

CENTRAL AFRICAN REPUBLIC

**MINISTRY OF ECONOMY, PLANNING
AND INTERNATIONAL COOPERATION**

OFFICE OF THE MINISTER

**STEERING COMMITTEE ON THE
POVERTY REDUCTION STRATEGY PAPER**

**PERMANENT TECHNICAL SECRETARIAT OF THE
POVERTY REDUCTION STRATEGY PAPER**

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Bangui, November 17, 2006

To: The International Monetary Fund (IMF) Mission Chief
Washington, D.C.

For your information, please find attached the preparation status report on the Poverty Reduction Strategy Paper (PRSP).

Sincerely,

/s/

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Chief of Staff
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and International Cooperation

STATUS REPORT ON THE PREPARATION OF THE POVERTY REDUCTION STRATEGY PAPER (PRSP)

I. Introduction

I.1. Underlying assumptions of the PRSP

For the past three years, the government of the Central African Republic has been engaged in the drafting of a poverty reduction strategy paper (PRSP) with the support of its main development partners, notably the World Bank and the UNDP. This preliminary strategy is based on three key strategic pillars: (i) accelerating growth (stabilizing and improving the macroeconomic and financial framework, stimulating agricultural production and growth sectors, developing basic economic infrastructures, promoting employment in rural areas, etc.); (ii) promoting social sectors (health, education, drinking water, HIV/AIDS, etc.); and (iii) strengthening governance and institutional capacities (fiscal consolidation, poverty reduction, fighting corruption, judiciary reform, public service reform, greater transparency in natural resources management, etc.)

Strategic analyses with a long-term vision (2015) focused on the Millennium Development Goals (MDGs) were carried out in different priority sectors of the PRSF, notably health, education, rural development, forestry, mining, growth, and monitoring-evaluation. Thus, sector-based strategic plans were prepared, including logical framework matrices, operational actions and cost estimates. This work, carried out with strong UNDP support, led to the production of the first draft PRSF document, which was examined by members of government at a government seminar held in July 2004.

During the seminar, the government proposed that the preliminary document be reinforced to take into account some cross-cutting concerns such as: i) employment, ii) gender issues, iii) HIV/AIDS, iv) crisis prevention and conflict management. Furthermore, the whole strategy would be underpinned by serious work related to the macroeconomic framework. The World Bank and the African Development Bank (AfDB) also recommended that the draft be improved to include participation, monitoring-evaluation, and poverty analysis through additional surveys.

I.2. Need for and rationale of an interim strategic paper

Given the current need for a document to guide policy dialogue with its development partners, in particular with a view to clearing external arrears and restoring relations with donors, especially the World Bank and the AfDB, the government has decided to design an interim strategy (the Economic and Social Policy Framework Document – *Document cadre de politique économique et sociale—DCPES*) while waiting for the PRSP to be finalized.

The DCPES is based both on preliminary PRSP work (mentioned under 1.1) and on the government's policy statement formulated in 2005. It has four main thrusts: (i) consolidating peace and security; (ii) promoting transparency and good governance; (iii) sustaining

macroeconomic stabilization and reform; and (iv) increasing the population's access to social services, rehabilitating basic infrastructures, and reviving social sectors.

This interim economic and social strategy adopted by the Cabinet also underpins the joint World Bank and AfDB strategy guiding the reengagement of donors.

Multi-year macroeconomic projections and the annual fiscal framework will match resource allocations with PRSP objectives and programs. The ongoing modeling and macroeconomic framework design exercises carried out with World Bank support will help prepare medium term expenditure framework (MTEF) of the PRSP.

Therefore, the PRSP will be implemented in a stable macroeconomic policy framework and medium term expenditure management will focus on poverty reduction and economic recovery.

Based on preliminary indications, the following macroeconomic assumptions have been adopted for the coming years:

(i) achieving macroeconomic and financial stability (fiscal consolidation, restoring domestic and external balances), rehabilitating basic infrastructures and social services during the period covered by the PRGF;

(ii) accelerating real economic growth to about 4-5% on average through 2009, thus improving per capita income by about 2% and stepping up progress towards the (MDGs).

II. Poverty Assessment

II.1 Poverty Profile

Two surveys were carried out in 2003, one in rural areas and the other in urban areas, to assess poverty levels in both areas and in the city of Bangui, thanks to the technical and financial support of the UNDP. They show the extent of poverty in rural areas and in the major cities of the country. Analysis reveals that income poverty is more acute in rural areas (73%) than in urban areas (69%). It should also be noted that food poverty is widespread in both settings.

To shed more light on poverty, and especially to identify poverty determinants, a QUIBB survey will be conducted in the first half of 2007 with assistance from the World Bank. Additional studies will be carried out with World Bank and UNDP support to come up with a national poverty profile for the CAR; if not, a new survey on living conditions in the CAR will be done in the first quarter of 2007 to assess progress (or lack thereof) in poverty reduction since the 2003 survey.

II.2. Links with MDGs

Ongoing work lays particular emphasis on health, education, HIV/AIDS and rural development, sectors for which long term development strategies (2015 horizon) have been prepared, along with adequate action plans geared towards MDGs. Thus, the PRSP process will be based, in the health area, on the National Health Development Plan (2006-2015), in the AIDS area, on the National Strategic Framework (2006-2010), and in the education area, on the long term study carried out with UNESCO support. Furthermore, the strategy will take into account the recommendations of the National Report on the status of the MDGs, to be produced by the government by December 2007 with support from the United Nations system.

Ongoing work will also draw from the discussions and studies launched recently by the government to assess the needs and the resources required to meet the MDGs. Supported by the UNDP, this work focuses primarily on priority sectors: education, health and HIV/AIDS, agriculture, and transport.

With regard to the establishment of a PRSP monitoring and evaluation mechanism, the government is engaged in a process of designing a flexible and operational PRSP and MDG monitoring and evaluation mechanism with support from partners such as the UNDP, AFRISTAT, the World Bank, and the AfDB. A first step has involved the identification and selection of the main PRSP indicators. This work will be complemented by the design of a multiyear plan for surveys and statistical operations, whose implementation will allow timely provision of the economic and social data necessary to monitor poverty and take remedial measures with a view to achieving the MDGs.

III. Participation

The preparation of the poverty reduction strategy is based on a participatory process involving consultation with all stakeholders: population, nongovernmental organizations, civil society organizations, private sector, foreign partners, and government.

Institutional consultation mechanisms were set up at the central, regional and local levels to encourage effective participation and to ensure adherence to and ownership of the strategy by all parties involved. In this context, local and regional poverty reduction committees were created.

Regional consultations were held in most regions of the country (regions 2, 4, 5, and 6) between 2003 and 2005, with UNDP support. A consultation will be organized in early December 2006 in the last region (region 3).

The government intends to strengthen all consultations by carrying out, with World Bank support, a quick survey (MARP) between mid-November 2006 and March 2007. All the sixteen prefectures or 7 regions will be consulted to ensure full representation and better participation of the population. Consultations aim to engage dialogue with the population after a long period of

conflicts, to register their aspirations on poverty reduction, social cohesion, solidarity within the community and among individuals, security, corruption, human rights, and the role of the State.

Furthermore, with regard to the institutional framework of the PRSP, thematic and sector working groups will increasingly open up to let private sector and civil society representatives participate more in analyses and debates, including in the groups responsible for monitoring and evaluating the PRSP and MDGs.

Finally, with respect to the consultation of the various actors of the economic and social life of the country, the government has envisaged consultations with parliamentarians, civil society, economic operators and opinion leaders in the first half of 2007.

IV. Cost

A preliminary assessment of PRSP costs and needs was carried out. This needs assessment, which is just the first phase of PRSP financial planning, is only based on the requirements of the sectors and does not include macro-fiscal constraints and the macroeconomic framework. The second phase will involve trade-offs to be made by national authorities in consultation with development partners.

Also, the assessment of needs and costs for achieving the MDGs will contribute to a clearer definition of the financial needs in the main PRSP sectors. It will also help to fine-tune the preliminary cost estimates of sector development strategies and plans prepared by the government (National Health Development Plan II, National Education Development Plan, Strategic Framework Plan to Fight HIV/AIDS, Agriculture Development Plan, etc.).

V. Next steps

The PRSP finalization process continues on several fronts: reinforcing the consultation process, gradually constructing a PRSP monitoring and evaluation mechanism, preparing the macroeconomic and fiscal framework, finalizing the integration of cross-cutting issues (employment, crisis prevention, security, HIV/AIDS, and gender). Several such activities will be supported by partners, in particular the World Bank, the UNDP, and the AfDB.

Given the difficulties encountered in mobilizing the resources required to finalize the PRSP by end December 2006, the work schedule initially adopted with the help of World Bank and UNDP experts will be revised. The government will propose a new, more detailed calendar by early January, 2007 with a view to completing PRSP work before end April, 2007.