



Program Information Document (PID)

Appraisal Stage | Date Prepared/Updated: 05-May-2020 | Report No: PIDA29092



BASIC INFORMATION

A. Basic Project Data

Country	Project ID	Project Name	Parent Project ID (if any)
Central African Republic	P173900	Consolidation and Social Inclusion Development Program: Supplemental Financing (P173900)	P168035
Region	Estimated Board Date	Practice Area (Lead)	Financing Instrument
AFRICA	15-Jun-2020	Governance	Development Policy Financing
Borrower(s)	Implementing Agency		
Central African Republic	Ministry of Finance and Budget		

Proposed Development Objective(s)

Support the consolidation of basic fiscal management and social inclusion

Financing (in US\$, Millions)

SUMMARY

Total Financing	25.00
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DETAILS

Total World Bank Group Financing	25.00
World Bank Lending	25.00

Decision



B. Introduction and Context

Country Context

The proposed US\$25 million supplemental financing for the first Consolidation and Social Inclusion Development Program (CSIDP 1; approved by the Board on May 6, 2019) is in response to the effects in the Central African Republic (CAR) of the COVID-19 pandemic. The development objective of CSIDP 1 is to support the consolidation of basic fiscal management and social inclusion. While supporting the same objective, the proposed supplemental financing operation responds to the effects of the COVID-19 pandemic on CAR's economy. The exponential rise of the COVID-19 pandemic has swiftly dampened global economic activity, which is set to decline on a scale not seen since the Great Depression.¹ The pandemic has adversely impacted economic activity in the Central African Economic and Monetary Community (*Communauté Economique et Monétaire de l'Afrique Centrale*, CEMAC) region², and growth is projected to decline to -1.7 percent.

In CAR, the COVID-19 pandemic could have a devastating economic and social impact. According to the downside scenario, COVID-19 could push CAR's economy into recession in 2020, increase poverty, and worsen the already precarious humanitarian situation of the country. In turn, tensions could be exacerbated, affecting the fragile security situation. COVID-19 reached CAR in mid-March 2020 as of May 4, 2020, twelve 85 confirmed cases have been reported, some of which are due to community transmission. While the numbers are still low, the situation can change rapidly, especially given that CAR's health system is not well prepared to confront the pandemic. In response, the Government has developed a Preparedness and Response Plan aimed at strengthening the capacity of the health system to respond to COVID-19.

The proposed supplemental financing operation will contribute to closing the unexpected financing gap of CFAF 46 billion (around US\$76 million) in 2020 caused by the COVID-19 crisis. The economic impact will also cause a drop in domestic revenues and an increase in public expenses to respond to the potential spread of the virus. The Government does not have the capacity to fill this gap on its own due to a lack of fiscal buffers and limited domestic revenues and borrowing capacity. Therefore, the Government has requested assistance from development partners, notably the World Bank and the IMF, and the proposed operation is part of a coordinated effort to fill the financing gap.

Since the approval of CSIDP 1, CAR has marked the first year of the implementation of the 2019 peace agreement and is preparing for presidential elections at the end of 2020. A peace agreement was signed between the Government and 14 armed groups in February 2019 to put an end to the violent conflict which started in 2013 and led to the internal displacement of one-fourth of CAR's 4.9 million people, a contraction of real Gross Domestic Product (GDP) by 36.7 percent, a reduction in tax revenues of 47.5 percent, and the breakdown of the public administration and the provision of basic services. The implementation of the peace agreement is progressing, although at a slower pace than expected. However, peace is still very fragile due to a lack of trust between the armed groups and the Government. The country prepares to hold presidential elections in December 2020 and legislative elections in 2021.

Relationship to CPF

The Program is closely aligned with the CAR Country Engagement Note (CEN) FY16-17³ as well as the new CPF currently under preparation. The CSIDP series, which is part of the World Bank's Turn-Around Facility approved in 2016, 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 two pillars of the parent program are also aligned with the two focus areas proposed in the concept note of the new CPF for FY20-24, namely (i) human capital and connectivity to boost

¹ IMF Managing Director Kristalina Georgieva. April 16, 2020.

² The six member states of CEMAC are Cameroon, CAR, Chad, Republic of Congo, Gabon and Equatorial Guinea.

³ Report 96209. Approved on July 13, 2015.



inclusion and (ii) economic management to foster growth.⁴

C. Proposed Development Objective(s)

The Program Development Objective of the parent operation is to support the consolidation of basic fiscal management and social inclusion

Key Results

The expected results are:

- A reduction in use of exceptional spending procedures
- An increase in the number of published annual debt reports
- An increase in the actual presence rate of civil servants and agents of the State
- An increase in revenue from international trade
- An increase in the number of internal audit reports of the Roads Maintenance Fund
- An increase in the number of published financial audits of State-owned Enterprises (SOEs) and parastatals
- An increase in the number of social protection beneficiaries in the harmonized social protection data base
- An 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
- An increase in the share of education inspectorates recruiting teachers for initial training

D. Project Description

The proposed Supplemental financing to CSIDP 1 will provide urgently needed support to the Government of CAR to mitigate the negative effects of the COVID-19 outbreak. The WBG's response to the economic implications of the COVID-19 crisis emphasizes the role of Development Policy Financing (DPF) in mitigating the adverse development impacts of macroeconomic shocks and adjustment and helping the poorest countries protect essential expenditures for the provision of basic social services, at a time when these countries are facing large unanticipated financing needs. This operation will ensure that the reforms supported under CSIDP 1 remain on track and are implemented without the risk of delays due to competing capacity or budgetary priorities arising from crisis-related spending. The request for supplemental financing is consistent with the World Bank DPF policy.

CSIDP 1 supports the consolidation of fiscal management and social inclusion. The operation was structured around two pillars supporting measures aligned with the Government's economic recovery, poverty reduction, and structural reform priorities as set forth in the National Recovery and Peace Building Plan (RCPCA) for 2017-2023. Under Pillar 1—*Consolidating basic fiscal management*—the CSIDP series seeks to reduce the use of exceptional spending procedures, improve the transparency of PFM, increase fiscal revenue, improve the deployment of civil servants and strengthen governance of SOEs and parastatals. Under Pillar 2—*Supporting an inclusive economic recovery*—the operation seeks to support a pro-poor, post-transition reform agenda that would contribute to foster human capital formation and social inclusion by improving social protection, health and education services. All of CSIDP 1's nine prior actions were achieved and have paved the way for the reforms to be pursued by the future second operation in the series.

E. Implementation

Institutional and Implementation Arrangements

The central coordination unit in MFB—CS-REF— will be responsible for program coordination, monitoring, and evaluation. CS-REF has already gained significant experience in preparing and managing budget support programs through

⁴ The CPF is expected to be presented to the Board at the end of FY20.



its close collaboration with the World Bank, IMF, EU, and the AfDB. CS-REF has demonstrated sufficient capacity for monitoring and evaluation, as well as for mobilizing support and participation from sectoral ministries. CS-REF's capacity to collect quality data and report on results indicators is adequate. Result indicators have been designed with data availability and accessibility in mind. Program monitoring will be facilitated by the close coordination on budget support with other donors, which are all committed to supporting complementary measures. As part of donor coordination, the donor partners are in the process of preparing a common matrix with all prior actions and indicators supported by different programs. This will make it easier for CS-REF and the Government to monitor and report on the measures.

F. Poverty and Social Impacts, and Environmental, Forests, and Other Natural Resource Aspects

Poverty and Social Impacts

The prior actions supported by CSIDP 1 remain likely to have positive direct and indirect impacts on poor households and vulnerable groups in CAR, although COVID-19 may lessen these impacts. With nearly 3.4 million people (71 percent of the population) living in extreme poverty, CAR remains one of the poorest countries in the world. Under Pillar 1, improved revenues and fiscal management will reinforce macroeconomic stability, hence preventing fiscal imbalances that could threaten pro-poor spending and strengthening the necessary conditions for accelerated growth.⁵ In addition, improved oversight and financial management of SOEs will strengthen the availability and management of public resources and would facilitate private sector involvement in service delivery, which would reinforce the positive impact for the poor and vulnerable. The gradual redeployment of the state across the territory will also contribute to improving basic service delivery. Also, measures to reduce the use of exceptional spending procedures and improve human resources management are expected to have a favorable impact on the overall fiscal balance.

Under Pillar 2, the program contributes to expanding opportunities for poor and vulnerable groups, especially women, by increasing their access to basic services and social protection. Through support for the policy of free health care to pregnant and breastfeeding women, children under five, and GBV victims, the program has made health care affordable for thousands of poor and vulnerable individuals. The money saved from health care can be reallocated to other needs. In the medium and long run, increased public health expenditure will lower infant and maternal mortality. With respect to education, the program supported the policy of decentralized recruitment of teachers, which contributes to the retention of qualified teachers, thereby increasing access to education in underserved schools at the local level. In the longer term, the increase in the expected years of schooling will improve the country's human development indicators. Measures to improve the institutional framework for social protection will strengthen the role of the Government in coordinating social assistance and humanitarian programs.

Environmental, Forests, and Other Natural Resource Aspects

The specific 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.

G. Risks and Mitigation

The overall risk rating for the proposed operation remains High, in line with the risk assessment for the parent operation, due to several interrelated risks that may jeopardize the achievement of the PDO. The main risks stem from external economic shocks (of which COVID-19 is the most recent) and the residual risks of political instability, insecurity and violence.

⁵ A minimum share of pro-poor spending will be ensured not the least through the IMF program whose indicative targets include a floor for social spending (defined as domestically financed public non-wage spending on primary and secondary education, health, social action, water and sanitation, microfinance, agriculture and rural development) of CFAF 28 billion. IMF Country Report No. 20/1, January 2020.



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APPROVAL

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