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CENTRAL AFRICAN REPUBLIC

SUMMARY OF DRAFT NATIONAL PROGRAMME OF ACTION
(preliminary version)

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I. INTRODUCTION

1. The Central African Republic (CAR) is a poor, landlocked country with a per capita income of about US$ 310. Its climate is a tropical one and it is rich in both agricultural and mineral natural resources. It produces cotton, coffee, tobacco, foodstuffs, wood, diamonds, gold, uranium, limestone, etc. Moreover, the primary sector dominates the CAR economy, employing 80 per cent of the population and contributing 50 per cent of gross domestic product (GDP). The secondary sector accounts for 20 per cent of GDP, and the service sector less than 30 per cent. The bulk (about 85 per cent) of export revenues come from four main products, namely, diamonds, wood, cotton and coffee.

2. According to the Human Development Report 1999 of the United Nations Development Programme (UNDP), the Human Development Index (HDI) of the CAR is 0.378, ranking it 165th out of 174 countries. Several factors explain this situation, including: (i) serious shortcomings in the educational and health systems, particularly with regard to AIDS, which is on the way to becoming the biggest killer in the CAR; (ii) the debt burden (86 per cent of GDP in 1999); (iii) low budget revenues, leaving the State unable to cover on a regular basis the costs of upholding sovereignty and eroding its authority over government officials facing delays of between 12 and 24 months in the payment of their salaries; and (iv) the insecurity gripping outlying areas as a result of the presence of armed gangs.

3. Nevertheless, the economic situation began to improve in 1997 and continued to do so in 1998 and 1999. GDP grew by 5.9 per cent in 1997, 3.8 per cent in 1998 and 5.1 per cent in 1999, and budget revenues increased in 1999. At the same time, an easing of political tensions can be observed despite the unrest following the elections and the withdrawal of the troops of the United Nations Mission in the Central African Republic. Despite the difficulties linked to the socio-political crisis and the wait-and-see attitude and withdrawal of sponsors, policies to improve the macroeconomic framework have been introduced in the past decade. They were aimed at economic growth and improving performance in productive sectors, human capital development and good governance.

II. REVIEW OF THE 1990s

(a) Situation in the 1990s

4. In the 1990s, the CAR had an average annual growth rate in GDP at constant prices of about 1.5 per cent, which is lower than the population growth rate (2.5 per cent). However, a more detailed analysis of the development of the economy in the CAR reveals four distinct periods:

> (1) 1990-1993: deep economic recession, characterized by a fall in GDP (of about 9 per cent over four years). This fall has been linked to the socio-political crisis, which paralysed the Government and led to the collapse of prices for the country’s main exports. The overvaluation of the CFA franc penalized the country’s exports;

(2) 1994-1995: strong economic recovery, characterized by (i) an increase in exports, linked to the devaluation of the CFA franc; (ii) the good performance of the prices for the country's main export; (iii) the end of the socio-political crisis; and (iv) the resumption of financial cooperation with the international community;

(3) 1996: serious mutinies cost the country about 6 per cent of its GDP and weakened the economic fabric of the capital and its surrounding area;

(4) 1997-1999: a new economic recovery, partly explained by the recovery in the world economy and by the fact that exports were not affected by the mutinies.

B. Key factors in the country's development in the 1990s

Favourable factors

5. After years of socio-political crisis that paralysed the Government and led to serious mutinies, the CAR took the path of reform and drew up a three-year economic programme (1998-2000) in cooperation with the Bretton Woods institutions. The main aims of the programme are to increase the average growth rate, reduce the external current account deficit, strengthen the productive base of the economy and ensure the implementation of structural reforms by the Government and the semi-public sector. The positive outcome of the reforms was accompanied by a certain easing of political tension. These favourable factors were reinforced by an improvement in the economic situation, beginning in 1997 and continuing in 1998 and 1999.

Stumbling blocks

6. The CAR economy faces some severe handicaps, of which the most important are:

- The weakness and inadequate exploitation of human resources, which has led to a shortage of skills at all levels, a continuing fall in per capita income (down by 18 per cent a decade) and serious shortcomings in the educational and health systems;

- Low budget revenues, leaving the State unable to cover on a regular basis the costs of upholding sovereignty, which led to the undermining of its authority over government officials, whose wages have sometimes not been paid for between 12 and 24 months;

- The socio-political crises which have periodically paralysed the Government.

Performance of sectors

7. Agriculture is the most dynamic sector of the economy and it alone has been responsible for about 80 per cent of the average annual growth rate. The contribution of services has been modest and that of the manufacturing industry derisory. However, the agricultural sector's role as the engine of growth needs to be qualified in view of the very modest results achieved despite the considerable resources made available to this sector. Although agricultural and food production grew on average by 4 per cent between 1990 and 1997, the fact is that this growth is

low when compared with the population growth rate in the CAR, given the country's great potential in agriculture and livestock-farming. The weak capacity of the CAR to supply foodstuffs explains why prices for them are relatively high and why the CAR is unable to establish a presence in the markets of the countries in the subregion which are short of foodstuffs. In the 1990s, the CAR achieved an average annual growth rate in GDP in real terms of 1.5 per cent, which is lower than the population growth rate (2.5 per cent).

Finance for economic development in the 1990s

8. In order to finance economic development during the period in question, the State had to mobilize both domestic and external resources. The mobilization of domestic resources is derisory, as a result of the weak savings capacity. Domestic savings averaged only 2 per cent of GDP in real terms per year during the period in question. This rate was below the Government's target (7 per cent) and the average for the least developed countries in 1997 (11 per cent). With regard to the mobilization of external resources, it would be useful to analyse changes in official development assistance, the debt situation and access to markets abroad.

Official development assistance (ODA)

9. ODA provided the bulk of the total net financial flows into the CAR (98 per cent on average over the period). However, there was a very sharp decrease in financial flows and ODA of, respectively, 155 per cent and 171 per cent between 1990 and 1997. The size of the decrease in the CAR marks it out from similar decreases elsewhere. The lack of an International Monetary Fund (IMF) programme before August 1998 and the withdrawal of some sponsors, such as the World Bank and Germany, after the mutinies explain this fall.

External debt

10. For want of sufficient domestic resources, the CAR was obliged to incur external debt, which today poses enormous problems for its development. The debt burden and the cost of servicing it have grown relentlessly since 1990. External debt rose from 66 per cent of GDP in 1990 to 86 per cent in 1999, peaking at 93 per cent in 1996. Similarly, debt-servicing absorbed 24 per cent of export revenues in 1999 as compared with 16 per cent in 1990.
