



# Program Information Document (PID)

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Concept Stage | Date Prepared/Updated: 13-Jun-2019 | Report No: PIDC27661



**BASIC INFORMATION**

**A. Basic Project Data**

Country Central African Republic	Project ID P168474	Project Name Second Consolidation and Social Inclusion Development Program (P168474)	Parent Project ID (if any) P168035
Region AFRICA	Estimated Board Date May 11, 2020	Practice Area (Lead) Governance	Financing Instrument Development Policy Financing
Borrower(s) Central African Republic	Implementing Agency Ministry of Finance and Budget		

**Proposed Development Objective(s)**

Support the consolidation of basic fiscal management and social inclusion

**Financing (in US\$, Millions)**

**SUMMARY**

<b>Total Financing</b>	50.00
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**DETAILS**

<b>Total World Bank Group Financing</b>	50.00
World Bank Lending	50.00

**Decision**

The review did authorize the preparation to continue



## B. Introduction and Context

### Country Context

1. **Despite its wealth of natural resources such as uranium, oil, gold, diamonds, cobalt, lumber, wildlife, significant areas of arable land, and hydropower, the CAR is one of the poorest countries in the world.** Recent estimates indicate that the CAR's poverty rate<sup>1</sup> increased from 62 percent in 2008 to 72.2 percent in 2017<sup>2</sup>. The country is ranked among the most unequal countries in Sub-Saharan Africa (SSA), with the fourth-highest Gini coefficient, 56.2<sup>3</sup>. According to the latest available (2018) Human Development Index, CAR also had the lowest level of human development, ranking 188<sup>th</sup> out of 188 countries. The latest available (2010) infant mortality rate was 116 deaths per 1,000 live births, and the under-five mortality rate was 179 deaths per 1,000 live births. Furthermore, the CAR has experienced successive cycles of violence and conflict since gaining its independence from France in 1960. Since then, the country has completed only two peaceful transitions of power, in 1993 and in 2016. The country's most recent major conflict began in early 2013 and had a disruptive impact on the economy, its institutions and the population. In 2013, Gross Domestic Product (GDP) contracted by 36.7 percent while tax revenues were reduced by 47.5 percent resulting in the accumulation of arrears, including on civil servants' salaries, and a breakdown of the administration as well as of the provision of basic services. The crisis resulted in the internal displacement of one million persons, 690,000 refugees (September 2015) and 2.6 million persons in need of humanitarian assistance.

2. **On February 6, 2019 a peace agreement was signed between the Government and the 14 armed groups.** This agreement was facilitated by the African Union and was supported by the regional powers. It is a beacon of hope, but its implementation will be very challenging and requires substantial financial resources. As previous peace agreements, a reversal could occur. Nonetheless, unlike the seven peace agreements previously signed since the outbreak of the crisis in 2013, this one is the first resulting from long and direct discussions between the parties in conflict.

### Relationship to CPF

3. **The Consolidation and Social Inclusion Development Program (CSIDP) series is closely aligned with the CAR Country Engagement Note (CEN) FY16-17 and is part of the World Bank's Turn-Around Facility approved in 2016.**<sup>4</sup> The CSIDP series supports the CEN's three overarching objectives of (i) restoration of core public sector institutions; (ii) basic support to livelihoods; and (iii) support to basic social service delivery. The operation is targeting critical and feasible measures, given the country context, which will contribute to address some of the drivers of fragility and support stability. It is complementary to the ongoing operations in public expenditure and investment management, service delivery, employment creation, social protection, health systems and education. At a higher level, the objectives of the CSIDP series support the World Bank Group's twin goals of reducing poverty and boosting shared prosperity by increasing fiscal space and efficiency in public spending. Reforms in social protection, education, and health will improve access to basic services, particularly for women and children. Improving social protection is also an important tool to improve equity and boost shared prosperity.

## C. Proposed Development Objective(s)

4. **The Program Development Objective (PDO) of CSIDP 2 is to support the consolidation of basic fiscal management and social inclusion.** The operation is structured around two mutually reinforcing pillars supporting measures that will address some of the drivers of fragility. Under Pillar 1—Consolidating basic fiscal management—CSIDP

<sup>1</sup> At the international poverty line of US\$1.90 per day in 2011 purchasing-power parity terms.

<sup>2</sup> The 2008 survey was the last nationally representative household survey. It documented poverty levels at 50 percent in urban areas and 69 percent at the rural level. In 2008 nearly two-thirds of CAR's population lived in rural areas. High levels of displacement have aggravated poverty.

<sup>3</sup> World Development Indicators, 2015. Estimation based on the 2008 household survey, using 2011 Purchasing Power Parity.

<sup>4</sup> A CPF is under preparation.



2 series seeks to reduce the use of exceptional spending procedures, improve transparency of Public Financial Management (PFM), increase fiscal revenue and strengthen governance of State-owned enterprises (SOEs) and Entities. Under Pillar 2—Supporting an inclusive economic recovery—the operation seeks to support a pro-poor, post-transition reform agenda that will contribute to human capital formation and social inclusion by improving social protection, health and education services.

#### Key Results

5. **The main results expected in Pillar 1 of CSIDP 2 are:** i) decrease in the use of exceptional spending procedures; ii) increased in the publication of annual debt reports; iii) improved presence of Civil Servants and Agents of the State in secured areas; iv) increase in revenues from international trade in percent of GDP; v) increase in the internal audit reports of the Roads Maintenance Fund (RMF); and vi) increase in the number of published financial audits of state-owned enterprises (SOE) and parastatals.

6. **The main results expected under Pillar 2 are:** i) increase in the number of social protection beneficiaries recorded in the harmonized social protection database; ii) increase in the number of health facilities offering free health care for pregnant women, breastfeeding women, children under five years and gender-based violence (GBV) victims; and iii) increase in the number of education inspectorates recruiting teachers for initial training.

#### D. Concept Description

7. **Pillar 1 of the program seeks to consolidate basic fiscal management.** This outcome will be achieved through support to several mutually reinforcing PFM policy areas, which are intended to improve fiscal management functions to better manage scarce resources. More specifically, CSIDP 2 will support the devolution of budget management to line ministries as well as the appointment of a financial controller to each of the concerned ministries (Prior Action 2). The measure is expected to contribute to further reducing the use of exceptional spending procedures and increase budget execution rates (Results indicator 1). To deepen the PFM reforms, the authorities have also committed to adopt the general regulation of public accounting, the chart of accounts, the budget nomenclature, and the table of financial operations of the state (Prior action 1). Debt reports will also be made public (Prior Action 3 and Results indicator 2). To strengthen planning and improve transparency in HR management and to facilitate controls, the CSIDP 2 supports the Ministry of Finance and Budget (MFB) and the Ministry of Civil Service to publish on the web-page of the MFB the cartography and list of allocated and actual presence by function, department and location of Agents of the State and Civil Servants (ACS) (Prior Action 4), which will contribute to an increase in the presence of ACS (Results indicator 3). To facilitate control of petroleum products imports and reduce fraud, the CSIDP 2 will support the adoption of a Ministerial Decision of the MFB introducing the use of ASYCUDA++ as the only means to undertake customs clearance of petroleum products (Prior Action 5) which will contribute to increasing revenues from international trade (Results indicator 4). CSIDP 2 will contribute also to improved financial management and oversight of the Road Maintenance Fund by supporting the adoption of its internal control manual (Prior Action 6 and Results indicator 5). To improve the overall oversight and management of SOEs and Entities, the CSIDP 2 will support the submission to Parliament of draft law on state-owned enterprises and parastatals in conformity with international practice (Prior Action 7). This will contribute to increasing the number of published financial audits of SOEs and Parastatals (Results indicator 6). All of these actions are in line with the Government's development strategy for 2017-2021 which identifies promoting transparency and accountability and strengthening the capacity of public institutions as cross-cutting themes.

8. **Pillar 2 seeks to support an inclusive economic recovery through targeted reforms in social protection, health and education.** In terms of social protection, CSIDP 2 will support the adoption of an "Harmonized Beneficiary Questionnaire" (Prior Action 8) which is the very first building block of setting up an integrated social registry and will improve the targeting of social policy programs, improving their efficiency. This will lead to an increase in the number of beneficiaries registered in the social safety net harmonized database (Results indicator 7). In the health sector, CSIDP 2 supports the introduction of a budget line in the 2020 Finance Law for targeted free health care for children under five,



pregnant and post-partum women and the provision of free, integrated services and care for victims of GBV in two districts (Prior Action 9 and Results indicator 8). In the education sector, CSIDP 2 will support the introduction of the decentralized recruitment of teachers (Prior Action 10 and Results indicator 9), allowing teachers to be recruited at the level of each Education Inspectorate, which will contribute to increased teacher retention.

## E. Poverty and Social Impacts and Environmental Aspects

### Poverty and Social Impacts

9. **The CSIDP series is likely to have positive or neutral social and poverty impacts.**<sup>5</sup> Under Pillar 1, the operation will support measures to increase revenues, enable more efficient budget execution and control, improve transparency and oversight and financial management of SOEs and Parastatal Entities. By creating more fiscal space, the program will enable the expansion of initiatives to alleviate poverty and improve service provision (e.g. health and education) particularly in rural areas, where most of the poor reside. Likewise, under Pillar 2, the proposed reforms in the social protection, health and education sectors aim to improve the capacity of the state to protect the poorest from extreme deprivations and to offer key basic services. The collection of beneficiary questionnaires will enable better targeting of interventions to protect the poorest and most vulnerable individuals. Since early childhood development is an important factor in cognitive development, educational attainment, and welfare outcomes and productivity as an adult, the proposed free health care for pregnant women and children below five will contribute to immediate welfare improvements as well as longer-term poverty reduction. Recruiting primary school teachers locally, including in poor areas without any government teachers, is expected to increase retention rates and will also contribute to improved childhood development.

### Environmental Impacts

10. **The policies supported by this operation are not expected to have negative effects on the CAR's environment, forests, water resources, habitats or other natural resources, nor are there any short or long-term climate change or disaster risks.** In 2009, the Ministry of the Environment and Ecology was created (currently called Ministry of Environment and Sustainable Development), along with numerous other institutional changes aimed at improving environmental management. Although the essential regulatory framework and policies are in place, the institutional capacity for environmental management is still weak<sup>6</sup>. A Climate Change Screening Assessment was undertaken, and it concluded that there are no short- and long-term climate and disaster risks that may impact the sustainability of the program.

## CONTACT POINT

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<sup>5</sup> As none of the proposed measures were expected *a priori* to have a negative impact on the poor, PSIA analyses of specific reforms were not commissioned. It should also be noted that the necessary microdata to conduct a thorough distributional analysis of specific policy reforms are not available for CAR.

<sup>6</sup> World Bank, Central African Republic, Country Environmental Analysis, 2010.



**Borrower/Client/Recipient**

Central African Republic

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