect taxes	24.8	33.3	20.5	24.4	22.4	22.1	25.4	28.4	32.0	34.9
Taxes on foreign trade	11.8	10.9	10.7	10.7	9.7	10.6	11.2	12.9	14.7	16.7
<i>of which import taxes</i>	7.0	7.6	7.7	7.8	6.8	7.1	7.4	8.5	9.1	9.6
Non-fiscal revenue	11.4	17.0	8.4	11.5	9.0	7.5	8.6	9.6	10.3	11.0
of which revenue from MONUC 3/	4.4	2.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Expenditure	-93.6	-114.6	-85.5	-90.2	-86.7	-93.4	-92.5	-92.4	-98.8	-107.4
Recurrent primary expenditure	-51.0	-57.3	-58.1	-57.6	-55.4	-66.7	-61.6	-55.0	-58.9	-63.4
Allowances and salaries	-29.2	-33.1	-34.5	-33.0	-33.0	-38.9	-42.0	-35.0	-35.7	-36.5
Transfers and subsidies	-7.2	-7.1	-7.3	-10.1	-9.4	-10.0	-7.9	-8.2	-8.9	-9.7
Goods and services	-14.6	-17.1	-16.3	-14.4	-13.0	-17.8	-11.7	-11.8	-14.3	-17.2
Interest due	-9.8	-11.3	-7.9	-8.5	-8.5	-8.5	-8.4	-9.9	-8.9	-9.1
External	-8.5	-7.3	-5.0	-5.5	-5.5	-5.5	-5.4	-6.2	-6.2	-6.2
Domestic	-1.3	-3.9	-2.9	-3.0	-3.0	-3.0	-3.0	-3.8	-2.7	-2.9
Administrative and capital expenditure	-32.8	-46.0	-19.5	-24.1	-22.8	-18.2	-22.5	-27.4	-31.0	-35.0
Financed by domestic resources	-9.7	-13.5	-10.5	-10.1	-8.8	-7.7	-7.3	-8.2	-9.9	-11.9
Financed by external resources	-23.1	-32.5	-9.0	-14.0	-14.0	-10.5	-15.2	-19.2	-21.1	-23.1
Overall balance (cash basis)										
Excluding grants	-30.5	-36.2	-31.8	-26.8	-31.7	-37.7	-32.8	-25.1	-24.3	-25.9
<i>of which narrow primary balance 4/</i>	2.5	7.6	-14.9	-4.3	-9.2	-18.6	-9.1	4.1	5.6	6.3
including grants	-6.2	-8.6	-21.8	-7.4	-10.9	-15.0	-19.1	-10.5	-9.1	-10.0
Variations in arrears (net; reduction-)										
Domestic	-7.3	21.3	30.5	0.0	20.4	21.1	3.5	-3.0	-3.0	-4.0
External	-15.1	-4.7	6.2	0.0	-2.3	2.9	3.5	-3.0	-3.0	-4.0
External	7.8	26.1	24.3	0.0	22.7	18.2	0.0	0.0	0.0	0.0
Overall balance (cash basis)	-37.7	-14.8	-1.4	-26.8	-11.3	-16.6	-29.2	-28.1	-27.3	-29.9
Identified financing	37.7	14.8	1.4	4.1	11.3	16.6	5.0	6.8	2.5	3.8
External, net	26.5	14.5	-1.3	6.2	7.5	8.1	4.2	4.1	2.4	3.2
Project	23.1	32.5	9.0	14.0	14.0	10.5	15.2	19.2	21.1	23.1
Grants	21.8	26.5	6.0	10.0	10.0	7.9	11.4	14.6	15.2	15.8
Loans	1.3	6.0	3.0	4.0	4.0	2.6	3.8	4.6	5.9	7.2
Programme	12.2	2.3	9.1	9.4	10.7	14.8	2.2	0.0	0.0	0.0
Grants	2.5	1.0	4.1	9.4	10.7	14.8	2.2	0.0	0.0	0.0
Loans	9.7	1.3	5.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Amortization due	-15.2	-20.4	-19.4	-17.2	-17.2	-17.2	-13.2	-15.0	-18.7	-19.9
External debt relief	6.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Domestic, net	11.2	0.4	2.7	-2.1	3.8	8.5	0.8	2.7	0.1	0.6
Banking system	9.1	1.0	2.9	-2.1	3.8	8.5	0.8	2.7	0.1	0.6
Bank of Central African States	8.9	2.1	2.9	-1.3	4.8	9.9	1.5	1.0	0.9	0.0
Counterpart to IMF resources	7.3	0.0	0.0	-1.3	3.1	3.1	-2.6	-3.2	-3.9	-4.6
Other	1.7	2.1	2.9	0.0	1.7	6.7	4.0	4.3	4.8	4.6
Commercial banks	0.2	-1.1	0.0	-0.8	-1.0	-1.4	-0.7	1.7	-0.8	0.6
Nonbank	2.1	-0.6	-0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Residual financing requirement	0.0	0.0	0.0	22.7	0.0	0.0	24.2	21.2	24.9	26.1
Memorandum items	(in percentage of GDP)									
Revenue	8.9	10.8	7.7	8.7	7.8	8.1	8.3	8.8	9.1	9.4
Expenditure	-13.2	-15.8	-12.3	-12.4	-12.3	-13.5	-12.8	-12.0	-12.1	-12.3
of which Salaries and Allowances	-4.1	-4.6	-5.0	-4.5	-4.7	-5.6	-5.8	-4.6	-4.4	-4.2
Transfers and subsidies	-1.0	-1.0	-1.1	-1.4	-1.3	-1.4	-1.1	-1.1	-1.1	-1.1
Goods and services	-2.1	-2.4	-2.4	-2.0	-1.8	-2.6	-1.6	-1.5	-1.7	-2.0
Investments financed by external resources	-1.4	-1.9	-1.5	-1.4	-1.3	-1.1	-1.0	-1.1	-1.2	-1.4
Balance, cash basis (deficit-)										
Excluding grants	-4.3	-5.0	-4.6	-3.7	-4.5	-5.5	-4.5	-3.3	-3.0	-3.0
Including grants	-0.9	-1.2	-3.1	-1.0	-1.6	-2.2	-2.7	-1.4	-1.1	-1.2
Narrow primary balance 4/	0.3	1.0	-2.1	-0.6	-1.3	-2.7	-1.3	0.5	0.7	0.7
Basic balance 5/	-1.0	-0.5	-3.3	-1.8	-2.5	-3.9	-2.4	-0.8	-0.4	-0.3

Sources: Administration of the Central African Republic and IMF statistic and projections

1/ In keeping with the programme (EBS/04/97; paragraph 43), projections for 2004 include 1 per cent of GDP in priority expenses financed with grants

2/ Revised following a staff visit in October 2004

3/ United Nations Mission in the Central African Republic

4/ Excludes interest payments, investments funded with external resources and grants

5/ Excludes investment funded with external resources and grants

Table 8 : Monetary Survey in the Central African Republic for 2001-2008

	2001	2002	2003	2004			2005	2006	2007	2008
				Program./	Revised	Est.					Projections
in CFAF billion at end of period, unless otherwise indicated										
Net foreign assets	63,7	55,7	47,4	51,7	...	49,5	49,8	54,0	59,1	64,7
Bank of Central African States (BEAC)	66,3	58,1	51,9	54,6	...	51,4	54,2	58,4	63,5	69,1
Operations account	87,6	76,9	67,9	69,9	...	69,6	72,3	73,1	74,0	74,9
Use of IMF credit	-22,9	-20,9	-18,9	-18,2	...	-21,2	-19,8	-16,5	-12,7	-8,0
Other	1,6	2,1	2,9	2,9	...	3,0	1,6	1,8	2,1	2,2
Comercial banks	-2,7	-2,4	-4,6	-2,9	...	-1,9	-4,4	-4,4	-4,4	-4,4
Net domestic assets	46,0	49,2	49,2	50,3	...	60,7	63,6	66,8	70,6	74,5
Domestic credit	97,1	99,6	102,2	103,3	...	115,4	118,2	121,4	125,2	129,1
Credit to public sector	54,6	50,2	52,8	51,3	...	60,2	62,1	64,4	64,5	65,1
Credit to the Government (net)	55,3	54,3	55,2	53,8	...	62,9	64,8	67,5	67,6	68,2
BEAC	48,7	48,7	49,7	49,0	...	58,7	61,3	62,3	63,2	63,3
Current account	17,2	14,1	17,1	17,1	...	25,1	30,7	35,0	39,8	44,4
Consolidated loans	14,6	14,6	14,6	14,6	...	14,6	13,0	13,0	13,0	13,0
IMF (net)	22,9	20,9	18,9	18,2	...	21,2	19,8	16,5	12,7	8,0
Deposits	-6,0	-0,8	-0,8	-0,8	...	-2,2	-2,2	-2,2	-2,2	-2,2
Comercial banks	6,7	5,6	5,6	4,8	...	4,2	3,5	5,2	4,3	4,9
Credit to other public institutions (net)	-0,7	-4,1	-2,4	-2,4	...	-2,7	-2,7	-3,1	-3,1	-3,1
Credit to the economy	42,5	49,4	49,4	51,9	...	55,2	56,1	57,0	60,7	64,0
Public enterprises	8,0	8,1	8,4	8,4	...	6,7	6,7	6,7	6,7	6,7
Private sector	34,5	41,3	41,0	43,5	...	48,4	49,4	50,2	54,0	57,2
Other items (net)	-51,1	-50,3	-53,1	-52,9	...	-54,6	-54,6	-54,6	-54,6	-54,6
Money and quasi-money	109,7	104,9	96,5	102,1	...	110,2	113,4	120,8	129,7	139,2
Notes and coins	82,6	77,4	70,4	72,4	...	81,3	82,0	83,0	84,6	90,9
Deposits	27,1	27,5	26,1	29,7	...	28,9	31,4	37,8	45,0	48,4
Demand deposits	16,6	17,3	15,1	18,7	...	16,4	17,7	21,4	25,4	27,4
Time deposits and savings	10,5	10,2	11,1	11,0	...	12,5	13,7	16,4	19,7	20,9
Memorandum items:										
Net domestic assets of the Central Bank	17,7	20,9	20,7	20,5	...	32,3	30,7	28,0	24,5	25,2
Monetary base	84,0	79,0	72,6	75,1	...	83,7	84,9	86,4	88,0	94,3
Nominal GDP	709,2	726,2	694,7	728,5	...	690,7	722,3	767,8	816,8	870,3
Velocity (GDP/broad money)										
End of period	6,5	6,9	7,2	7,1	...	6,3	6,4	6,4	6,3	6,3
(Annual percentage variation of broad money at beginning of period)										
Net foreign assets	-14,3	-7,3	-8,0	4,6	...	2,2	0,3	3,7	4,2	4,3
Net domestic assets	13,2	2,9	-0,1	1,2	...	12,0	2,6	2,8	3,1	3,1
Net domestic credit	16,9	2,2	2,5	1,1	...	13,6	2,6	2,8	3,1	3,0
Credit to the Government (net)	8,7	-0,9	0,9	-1,5	...	7,9	1,8	2,4	0,1	0,5
Credit to the economy	3,2	6,3	0,0	2,6	...	6,0	0,8	0,8	3,1	2,5
Money and quasi-money	-1,1	-4,3	-8,0	5,8	...	14,2	2,9	6,5	7,3	7,4
(Annual percentage variation)										
Monetary base	-6,2	-6,0	-8,0	3,3	...	15,3	1,4	1,7	1,9	7,1
Credit to the economy	9,2	16,3	0,1	5,1	...	11,6	1,7	1,5	6,5	5,4
Public enterprises	-0,5	1,4	4,7	0,0	...	-20,2	0,0	0,0	0,0	0,0
Private sector	11,6	19,7	-0,8	6,1	...	18,2	1,9	1,7	7,4	6,1

Sources: Administration of the Central African Republic and IMF statistics and projections

1/ Confere EBS/04/97,

Table 7 : Balance of Payments of the Central African Republic for 2001-2008

	2001	2002	2003 Est.	2004			2005	2006	2007	2008
				Prog. 1/	Revised,2	Prel					Projections
(in CFAF billion)										
Current account	-17,8	-22,7	-33,9	-20,8	-32,9	-29,4	-28,4	-31,3	-31,2	-30,7
Trade balance	25,6	14,3	2,2	14,8	-4,8	-6,6	-7,3	-12,4	-13,5	-11,7
Exports, fob	104,1	101,3	70,9	87,1	68,1	66,0	73,9	82,1	88,3	93,7
of which diamond	41,2	36,3	28,6	34,7	28,8	27,8	31,5	34,0	36,5	37,9
wood products	45,3	49,6	34,6	39,3	29,0	28,7	31,1	35,1	36,7	38,7
Imports, fob	-78,5	-86,9	-68,7	-72,3	-72,9	-72,6	-81,2	-94,5	-101,8	-105,4
Oil products	-13,5	-11,0	-8,1	-10,5	-13,4	-17,8	-23,9	-30,7	-32,8	-35,3
Public investment programme	-4,4	-8,4	-5,1	-5,0	-4,0	-1,9	-4,1	-5,2	-5,7	-6,2
Other	-60,6	-67,5	-55,5	-56,8	-55,5	-52,9	-53,2	-58,7	-63,4	-63,8
Services (net)	-57,4	-50,9	-43,5	-47,4	-42,4	-38,0	-37,1	-39,0	-40,3	-42,2
Revenue (net)	-7,5	-5,1	-3,5	-4,2	-4,2	-3,0	-1,4	-2,0	-1,8	-1,8
<i>of which public debt interest due</i>	-8,6	-7,5	-5,1	-5,6	-5,6	-5,6	-5,5	-6,3	-6,2	-6,2
Current transfers (net)	21,4	18,9	10,9	16,0	18,5	18,2	17,5	22,0	24,5	25,0
Capital account	13,1	13,6	6,9	6,4	15,5	18,5	7,6	6,9	7,2	7,5
Project grants 3/	10,4	12,6	2,8	4,8	4,8	3,8	5,4	6,9	7,2	7,5
Programme grants	2,5	1,0	4,1	1,7	10,7	14,8	2,2	0,0	0,0	0,0
Debt cancellation	0,2	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Financial account	-8,0	-30,2	-10,6	-5,0	-4,5	-8,7	0,5	7,3	4,2	2,7
Public sector (net)	-4,2	-13,1	-11,4	-13,2	-13,2	-14,6	-9,4	-10,5	-12,8	-12,6
Project disbursements	1,3	6,0	3,0	4,0	4,0	2,6	3,8	4,6	5,9	7,2
Programme disbursements	9,7	1,3	5,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Scheduled amortization	-15,2	-20,4	-19,4	-17,2	-17,2	-17,2	-13,2	-15,0	-18,7	-19,9
Private sector (net)	-3,8	-17,1	0,8	8,2	8,8	5,9	9,8	17,8	17,0	15,3
Errors and omissions	-15,0	3,0	5,1	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Overall balance	-27,7	-36,3	-32,4	-19,4	-21,9	-19,5	-20,3	-17,0	-19,8	-20,4
Identified financing	27,7	36,3	32,4	-3,3	21,9	19,5	-3,9	-4,2	-5,1	-5,6
Net official reserves movements 4/	13,7	10,3	8,1	1,1	1,1	1,4	-3,9	-4,2	-5,1	-5,6
IMF net credit	7,3	0,0	0,0	3,1	3,1	3,1	-2,6	-3,2	-3,9	-4,6
Purchases and loans	7,3	0,0	0,0	4,4	4,4	4,4	0,0	0,0	0,0	0,0
Repayments (in cash)	0,0	0,0	0,0	-1,3	-1,3	-1,3	-2,6	-3,2	-3,9	-4,6
Other reserves (increase-)	6,5	10,3	8,1	-2,0	-2,0	-1,8	-1,4	-1,0	-1,2	-1,0
Exceptional financing	14,0	26,1	24,3	0,0	22,7	18,2	0,0	0,0	0,0	0,0
Debt rescheduling 5/	6,2	0,0	0,0	...	...	...	...	...	...	...
Debt payment arrears (reduction)	7,8	26,1	24,3	0,0	22,7	18,2	0,0	0,0	0,0	0,0
Residual financing requirement	0,0	0,0	0,0	22,7	0,0	0,0	24,2	21,2	24,9	26,1
Memorandum items	(Annual percentage variation unless otherwise indicated)									
Terms of trade (US\$ basis)	-11,5	-0,2	5,4	5,1	-4,9	-7,8	-0,5	1,6	0,3	-1,0
Unit price, exports (US\$ basis)	-13,2	2,3	18,1	6,7	0,7	0,2	8,0	3,7	1,4	0,1
Unit price, imports (US\$ basis)	-1,8	2,5	12,1	1,6	5,9	8,7	8,6	2,2	1,1	1,0
Net resource transfer	33,0	33,1	17,9	14,3	23,3	23,9	20,3	15,9	17,1	18,4
Net resource transfers (in percentage of GDP)	4,7	4,6	2,6	2,0	3,3	3,5	2,8	2,1	2,1	2,1
Gross official reserves										
(in CFAF billion, end of period) + B2	89,2	78,9	70,8	72,8	72,8	72,6	73,9	74,9	76,1	77,1
(in months of imports, fob)	13,6	10,9	12,4	12,1	12,0	12,0	10,9	9,5	9,0	8,8
Current account (in percentage of GDP)	-2,5	-3,1	-4,9	-2,9	-4,7	-4,3	-3,9	-4,1	-3,8	-3,5
Total external arrears stock (in CFA billion)	133,4	160,4	182,1	...	...	...	...	...	...	...
<i>of which arrears due to multilateral creditors</i>	31,2	44,1	57,5	...	...	...	...	...	...	...

Sources: Administration of the Central African Republic and IMF statistics and projections

1/ Confere EBS/04/97

2/ Revised on the basis EPCP programme review of October 2004

3/ A part of project grants is included in the current transfers,

4/ Based on definitions consistent with the IMF Balance of Payments Manual (5th edition),

5/ Includes debt relief consist with the 1998 Paris Club rescheduling agreement, and agreements signed with the other creditors in 1999

