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P.O. Box: 3243, Addis Ababa, Ethiopia, Tel.:(251-11) 551 38 22 Fax: (251-11) 551 93 21  
Email: [situationroom@africa-union.org](mailto:situationroom@africa-union.org), [oau-ews@ethionet.et](mailto:oau-ews@ethionet.et)

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**REPORT OF THE MULTIDISCIPLINARY EXPERTS' MISSION TO THE CENTRAL  
AFRICAN REPUBLIC (CAR) 3 – 15 APRIL 2006**

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**I. INTRODUCTION**

1. The numerous internal and regional conflicts that had plagued the Central African Republic (CAR) for several years seriously damaged that country's economy as well as its social and institutional set up. Even today, the persistent insecurity, the wait-and-see attitude of economic operators and the reluctance of the international partners have all contributed to the vicious cycle, which still persists despite the efforts invested by the authorities towards national reconstruction and economic and social recovery.

2. The recent political development has been encouraging, notably with the organization of legislative and presidential elections in March and May 2005, thus marking the end of the political transition put in place in the aftermath of the coup d'Etat of 15 March 2003. A period of calm then followed, giving rise to new hopes for peace, economic recovery and general well-being.

3. The African Union (AU) which stood by the Central African authorities and other development partners in the early days of the protracted Central African crisis has since June 2005 invested tremendous efforts to consolidate the return to constitutional rule:

- meeting of the Peace and Security Council (PSC) on 24 June 2005 and lifting of the suspension of CAR on 17 March 2003 following the coup d'Etat of 15 March 2003;
- support to the process of renewal of the financing of CEMAC Multinational Force (FOMIC) in October 2004, in May 2005 and in March 2006, within the context of the peace support facility;
- fact finding mission to CAR, Chad and Cameroon in October/November 2005 about the security and humanitarian situation.

4. Following this fact-finding mission, the PSC met on 29 December 2005 to consider the security and humanitarian situation in the Central African Republic. At the end of its deliberations, the PSC called on the regional and international actors to exert more efforts to help reduce the state of insecurity in the various regions of the country and provide the conditions conducive to the socio-economic recovery of the country.

5. Aware of the extreme importance of the assistance of bilateral and multilateral partners, as well as that of Member States, the Council particularly encouraged the Chairperson of the Commission to organize a multidisciplinary experts' mission to take stock of the socio-economic and security situation in CAR, identify the various needs and come up with recommendations on the assistance Member States and bilateral and multilateral partners could provide to CAR within the context of post-conflict reconstruction and sustainable development.

6. The multidisciplinary mission was led by Mr. Mamadou Lamine Loum, former Prime Minister of the Republic of Senegal and included several experts from the African Union (AU), the African Development Bank (ADB) and the United Nations Economic Commission for Africa (ECA):

- AU: - An economic expert
- An expert in peace and security matters
- A focal point for CAR
  
- ADB: - An agricultural economist
- An economist
  
- ECA: - A macro-economy expert
- An expert in administration/governance.

7. As part of the accomplishment of the mission, the experts chose the direct contract approach with the Central African authorities, the bilateral and multilateral partners as well as the other actors of the society who, notwithstanding the fact that they are at the periphery of the decision – making process, have a fair knowledge of the country's problems. Thus, the Mission met with the high authorities of the Central African Republic including the President of the Republic, the Speaker of the National Assembly and the Prime Minister. It held several working sessions with the Ministry of sovereignty, the Ministry of Economic and Social Affairs, the diplomatic missions, the development institutions and partners, the political parties, as well as with segments of the civil society and religious authorities (see annex for the list of the various interlocutors).

8. The information gathered during those meetings including the documentation provided enabled the Mission to:

- evaluate the political, security, socio-economic and financial situation and draw the necessary conclusions;
- identify the urgent needs of the Central African Republic and define the priority actions to be undertaken which are consistent with the hopes and expectations of the population and the exigencies of bilateral and multilateral partner communities;
- identify the medium and long term needs and actions;
- formulate conclusions and recommendations.

## **II. STATE OF PLAY**

### **a) Political situation**

#### **Political framework**

9. The armed clashes that took place in the town of Paona between 29 January and 11 February 2006 constitute the backdrop against which the Mission reviewed the country's political situation, while avoiding to go back to the past.

10. The political leaders, whether from the presidential majority or from the opposition, have each interpreted in their own way the reprisal/security operations launched by the Central African defence force following the attack by unidentified armed groups against the town of Paona in the ouham-perde district on 29 January 2006.

11. As a matter of fact, the deputies from the Paona prefectures 1,2 and 3 described the operations of the army as ethnic leasing directed against the Kabas, the tribe of Mr. Patasse. They went as far as saying that more than 100 people had been killed.

12. Reacting to those accusations, the Prime Minister, Mr. Elie Dote said that the operation of the army was aimed at nipping in the bud an insurrection fomented by isolated groups. Such were the dispute and controversies over the number of deaths that journalists conducted an enquiry about the locations where the operations had taken place. Nevertheless, disagreement still persists over the actual number of deaths, giving rise to all kinds of speculation. The population for its part fled their homes and sought refuge in the neighboring forest or in Southern Chad.

13. It was against this background that the presidency of the Central African Republic on 12 March 2006 accused former President Ange Felix Patasse and his party, MLPC of preparing a rebellion and trying to destabilize the country. The accusations were followed by the arrest of several militants of MLPC, thus heightening mistrust and dissension within the political class. Since then, the parties of the presidential majority have been painting accruing fingers at the MLPC and the "Rassemblement démocratique centrafricain (RDC)" of Mr. Andre Kalingba, blaming them for not playing a "fair game" and even for being the instigators (particularly the cadres and militants of the MLPC) of the Paona attacks.

14. The presidency of the Republic further announced that it had arrested Lieutenant Larma of "l'Armée pour la Restauration de la République et de la Démocratie (APRD)". The latter who is still in detention at a secret location is reported to have made a confession, implicating several militants of the MLPC, some of whom have been the subject of arrest. The leaders of the MLPC rejected the government's accusations and denounced the arrest and intimidation of their militants.

15. According to several political leaders, it is difficult to have a clear picture of what is happening in the north of the country and to make clear distinction between highway robbers and armed groups or rebels. However, some independent observers talk of the existence of three rebel groups: "le Mouvement patriotique pour la restauration de la République centrafricaine" led by Steve Gueret; "l'Union des forces républicaines (UFR) led by Florian Ndjader, and "l'Armée pour la restauration de la république et la démocratie (APRD) whose spokesman is Lieutenant Lama.

16. The leaders of the opposition for their part accused the government of making inflammatory instead of rallying statements; disrespecting the status of the opposition and the code of conduct adopted in February 2005; ignoring the recommendations of the September-October 2003 National Dialogue endorsed by all as a consensual reference; granting impunity to the ex-liberators; and violating human rights. They denounced cases of bad governance, notably the presidential

decree which they described as silent and which relates to the upward review of the allowances of some Ministers and high-ranking officials, at a time when the donors call for a reduction of the wage bill and civil servants have not been paid for months.

17. The current dissensions within the political class are limited for the time being but could spread if a stop is not put to the diatribes between the political parties. There is a sign of hope, however, as the government plans to dispatch a peace mission to the region with the participation of deputies. Furthermore, some politicians are monitoring developments in the situation in Chad, which could have a negative impact on the security situation prevailing in the North of the country and on the entire socio-political life.

### **Governance and human rights**

18. Governance as management of the affairs of a country at all levels encompasses the mechanisms, processes and institutions whereby the citizens, either directly or through their elected representatives, express their interests, exercise their rights and discharge their obligations and responsibilities.

19. The return to constitutional rule in CAR was marked by the organization of democratic, free and transparent elections on 11 June 2005, the results of which were hailed by both the Central African population and the international community. Nevertheless, instability in the political and state institutions, as well as the recurrent internal conflicts that have dogged the country are, first and foremost, a sign of disquiet due partly to the shortcomings and poor implementation of the standards of good governance and the rule of law, notably participation, transparency, responsibility, equity and pre-eminence of law. The most pernicious manifestations are a geopolitical imbalance in the organization and structure of the Defence and Security Forces. This state of affairs gradually intensified the struggle for the control of political power, slowed down economic growth, with the resultant lack of confidence in the government.

20. In the area of Human Rights, despite the existence of national jurisdictional and non-jurisdictional mechanisms to ensure the protection of and respect for principles recognized as fundamental bases of society, there are cases of arbitrary detentions, threats and intimidation of officials of NGOs and political parties by the government, and of atrocities committed by the police, the gendarmerie and soldiers of the Central African Armed Forces (AFCA). In the application of the law for example, for want of resources, the judicial service requires those subject to trial to provide their own papers if they want to have an engrossment of their judgment. There are other instances where provincial judges are compelled to ask for lift from third parties. Furthermore, the judicial service lacks judges and other support staff in quantity and quality, as well as premises and equipment.

21. Public services are faced with operational and financial constraints, as evidenced by frequent strikes and a low morale among the workers. According to our interlocutors, the public service is characterized by chronic laxism, corruption and non-compliance with working hours. Such are the shortcomings observed in the management of state property and widespread corruption that public services no longer go directly to the populations concerned.

22. Furthermore, the convergent interventions during the discussion on the disastrous situation in which the country finds itself brought to the fore a lack of civic responsibility which has developed over the years and which perhaps is considered as a source of the recurrent crises. For instance, the shortcomings in the management of public affairs compounded by tribal surveillance are impediments to the exercise of state responsibilities and a cause of the dysfunction of public administration. The inadequacy of public resources, coupled with an opaque and non-participatory management at all levels has resulted not only in low state revenue but also in poor allocation of public expenditure to reduce poverty. Lack of material resources in most of the government departments is another reason for the inefficient public administration.

23. Generally speaking, corruption, impunity and fraud remain serious factors that impact negatively on public life in Central African Republic (CAR). Besides, the State has chronic difficulty in discharging its sovereign responsibilities such as salaries, scholarships, pensions and back pay for the military. The accumulation of salary arrears over several years has reached a record figure of 40 to 45 months, amounting to between CFA 110 and 150 billion. For the majority of the population of CAR, good governance and confidence in the State simply mean that an immediate and definitive solution must be found to the problem of salary arrears and measures should be found to ensure that this state of affairs does not happen again in the future.

**b) Security situation**

**(i) Situation of the Forces**

Central African National Forces

24. The Head of State and Minister of Defence, President François Bozize, defined the new employment policy of the defence and security forces by spelling out the role of each military and paramilitary unit within the country's security establishment.

25. In Bangui, the security is essentially the responsibility of the police force composed of about 1600 elements and the gendarmerie. These two forces from time to time call on the Presidential Security and Intervention Battalion (BPSI) and the Central African Armed Forces (FACA) in accordance with the ministerial directive. The police and the gendarmerie carry out CID missions. The city of Bangui and the surrounding areas are entrusted to the Republican Guard, which is also responsible for the protection of some sensitive sites.

26. In the hinterland, FACA ensures security as part of their traditional mission, namely the territorial integrity of the country and the protection of goods and persons. Judging by the contingent of about 1000 men for a total area of 623,000 km<sup>2</sup>, the number is woefully inadequate for the effective protection of the territory. Troops relief operation takes place every six months with a near zero mobility, and this limits the reaction capacity of FACA.

(ii) **Foreign forces**

French troops

27. This is a military detachment of 200 men (Boali detachment) which in addition to ensuring the security of the Bangui Mpoko airport, is also tasked to provide:

- logistical support to the functioning of CEMAC Multinational Force (FOMUC) by seeing to the maintenance of the material and equipment and by participating in the budget;
- training to FACA units and to the soldiers.

FOMUC

28. FOMUC is made up of 380 men from Gabon, the Republic of Congo and Chad. It was deployed in CAR since December 2002 as part of the implementation of the Communiqué adopted by the CEMAC Heads of State in Libreville on 2 October 2002.

29. FOMUC missions are governed by the protocol on the mandate and status of the force in CAR, supplemented by the additional act no. 6 of 29 June 2005. These missions are as follows:

- provide logistical support to the Central African security and defence forces;
- contribute to the security of CAR and the restructuring of FACA;
- support the stabilization process by lending a helping hand to the establishment of institutions and to the economic recovery initiative.

30. Since its deployment, FOMUC participated in efforts to ensure the security of the city of Bangui and its surroundings by deploying about forty men on the ground, participating in the technical preparation and in the conduct of safe presidential and legislative elections. It provides permanent security to the Bangui Mpoko airport and participates in its control with the French detachment of Boali. In the discharge of its mission, it acts in collaboration with FACA by increasing its operational capacity to ensure maximum and more effective security of the country including the provinces and creating the necessary conditions for the transfer of responsibility to the Central African defence and security forces.

31. In 2005, FOMUC deployed units in Bria and Bozoum thanks to the financial help of the European Union within the framework of the peace support facility and the support of the African Union. In 2006 it is expected to deploy on a third site in Kagabandoro.

32. With its current strength of 380 men, about 65 different vehicles including 4-wheel drives and light machine guns, FOMUC is more perceived as a deterrent power which has helped maintain security in Bangui and in some provinces of the country, rather than a stabilization and security force whose presence is nevertheless widely appreciated by the population.

(iii) **Security problem**

At the national level

33. It emerged from the various discussions the Mission had that the districts of Ouham and Ouham – pende are those that face constant instability caused by unidentified armed groups and highway robbers who attack and fleece travelers on the road, kidnap children of Bororos herdsmen, loot villages and often claim to belong to politico-military movements not yet officially identified.

34. At the Cameroon border, the attacks are mostly directed against Bororos herdsmen who were compelled to abandon their traditional homes with their children and livestock and seek refuge in Cameroon.

35. The attacks perpetrated at the Chadian border are carried out with weapons (AA 52; Kalachnikov) used by armed bands with the aim of terrorizing the civilian populations. These attacks are laid at the doorsteps of the followers of former President Ange Felix Patasse and of ex-liberators who after supporting the 15 March 2003 coup d'Etat, were sidelined. Some left with their arms. Despite the UNDP programme to rehabilitate the ex-combatants, there are still about 100,000 arms in circulation. Only 500 light weapons have been recovered. Out of the 7565 ex-combatants identified, 5800 were demobilized but are likely to be disappointed because of the slow pace of the rehabilitation plan.

36. Though the state of insecurity has dropped significantly in Bangui, it is still a source of serious concern in the hinterland. In Bangui, the Mission witnessed the attack on a group of travelers and the assassination of four people including two doctors of the AIDS Control Committee, who were ambushed on the night of 9 to 10 April 2006 by armed men at about 200 km North West of Bangui. Such attacks have become commonplace in the country, particularly in the North and North West where it is becoming increasingly clear that a rebellion is in the making.

At the regional level

37. The FACA, which are an institution of the Central African Republic, have enormous difficulties in discharging its role nationally and regionally. The FACA are under equipped, with a reduced strength for a territory covering an area of 622,000 km<sup>2</sup> and, more importantly, underpaid.

38. In the West, at the borders with Cameroon and Chad, it is in Central African Republic that the bandits often retreat. In August 2005, the three countries undertook, within the framework of a Tripartite Commission, to carry out joint operations to fight transborder insecurity.

39. Some concerns were also expressed about the east front, at the border with Sudan. Following rumours about the presence of LRA troops (Ugandan rebellion) in these same areas, the UNHCR was compelled to interrupt its operations designed to transfer Sudanese refugees. As part of the efforts to check the incursions of poachers and smugglers in the East and North East of the country, an agreement was concluded with Sudan.



40. As a matter of fact, the MONUC forces and the French troops serve as a back-up to the Central African defence and security forces. However, this back up is not permanent, as evidenced by the impending departure of MONUC scheduled for June 2007. This raises the problem of internal and external security as to how the Central African forces will be able to ensure security throughout the country. Be that as it may, the security issue should be envisaged within the context of the serious economic and financial crisis bedeviling the Central African Republic and which limits the capabilities of the State.

**(iv) Economic and Financial situation**

Macroeconomic framework

41. The productive structure of the Central African Republic is based on traditional subsistence economy, which depends essentially on the primary sector. Agriculture represents about 48% of the GDP and is dominated by food crops, with the primary sector accounting for 55% of the GDP. The secondary sector is made up mainly of mining and lumbering, as well as of the water and energy sub-sectors, and accounts for about 13% of the GDP. The tertiary sector, which includes trade, transport, telecommunications and services, represents 32% of the GDP. The trends over a long period (1985-2004) show an average annual growth of 2% for the primary sector, altered by stagnation in recent years (2000-2004); and a steady decline of 1.5% for the secondary and tertiary sectors, which worsened recently (-10.4% for the secondary sector and -36% for the tertiary).

42. The country's macroeconomic framework is characterized by poor economic growth over the past ten years. Between 1994 and 2004, the average annual growth rate of the GDP in real terms was 0.9% after a decline of 1.3% between 1985 and 1993. In 2005, growth was around 2% while in 2006 the forecasts announced a partial recovery, with a growth rate estimated at 2.4% according to the country's authorities<sup>1</sup>.

43. This poor macroeconomic performance is due to several factors:

- political instability and insecurity have discouraged investors and enterprises to engage in productive activities mere subsistence;
- bad governance and inefficient administration have contributed to the deterioration of the business environment;
- the deplorable state of the infrastructure weighs down on the production costs and as a result, the competitiveness of the agricultural and industrial sectors is seriously eroded;
- the weakness of the financial system hampers the mobilization of savings to finance productive investments;
- the destruction of the human capital due to the deterioration of the health and educational structures, and limited access to social services

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<sup>1</sup> The growth forecasts prepared by the International Monetary Fund (IMF) are based on three different scenarios. In the baseline scenario, the expected growth rate for 2006 is 3.5%. In the best scenario the growth could reach 5%, while in the worst scenario it could be 1%.

have slowed down economic growth, resulting in the deterioration of the quality of social services.

44. The monetary aggregates have improved because of the tutelage of the Bank of Central African States (BEAC). The inflation rate at the end of 2005 was projected at 2.4%, which is a significant drop compared to the 4.4% peak in 2003. In 2004 the money supply once again experienced a positive growth rate after three years of negative growth. This is due to the high increase in the fourth quarter of 2004 of credits to government and the private sector, which raised the growth rate of the M1 monetary aggregate to 14.4%. The growth of the private sector credit, due essentially to oil imports and financing in the timber sector dropped in 2005, thus allowing for a gradual stabilization of the monetary growth rate. However, the M1 growth picked up once again during the fourth quarter of 2005, due largely to the cash flow of international organizations and increase in government's net debit balance.

45. Between 2001 and 2003, the deficit of the external current accounts increased from 2.5% (CFA fr 17.8 billion) to 5% (CFA fr 33.9 billion) of the GDP. This deterioration is a reflection, among other things, of trade balance difficulties where diamond exports dropped from CFA fr 41.2 billion in 2001 to CFA fr 28.6 in 2003, and timber exports from CFA fr 45.3 billion to CFA fr 34.6 billion. In 2004 and 2005, the current accounts deficit was reduced (3.9% of the GDP in 2005) despite the trade balance deficit. As a matter of fact, the rise in the price of petroleum products was more significant than the profit derived from improvement in the timber and diamond products. The Central African Republic is uncompetitive because its exports are penalized by excessive production costs (ie energy, transport etc). Access of the country's products to regional and international markets is limited by the high transport cost, thus curtailing the benefits that the economy could derive from trade liberalization.

46. With regard to the public debt situation, the financial crisis is characterized by (i) the high level of debt servicing; (ii) the dwindling of resources; and (iii) the accumulation of arrears. With a GDP of CFA fr 748.5 billion in 2006, the outstanding debt is estimated at around CFA fr 540.75 billion, including CFA fr 129.5 billion bilateral debt and CFA fr 354.1 billion multilateral debt. The accumulation of external arrears notwithstanding, the external debt stock in percentage of the GDP dropped from 104% at the end of 2003 to 86% in 2004. In 2006, Central Africa public debt programmed to the minimum amounted to CFA fr 16.1 billion, including 4.5 billion which came to maturity. Payments due to the World Bank and the ADB amounted to CFA fr 50 million and 10 million respectively, ie a total of CFA fr 30 billion. Arrears amounted to CFA fr 192.98 billion including CFA fr 122.9 billion owned to bilateral creditors and CFA fr 69.09 billion multilateral<sup>2</sup> creditors. Arrears on domestic debt are estimated at 200 billion to be confirmed by international audit. As can be observed, the situation is very critical and requires appropriate remedies. Payment of the arrears is indeed a *sine qua non* for the normalization of relations with the donors.

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<sup>2</sup> Detailed breakdown of arrears is as follows: 46% to bilateral creditors outside the Paris Club, 6% to bilateral creditors of the Paris Club, African Development Bank 12%, World Bank 14%, BADEA 4%, OPEC Fund 3%.

Public finance

47. The State of public finance is a major factor of macroeconomic instability in the Central African Republic. The country's budget is characterized by structural imbalance between income and expenditure and a high accumulation of arrears – both foreign and domestic – over the past few years. One witnesses a high tax incidence on international trade (about 40% of the total tax income) compared to the wages and salaries of public servants, which represent the highest expenditure<sup>3</sup>. In response to the numerous requests from donors, the 2006 finance law provides that there should be no increase in arrears. However, the excess of income over expenditure and the resultant negative domestic balance imply a residual financing of CFA fr 27.1 billion which must absolutely be made up.

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<sup>3</sup> Detailed description of the breakdown and expenditure is given in annex. Source: Authorities of the Central African Republic for all the years with the exception of 2004. For 2004 the source is the International Monetary Fund. Notes: a. IMF estimations, b. Estimated realization, c. 2006 Finance Law, d. Negative variation means reduction of arrears; positive variation means accumulation of arrears.

Table 1: Table of financial transactions of the Government of the Central African Republic

**In Millions FCFA**

	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004<sup>a</sup></b>	<b>2005<sup>b</sup></b>	<b>2006<sup>c</sup></b>
Income	63.2	78.4	53.7	55.8	58.4	68.3
Expenditure	-93.6	-114.6	-85.5	-93.4	-120	-106.1
Variation of arrears <sup>d</sup>						
Domestic	-15.1	-4.7	6.2	2.9	12.8	0
Foreign	7.8	26.1	24.3	18.2	17.7	0
Total balance	-37.7	-14.8	-1.4	-16.6	-3.1	-37.8
Treasury balance						
Financing secured						10.7
Foreign	26.5	14.5	-1.3	8.1	21.3	22.3
Domestic	11.2	0.4	2.7	8.5	9.8	-11.6
Financing to be sought						
Memorandum item						
PIB GDP	709.2	726.2	699.2	703.2	709.9	748.5

48. Two factors explain the structural weakness in terms of income. First, the tax base shrank as a result of economic stagnation. Second, bad governance (including widespread corruption which is one of the most visible signs) and the limited capacities of the public administration led to poor performance as far as revenue collection is concerned. The average tax burden (total tax revenue in percentage of the GDP) is 8% compared to 20% for CEMAC countries and close to 25% for Sub-Saharan Africa. From the economic standpoint, the freezing of the fuel price also impacted negatively on the tax revenue.

49. In a bid to clean up public finance, the government has since 2004 (concurrently with the take-off of the IMF post conflict 1 programme) embarked on a number of actions aimed at strengthening the control of imports at customs posts, improving the audit and collection of direct and indirect taxes and curbing corruption practices. Unfortunately, these measures did not help to significantly increase income in proportion to the GDP. For 2006, in keeping with post conflict II programme, new measures were planned with the aim of increasing the tax base and implementing effective mechanisms to maximize budget revenue (see annex).

50. With regard to expenditure, in 2004 the Government initiated a cash management and public expenditure enhancement strategy including measures to reduce salaries and ensure effective control of civil servants. That notwithstanding, in 2005 the wage bill was higher than 5.5% of the GDP, for a gross monthly total of about CFA fr 3 billion which gobbles up the bulk of the treasury. The inability of the tax authorities to control the upward drift of primary expenditure is indeed at the root of the unsatisfactory performance of the post conflict I programme<sup>4</sup>. For 2006, the Government committed itself to taking stringent measures to curb expenditure, particularly with regard to consumption of goods and services (see annex).

**(v) Sectoral analysis**

**Agriculture and forest sector**

51. The Central African Republic has natural resources and agro-climatic conditions suited to agricultural activities. The agricultural potential includes 15 million arable hectares, 0.7 million of which is cultivated each year. However, analysis of the agricultural sector has revealed a poor performance linked to many years of crises and of war exacerbated by the deterioration of the terms of trade between 1997 and 2003 following a drop in the prices of the main export commodities (coffee, cotton, timber and diamond) and a fall of the dollar, as well as the freezing of external financing. This state of affairs led to the deterioration of the production environment and the dislocation of the rural set up and of the family fabric.

52. Vegetable production is made up essentially of food crops (663,000 hectares) dominated by cassava, which is the staple food of the population. The annual production of this crop was 560,000 tonnes in 2000 and 562,000 tones in 2002, and accounts for 40% of the farms. Next are groundnut and maize with a total production

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<sup>4</sup> The poor performance of the Central African Republic during post-conflict I was noted in the consultations under Article IV which IMF had in July 2004 with the country's authorities (see IMF country report No. 05/42 of December 2005. The 2006 political, economic and financial memorandum prepared for the take off of post conflict II also states in page 3, paragraph II) "Despite all the reforms, the public finance performance fell short of expectations".

of 122,000 and 107,000 tonnes respectively. Sorghum, millet, rice, market gardening, yam, cocoyam and plantain are produced in smaller quantities and are essentially for self-consumption. Generally speaking, these various crops perform poorly and are conditioned by rainfall. The average levels of production are 3 tonnes/ha for cassava; 900 kg/ha for maize and groundnut and 1.1 tonnes for sorghum. As things stand, food production paradoxically cannot feed the population, hence the growing food insecurity facing the country.

53. The cotton sector, which provides jobs for close to 100,000 people, saw its production drop from 60,000 (30 years ago) to 6000 tonnes in 2004. The sector is currently characterized by a dysfunction of the structures of the production system, a fall in productivity, growing production costs due to the fact that the country is land locked, a fall in the world prices and in the producer price, an outstanding sum of CFA fr 2 billion owed to producers, a disorganization of the marketing circuits, the obsolete nature of the equipment and loss of confidence on the part of the producers.

54. Coffee, which constitutes the sole revenue for nearly 10% of the population, is essentially cultivated on small family type of farms, the sizes of which vary between 1 and 10 ha. Production was 400 tonnes in 2000, 1997 tonnes in 2003 and 3593 tonnes, with very low yields (3000 kg/ha). The insignificant world and producer prices, coupled with low productivity were the reasons for the fall in producer and export revenues.

55. The production of industrial crops (palm oil, tobacco and sugar cane) fell drastically in 1990 and 1993; it picked up from 1994 but dropped again between 1996 and 2003 following social and security related troubles. This downward trend was partly linked to the fall in world prices during the decade and also to a poorly negotiated reconstruction policy and ineffective and costly price support policy.

56. The animal husbandry subsector is dominated by a transhumant livestock with a total population estimated in 2002/2003 at 348,000 head; to this should be added about 150 typanotolerant cattle, property of agro-pastoralists engaged in ox-drawn farming. This livestock accounts for 98% beef and 100% of milk production of the country. The grazing lands and rangelands total 16 million hectares and are capable of supporting many more cattle. However, they are far from being fully exploited. In terms of pastoral water, the country has only 10 drinking trough for the transhumant livestock. These are basins constructed near rivers located along the transhumance tracks. Forestry constitutes an important natural heritage. In addition to the vast savannah lands planted with trees and shrubs, the humid dense forest covers 5.4 million ha with a forestry potential estimated at 3.8 million ha located in the West and in the South-West, 3.2 million of which are earmarked for exploitation. In 2002 the forestry sector produced 737,544 m<sup>3</sup> of timber (logs, sawnwood plywood) of which 392,940 m<sup>3</sup> were exported. The processing rate is low (14%) and the sector suffers from poor public management resulting in widespread non-compliance with rules and regulations and wastage of resources.

### Infrastructure

57. The infrastructure sector on the whole is in a precarious state. The telephone network is undeveloped. Though the situation in the city of Bangui is generally acceptable, the same cannot be said of the rest of the country.

58. The road network deteriorated for want of maintenance for many years, further worsening the land-locked status of the country internally and externally. The country's road network is made up of (1) 4000 km of national road including 683 km of asphalted road; 15,368 km of secondary roads and rural paths. In the rural areas, the roads and the rural paths are in a sorry state and this impacts very negatively on the production and marketing of rural products. River traffic on the Oubangui River was seriously affected by the war on the DRC in 2002. Furthermore, the river is not navigable all year round. It is navigable only between July and December when the water level is high. The air transport sector is no better. The city of Bangui is served by few airlines.

#### Mines, energy and water

59. Despite the measures taken by the Government to have an effective control over the mining sector and the adoption of two decrees spelling out the powers, organization and operation of the autonomous regulatory agency of the electricity sector on the one hand and, on the other, the powers, organization and operation of the autonomous rural electrification agency, these sectors are characterized by enormous constraints.

60. Mines: The style of diamond and gold production is that of a cottage industry. Official production figures showed a downward trend from 571,000 carats in 1994 to 378,000 carats in 2003. During the same period, the official export value dropped from US\$75 million to 49 million. Coupled with this is the poor management capacity of the department; inadequate exploitation of the sub-soil rich in minerals; poor development of the country's vast potential in gold, diamond, uranium and other minerals due to insufficient research in the sector; widespread fraud and smuggling on account of the porous nature of the borders and insecurity. Lack of security around the mining areas is a serious problem. The collectors and other economic operators more often than not see their goods confiscated or snatched away by ex-combatants and/or other criminal elements in the society.

61. Energy and water: We noted a very low rate of energy supply; the lack of an electricity code that can protect the users and develop the sector; the major and impending danger of prolonged power cuts throughout the territory due to the obsolete nature of the equipment; and the inability of the country to meet the drinking water needs of the population. In this connection, ENERCA officials and some economic operators underscored among other things the imperative and urgent need to rehabilitate the Boali hydroelectric installations.

#### Industrial and commercial activities

62. Apart from the agricultural sector, the areas of activity of the private sector are focused on the mining industries, the processing and construction industries, as well as the service, transport, big and small trade sectors. Political instability, high production costs due to the deplorable state of the infrastructure, the collapse of the public service, corruption, inefficient public administration and the public finance crisis led to the sudden deterioration of the business climate. Consequently, the number of enterprises dropped significantly over the last 10 years from about 300 to 30, including twenty big enterprises. Compared to 2003, the share of this sector to the GDP in 2005 fell by 40% due to the losses suffered by the processing and

construction companies as a result of looting and destruction of goods. Mining activities also declined because of insecurity in the production zones and loss of competitiveness due to a rise in the actual exchange rate.

### Financial sector

63. The financial sector of the Central African Republic is undeveloped and extremely fragile. Domestic credit represents about 16% of the GDP. However, almost 52% of this credit is granted to the public sector and 7% to public enterprises. The weakness of the financial intermediation, coupled with the limited access to financial services, prevents the rural population to develop its activities. Total bank deposits are estimated at 4.5% of the GDP compared to the average for Sub-Saharan Africa, which is 20%. The three commercial banks serve the formal sector in Bangui and have few branches in the rest of the country. The micro-finance institutions are mainly represented by the “*crédit mutuel de Centrafrique*” which has close to 50,000 members.

64. The problems facing the financial sector stem from the political instability and the decline of economic activities, a situation that turns away investors. The dependence of the public sector on resources of the commercial banks limits the liquidity of the bank sector and makes it difficult for the private sector to have access to credit. Besides, the commercial banks have to deal with low-yield stockholdings. The “*Commission Bancaire Régionale*” (COBAC), which oversees banking activities, recently downgraded the three CAR banks, one of which is in a critical condition. Consequently, the financial system has serious difficulty in ensuring optimal mobilization, collection and allocation of resources necessary for the development of the private sector.

### Poverty profile

65. Poor economic growth, stagnation of the per capita income and poor access to basic social services contribute to the widespread pauperization and inequalities among the population (Table 2).

Table 2: Indicators of monetary poverty in Central African Republic

Indicator	Description	Value
Overall poverty	Percentage of people (or households) whose level of expenditure is below the minimum required for a balanced food package and for meeting food requirements. For the Central African Republic, the survey on the living conditions of households conducted in 2003 estimated this amount (overall poverty threshold) at CFA fr 241444 per annum in the urban areas and CFA fr 172776 in the rural areas.	7%
Rural areas		72%
Urban areas		68%
Food poverty in rural areas	Percentage of people (or households) whose level of expenditure is below the minimum required for a balanced food package and for meeting food requirements. The food poverty threshold in the	60%



Indicator	Description	Value
Food poverty in the urban areas	rural areas is estimated at CFA fr 170 896 per annum, compared to CFA fr 149276 per annum in the urban areas.	5%
Gini index	The Gini index measures the area between the Lorenz income distribution curve and the curve showing a perfectly equitable income distribution (ie a distribution where all the individuals have the same per capita income). The Gini index ranges between 0 (maximum equity) and 1 (maximum iniquity). Highest values of Gini index show a more inequitable distribution. For purposes of interpretation of the index, it should be borne in mind that an emerging country generally considered very uneven like Brazil has a Gini index estimated around 0.6. The industrial countries have a Gini index which normally has never exceeded 0.5 and which on the average is around 0.25-0.35. For many sub-Saharan African countries, the Gini index ranges between 0.45 and 0.55.	
Rural areas		0.689
Urban areas		0.773

Source: CAR authorities and UNDP

66. The above data show that 71% of the population lives below the overall poverty line; in other words 7 households out of 10 in the Central Africa Republic have an income which does not allow them to meet their food and non-food requirements. The rural areas, 6 households out of 10 cannot meet their food needs, compared to 5 households out of 10 in the urban areas. The distributive inequalities are also evident: in the rural areas, the wealthiest 10% account for 60.6% of the overall income while the poorest 10% account for only 0.25%. In the urban areas the inequality between the wealthiest 10% and the poorest 10% is 75% as against 0.15%.

67. Poverty in the rural areas has reached alarming proportions (ie above 80% of the overall poverty in the North-Western districts (Nana-Gribizi and Ouham) and in the South-Eastern (Haut Mbomou, Mbomou and Haute Kotto). Some of these areas have vast mineral and forest resources but their economic development is hampered by the fact that they are landlocked, coupled with lack of infrastructure and insecurity often caused by conflicts in the neighboring countries, namely Chad and Sudan. The towns in these disadvantaged districts have a poverty rate far above the national average in the urban areas. The city of Bangui also has a very high poverty rate (70.6%), especially in terms of food poverty (53%). Lastly, the agricultural, service, trade and informal sectors account for the highest number of the poor.

68. The non-monetary dimension of poverty is equally alarming. It is estimated that 51% of the population can neither read nor write; 30% of the population have no access to water facility; death probability before the age of 40 is 55%. According to two poverty surveys conducted in 2003 by the Government, half of the country's households cannot enjoy a decent life in terms of accommodation, living conditions

(access to water, toilet facilities, energy for lighting and cooking) and capital goods<sup>5</sup>. Concentration of this form of poverty among households is higher in the districts of Ohuam (79%), Vakaga (74%), Nana-Gribizi (73%) and Haut Mbomou (73%).

**(vi) Social situation**

69. All the officials of the various ministries contacted were unanimous in describing the deteriorating social conditions in the country, characterized particularly by the inability of the Government to provide basic services to the population of the affected regions. The main cause lies in the difficulty to prepare and implement a viable economic framework that can help improve the living conditions of the populations. Among the macro-economic imbalances, which characterize the weakness of such a framework, the Mission noted that ineffective management of public finance often came up during discussions with state functionaries. Allocation of resources to such priority areas as Education and Health was completely overshadowed by the grave concern of overpayment of salaries and other running expenses which explains why the Human Development Index (HDI) rose from 0.366 in 2001 to 0.355 in 2003 (compared to 0.615 for Sub-Saharan Africa).

**Evaluation of social indicators**

a) **Weak performance of education**

70. There is no gainsaying that efforts were made in the promotion of national education which, all said and done, is still facing enormous difficulties. However, the Mission cannot fail to mention a gloomy picture painted by the local officials. The educational system operates with overcrowded classes and is in dire need of teachers, equipment and school supplies (Table 3).

Table 3

**Estimated enrolments in Education (2004-2005)**

	Boys	Girls	Total
Primary Education			
Pupils (public)	250060	166601	416661
Pupils (private)	18080	14301	32381
<b>Total</b>	<b>268140</b>	<b>180902</b>	<b>449042</b>
Teachers (public)	----	----	4764
Teachers (private)	----	----	636
Secondary Education			
Pupils (public)	33839	19495	53334
Pupils (private)	2323	2201	4524
<b>Total</b>	<b>36162</b>	<b>21696</b>	<b>57858</b>
Teachers (public)	----	----	1074
Teachers (private)	----	----	217

<sup>5</sup> Source: Ministry of Economics, planning and International Cooperation "Synopsis of general population and housing census, December 2003" published on 30 June 2005, pages 53-55.

**Status of schools (2004 – 2005)**

	Public	Private	Total
Number of existing primary schools	1278	215	1493
Number of existing secondary schools	58	32	90

*Source: Ministry of National Education, Literacy, Higher Education and Research*

It can be inferred from the above table that there are on the average:

- 87 pupils per teacher in public primary schools
- 57 pupils per teacher in private primary schools
- 50 students per teacher in public secondary schools
- 21 students per teacher in private secondary schools
- 6 pupils per arithmetic book
- 10 pupils per reading book
- 2 pupils per desk.

As regard university education, it is worth pointing out that there is only one university in Bangui, the characteristics of which are shown in table 4 below (2004-2005 academic year).

**Table 4**

	Intake	Number of buildings	Number of offices	Senior Lecturers	Lecturers	Assistant Lecturers
Faculty of Arts	1687	1	8	01	28	27
Faculty of law and Economics	2122	1	8	01	06	08
Faculty of Science	855	1	7	04	08	27
Teacher's training College	383	1	5	00	06	08
Higher Institute of Technology	226	1	7	00	00	04
Higher Institute of Management	94	3	5	-	-	-
Higher Institute of Rural Development	205	5	3	00	00	08

**Source:** Ministry of National Education, Literacy, Higher Education and Research

71. The conclusion that can be drawn from the above data is that there is vital need to rehabilitate the educational sector in the Central African Republic. The conflicts have forced the teachers to resort to repeated strikes because of non-payment of salaries. Many of them had abandoned their posts and it is not surprising to see a significant drop in education, especially at the primary level. The gross enrolment rate (GER) is the ratio of primary school children over the number of children of primary school going age, ie children aged between 6 and 11. At the

national level, the GER dropped from 73.5% in 1988 to 68% in 2003. In order to have a better understanding of enrolment of children of primary school going age, use is made of the Net Enrolment Rate (NER), which is the ratio between children of 6-11 years of age enrolled in primary school over the enrolment of children aged between 6 and 11. At the national level, the NER is 40.7%, ie 44.3% for boys and 36.9% for girls. The fall in the net enrolment rate at the primary level is still more pronounced, from 47.8% in 1988 to 42.9% in 2000 and 40.7% in 2003. It is further noted that there is a serious regional imbalance in terms of access to basic education, with a NER of 79.5% for the city of Bangui. This is due to lack of a decentralization policy and the exodus phenomenon, which makes most teachers reluctant to go to the hinterland.

72. Similarly, the educational system remains a source of serious concern, with the net literacy rate falling from 74% in 1988 to 49% in 2003. There are great disparities between the regions and sexes, made worse by a high rate of dropouts. The officials of the Ministry of Education are well aware of the need to carry out a radical reform and revitalize the educational system in the Central African Republic. The elaboration of a National Education for all plan of Action (PNA-EPT) constitutes a programme aimed at promoting the educational sector and shows the close relationship between economic progress and investment in knowledge and training. According to local officials, the plan was poorly implemented for want of financial resources.

**b) Precarious health conditions**

73. Like everywhere, people must be in good health in order to be productive. Data collected by the Mission show very alarming health indicators in the Central African Republic. Mortality rate is around 20 for thousand, while maternal mortality rate is 1355 deaths for 100000 live births (420 in Gabon). Child mortality rate is 132 for 1000 children below one year, as against 64 in Gabon. Child-juvenile mortality rate is 220 deaths for 1000 children below 5 years.

74. These indicators reflect the deplorable health conditions of the population, due essentially to poverty and diseases, as well as the dialect relations between them. The problems of bad governance in the health institutions such as poor management of resources and demobilization of the personnel because of accumulation of unpaid salaries are additional factors that limit access to health care and reduce the chances of improving the quality of services. The problem of accessibility also arises in terms of inadequacy and poor distribution of infrastructure and resources. The distribution of medical and paramedical personnel is very uneven, as evidenced by the city of Bangui, which monopolizes the use of most of the human resources. In Bangui, there is one doctor for 9000 inhabitants; in the rest of the country, the ratio is one doctor for 90,000 inhabitants, i.e. 15 times less.

75. The AIDS pandemic is also a source of concern and is becoming a major cause of morbidity and mortality. The number of people living with the HIV/AIDS is estimated at more than 300,000 including 230,000 adults between the ages of 15 and 49. According to the data (2004) of the World Fund for AIDS and Tuberculosis Control in CAR, the evolution of the disease is characterized by an average prevalence rate of 16.5%, thus making the Central African Republic the 10<sup>th</sup> most affected country in the world and the 1<sup>st</sup> in Central Africa. This shows the magnitude

of the threat posed by the disease to the country's socio-economic development, a real human tragedy which calls for an urgent and strong action.

76. The health system is also handicapped by the low capacity of the institutional framework and the scarcity of resources. The health establishments are not only inadequate and lack personnel, they are also obsolete and do not have the necessary equipment.

#### Humanitarian assistance

77. The return to constitutional legality with the organization of elections gave everybody hope to see the country back to stability and economic recovery. However, the troubles that took place in many parts of the country had rendered the security situation very fragile and resulted in the exodus of between 120,000 and 150,000 people to Southern Chad. At the border with Cameroon, the climate of insecurity caused by attacks perpetrated against livestock breeders forced the latter to abandon their traditional livestock breeding zones and seek refuge in Cameroon.

78. In the area of refugee protection, the High Commissioner for Refugees (HCR) is investing tremendous efforts to improve living conditions of CAR refugees living in Chad. About 13,000 refugees have been living in Chad since June 2005. Most of them come from the border towns of Bekoninga, Bemal, Markounda, Bossangoa, Bedam, Bekoto and Nana-Bakassa. They told the HCR officials they had fled because of the insecurity prevailing in the North of the country, the repeated attacks by various armed groups and summary executions; their houses have been burnt down and their villages were the scene of brutal operations carried out by government troops in search of rebels.

79. Despite the influx of new refugees who have joined those already settled since 2003, the UNHCR has increased its assistance so as to make the essential services accessible to the population. It conducted a fact-finding mission in order to ascertain the presence of newly arrived refugees and to register them.

80. The refugee population is doing their best not to be solely dependent on the assistance of the World Food Programme (WFP) and have embarked on subsistence activities. Non-Governmental Humanitarian Organizations such as African Concern, Africare, MSF, the Chadian Red Cross are also providing invaluable assistance, particularly in the areas of environmental protection, education, health, water and food supply.

81. Nevertheless, the situation has somewhat deteriorated with the growing number of refugees and their needs. UNHCR is doing its utmost to transfer them as quickly as possible to spare them health problems and reduce the impact of their presence on the limited resources of the local communities. Even though the state of health of the refugees is not a concern at the moment, UNHCR and MSF (Holland) have noted cases of child malnutrition.

82. Indeed, the resources of the UNHCR are stretched to the limit in the face of the growing number of new refugees. With the arrival of 5000 refugees in Chad, 3000 in Cameroon and 4000 internally displaced people, the UNHCR officials were unanimous in pointing out that very little progress has been made on the humanitarian front since the May 2005 elections. It is obvious that voluntary

repatriation has become a difficult task at a time when refugees are convinced of widespread insecurity. For the time being, however, the capacity of the UNHCR to manage the living conditions of the refugees and provide them with protection and assistance is likely to be put to serious test, given its budget of US\$ 3.1 million for 2006 and the number of refugees (43,000) it has to deal with.

### **III. EVALUATION OF ASSISTANCE NEEDS AND PRIORITY ACTIONS**

#### **a) Most urgent needs**

##### Public economy and finance

83. Since 2001, with the exception of the IMF, the Central African Republic is in a state of insolvency vis-à-vis its creditors. This has seriously undermined the country's relations with the donors<sup>6</sup>. One of the prerequisites for the normalization of these relations is the settlement of arrears.

84. The main multilateral creditors – ADB and the World Bank – in agreement with the IMF and other donors (including France and the EU) in March 2006 prepared a joint roadmap for CAR, the cornerstone of which is the definition of a joint interim reengagement strategy. The wiping off of the arrears by the donors constitutes the first priority, with a symbolic contribution from the Central African Republic. Second, the roadmap provides for a current loans payment strategy and a short term financing plan for 2006-2007.

85. However, the World Bank and the ADB emphasized that the interim strategy is contingent upon the implementation of the post conflict II programme. The Central African Government is expected to implement actions deemed vital for the streamlining of public finance and improvement of governance. It must also commit itself to the realization of qualitative and quantitative objectives set by the IMF including non-accumulation of fresh arrears (see annex).

86. In this connection, the urgent needs are as follows:

- Financial assistance to cover the residual balance for the financing of CFA fr 27.1 billion provided for under the 2006 financial legislation. The financing of this deficit is necessary to avoid accumulation of arrears.
- Technical assistance for the implementation of actions spelt out in the "priority structural measures for the 2006 post conflict programme" which have yet to be implemented.
- Technical and financial assistance to finalize the SPRP. Fortunately, the take-off of the interim strategy as envisaged by the ADB and the World Bank is not dependent on the finalization of the SPRP. However, the full reengagement of the World Bank, the IMF and other donors would only be possible within the context of the Highly Indebted poor countries initiative (HIPC) which would lead to a significant

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<sup>6</sup> Nevertheless, CAR benefited from a financial support within the framework of the IMF post-conflict programme, the World Bank LICUS programme, the Cotonou Agreements with the European Union. Some bilateral partners (France, China, Algeria and Tunisia) also provided financial assistance in diverse forms and monies).

reduction of the debt stock, thereby making it sustainable. Accession to this initiative through its decision point will require, among other things, the finalization of the SPRP. As a matter of fact, the roadmap of the World Bank and the IMF has set November as the date of presentation of the final version of the SPRP. In a nutshell, the fine-tuning of the macro-economic framework and the various aspects of the SPRP are of vital importance.

#### Rural development

87. Analysis of the problems facing the agricultural sector, the forestry sector and the infrastructure sector has revealed the imperative need to meet the essential needs of the population. These needs are expressed in terms of (i) seeds, implements and agricultural inputs; (ii) salaries of training officers and counselors; (iii) consultation between the population and the authorities; (iv) building the capacity of grass root producers organizations.

#### Mining, Energy and Water

88. Vigorous anti-fraud and anti-smuggling campaign in the mining sector; (ii) diversification of the country's sources of electricity supply through the construction of mini-dams and micro-plants in all the provinces and development of new sites and increasing the capacity of the Boali network envisaged by the State with the expansion of the Boali 2 hydroelectric plant; (iii) improving the financial and commercial management of national water and electricity companies in terms of payment and collection of dues; (iv) sinking boreholes to increase the access of the population to drinking water.

#### Politics and good governance

89. Technical assistance for the following actions:

- political dialogue and promotion of a policy of national unity;
- financial assistance to pay outstanding salaries, pensions and others, and to ensure regular payments in the future;
- promotion of Rule of Law and need for the State to protect human rights under all circumstances;
- developing judicial services, particularly as regards the resolution of grievances and bringing perpetrators of crimes, rapes and others to account.

#### Security

90. Central African Republic does not have the means to patrol its borders with the neighbouring countries. It should be acknowledged that the size of the country and the shortage of defence and security forces require forceful measures.

91. A restructuring programme of the forces should include:
- a homogenous recruitment in all the provinces of the Republic. This exercise should also make it possible to carry out some adjustments as far as the strengths of the forces are concerned.
  - training of officers and non-commissioned officers in African academies (national academies with regional outreach), supplemented by a basic instruction in training centres for soldiers through bilateral cooperation with the member countries;
  - a rehabilitation of the infrastructure initiated by China and France should be revisited and implemented within the framework of a medium term programme.

92. Apart from the equipment to be left behind by FOMUC after June 2006, the equipment of the FACA should be reinforced. The equipment to be carried by soldiers and for tactical mobility should be provided within the framework of a bilateral or multilateral support. Through a limited direct transitional and conditional budgetary support, the soldiers of FACA could be paid regularly.

#### Social field

93. Given the magnitude of the degradation of the educational and health services, the reconstruction needs of the Central African Republic are enormous and should be met through national efforts and foreign assistance. Experience has shown that measures taken in the past to address some of the challenges facing the country were too ambitious and this explains why they could not be implemented for want of resources. Reforming the two sectors requires not only a clear definition of the ambitions but also of the resources to be mobilized through various stakeholders.

94. The country is making its own efforts at local and national levels. Communities are building schools and the salaries of parents/teachers are being paid by them. Despite the paucity of their incomes, parents participate in the financing of their children's schooling. Furthermore, the ratification of the conventions on child's protection and discrimination against women reflects the Government's commitment to make education accessible to all under the best possible conditions. However, services shortcomings persist. The need for qualified teachers, capacity building in terms of planning and implementation of innovative alternatives and effective management of resources are all issues that need to be debated within a wider context. As regards the essential needs, the National Education for all plan of Action is proof of the imperative need to provide a) school stationeries and teaching materials; b) computers and other accessories; c) science text books; d) financial support for the training of teachers and access to CAMES competitive exams.

95. In the same vein, political and institutional measures were taken to address the deterioration of the health conditions with a view to providing health care to the most vulnerable segments of the population and to the marginal regions. However, the health sector is so fragile that the measures taken did not produce satisfactory results. Women, children and the youth are the most easily affected groups by AIDS. The rate of HIV parent-child transmission is 35%. More than 80% of the population is concerned by the pandemic and this gives an idea of the magnitude of the threat posed by this scourge to the socio-economic development of the country.



The extent of the needs does not seem to have been adequately reflected in the priorities of the Global AIDS Fund for want of capacity of persuasion and advocacy on the part of the authorities.

96. There is imperative and urgent need to initiate vigorous actions with the help of the Global AIDS Fund, while ensuring that any person living with the HIV/AIDS has access to anti-retro-viral drugs.

97. Malaria affects 37.66% of the population nationwide, about 32% of which are children below 5 years. Indeed, malaria features among the first three causes of morbidity and mortality among people of all ages. Besides, the target population cover is insignificant due to difficulties in mobilizing resources.

98. The priority actions envisaged are aimed at stimulating economic growth, streamlining the management of public finance, promoting social and stepping up the fight against poverty in a stable and secure socio-political environment.

99. It is worth pointing out that some of these actions (heavy investments) should be implemented by the bilateral and multilateral donor community as well as AU partners and Member States, some in the form of cooperation with the Central African authorities and others still be the Government of the Central African Republic itself.

**b) Economic growth, management of public finance, social development and poverty reduction**

Measures to be implemented by the Government

100. Economic growth and poverty reduction require actions at the level of public finance, debt management (this presupposes normalization of relations with the donors) and the revitalization of some key sectors. More specifically, the Government should:

- implement structural priority measures as well as expenditure control and revenue collection enhancement measures in order to meet the quantitative objectives envisaged by the IMF post conflict II programme (see annex) and enshrined in the 2006 finance legislation.
- prepare an interim strategic paper (based on the current version of the SPRP), which should be presented to donors for the take-off of the ADB-World Bank-IMF joint interim strategy. At the same time, the Government must continue the work of putting finishing touches to the SPRP.
- dialogue with the donors and partners for technical and financial assistance based on the medium and long term needs (revitalization of the private sector, rehabilitation of the micro-finance structures, streamlining of the budget structure, accession to the HIPC initiative).

101. as regards the agricultural sector, the priority actions to be implemented by the Government are as follows: (i) revamp the rural section; (ii) restructure the rural areas and put in place a consultation mechanism; (iii) simplify and improve the system for awarding lumbering permit; (iv) stress the enhancement of administrative

control measures of the Ministry responsible for forestry and forest reserves, the collection of lumbering tax and the pursuit of sustainable development activities.

102. as regards the mining and energy sector, it is needful to implement the recommendations arising from the meeting held to discuss the crisis dogging the mining sector as well as the laws and regulations in force; and take urgent measures with the development partners to put a stop to the frequent and widespread power cut.

#### Expected assistance

103. The solution to the country's economic crisis requires renewed commitment on the part of the International Community. Based on the needs of the Central African Republic, it is possible to identify the following priority actions on the part of the International Community:

- mobilize the necessary resources to finance the residual balance of CFA fr 27.1 billion as provided for the 2006 financial legislation;
- provide technical and financial assistance to the Central African authorities for the implementation of budget control measures and actions within the context of the IMF programme;
- finalize the Joint Interim Strategy and, should the Central African Republic implement satisfactorily the roadmap, accelerate the recommitment process with the country (including the decision on accession to the HIPC initiative;
- AU's advocacy with donors in favour of the Central African Republic for a relaxation of the objectives expected from the reforms defined by the said donors;
- support the activities of the rural sector through technical and financial assistance for the setting up of an emergency rural paths maintenance programme or the supply of seeds, agricultural implements and inputs;
- mobilize financial resources and the necessary assistance for the rehabilitation and consolidation of hydroelectric installations.

#### **c) Stable political environment**

##### Government activities

104. The inclusion of good governance in the conditionalities of the major donors calls for a clear and sustained programme on the part of the Central African Government. The dominant theme of the mandate of the President of the Republic is respect for freedom and human rights and for that a High Commission for Human Rights and Good Governance has been established. The AU should, within the context of a closer cooperation, encourage the Government to take concrete and immediate measures in areas that are intimately linked to good governance. These include:

- respect for human rights and control of the activities or behavior of the police and the military irrespective of corps and grade;
- adoption of measures for national reconciliation and unity;
- strengthening the democratic bases through the establishment of a conducive socio-political climate;
- implementation of the various consensual agreements concluded (National Dialogue and Code of Good Conduct);
- elimination of all forms of sectarianism in the political life, in the defence and security forces and in public administration;
- implementation of the National programme of Good Governance and building the capacity of the administration;
- effective establishment of the already identified special anti-corruption tribunals (Decree N° 05-201 of July 2005).

#### Role of AU Member States and partners

- forge closer relations with the Central African authorities through regular exchange of information on the evaluation of the socio-economic, political and security situation, consistent with the measures taken by the Central African Government and the recommendations of the experts who visited the country;
- building the capacity of the administration and the judicial system through (i) rehabilitation of the buildings; (ii) supply of vehicles, office equipment, computers and the accessories and (iii) training of magistrates and other representatives of the law.

### **C) Improving the security situation**

#### Role of the International Community

105. Notwithstanding the substantial aid received, Central African Republic is faced with problems that are not easy to resolve on the individual scale. The human and material resources provided to the country have helped at present, to somehow cope with the security situation. However, they are not enough to seriously deal with the scourge. In view of the current financial difficulties and the impending suspension of the French aid on 30 March 2006, it is feared that the security forces might be confronted once again with the same problems of non-payment of their salaries and other benefits. This could lead to the proliferation of atrocities against the populations. There is need for the AU and the development partners to implement an emergency assistance plan focusing on the following:

- recruitment, training and equipment as a matter of urgency for the police and the gendarmerie;
- pursuit of the stabilization efforts through the funding of the operating budget of FACA, especially for the troops deployed in the hinterland and acquisition of new equipment;
- support to the FOMUC disengagement process through technical assistance over a six month period, after the departure of the troops in June 2007, thus ensuring effective maintenance of the material and equipment ceded to FACA.

- The programme for the reintegration of ex-combatants (PRAC) and assistance to the communities, under the supervision of the UNDP, is designed to achieve a two-pronged objective:
  - reintegration of ex-combatants to enable them to learn various trades;

106. Providing assistance to ex-combatant host communities for infrastructure and equipment rehabilitation and consolidation.

107. The World Bank and the UNDP, the key partners of this programme, are expected to carry out an evaluation of the said programme, which is behind schedule. The programme will make it possible to put a stop to the circulation of arms (estimated at about 100,000) and curb organized crime.

#### Role of the Government

108. The Government should create the conditions for the success of the assistance being provided by the International Community. To this end, it should:

- ensure the establishment of a republican army;
- ensure discipline within the defence and security forces and respect for human rights;
- put an end to impunity within the security forces and ensure a transparent and objective recruitment of security personnel;
- ensure a strict management of the aid provided by the International Community.

#### Social situation

109. There is no denying the fact that the Government is faced with the responsibility of restoring social institutions and contributing to the human resource capacity building. It is becoming increasingly unacceptable to allow education, in terms of public expenditure, to account for only 1% of the GDP. There is urgent need therefore to rehabilitate the educational system within the framework of the overall recovery strategy of the country. The Government must define the country's educational objectives and set short and long term targets. The priority actions should focus on:

- increasing the net enrolment rate, especially for girls;
- improving the supply of basic education manuals;
- rehabilitating the school infrastructure destroyed during the politico-military troubles;
- recruiting new teachers, while putting in place a mechanism geared towards the promotion of training;
- building the capacity of the educational personnel who have the heavy responsibility of improving the sector.

110. The reports on human resource development continually emphasize the importance of the health sector as an essential component of the fight against poverty. For more than a decade, the Central African authorities have invested efforts to improve the health conditions of the population. The health indicators show

that there are huge challenges to be addressed in this field. It is incumbent on the Government to:

- provide quality health services accessible to the population as a whole;
- create a social and political environment conducive to the implementation and evaluation of activities geared towards the improvement of the health of the population;
- improve the performance of national health strategies with a view to curbing the maternal and child/juvenile morbidity and mortality;
- disseminate the culture of good governance in terms of health services, a sine qua non for the realization of the Millennium Development Goals (MDGs);
- promote a good understanding of the relationships between health, poverty and development, so as to make the sector the level of growth and instrument of poverty reduction.

111. Investment in education, health and basic public infrastructure is dependent on donor's contribution. The implementation of all the priorities referred to above is possible if the necessary additional resources are provided. In addition to the mobilization of local resources, the Government would solicit the support of the International Community as well as of the local and international NGOs to put the educational and health infrastructure back on track and stimulate the involvement of the population.

#### **IV. MEDIUM AND LONG TERM NEEDS AND ACTIONS**

112. The medium and long term needs and actions concern the programmes and projects conceived as part of the implementation of development plans over several years, which the Government of the Central African Republic could examine with the donors once the most urgent needs are met and set the recovery measures in motion.

##### **a) Public Economy and Finance**

113. The economic policy strategy of the Central African Republic in the medium and long terms should focus on economic recovery so as to achieve the sustainable development and poverty reduction objectives. In the light of the report on the country's economic and financial situation, a number of imperatives are identified namely:

- Revitalize the private sector and restore the confidence of the operators and entrepreneurs by: (i) strengthening the institutions and the mechanisms for the application of texts and policies concerning the private sector, including secure commercial transactions and contracts; (ii) applying the practices of good governance, anti-corruption measures and ensuring respect of commitments on the part of the public sector to create a business friendly environment; (iii) strengthening the structures of the financial system in order to guarantee funding for the private sector; (iv) rebuilding the infrastructure especially the road network and making the later safer; developing the communication and energy infrastructure; (v) initiating dialogue with the private sector, especially through the creation of a

- state/private sector permanent consultation mechanism; (vi) creating a one stop office to relax administrative procedures.
- Rehabilitate and develop the micro-finance structures in order to promote collection and mobilization of savings in the rural areas. This also involves the creation of opportunities for the financing of the agricultural sector. The strengthening of the micro-finance sector should form part of the overall structural reform package of the financial system.
  - Streamline the budget structure by (i) strengthening the import and customs administrations; (ii) supporting the statistical structure; (iii) consolidating the expenditure and treasury management mechanisms; (iv) mapping a strategy to cushion the fiscal impact of the international trade liberalization process. This last component is particularly relevant for fiscal revenue. About 40% of the revenue is generated by international trade taxes. If the Government wants to remove all the impediments to international trade, it must provide for a reduction of the trade tax revenue in the long term<sup>7</sup>. Consequently and within the context of sub-regional economic integration, there is need to define a strategy to ensure that tax revenue is offset by other revenues. Since indirect taxation is non-redistributive, an increase in direct taxation would be welcome. This is feasible through the expansion of the tax base. Developing the private sector and improving public administration are therefore a sine qua non for ensuring the long-term structural revenue adjustment.
  - Reduce significantly the debt stock. The analysis carried by the World Bank and the IMF has revealed that the external debt of the Central African Republic is unsustainable more so as the net updated value of debt servicing is estimated at more than 500% of exports (whereas the sustainability threshold is 150%). A significant reduction of the debt stock is therefore necessary to enable the country to normalize its relations with the donors and the creditors without compromising economic growth and poverty reduction. Such reduction should be carried out within the context of the HIPC initiative.
  - Development of the agricultural sector. There is need to put in place a suitable and effective policy in the rural areas to revitalize the agricultural sector and an institutional and legal framework for agriculture.
  - Sustainable exploitation of natural resources in a prudent and judicious manner. (i) Develop the existing ores other than diamond and gold; (ii) Liberalize the hydrocarbon sector; (iii) promote partnership in the mining, energy and water sectors.

**b) Policy and good governance**

- Carry out an in-depth appraisal of the entire public administration;
- Make the decentralization policy effective;
- Depoliticize the administration and the army;
- Adopt a national programming legislation for the defence and security forces;

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<sup>7</sup> In short term, trade liberalization and tariff reduction can even lead to an increase in revenue as a result of the expansion of the tax base (ie increase in the volume of trade).

- Strengthen the state institutions and public structures for the promotion of democracy.

**c) The other sectors: Health, Education, Infrastructure, Energy, Water etc.**

114. The Mission noted the existence within the Ministries of national development programmes per sector, particularly as regards health (National Health Development Plan), education, infrastructure etc. Most of the activities to be conducted were identified within the context of the Triennial Investment Programme (2006-2008 TIP) prepared by the Government through the Ministry of Economy and Planning. These various investment programmes could constitute a database for the medium and long-term needs and actions in a specific and consensual manner.

**V. CONCLUSIONS AND RECOMMENDATIONS**

115. Overall, the report prepared by the Mission paints a very delicate situation of a country, which needs a patriotic reawakening on the part of its elite and urgent and sustained external help to reverse the unmistakably alarming trends that characterize the recent period of its development.

116. As a matter of fact, the country's physical and human basic data are combined with recurrent dynamics of instability to create and sustain a spiral of political, security, social, economic and financial tensions which should be diffused in accordance with the letter and spirit of the National Dialogue.

117. Central African Republic is generously endowed with mineral and forest natural resources, and has a vast territory, which is unpopulated, well watered, with arable and grazing lands. Admittedly, it is landlocked but its population is relatively well integrated socially thanks to a dominant language.

118. As regards the dynamics observed, the following trends can be highlighted:

- A state relatively absent through its kingly functions and its civilian a non-civilian representatives on a territory with a low population density;
- A weak, undiversified and poorly structured economy that generates unbalanced public finance, absence of a minimum fiscal revenue, not to mention an excessive external debt;
- Recent signs of a strong social dissension likely to jeopardize national unity and cohesion;
- A territorial configuration which no doubt gives the country a strategic position, placing it at the crossroad of different African regions, but also makes it a weak element that is exposed to all sorts of contagious external conflicts which can set it ablaze.
- It can be inferred therefore that Central African Republic is in dire need of a substantial and immediate assistance. This will spare the international community the trouble of having to intervene too later too little, to save a country whose return to constitutional order is too recent to think that the sirens of stabilization and rebellion will die down with the sole virtues of the ongoing democratic experience.
- Having said that, the players in the Central African Republic, namely Government, opposition and civil society must not relent in their efforts. They should continue to promote the culture of peace, dialogue,

consultation and peaceful resolution of their problems, differences and the rises digging the country. They have the primary responsibility of ensuring an effective management of the country from the political, economic and social standpoints, without expecting, a priori, any possible dividends for a return to democracy which all said and done, is natural and consistent with interests of the people of Central African Republic.

119. The country's needs are enormous and should be addressed methodically, based on a medium and long term approach with the help of its external partners. However, some priority actions need to be taken in the short term to reverse the negative trends in the country's political, economic and social landscape, consistent with the objectives of the AU Mission. To this end, the Mission has deemed it expedient to make the following recommendations to the African Union Commission:

- The African Union should mount a vigorous and immediate campaign vis-à-vis the bilateral and multilateral donors, especially the World Bank, the IMF, ADB, the European Union, France, USA and China to solicit their help to finance the 2006 budget of the Central African Republic estimated at US\$50 million and to mobilize resources for the third quarter of 2006.
- The African Union should convince the friends of the Central African Republic and multilateral development institutions including African sister countries of the need to organize before the end of 2006 a Round Table of the Friends of Central African Republic to give a structured and programmed dimension to the financial and technical assistance needed by the country in a post conflict situation, trying to consolidate its institutions whose future depends on the democratic culture that has yet to take root.
- The African Union should sensitize the Central African authorities and the other political and social stakeholders on the need to uphold the Rule of Law and the principles of Good Governance as well as National Concord, and to project to the population and the external partners whose assistance is being solicited, the image of a country mindful of ethical and moral values.
- The African Union should establish within the Commission a task force to monitor and ensure implementation of the final decisions that will be adopted, particularly those pertaining to the priority actions.

120. This task force could include representatives of the various departments of the Commission and could be led by one of them who would serve as interface between the partners and the Member States that might be willing to help Central African Republic and its authorities.



## **ANNEXES**

### **ANNEX 1**

#### **LIST OF PEOPLE MET DURING THE INTERDISCIPLINARY EXPERT'S MISSION**

##### **Ministerial Departments**

1. The President of the Republic
2. The Prime Minister
3. Ministry of Foreign Affairs, Regional Integration and Francophonie (The Minister of State and Directors of Departments)
4. Ministry of Economy, Planning and International Cooperation (The Minister and Directors of Departments)
5. Ministry of Finance and Budget (Director of Cabinet and Directors of Departments)
6. Ministry of Rural Development (The Minister)
7. Ministry of Defence (The Director of Cabinet)
8. Ministry of Public Security (The Minister and Director of Department)
9. Ministry of Equipment, Transport and Civil Aviation (The Minister of State Directors of Departments)
10. Ministry of Mines, Energy and Water (The Minister and Directors of Departments)
11. Ministry of Family and Social Affairs, and National Solidarity (Madam the Minister and Director of Cabinet)
12. Ministry of Public Service, Social Security and Vocational Training (The Minister and Director of Cabinet)
13. Ministry of Public Health and Population (Director of Cabinet, Directors and Heads of Departments)
14. Ministry of Justice, (The Minister and Directors of Departments)
15. Ministry of Education, Literacy, Higher Education and Research (the Junior Minister responsible for Primary and Secondary Education and Director of Cabinet)
16. Ministry of Trade and Industry (Madam the Minister and Directors of Departments)
17. The speaker of the National Assembly

##### **Public Institutions**

1. Human Rights High Commission
2. National Disarmament, Demobilization and Integration Commission
3. National AIDS Control Committee (CNLS)

##### **International organizations and projects**

1. UNDP
2. CEMAC (including FOMUC as part of a joint mission with the EU. The AU was represented by Colonel Cisse Abdourahmane and Mr. Yao Konan Pascal)
3. BONUCA
4. UNHCR

5. World Bank (working session by video conference with the Resident Representative)
6. WFP
7. FAO
8. PRAC (Programme for the reintegration of ex-combatants)

### **Diplomatic Missions**

1. Embassy of France
2. Delegation of the European Union
3. Embassy of Chad
4. Embassy of the Russian Federation
5. Embassy of China
6. Consulate of South Africa

### **Central African Civil Society Organisations**

1. The Employers
2. Local NGO's
3. Human Rights NGOs
4. Religious Leaders

### **Political organizations**

1. Opposition political parties (11 members present)
2. Presidential majority political parties (16 people present)

ANNEX 2

**Detailed compositions of income and expenditure**

(In billions of CFA fr)

	2001	2002	2003	2004 <sup>a</sup>	2005 <sup>b</sup>	2006 <sup>c</sup>
Income Tax	63.2	78.4	53.7	55.8	58.4	68.3
<i>Fiscales</i>	51.8	61.4	45.3	48.3	56.4	64.4
Direct Tax	15.2	17.2	14.0	15.6	14.2	15.8
Indirect Tax	24.8	33.3	20.5	22.1	19.2	20.9
Tax on international trade	11.8	10.9	10.7	10.6	22.9	27.8
Including Imports	7	7.6	7.7	7.1	20.4	23.9
Non Income Tax	11.4	17.0	8.4	7.5	2.0	3.9
Expenditure	-93.6	-114.6	-85.5	-93.4	-120.0	-106.
<i>Primaires</i>	-51.0	-57.3	-58.1	-66.7	-84.0	-64.7
Salaries	-29.2	-33.1	-34.5	-38.9	-39.2	-35.0
Goods and services	-14.6	-17.1	-16.3	-17.8	-22.1	-12.3
Transfers and subsidies	-7.2	-7.1	-7.3	-10.0	-11.1	-8.7
Interest on debt	-9.8	-11.3	-7.9	-8.5	-7.2	-7.5
Capital	-32.8	-46.0	-19.5	-18.2	-37.3	-42.6
Over domestic resources	-9.7	-13.5	-10.5	-7.7	-8.4	-8.6
Over external resources	-23.1	-32.5	-9.0	-10.5	-28.9	-34.0

Source: CAR authorities for all the years except 2004. For 2004 the source is from the International Monetary Fund

Notes: <sup>a</sup>IMF estimates; <sup>b</sup>Estimated realization; <sup>c</sup>2006 Finance Law

**ANNEX 3**

**Structural priority measures for the 2006 post conflict programme**

<b>Measures</b>	<b>Date</b>
<b><u>Revenue</u></b>	
Adjust the consumer prices of petroleum products in order to increase the State revenue by about CAF Fr 2 billion on the current basic prices	December 2006
Increase the VAT rate to 19 per cent	December 2005
Remove the suspensive system as well as the fictitious warehouse practice which makes it possible to circumvent payment of import duty, except for private enterprises subjected to long production cycles	December 2005
Suspend the application of the moderate rate on imports within the context of investment, with the exception of enterprises that already meet the eligibility criteria and subject all future applications to preferential tariff treatment within the framework of a review committee comprising the Ministry of Trade, DGDDI, DGID and BIVAC	December 2005
Strengthen the management of the major tax payers through a systematic control of the defaulters, while ensuring an effective monitoring of tax payers that have been the subject of control and applying dissuasive sanctions against false declaration	March 2006
Strengthen the fiscal control by setting more ambitious control objectives, in terms of number and quality, for a better cover of the fiscal population. A target of at least 20 general audits and 100 ad hoc audits has been set for 2006	June 2006
Pursue the strengthening of the Duala sub-branch by, among other things, computerizing the Cameroonian one stop office, carry out ad hoc controls in conjunction with Cameroon customs officials and ensuring good communication between the sub-branch and the transit management unit	June 2006
Set up a pilot example of the Sydonai++ system in preparation for the total transfer of the customs computer system, Sydonia to Sydonia ++	June 2006
Create control of declarations with a view to detecting enterprises wrongly subjected to deduction of tax at source, by carrying out at least 20 document controls per annum	December 2006

<b><u>Management of the Treasury</u></b>	
Ban all payments of expenditure through automatic debit from the Treasury accounts in banks, with the exception of refunds of bank charges. Provide the IMF services with exhaustive information on all (automatic debits) made in 2004 and 2005	December 2005
Limit and ensure control of issuance of Treasury cheques to be drawn on deposit accounts	March 2006
<b><u>Measures</u></b>	
Close state bank accounts which are deemed superfluous and provide justification for those that are still open	April 2006
<b><u>Expenditure</u></b>	
Reduction of allowances by CFA for 100 million a month	December 2005
Conduct an investigation above the operators of the mobile telephone sector with a view to suspending all lines as a first step except those of the Head of State and members of the Government and release them on a case by case basis	December 2005
Subject, by order of the Prime Minister, all regularization of salaries of civil servants who have not presented themselves during the census, to an interministerial order of the Minister of Finance and the Minister of Public Service	December 2005
Identify fake certificates of civil servants and wrong grades of civil servants, finalize the inventory of pensions and adjust the payroll in accordance with the conclusions of the inventory	March 2006
Introduce a simplified procedure for expenditure flow	June 2006
<b><u>Governance and transparency</u></b>	
Publish monthly, within a maximum six week time frame: (i) the volume and value of forest goods, exported and sold locally as well as the public revenue generated; (ii) all licenses awarded and cancelled, the volume and value of diamond produced and exported, as well as the public revenue generated	As from February 2006
Make an evaluation of the company responsible for protecting transit port revenue in Douala and ascertain whether the results achieved are satisfactory, invite tender for this market	April 2006
Create a web site for the regular publication of the results of treasury plan, activity indicators in the timber and diamond sectors, the progress made in the fight against corruption, as well as information on the public tenders awarded in accordance with the model agreed upon with the IMF services	
Submit the result of the domestic arrears audit to be authenticated by an audit firm of international reputation	June 2006

Source: IMF and CAR authorities (Standing Technical Monitoring Committee of the Structural Adjustment Programme)

**Qualitative objectives of the authorities as part of the implementation  
of the post conflict programme, 1 March – 31 December 2006**

(In billions of CFA fr; cumulative as from 1 January 2006; ceilings unless otherwise indicated)

	<b>End of March</b>	<b>End of June</b>	<b>End of September</b>	<b>End of December</b>
Total minimum income of the State <sup>a</sup>	16.6	33.7	50.5	67.3
Payroll <sup>b</sup>	8.8	17.5	26.3	35
Many basic minimum budget balance (cash base) <sup>c</sup>	1.2	2.5	3.5	4.1
Variation of outstanding domestic payments over salaries and goods and services <sup>d</sup>	0	0	0	0
Variation of the net position of the government vis-à-vis the banking system	0	0	0	0
Variation of the net position of the government vis-à-vis the banking system	0	0	0	0
New non-concessional external debts <sup>e</sup>	0	0	0	0
<b><i>Pour mémoire</i></b>				
Customs Revenue (cash base)	5.9	12.2	18.9	25.8
Primary basic minimum budget balance (accruals) <sup>f</sup>	1.2	2.5	3.5	4.1
Variation of outstanding domestic payments <sup>g</sup>	0	0	0	0

**Source:** IMF

<sup>a</sup> Including public salary deductions, allocated income and duties and taxes on projects

<sup>b</sup> Including public salary deductions

<sup>c</sup> The basic primary budget balance is calculated as the difference between income over cash base (exclusive of deducted allocated income over salaries of state functionaries, and customs duties on projects) and overall expenditure over cash base (exclusive of payment of interests, exclusive of investments on external financing and including treasury transactions). The objectives will be reviewed downwards in the event of external assistance allocated to the priority sectors below the projected amounts.

<sup>d</sup> Back pay, outstanding public consumptions and outstanding goods and services. The outstanding goods and services include accruals from suppliers as well as deposit accounts of enterprises.

<sup>f</sup>-The primary basic budget balance is calculated as the difference between income over cash base (exclusive of deducted allocated income over salaries of state functionaries, and customs duties on projects) and total expenditure over accruals (exclusive of payment of interests and investments on external financing and including treasury transactions). The objectives will be reviewed downward in the event of external assistance allocated to priority sectors below the projected amounts.

<sup>g</sup> Arrears expenditure calculated on the basis of accrued expenditure.

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