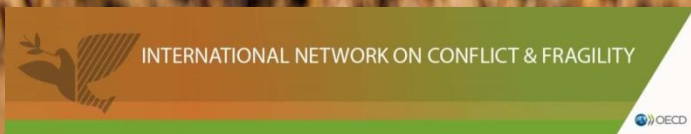


**CENTRAL AFRICAN REPUBLIC**  
**ACCELERATED RECOVERY FRAMEWORK**  
**TOWARDS A FINANCING STRATEGY**



**Financing for Stability**

## INTRODUCTION

The OECD had a very positive, constructive and productive mission to the Central African Republic, researching opportunities for a financing strategy to support the new Recovery Acceleration Framework. The initial mission took place from 20-24 November 2017, alongside a mission to design the Framework, which was supported by regional and headquarters experts from the OECD, UNICEF, UN-OCHA, UNV and WFP.

Delivering stability and recovery in CAR will require moving beyond business as usual. For financing, this means bringing together the optimal mix of government resources, international and domestic private sector investments, and ODA (aid) and other international resources, to ensure that together, these different development financing investments can deliver a sustainable recovery and peace for the people of CAR.

We were impressed with the widespread support among national and international partners for the Accelerated Recovery Framework and the shift in how to think about financing, as confirmed in numerous consultations and at the mission debriefing. In particular, the clear commitment and endorsement of this work by Minister Felix Moloua, Ministre de l'Economie du Plan et de la Co-opération, demonstrates the importance that this work will play in accelerating the implementation of the National Recovery and Peacebuilding Plan (RCPCA), particularly its recovery elements.

Substantively, the mission presented the government, private sector representatives and the international community with a range of options to ensure that CAR generates and attracts the right amount of financing, using the right tools, for the right timeframe, and leveraging this financing to provide the right incentives for stability and recovery.

Specifically, the following focuses were proposed for different areas of development finance:

- *Governance and Co-ordination:* The RCPCA and the CEM mutual accountability framework remain the overarching governance and co-ordination mechanisms. More could be made of mutual accountability opportunities by leveraging ODA flows to encourage greater government engagement and more strategic conversations at both national and prefecture level. Co-ordination could be moved towards more strategic discussions if project information was collected systematically under a reinforced Aid Information Management System.
- *Domestic public finance:* The emphasis should be on stimulating economic growth and increasing tax collection, as well as ensuring that the government budget invests in priority acceleration areas for recovery under the RCPCA.
- *Domestic private finance:* The emphasis should be on dismantling disincentives to economic growth.
- *International public finance:* As the major financial flow in CAR, international public finance (ODA or aid) should focus on programme flexibility, and using its leverage and incentives to stimulate government political engagement and investment in delivering the RCPCA.
- *International private finance:* Early steps should be taken to make CAR a more attractive destination for international private finance.
- *Aid Architecture:* The emphasis should be on ensuring that the aid architecture is fit for purpose in the context of the RCPCA, the UNDAF+ and the Accelerated Recovery Framework

Next steps will focus on the OECD supporting the international community in CAR to pick up on the opportunities and options that have been prioritized under the financing strategy, initially as inputs to the RCPCA discussions in December.

## *Towards a financing strategy for the Accelerated Recovery Framework in CAR*

Delivering stability and recovery in the Central African Republic will require moving beyond business as usual. Overall, we have found international and domestic partners in CAR ready to move in this direction, working through tangible, concrete steps to deliver better recovery results together in the Emergency, Chronic and Durable Solutions zones identified in the Accelerated Recovery Framework.

### **Governance and co-ordination**

*Addressing the priority needs identified in the RCPCA will require strong commitment and leadership by the CAR government along with support from the international community and civil society... successful support to implementation of the RCPCA will need to be grounded in a renewed partnership between the government and international partners based on mutual accountability.*

Central African Republic National Recovery and Peacebuilding Plan 2017-21

Governance and co-ordination arrangements for the financing strategy are anchored in the RCPCA and the Mutual Accountability Framework (CEM-RCA). The RCPCA serves as the overarching chapeau for recovery and peacebuilding. It is based around three pillars:

1. Support peace, security and reconciliation
2. Renew the social contract between state and population
3. Promote economic recovery and boost productive sectors

The UNDAF+ of the United Nations system has been designed to support a coherent approach to delivering the RCPCA across the UN system.

The Accelerated Recovery Framework is the United Nations system's plan to accelerate delivery of the recovery components of the UNDAF+, based on differentiated response packages for three typologies of zones in the country: (i) emergency (ii) chronic areas and (iii) durable solutions.

A mutual accountability framework exists, but could be better used support consistent, sustained, transparent and accountable results. A Mutual Commitment Framework (*Cadre d'Engagement Mutuel pour la République Centrafricaine or CEM*) (Annex A) has been established to support the delivery of the RCPCA and the partnership between the international community and the government, in line with UN Security Council resolution 2301. The CEM provides a solid basis for concrete discussions on a strategic level between the partners; however this potential is not yet sufficiently exploited. Some options to consider include:

At national level:

- Supporting the capacity of the National Audit Office, potentially through a partnership with the international audit body INTOSAI<sup>1</sup>, to review the progress on government and international community commitments under the CEM, in support of the RCPA-CEM secretariat
- Removing the need for sharing information about projects and their implementation status in coordination meetings by reinforcing the Aid Information Management System (see Aid Architecture section below)

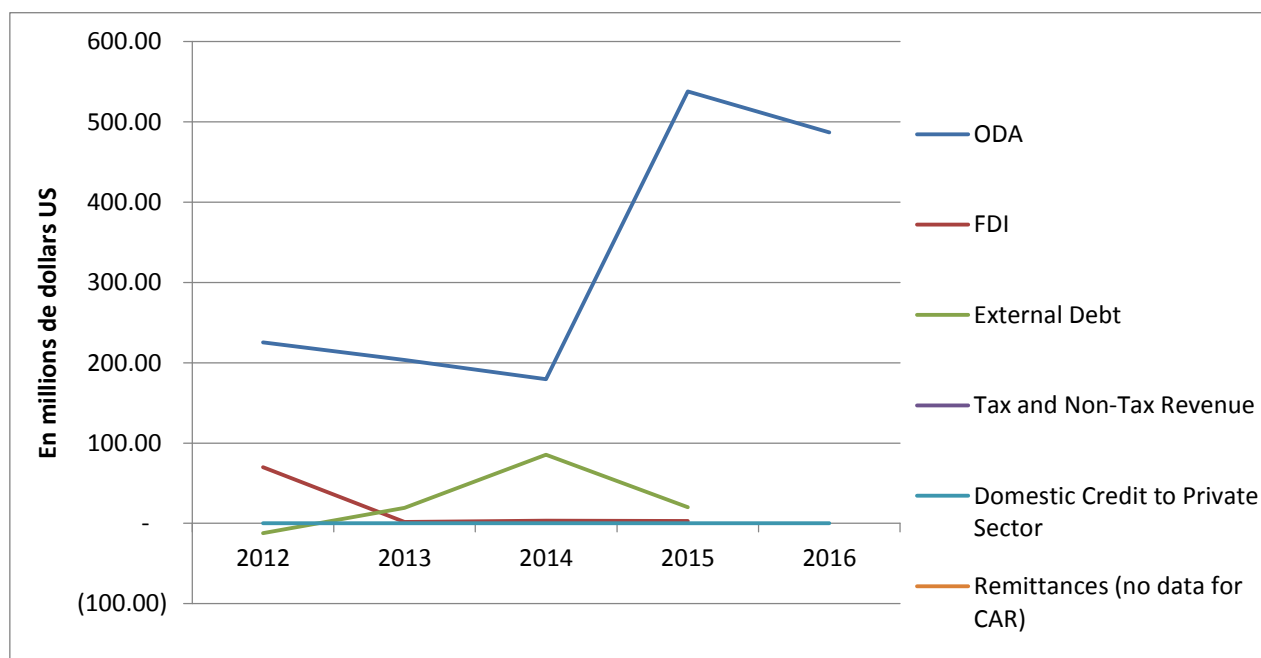
At prefecture level:

- Seeking agreement on a limited number of priority areas to be targeted in each prefecture, and detailing the contributions towards these priority areas that will be required from the international community, from the local authority, and from other actors – this will form the prefecture level mutual accountability framework
- Socializing the prefecture level mutual accountability framework through a public media campaign
- Regular consultations between the prefecture, the international community and other actors on progress and blockages
- Monitoring the mutual accountability framework at prefecture level (potentially with the support of MINUSCA political affairs officers) and feeding this information into the national monitoring exercise

## Sources of financing

A detailed view of the financing landscape is provided as Annex B

**Figure 1: Global Financing Sources in CAR**



<sup>1</sup> INTOSAI (the international association of supreme audit institutions) as a professional body is starting a workstream to reinforce the capacity of audit offices in selected fragile contexts

Overall, ODA (aid) is the major financial flow in CAR. The key points that emerge as the financing landscape is unpacked include:

#### **Domestic public finance**

- There are weak signs of economic recovery, with growth rooted in the extractives sector
- Significant economic challenges remain related – directly or indirectly – to ongoing insecurity
- There is a weak tax base and collection base, and a very small public sector
- The economy is heavily dependent on agricultural and extractive industries

#### **Domestic private finance**

- The recurring crises in CAR are preventing development of the private sector and undermining the foundations of the country's industrialization and development – investment is seen as too complicated and risky
- Continued security for import/export activities along the Douala-Bangui corridor will be critical for sustained economic growth
- Private deposits are low, as is domestic credit
- Public Private Partnerships have potential, but, as with all investments, are risky for private investors
- Local private sector is small but vibrant

#### **International public flows**

- CAR is highly dependent on aid, which mainly comes from OECD donors
- Regional solidarity is strong, including flows of loans and grants
- There is a high level of indebtedness and significant arrears, making further lending to CAR inappropriate: CAR is at high risk of external debt distress
- ODA loans to CAR have mainly come from multilaterals
- Project type funding makes up the majority of all ODA investments
- There are a range of multi-donor funds in CAR, humanitarian, stability, development and peace
- Humanitarian financing makes up half of ODA, and includes a good spread of significant donors, but the humanitarian response plan remains underfunded
- Climate finance for mitigation and adaptation activities is very low

#### **International private flows**

- CAR's economy is disadvantaged by its landlocked position, which isolates it from foreign suppliers and markets and contributes to high import prices
- Most FDI comes from Canada, France, India and South Africa
- There are a range of disincentives to foreign investment – overall, insecurity and uncertainty are limiting investor confidence, but there are also structural disincentives
- There is no up-to-date data on remittance flows, or understanding of how they are used

### **Financing needs and forecasting**

The UNDAF+ Recovery Acceleration Framework has set out a theory of change and a differentiated package of programming results across emergency, chronic and durable solutions zones of CAR. This has allowed the UN system to:

- establish common ground in terms of programming for each zone, and a basis on which to shift programming as the situation improves or deteriorates on the ground

- assist prioritization for available resources
- provide a sequencing of actions as the situation evolves in each zone
- identify key risks, opportunities and contingencies

The costing of the packages for each of the three zones will be able to be based on costings already prepared by each agency for the UNDAF+ and Humanitarian Response Plan.

## **Contingent financing capacity**

Provision needs to be made for the financing of contingent risks, and for flexibility in financing arrangements, given the fluid environment and risk profile of CAR. The risks identified under the UNDAF, and used in the Accelerated Recovery Framework, are mostly related to an uptick in conflict, although there is also some flood and drought risk in areas of the country.

The size of the economy, the business climate and the capacity of the financial system in CAR are disincentives for private risk financing instruments, however this should not be ruled out should the financial system stabilise. Greater use of climate financing, both for adaptation and for emergency preparedness, could be explored.

In the absence of risk financing and transfer possibilities, there will need to be sufficient flexibility in financing to ensure that programming can adapt to the rapidly evolving context – both for deteriorating and improving situations.

In terms of deteriorating situations, the humanitarian pooled fund reserve, and the CERF allocations, could be usefully focused on:

- New or escalating shocks in Emergency areas
- Significant deteriorations or shocks that mean that an area that was initially classified as Chronic or Durable Solutions becomes an Emergency area

In terms of recovering and stabilising situations, the Ezingo Multi Partner Trust could be focused on kick starting the Recovery Acceleration Framework's service packet for newly stable Chronic and Durable Solutions areas.

Bilateral donors will need to reflect on how to ensure sufficient flexibility in their programming and financing arrangements to allow for both deteriorations and improvements in the context.

## **Resource mobilisation plan**

This section outlines opportunities that need to be prioritized and followed up in order to ensure the right amount of finance, using the right tools, over the right timeframe, and providing the right incentives for all actors to engage and deliver recovery and stabilization in CAR.

The resource mobilization plan will involve bringing together domestic public (government) finance, domestic private finance, international public finance (including ODA or aid) and international private finance, including investments and remittances.

### **Domestic public finance**

The emphasis should be on stimulating economic growth and increasing tax collection, as well as ensuring that the government budget invests in priority acceleration areas for recovery under the RCPCA.

Specific opportunities to consider include:

- Limiting tax leakages, potentially through a partnership with Tax Inspectors without Borders<sup>2</sup>
- Defining key acceleration sectors – potentially including agriculture – in which to focus and increase government investment
- Aiming to align the 2019 national budget to the pillars of the RCPCA, and making government contributions under the RCPCA more transparent
- Create and/or reinforce capacity for RCPCA implementation and monitoring in priority Ministries, with the support of the RCPCA secretariat

### **Domestic private finance**

The emphasis should be on dismantling disincentives to economic growth.

Specific opportunities to consider include:

- Addressing fraud and corruption, including through strengthening the capacity and independence of the National Audit Institution, and dismantling other illegal tax collection activities
- Increasing domestic credit to SMEs and other private sector actors
- Speeding up the payments cycle under the Kimberly process to disincentive illicit flows
- Working with the local banking and telecommunications sector to increase their coverage inside the country (including for mobile payments) including providing security and putting in place incentives such as making increased reach a condition of operating licenses
- Ensuring that tenders for ODA-funded projects and programmes are systematically accessible to the local private sector, including as international-national private sector partnerships
- Supporting and encouraging a return home of IDPs and refugees and the diaspora, to promote growth in the agricultural sector, and investing in improving productivity in both the primary and secondary sectors

### **International public finance**

As the major financial flow in CAR, international public finance should focus on programme flexibility, and using its leverage and incentives to stimulate government political engagement and investment in delivering the RCPCA.

*Specific opportunities to consider include:*

- Growing the donor pool, potentially through targeting Arab donors
- Maintaining a predictable flow of humanitarian financing for a context that will likely continue to have significant emergency needs into the medium term
- Seeking climate financing for adaptation and emergency preparedness for flood and drought risk
- Gaining a better understanding and complementarity with actors present in CAR, such as China and Morocco, through increased dialogue
- Providing greater flexibility in financing arrangements, with less earmarking and more focus on financing for results
- Developing a programme based approach to selected priority sectors of the RCPCA, potentially a SWAP, for example for agriculture, health and/or education

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<sup>2</sup> More on Tax Inspectors Without Boarders at [www.tiwb.org](http://www.tiwb.org)

- Ensuring that any future loans follow the IMF guidance of substantial concessionality and then, only exceptionally; and actively working to reduce the debt burden and towards eventual debt forgiveness
- Linking CAR to the global priority of conflict prevention and offering CAR as a test case for this agenda and related financing instruments (perhaps as a pilot when the report is launched in first quarter 2018)
- Focusing more clearly on mutual accountability rather than just the disbursement rate for the RCPCA
- Reinforcing the Aid Management Information System to allow more transparency of information and to enable co-ordination to focus on strategic issues rather than project updates

### **International private finance**

Early steps should be taken to make CAR a more attractive destination for international private finance.

*Specific opportunities to consider include (in addition to those already outlined for domestic private finance):*

- OECD member roadshows to capitals to outline opportunities to private sector actors, as opportunities become available
- Reflections on how to use blended finance to incentivize investment, taking care not to over-emphasize de-risking modalities, which may discourage private actors from following international norms and standards and doing no harm
- Gaining a better understanding of remittance flows, including both the volume and how remittances are used. Engaging with diaspora communities where this may promote investment, help stimulate government engagement, promote return, or encourage more ODA flows from the countries in which the diaspora now live

### **Aid Architecture**

The emphasis should be on ensuring that the aid architecture is fit for purpose in the context of the RCPCA, the UNDAF+ and the Accelerated Recovery Framework

*Specific opportunities to consider include:*

- Using the EU Bekou Fund as a good example of enabling programming across the humanitarian-development-peace nexus
- Reflecting on the complementarity of the different UN managed multi-donor funds, starting with regular information sharing and placing observers on each other's' governance boards and decision making processes
- Recruiting a fund manager for the Ezingo fund, to strengthen strategic direction and monitoring
- Reinforcing and committing to supply up-to-date information to an Aid Information Management System



## Indicators and monitoring

Progress on the financing strategy should be measured as part of the RCPCA and CEM processes, both nationally and under the mutual accountability frameworks in specific prefectures.

*Supplementary indicators to consider include:*

<b>Overall</b>	<b>Domestic Public Finance</b>	<b>Domestic Private Finance</b>	<b>International Public Finance</b>	<b>International Private Finance</b>
Progress on the CEM and other mutual accountability frameworks nationally and by prefecture	Economic growth	Ease of Doing Business index	Implementation rate	Levels of FDI
Status of the country - # of zones considered Emergency, Chronic or Durable Solutions	Tax collection rate	Implication of private business in delivery of ODA	Amount of ODA commitments	Levels of remittances
Transparency – use of the AIMS system	Investment in RCPCA pillars	Telecommunications and banking coverage	Humanitarian financing rate	
			Coherence between multi-donor funds	
			Flexibility of financing mechanisms	

## ANNEX 1: The Cadre d'Engagement Mutuel pour la Republique Centrafricaine

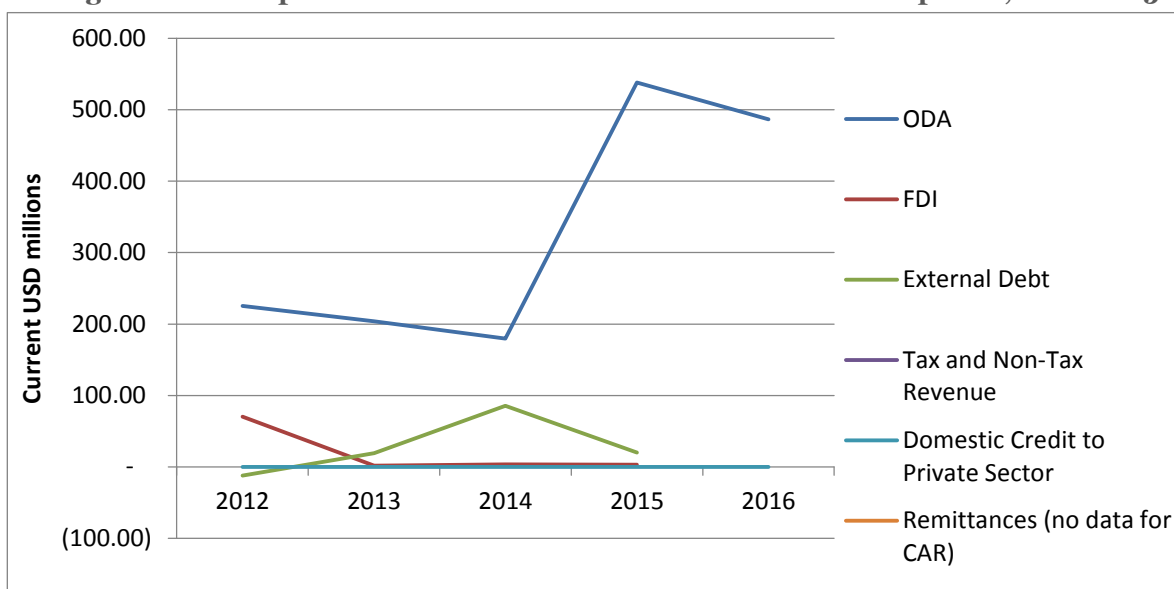
### Bref rappel du Cadre d'engagement mutuel

Paix et sécurité	Relance économique	Gouvernance politique, admin. & Financière	Justice et droits de l'homme	Réconciliation nationale
<ul style="list-style-type: none"> <li>1. Programme DDDR</li> <li>2. Programme SSR</li> <li>3. Système de vérification préalable</li> <li>4. Défis transfrontaliers (transhumance, trafic d'armes)</li> </ul>	<ul style="list-style-type: none"> <li>1. Réforme des secteurs productifs</li> <li>2. Amélioration climat des affaires</li> <li>3. Gouvernance des ressources naturelles</li> <li>4. Allocation budgétaire en faveur des régions</li> <li>5. Renforcement de la coopération sous-régionale</li> </ul>	<ul style="list-style-type: none"> <li>1. Gouvernance inclusive</li> <li>2. Redéploiement Administration</li> <li>3. Paiement régulier des salaires FAE</li> <li>4. Politique inclusive de recrutement aux emplois publics</li> <li>5. Renforcement des mécanismes de gestion des finances publiques</li> <li>6. Lutte contre la corruption</li> <li>7. Décentralisation et développement local</li> </ul>	<ul style="list-style-type: none"> <li>1. Respect des conventions et des textes normatifs</li> <li>2. Rétablissement du système pénal et des prisons</li> <li>3. Démilitarisation des prisons</li> <li>4. Opérationnalisation de la CPS</li> <li>5. Poursuite des auteurs des graves violations DH</li> <li>6. Cadre normatif pour faciliter le retour</li> <li>7. Lutte contre les AES</li> <li>8. Mise en place de la CVJRR</li> </ul>	<ul style="list-style-type: none"> <li>1. Processus de réconciliation</li> <li>2. Elections locales</li> <li>3. Autorité de l'Etat</li> <li>4. Retour</li> </ul>

## ANNEX 2: Development Finance for CAR

### Overall sources of finance in the Central African Republic

Figure 1: Development Finance Flows in the Central African Republic, 2012-2015



Sources: OECD, IMF World Revenue Longitudinal Data, World Bank, author calculations.  
Not available: remittances data or tax and non-tax revenue 2012-2016, or FDI or external debt for 2016.

### Unpacking the financing landscape

#### 1. Domestic public finance

**Weak signs of economic recovery, with growth rooted in the extractives sector.** The tentative economic recovery that began in 2014 is strengthening gradually, with a real GDP growth rate that should have reached 5.1 % in 2016. This improvement is rooted in the recovery of the extractive sector, which surged by 22.8% after the partial suspension of the Kimberley process was lifted. Inflationary pressures, which were strong during the crisis, should lessen in 2017 and 2018 due to the recovery of transport in the Douala-Bangui corridor, and notably thanks to improved food supply.

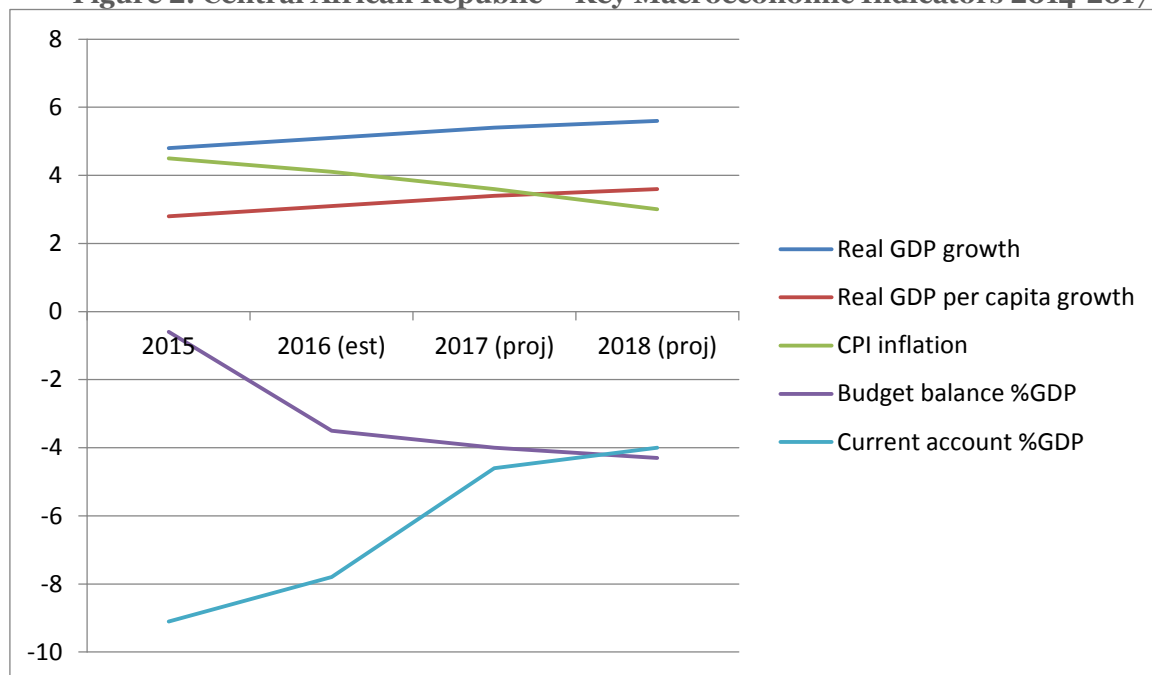
**Significant challenges related – directly or indirectly – to ongoing insecurity.** The African Economic Review notes the major challenges to the CAR economy as trafficking and fraud (including through roadblocks and other illegal activities, especially in the forestry and mining sectors), a high risk investment climate for international and national private sector entities, insecurity and violence which constricts growth opportunities, low agricultural productivity mostly due to the slow return of people displaced by the crisis, deterioration of the infrastructure stock – especially in the energy sector – and limited access to credit. These challenges have been slightly offset by investments in infrastructure to service the accommodation needs of the international community, and continued public service salary payments, which have allowed revenue streams for some households (OECD, 2017).

**CAR uses the Central African Franc.** The Central African CFA franc (XAF) is the currency of six states in central Africa: Cameroon, Central African Republic, Chad, and Republic of the Congo, Equatorial Guinea

and Gabon. This mechanism provides relative exchange rate stability, helps control inflation – although CAR’s inflation rate of 5.1% in 2016 is above the CEMAC recommended rate.

**Weak tax base and collection rate, and a very small public sector.** Tax collection is today – as before the crisis - mostly concentrated on customs and import taxes. Generalised insecurity led to the closure of many of the revenue offices, and it is estimated that tax collection on extractive industries has dropped from 11.5% in 2012 to only 4.9% in 2014. Other domestic revenues have dropped from 127.3 million XAF in 2012 to an estimated 84.7 million in 2016. As a result, liquidity is a real issue – with tax revenues insufficient to cover government expenditure. Some macroeconomic reforms have been enacted, including around the management of public finances (for example to eliminate payments to ghost civil servants, and technical assistance in customs and tax collection) so as to ensure payment of public sector salaries and debt servicing. International donors, multilateral and bilateral, have also underwritten salary payments in the public sector. Still, it is projected that CAR will have a budget deficit of 4.3% of GDP in 2018. As a result there is a high level of indebtedness (refer discussion in International Public Flows).

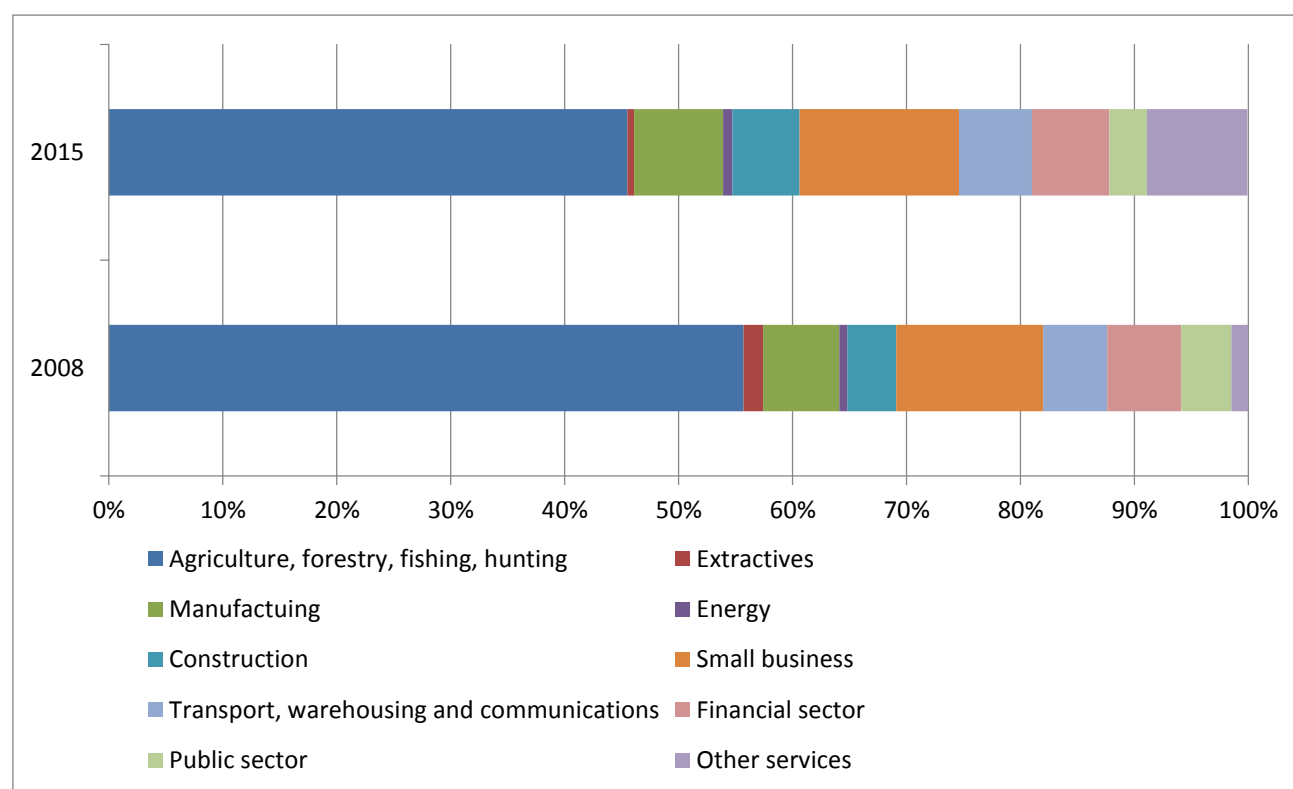
**Figure 2: Central African Republic – Key Macroeconomic Indicators 2014-2017**



Source: *African Economic Outlook (OECD, 2017)*

**The economy is heavily dependent on agriculture and extractive industries.** Agriculture, forestry, fishing and hunting made up 45.5% of GDP in 2015, down from 55.7% in 2008, but still the backbone of the economy. The potential for growth in this area will remain constrained if insecurity is not checked and if people cannot return home to their land. The next largest (and growing sector) is small businesses. Only 3.3% of GDP comes from the public sector, including defence and social security (Figure 3).

**Figure 3: GDP Per Sector 2008 vs 2015**



Source: *African Economic Outlook (OECD, 2017)*

## 2. Domestic private finance

**The recurring crises in CAR are preventing development of the private sector and undermining the foundations of the country’s industrialisation and development.** The crisis has created such a high-risk environment that even CAR’s citizens are refraining from investing. This negative context has tended to encourage the expansion of “destructive” entrepreneurial activities against a backdrop of trafficking and fraud (including through roadblocks and other illegal barriers), notably in natural resource sectors like mining and forestry. Beyond the prospect of its businesses disappearing, CAR faces deindustrialisation and the impoverishment of its population. The process can be reversed only through a return to sustainable security and the implementation of appropriate policy reforms.

**Continued security for import/export activities along the Douala – Bangui corridor will be critical for sustained economic growth.** Security incidents are undermining investor confidence and creating disruptions to economic activity, compounding the lack of public infrastructure, especially in transport and energy infrastructure. The primary sector has benefitted from growth in the forest, coffee and cotton subsectors, but the secondary sector continues to struggle. Export growth is mainly in extractives, particular gold and diamonds, but also wood, coffee and cotton.

**Private deposits are low, but domestic credit is increasing.** The share of financial system deposits as a ratio of GDP is at 12.1% in 2015, the second lowest in Africa after Chad, and less than half the median across sub-Saharan Africa. Domestic credit to the private sector stood at 12.54% of GDP, low for sub-Saharan Africa, but showing steady improvement since 2012. The World Bank’s *Ease of Doing Business*

*Index* ranks CAR as 184, or 7<sup>th</sup> from the bottom of the index – and scoring badly on all indicators. Reforms to improve the components of this ranking are an obvious opportunity for increasing private finance (both domestic and international) in CAR.

**Public Private Partnerships (PPPs) have potential, but remain risky for private investors.** CAR does not have a legal framework or specific policy on PPPs, but the government has indicated its interest in these types of arrangements for infrastructure projects. However, the macroeconomic environment and security situation have deterred investors to date – despite some experience in PPPs, including in water, in the early 2000s.

**Corporate Social Responsibility.** CAR does not have any legislative framework to promote CSR, or policy in this area, or related tax credits. Some companies do report CSR activities in CAR, for example Orange Centrafrique (through the Orange Foundation)<sup>3</sup>,

**Public philanthropy.** Potential and appetite for public philanthropy is an area to explore further, although this is likely to be limited.

### **3. International public flows**

**CAR is highly dependent on aid.** ODA to CAR increased 239% between 2012 to 2015, rising to USD 487 million from 36 different donors (Figure 4). It is by far the largest flow of development finance to CAR (Figure 1). The EU institutions are the largest donor, followed by the United States, France and Germany. Thirteen bilateral and multilateral donors were significant, giving over USD 10 million each in 2015. There does not seem to be any sizeable interest from non-DAC, non-neighbour donors in CAR (only Kuwait in 2015, with USD 0.66 million)

**National plan and pledging conference.** With the support of development partners, the government produced a national plan for recovery and peace-building – Plan National de Relèvement et de Consolidation de la Paix – with a budget of USD 3.16 billion, which it presented to the international community on 17 November 2016 in Brussels. This remains the major fundraising tool for CAR.

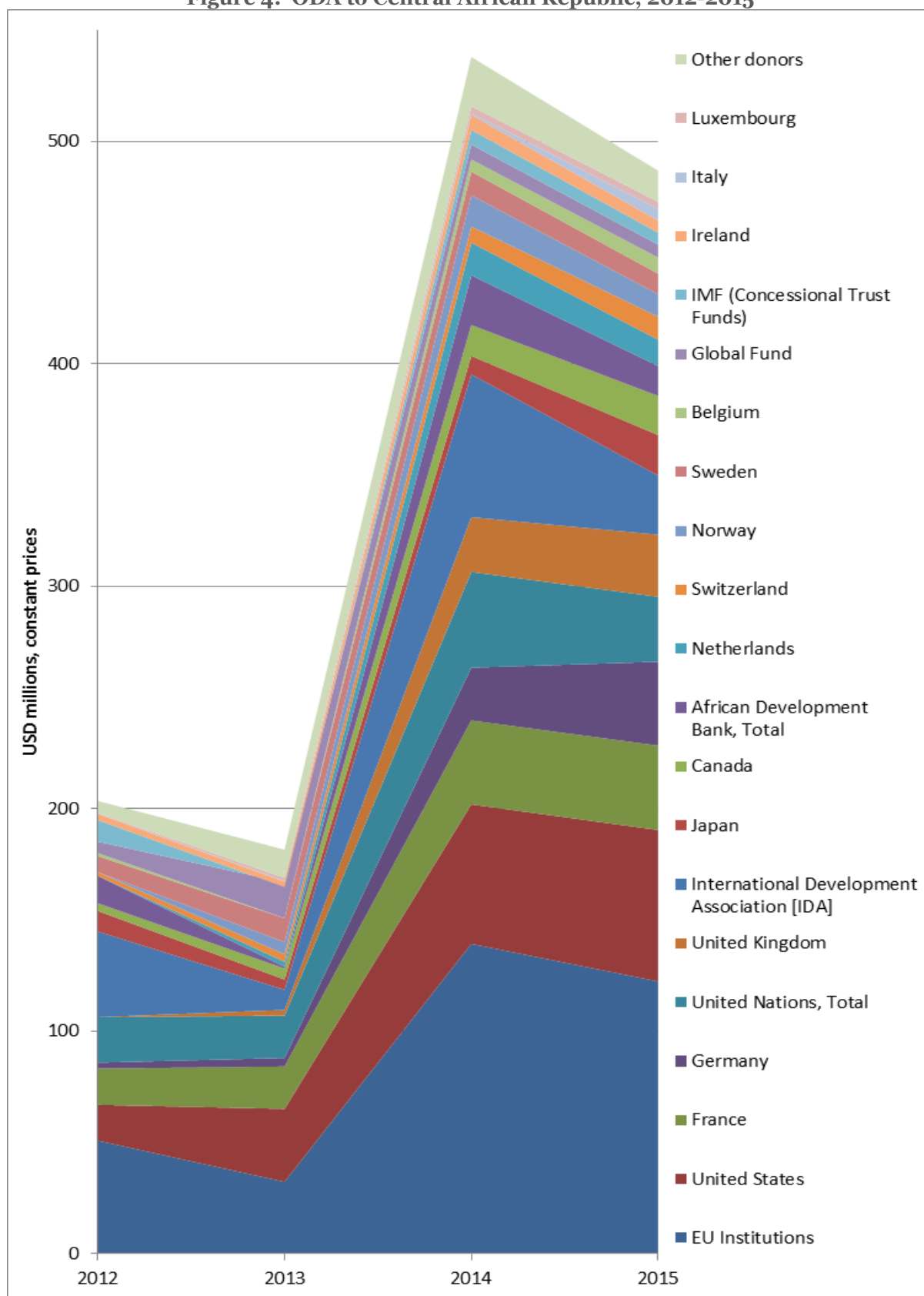
**Regional solidarity is strong.** CAR is a landlocked country, and thus particularly dependant economically on its neighbours – who have in turn also been affected by the spill over effects of violence in CAR, and thus have a vested interest in peace. As a result, all the CEMAC countries, and Angola, have provided financial support to recovery. In particular, the Republic of Congo has provided a number of grants plus a USD 25 million loan, and Angola has provided a USD 10 million grant in addition to a USD 20 million loan.

**There is a high level of indebtedness.** Debt to GDP sat at 46.6% in 2016, up from 23.5% in 2012. There are significant arrears, especially to China and India. The latest IMF/World Bank debt analysis noted CAR's significant risk to external shocks and the high risk of over-indebtedness, recommending that in future CAR only take on highly concessional debt, and even then, only exceptionally.

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<sup>3</sup> Notably EUR 300,000 to the French Red Cross: [www.agenceecofin.com/operateur/3007-21892-la-fondation-orange-et-orange-centrafrique-donnent-300-000-euros-a-la-croix-rouge-francaise-en-rca](http://www.agenceecofin.com/operateur/3007-21892-la-fondation-orange-et-orange-centrafrique-donnent-300-000-euros-a-la-croix-rouge-francaise-en-rca)

Figure 4: ODA to Central African Republic, 2012-2015

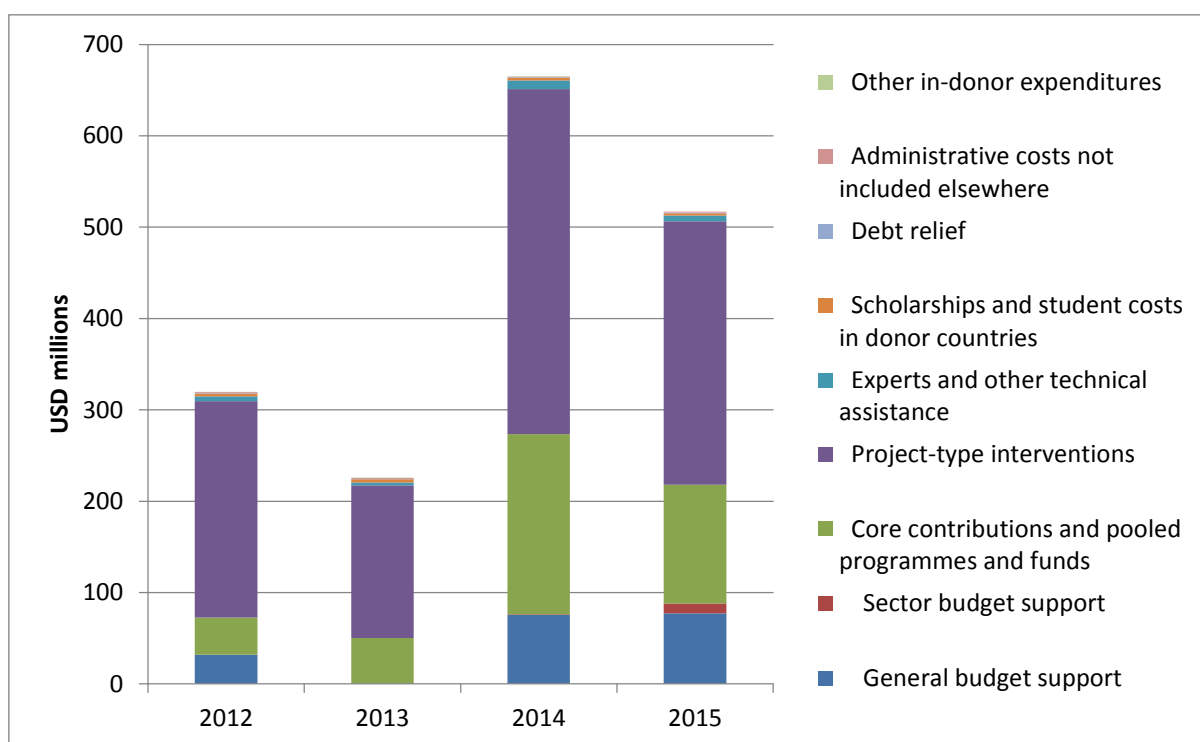


Source: OECD Creditor Reporting System, author calculations.

**Project type funding makes up the majority of all ODA investments**, followed by multi-bi (contributions to multilateral organisations and INGOs working in CAR). Only a small amount of funding is placed through pooled mechanisms. There is some budget support: in 2015 France provided USD 13.3 million for general budget expenses. France also provided most of the technical assistance in 2015, across a range of sectors.

This mix of funding – largely outside of country systems and with only limited technical assistance – might be reconsidered in a situation where state absorption capacity is limited. Project type interventions may be useful in the short term but there could be more focus on building domestic capacity.

**Figure 5: ODA by type of flow to CAR 2012-2015**



Source: OECD Creditor Reporting System. Author calculations

**ODA Loans to CAR have largely come from multilaterals.** Between 2012 and 2015, USD 237.1 million was provided to CAR as concessional loans. Most of this (USD 186 million) was in the form of IDA loans, complemented by loans from the IFC (USD 9 million), the IMF (USD 40.6 million) and the African Development Bank (USD 1.4 million). DAC members did not provide any bilateral concessional loans to CAR in this period (last was Japan in 2009).

**The most recent IMF debt sustainability analysis confirms that Central African Republic continues to be assessed at high risk of external debt distress.** In 2016, CAR’s total public debt stood at 44.4 percent of GDP down from 50 percent at end-2015. CAR.’s external public debt stands at 24.3 percent of GDP (CFAF 253.4 billion) in 2016. CAR has a significant stock of external arrears. CAR owes CFAF 123.6 billion of pre-HIPC debt to Non-Paris Club Members. Under the Paris Club agreements, CAR has committed to seek debt relief from its Non-Paris Club creditors with terms similar or better than those granted by the Paris Club. The government continues to reach out to the Non-Paris Club creditors to re-negotiate these obligations. During the political crisis years, CAR accumulated arrears to private creditors and post-HIPC arrears to official creditors which it seeks to resolve. China has indicated its willingness to provide debt relief on all outstanding official debt. A New York court ruled in January that that an Export-Import Bank



located in Taiwan Province of China has claims against the CAR stemming from loan agreements signed in 1991 and 1992 (IMF, 2017).

Figure 5: CAR External Debt by Creditor 2016

	2016	
	(CFAF billions)	(Percent of GDP)
Multilateral	125.2	12.0
World Bank	34.9	3.4
IMF	68.3	6.6
Other	22.0	2.1
Bilateral	128.2	12.3
Saudi Arabia	9.9	1.0
India	24.5	2.4
China	43.5	4.2
Congo	18.2	1.7
Kuwait	12.1	1.2
Private/Others	20.0	1.9

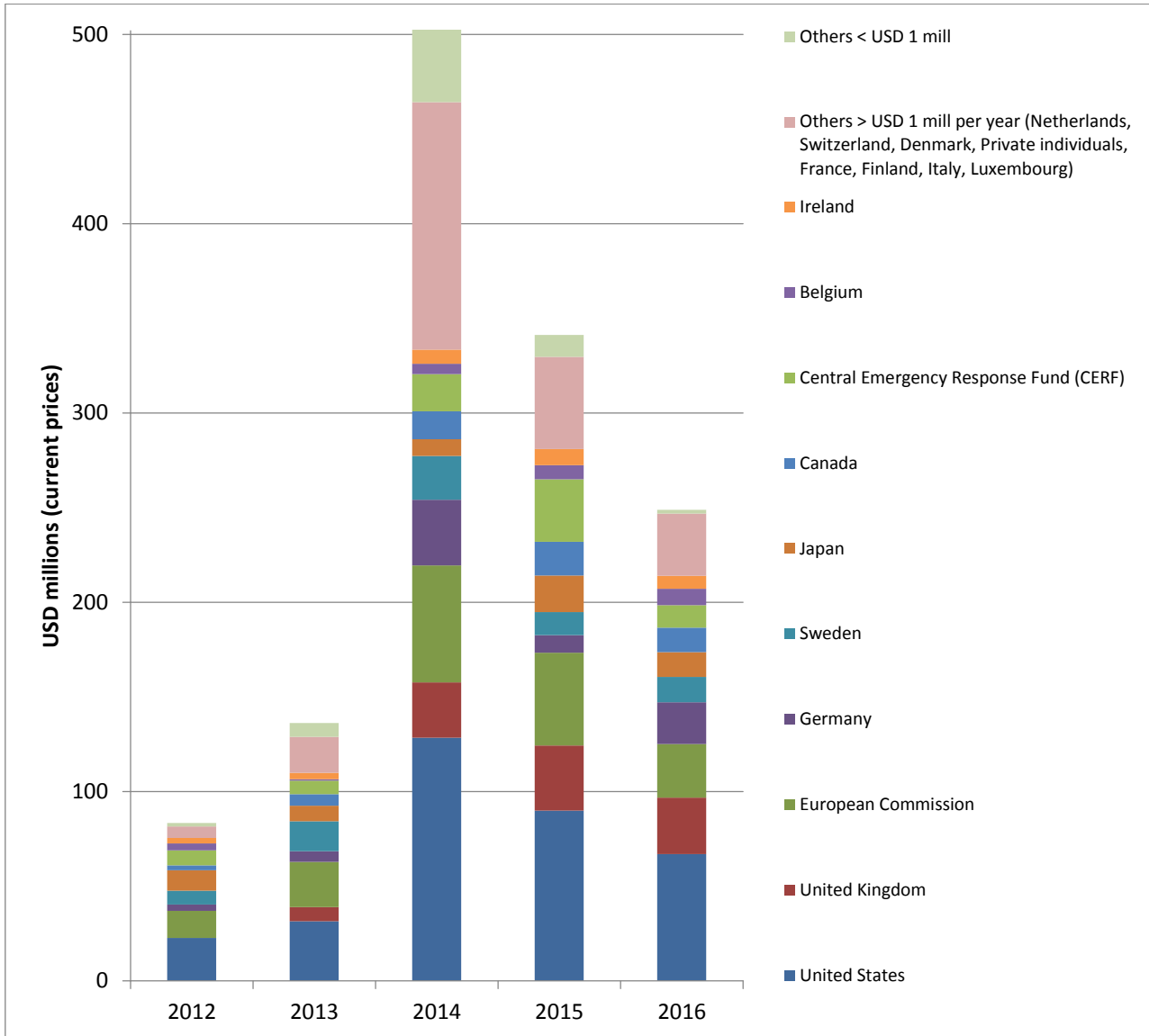
Sources: C.A.R. authorities; IMF and World Bank staff estimates.

#### Multi-donor funds in Central African Republic

- The EU Bekou Trust Fund, with contributions from the EU institutions (DG DEVCO, DG ECHO and the EEAS) as well as member states France, Germany and the Netherlands, was set up in July 2014 and aims to contribute to the reconstruction of the country, in particular restoring the national and local administrations, re-establishing economic activity and essential services (such as electricity, transport, health and education) and stabilising the country. The activities will also focus on enabling neighbouring countries to overcome the consequences of the crisis in CAR.
- The CAR Humanitarian Fund currently has ten donors – the UK, Ireland, Sweden, Germany, Netherlands, Belgium, Denmark, Switzerland, Canada and Luxembourg – together contributing USD 19.5 million so far in 2017.
- The Ezingo Fund, a Multi-Partner Trust Fund for CAR, focuses on stability and recovery. It has two donors – Netherlands and France – in 2017, a total of USD 1.28 million, mostly for reconciliation and mediation.
- Other multi-partner funds, notably the Peacebuilding Fund, work in CAR. This is the Peacebuilding Fund’s largest global operation, with USD 9.59 million in expenditure for 2017.

**Humanitarian financing makes up half of ODA, and includes a good spread of significant donors.** 52% of ODA to CAR is humanitarian assistance. Most of this comes from traditional (DAC) donors, with very little interest from Arab donors, for example. Humanitarian aid has dropped off from its peak in 2014. There is a broad pool of humanitarian donors, which is useful, reducing dependency on any one source. (Figure 6)

Figure 6: Humanitarian financing to CAR by donor 2012-2016



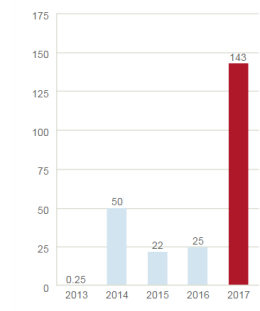
Source: Financial Tracking System, accessed 10 Nov 2017. Author calculations

**There are no recorded Other Official Flows.** Other Official Flows are official sector flows that do not meet ODA criteria, often related to export credits or loans that are not sufficiently concessional in nature.

**The World Bank has a range of investments in the Central African Republic.** Current active projects include rural connectivity, public services, reintegration of ex-combatants, service delivery to communities affected by displacement, state consolidation and health systems support (Figure 7). A Systematic Country Diagnostic will be

Figure 7: World Bank lending to CAR

LENDING  
Central African Republic:  
Commitments by Fiscal Year (in millions of dollars)\*



\*Amounts include IBRD and IDA commitments

Source: World Bank

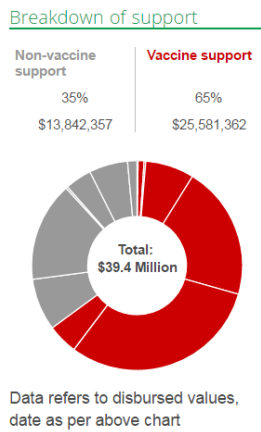
prepared during early FY18 to allow for the preparation and delivery of the Country Partnership Framework mid-FY18.

**Climate finance for mitigation and adaptation activities totalled USD 7.33 million in 2015** (note that this is not additional to the ODA figures noted above). This is mostly from France.

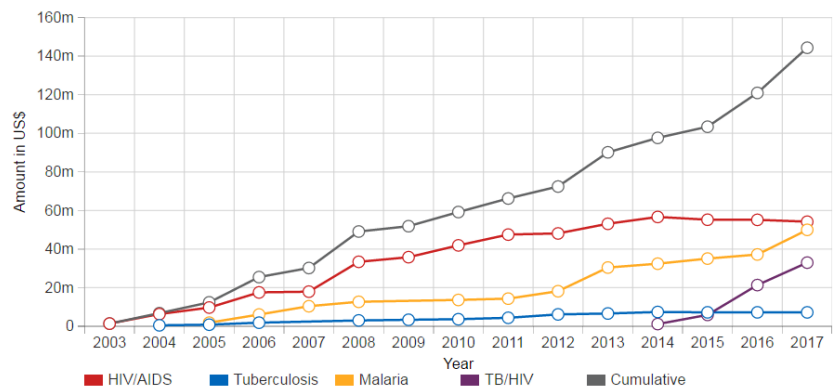
**There are no South-South or triangular co-operation agreements involving CAR.** This is perhaps an opportunity going forward. CAR is however involved in fragile to fragile co-operation: the g7+ group of fragile countries has visited CAR three times, most recently in September 2016, to support the disarmament, demobilisation, rehabilitation and repatriation process.

**GAVI has been supporting CAR since 1999**, disbursing USD 39.4 million so far. The Global Fund has invested USD 144.3 million, mainly in HIV, Tuberculosis and Malaria (Figure 8).

**Figure 8: Health support to Sudan: GAVI 2002-2017 and the Global Fund**



Disbursements by Component



Source: GAVI and the Global Fund

### 3. International private flows

**CAR's economy is based mainly on agriculture, artisanal diamond mining and logging.** Diamonds and timber are the country's principal exports, but some gold, iron and uranium exploitation exists. CAR has the potential to become an agricultural products net exporter. However, CAR's economy is disadvantaged by the country's landlocked position, which isolates it from foreign suppliers and markets and contributes to high import prices. CAR is believed to have petroleum deposits along its border with Chad, which are currently being explored but are likely many years away from any potential exploitation. It also has hydroelectric potential that could be developed for export to neighbouring countries that have power shortages. In terms of origin, most foreign direct investments come from France, Canada and South Africa and India. India's investments in CAR are primarily in cement production project and urban transportation services. China's share of investments in the country increased significantly over the last four years. (US Dept of State, 2012).

**There are a range of disincentives to foreign investment:** Overall, insecurity and uncertainty are limiting investor confidence. However, there are also structural disincentives:

- The Mining Code includes controversial provisions including a bonus payment of an unspecified amount to fund a "Mining Development Fund" controlled by the Minister of Mines, with the amount to be negotiated individually with each company, coupled with a 15% stake in each project, plus 15% of the production, to be returned to the Central African government
- Diamond houses in particular are subject to construction investment requirements and other provisions, which led to 8 of the 11 diamond buying houses closing since 2009
- Ongoing political instability and insecurity, as well as widespread corruption
- Slow growth of GDP
- Limited domestic credit to the private sector
- Insufficient electricity production and supply – despite hydroelectric potential - as well as the weak performance of Enerca or Energie Centrafricaine (the company in charge of production and supply of electricity in the Central African Republic)
- Low capacity of public administration (quality of public management, organization, functioning and administration effectiveness)
- Other barriers to competitiveness: poor business climate, lack of infrastructure, shortage of skilled labour (many CAR citizens do not return home after completing their studies overseas)

**There is no up-to-date data on remittance in-flows.** However, it is estimated that 7.3% of CAR's population has migrated, mostly to Cameroon, Chad, the Democratic Republic of Congo, the Republic of Congo, France, Sudan, South Sudan, Kenya, the United States, and Mali. Of those that have emigrated to OECD countries, 31.9% are tertiary educated (World Bank, 2016b)