

Many obstacles and slow progress



The Government has put its Poverty Reduction Strategy Paper (PRSP) into practice and some progress has been made. However, this has been very slow, and the fact that the starting point is so critically low means it will be impossible to achieve the Millennium Development Goals (MDGs) within the stipulated time frames. A process to reactivate the economy and improve health services, security and governance is under way, thanks to political pacification, Government measures and international assistance, but it has been hampered by countless structural obstacles. It is essential for the programs to combat poverty not to ignore the commitment to safeguard the environment.

NGO GAPAFOT
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The Central African Republic has enormous economic potential because of its abundant mineral resources, a system of waterways that is excellent for agriculture, livestock and fishing, and more than 6 million hectares of jungle in the South containing almost unlimited exploitable natural wealth. However, in spite of these advantages it is underdeveloped in all areas.

For years, the country's social and economic fabric was torn by political and armed conflict, which caused unemployment and poverty to increase, weakened the infrastructure and made informal and precarious occupations the rule in the economy. In this context, if there is no significant and lasting improvement in the economic, social and security situation, the country has no chance of reaching the MDGs within a reasonable period.

In March 2003 there was a rebellion headed by General François Bozize, and in 2005 presidential elections took place in which Bozize emerged victorious and gained international recognition. Although this normalization of the political situation was only partial because there are still armed groups occupying parts of the country, the economy has been recovering, albeit very slowly, thanks to Government measures and support from the international community.¹ The flagship of this recovery process is the PRSP, which has enjoyed wide support from the very beginning because all the interested actors in the country were consulted and extensively involved in its formulation.²

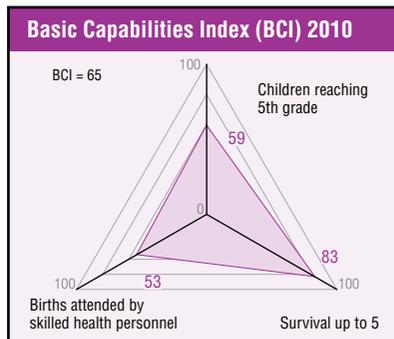
Towards poverty reduction

The PRSP consists of four main goals:

- To re-establish security, consolidate peace and prevent conflicts.
- To promote good governance and the rule of law.

1 The 2002 Monterrey Consensus adopted a framework whereby low-income countries that committed to economic stability and good governance would receive greater amounts of development assistance.

2 The PRSP was drawn up by the Ministry of Economy, Planning and International Cooperation. It was adopted in September 2007 and presented, one month later, to the international community at a donor roundtable in Brussels, Belgium. Available from: <www.cf.undp.org/DSRP/CAR_PRSP_FRA.pdf> [in French].



- To reactivate and diversify the economy.
- To develop human capital by improving people's access to basic social services, above all education and health, so as to reduce child, infant and maternal mortality and support the fight against the HIV/AIDS pandemic.

Economic situation

Data from the 2008 economic and social report of the General Policies and Strategies Board show that the economy grew relatively little after 2007. From 2007 to 2008 GDP increased from XOF 798.9 billion (about USD 1,6 billion) to XOF 912 billion (USD 1.7 billion) and the growth rate fell from 3.7% to 2.2%.

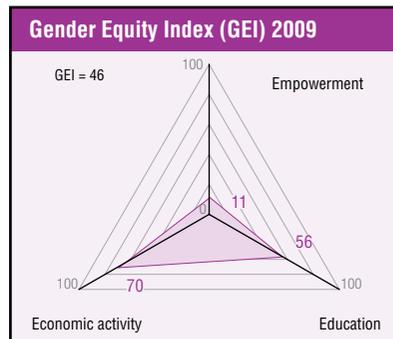
As to the monetary situation, net external holdings fell from USD 63.23 million in 2007 to USD 62.72 million in 2008, but on the other hand internal credit and the quantity of money in the country increased in 2008.

There were difficulties in providing electricity, a slowdown in the country's main exports (wood and diamonds) and reduced purchasing power due to a rise in the inflation. All these combined to make for a GDP rise of only 3.5% in 2008. Inflation went up to 7%, which exceeded the forecast and was the result of increases in food and fuel prices.

Social situation

The social situation is precarious as can be seen from UNDP's Human Development Index indicators that in 2009 ranked the Republic at number 179 out of 182 countries.³ In the health area efforts have been made such as a vaccination campaign, the distribution of

3 UNDP, *Human Development Report 2009: Central African Republic*. Available from: <hdrstats.undp.org/en/countries/country_fact_sheets/cty_fs_CAF.html>.



medicines and a follow-up system, and these have brought about a slight decrease in the infant illness and mortality rates, but the health situation of mothers is still very worrying. In 2006 the HIV/AIDS rate was 6.2%, which is among the highest in Africa.

The situation in education is also alarming. The illiteracy rate is 51.4%,⁴ only 40% of children have the chance of primary education, and while 50% of men have some schooling the rate for women is a mere 30%. In rural areas things are much worse: only 15% of women and 40% of men have schooling.⁵

According to the 2003 general population and housing census, more than two thirds of citizens (67.2%, which is 2.6 million people) are living below the country's poverty line, and again the situation is worse in rural areas (72%) than in urban areas (60%). This poverty in the conditions of life is linked to deficiencies in the satisfaction of basic needs such as potable water, decent housing, sewage systems, energy for cooking, health centres and income.

In this context, women are victims in two ways: not only do they suffer the consequences of the generalized precarious conditions of existence but they are also discriminated against and treated unequally in almost all aspects of their lives. They are highly over-represented in the agriculture and livestock sectors (80.8%) – which together make up the biggest economic sector – and very under-represented in trade (10%).

Overall labour market indicators show a high level of activity, almost no unemployment (around 2%) and that the informal sector predominates.

4 UNDP, "Human Development Report 2009." Available from: <hdrstats.undp.org/es/indicators/99.html>.

5 UNDP, "Human Development Report 2007/2008." Available from: <www.hdr.undp.org/en/media/HDR_20072008_SP_Complete.pdf>.

Some 80% of people over the age of 15 are in the labour market. The low rate of unemployment does not mean that the country is creating decent jobs however; in fact 64% of new jobs are in agriculture and 26% in the informal sector in urban areas. The formal sector, public and private, accounts for only 10% of jobs. One of the factors that aggravate poverty in the country is that so many jobs have low productivity.

Financing and debt

One of the biggest problems the Government's fledgling reconstruction policy has to cope with is how it can finance development with a view to attaining the MDGs. Since 2006, it has adopted a new dynamic that aims at involving all its partners in the development field by formulating an Economic and Social Policy Framework document (the DCPES) that will function as a basis for intervention in cases of delays in debt payments to multilateral partners such as the World Bank, the African Development Bank (ADB) and the EU, and also in bilateral debt situations such as those with China and France.

The country has already obtained the cancellation of USD 9.9 million of its debts and the re-negotiation of a further USD 26.2 million with the Paris Club. In October 2008, France made a reduction of USD 48 million to open the way for other debt reductions. This decision meant that the Republic was provisionally relieved of 90% of its multilateral debt service payments, which enabled it to service the remaining debt on a regular basis and obtain new loans from the development banks at subsidized interest rates.

In 2009, the World Bank provided USD 70 million for the productive sectors and for the creation of infrastructure including the energy sector. The IMF allocated USD 50 million in budget assistance and to support the balance of payments. There was also USD 34 million from the Fast Track Programme⁶ to promote education in the country, which includes the construction of new schooling centres, the training of teachers and the provision of various kinds of teaching materials.

In addition, some USD 16 million was provided jointly by the ADB and the World Bank as part of the fight against poverty, to finance a community development program and to support vulnerable groups

in the country's five districts. This program will facilitate a variety of NGO activities and other initiatives.

Some USD 60 million was earmarked to regularize salaries and make good on three payment delays, which includes the payment of pensions and grants in 2009. This is an encouraging sign for the country's economy and could be a basis for better distribution of income, which will have a positive impact on numerous households.

Aid

Foreign aid was suspended from March 2003 to July 2005, but in September 2007 the Republic signed the Paris Declaration. The funding thereby set in motion were in line with the principles of the Declaration and the country returned to a medium-term economic plan with donations channelled through the DCPES. This constitutes a preliminary outline for a three-year action plan for 2006 to 2008 and for the PRSP in 2008 to 2010.

In June 2008, after prolonged efforts by the Government and civil society on one side and the European Commission (EC) on the other, a tenth European Development Funds agreement was signed.⁷ As part of this agreement, the EC intervention policy would continue to be fully inserted into the Government's strategy for the fight against poverty along with adherence to the EU principles of cooperation for development.

The main areas for intervention are:

- For democratic governance and economic and financial reconstruction, around 53% of all resources or EUR 72.5 million.
- For infrastructure and an initiative to end the country's isolation, around 14% of the resources or EUR 19.5 million.
- For budget support, about 25% or EUR 34 million.
- For other purposes (mainly to put specific programs and projects into operation) about 14% or EUR 11 million.

The PRSP was revised in November 2008, and it emerged that the resources mobilized increased globally to USD 840 million, as against the USD 96 mil-

lion originally envisaged. The part of these resources corresponding to the 2008-2010 period is USD 755 million – that is to say, 56.5% of the needs accepted at the roundtable.

MDGs – Challenges and problems

The country will have to overcome a series of obstacles if it is to progress towards the MDGs, and one of the most serious is to obtain increased foreign aid and make it more effective. According to the recommendations of the Paris Declaration, a strategy for this is urgently needed and there should be an emphasis on:

- Improving the country framework for training and to program policies to move in the direction established for the MDGs, based on evaluating needs and formulating global and sector strategies.
- Improving the macro-budget framework and capabilities to manage public resources (management geared to results, the formulation and implementation of a framework for expenditure in the medium term and a framework for medium-term sector expenditure).
- Coordinating and balancing aid.

The acceleration of growth as a way to reduce poverty could run into a number of serious structural limitations: the lack of a trained workforce – a consequence of education, training and employment not being coordinated – and the difficulties economic operators have in accessing normal bank credits, bearing in mind the nature and conditions of the credit that is offered, the fragile banking system and the marginal role played by micro-finance, all of which conspire to impede people from obtaining funds at short notice.

In addition, ambition and financial urgency could lead the country into internal development that involves exploiting its natural resources. Therefore, it is essential that in the fight against poverty there should be a commitment to ecology and safeguarding the environment. ■

⁶ A literacy program that involves five ministries and is supported by the French Government, UNESCO and the World Bank. Available from: <www.educationfasttrack.org/media/library/CARES.pdf> [in French].

⁷ Available from: <www.ec.europa.eu/development/center/repository/scanned_cf_csp10_fr.pdf> [in French].