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Sub-Fonds: Records of President Robert S. McNamara

Fonds: Records of the Office of the President

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McNamee Paper

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The World Bank Group Archives
 Travel briefs, Central African Republic
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TRANSLATION

MINISTRY OF THE PLAN

CENTRAL AFRICAN REPUBLIC

OFFICIAL VISIT OF PRESIDENT OF THE
WORLD BANK GROUP

March 4 - March 5 1972

Saturday, March 4, 1972

9:50 Arrival Flight UT 722

Reception at Mpoko International Airport

- Planning Minister and IBRD Governor Bakry
- Minister of Foreign Affairs PotoLot
- Finance Minister Lakoué
- State Secretary in charge of Protocol Mongopas
- UN Resident Representative Balima

10:10 Departure for Safari Hotel

11:30 Courtesy visit to President of the Republic

12:15 Visit ^{by} to UN Resident Representative Balima

13:00 Lunch free

14:30 - 16:00 Working session with Government
(Conference Room in Foreign Ministry)

Central African Delegation:

- State Minister of Public Works, Road Transport and Urbanization M'Bongo
- Planning Minister Bakry
- Finance Minister Lakoué
- Commerce Minister Gon
- Agriculture Minister Alazoula

16:30 - 18:00

Visit of Rural Development Project at 22 km
outside Bangui

19:00

~~Reception followed by~~ dinner given by President
at Safari Hotel

Sunday, March 5, 1972

7:30

Departure M'Poko International Airport by Caravelle

* * * * *

A N N E X

Saturday, March 4, 1972:

Mrs. McNamara

11:30 - 13:00

- Courtesy visit to Mrs. Bokassa
- Visit of Koudoukou School
- Visit of orphanage

13:00

- Lunch free

15:30 - 16:00

- Visit of Museum

16:30

- Visit of Rural Development Project
with Mr. McNamara

CABINET LIST

President of the Republic	Jean Bedel BOKASSA
Commander in Chief of the Armed Forces	
President of the Government	
Minister of Defense	
Minister of Information	
Minister of Military and Civil Aviation	
President of the Party (MBSAN - Movement for the Social Emancipation of Black Africa)	
Keeper of the seals	
Minister of Agriculture and Livestock	Louis ALAZOULA
Minister of the Plan, International Cooperation and Statistics	Fidèle BAKRY
IBRD Governor	
Minister of Commerce and Industry	François GON
Minister of Finance	Enoch LAKOUE
Minister of National Education, Youth Sports and the Arts	Henry MAIDOU
Minister of Public Works, Housing and Road Transport	Auguste M'BONGO
Minister of Foreign Affairs	Joseph POTOLOT
Minister of Power	André ZANIFE

who is gov of IBRD

Louis ALAZOULA

Age: approximately 35

Minister of Agriculture and Livestock

Profession: Agricultural Engineer

Function before joining Government: Agricultural Delegate and Chief of
Cabinet to the Ministry of State in charge of Development

Fidèle BAKRY

Age: approximately 34

Minister of the Plan, International Cooperation and Statistics

Profession: Civil Administration (Institute of Overseas Studies, Paris)

Function before joining Government: Director of the General Hospital
in Bangui

CURRICULUM VITAE

Name: Jean Bedel Bokassa

Date of Birth: February 22, 1921

Marital Status: Married, 12 children (8 boys and 4 girls).

Languages: French, Sangho, Lingala, Kikongo, Vietnamese.

Education: 1927 - 1928 Mission School at Mbaiki and Bangui.
1929 - 1939 Official School at Brazzaville.

Experience: 1939 - 1945 Sergeant in the French Army under
General Delange of "Forces Françaises Libres"
1945 - 1958 Lieutenant French Army in Indochina.
July 1, 1961 Captain in the French Army.
Jan. 1, 1962 Major transferred from the French Army
to the C.A.R. Army as chief of Battalion.
Dec. 1, 1954 Colonel, commander in chief of the
C.A.R. Army.
January 1, 1966 President of the Republic.
As President of the Republic General Jean Bedel
Bokassa also acts as:

- Commander in chief of the Army.
- President of the C.A.R. Government.
- Minister of Defense.
- Minister of Information.
- Minister of Military and Civil Aviation.
- President of the national Party Movement for the
Social Emancipation of Black Africa (MESAN).
- Keeper of the Seals.

Salfo A. BALIMA
UNDP Resident Representative, Bangui

DATE OF BIRTH: 9 July 1930

NATIONALITY: Upper Volta

MARITAL STATUS: Divorced

LANGUAGES: French
English
Spanish
Môré

EDUCATION: 1952-1954 University of Bordeaux, Faculty of Law and
Economic Sciences

1954-1956 University of Paris, Faculty of Law and
Economic Sciences, Licence en Droit and
Diploma (Laws and Customs of Overseas
Countries)

1956-1958 Institute of Political Sciences, Paris
(Diploma)

1957-1959 Ecole Nationale de la France d'Outre-Mer
(Diploma)

1955-1959 University of Paris, Faculty of Arts and
Sciences (Diploma - History of Colonization)

EXPERIENCE: 1960-1961 Secretary-General, Ministry of Foreign Affairs,
Upper Volta

1960 Delegate to the Fifteenth Session of the
General Assembly
Secretary-General of Council of Ministers,
Upper Volta

1961 Chief of Delegation to the Sixteenth Session
of the General Assembly

1961-1963 Secretary-General, Pact for the Defence of the
African and Malagasy Union (U.A.M.)

1963-1965 Director, Labour, Manpower and Vocational Training
Ministry of Labour and Civil Service, Upper Volta
Director, Studies and Organization of Ministry of
Labour and Civil Service

- 1965-1966 Administrative Officer, Secretariat Recruitment Service, Office of Personnel, United Nations, New York.
- 1966-1970 First Officer, the Senior Officer, in the Executive Office of the Secretary-General, United Nations, New York (U Thant's assistant on African Affairs)
- Since 1970 UNDP Resident Representative in Bangui
- Mr. Balima had the following additional activities:
- 1960-1965 Lecturer at the National School of Public Administration
- 1963-1965 Member of Juridical and Claims Court of Upper Volta
- 1961-1965 Member of the National Committee of Upper Volta Red Cross
- 1964-1965 President of the Upper Volta Society for the United Nations
- 1961-1963 Secretary-General of the Upper Volta Commission for UNESCO

François GON

Age: approximately 35

Minister of Commerce and Industry

Profession: Magistrate

Law degrees (Universities of Paris and Bordeaux)

Function before joining Government: President of the Supreme Court

Enoch LAKOUE

Age: approximately 30

Minister of Finance

Profession: Civil Servant (Economist)

Economics Degree (University of Lilles)

Function before joining Government: Director of Industry to the Minister
of Economy

Henri MAIDOU

Age: 36. Twin brother of CAR Ambassador to U.S. Maïdou

Minister of National Education, Youth, Sports and the Arts

Profession: Professor of History and Geography

Law degree (University of Nancy)

Function before joining Government: Director of Education in the Ministry
of Education

Melvin Lawrence MANFULL
U.S. Ambassador to the Central African Republic

Born: February 24, 1919, Utah

Legal Residence: 1157 Dan Street, Ogden, Utah

Marital Status: Married

Family: Wife: former Suzanne Dunning
Children: Lisa S.
Gregory L.
W. Townsend

Education: A.B. 1941, University of Utah

Language Ability: French

Experience: Military
1942-45 U.S. Navy, Lieutenant
Watch Officer, Instructor

Government
1946 Office of Price Administration, Personnel
Officer

1946-48 Divisional Assistant, S/S-S

1948-50 Office of Coordinator for Foreign Aid and
Assistant, Staff Assistant

1950-52 Specialist, S/S-R, Chief, Policy Reports
Staff

1952-58 Deputy Executive Secretary, Executive
Secretary, Paris /USRO

1955 Appointed FSO-3

1958-59 Member, OIC, Program Staff

1959-61 Foreign Affairs Officer, S/Office of
Special Assistant for Atomic Energy

Melvin Lawrence MANFULL

- 2 -

1961-62	Deputy Executive Secretary, S/S
1962-65	Political Counselor, Saigon
1963	Promoted to FSO-2
1966	Imperial Defence College, London
1966	Promoted to FSO-1
1967-70	DCM, Brussels
1970 to present:	Ambassador to Bangui

Auguste M'BONGO

Age: approximately 36

Minister of Public Works, Housing and Road Transport

Profession: High-ranking officer

Function before joining Government: Military and Police Chief of Bangui

Joseph POTILOT

Age: approximately 33

Minister of Foreign Affairs

Profession: Magistrate (Institute of Overseas Studies - Law Section, Paris)

Function before joining Government: President of the Supreme Court

André ZANIFE

Age: approximately 38

Minister of Power

Profession: Civil Servant (Economist)

Law degree (University of Paris)

Function before joining Government: Director General of the Development Bank

REMARKS AT AIRPORT UPON ARRIVAL
IN THE CENTRAL AFRICAN REPUBLIC

3/4/72

It is a pleasure to be visiting the Central African Republic. The purpose of my visit here is to learn more about your development plans, to see something of how they are working out on the ground, and then to assess how we in the World Bank can help you more effectively to strengthen the foundations for the sustained social and economic progress of this country.

The C.A.R. is a country in which our interest has grown in recent years. Our first operation here was in April 1969. It took the form of a ^{IDA} credit of \$4.2 million ~~from the International Development Association, a World Bank affiliate,~~ for building the highway from Bangui to Mbaiki. This was followed in June 1970 with another IDA credit of \$4.3 million for highway maintenance.

The importance of developing transport facilities in a landlocked country like the C.A.R. is clear. But our interest is not confined to this sector; we share with you the belief that certain other high-priority sectors, such as agriculture and education, deserve attention too.

Our experience round the world has confirmed our belief that a country's economic progress depends on a sustained commitment to policies that genuinely promote development. Such policies may often include those aimed at the more productive use of domestic resources, and at improving the capacity to prepare sound projects. While here, I hope to gain a better understanding of how we in the World Bank can assist you in your efforts to build a better and more prosperous future for the people of this country.

INFORMATION MEDIA IN C.A.R.

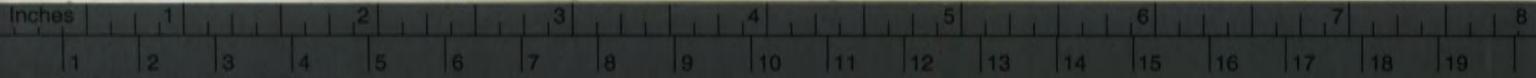
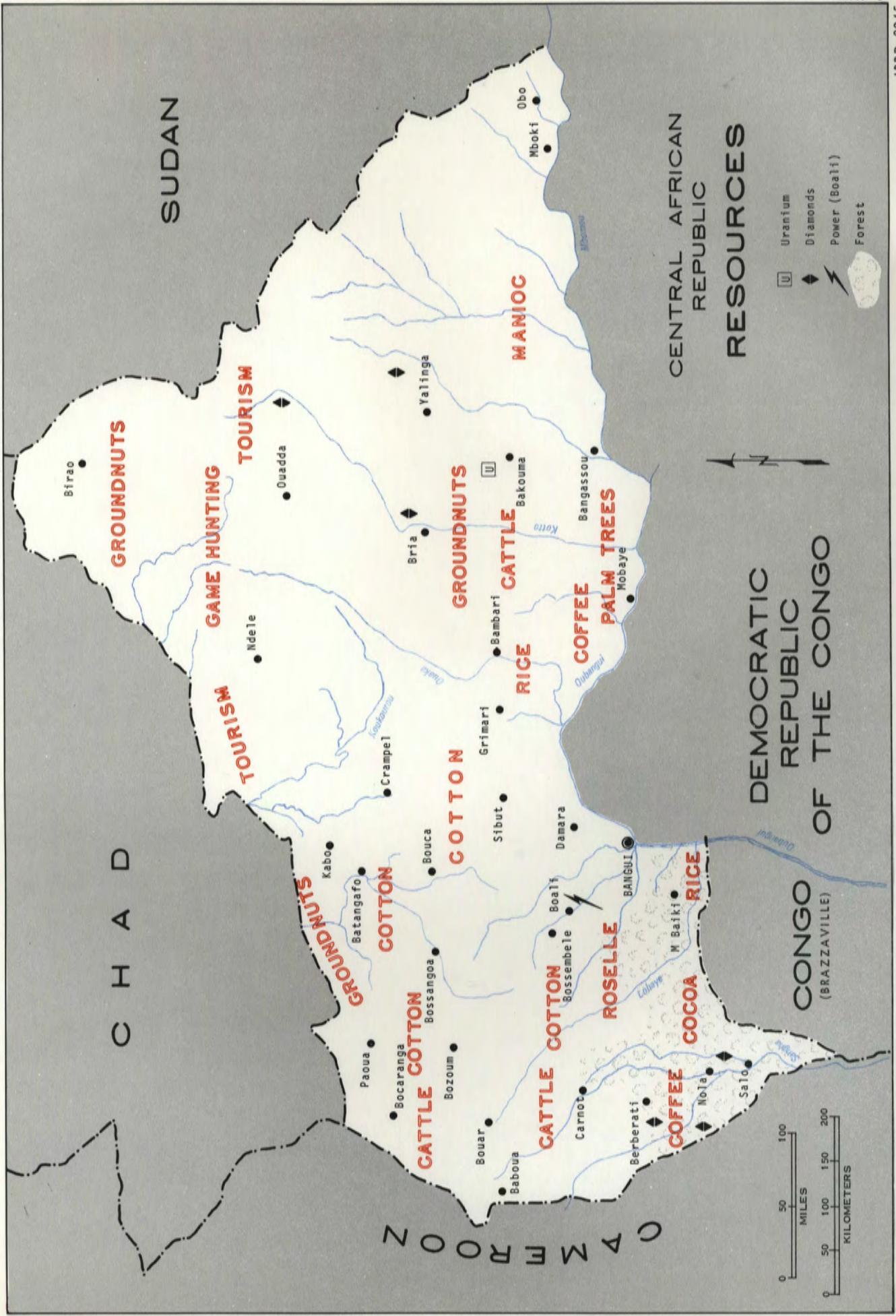
The C.A.R. has a censorship commission for articles and news from abroad. The information media are not permitted to disseminate such news without preliminary authorization from the commission.

Bangui has two dailies, Bangui La So and La Presse. Among periodicals, there is Terre Africaine, a weekly published by President Bokassa's MESAN party. The Journal Officiel de la Republique Centrafricaine is published twice a month.

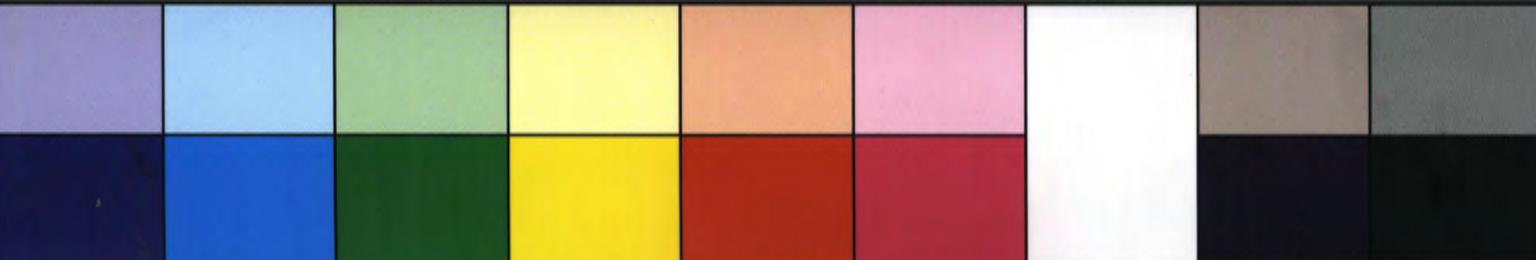
A.F.P. and Tass are the two foreign press agencies represented in the C.A.R.

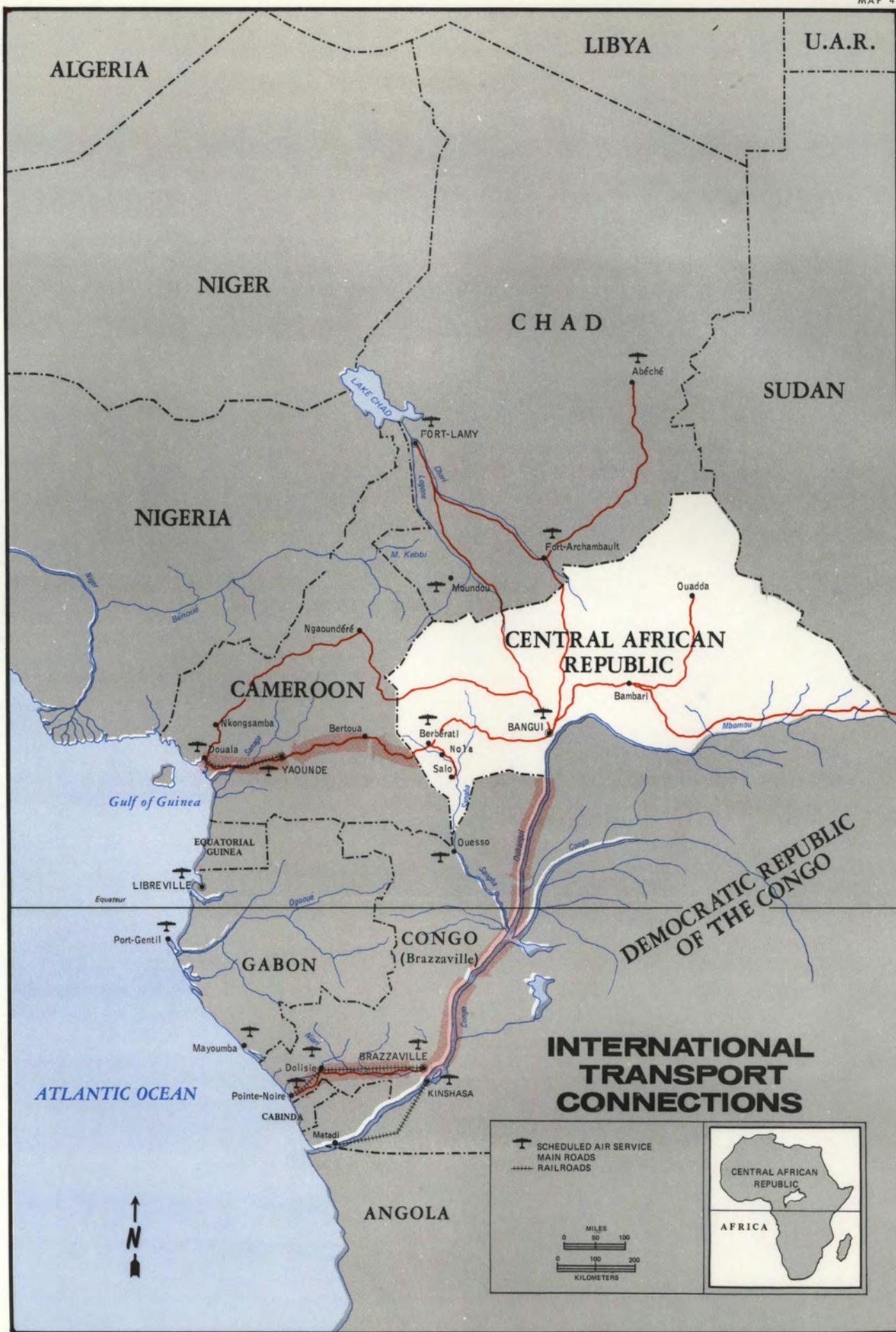
Radio

The radio service is run by Radiodiffusion Nationale Centrafricaine, a Government station. It broadcasts programs in French, English and Sango languages, and claims to have 44,000 listeners.



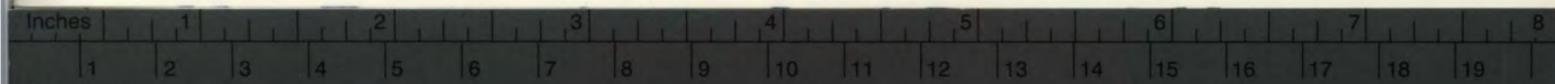
TIFFEN Color Control Patches © The Tiffen Company, 2007





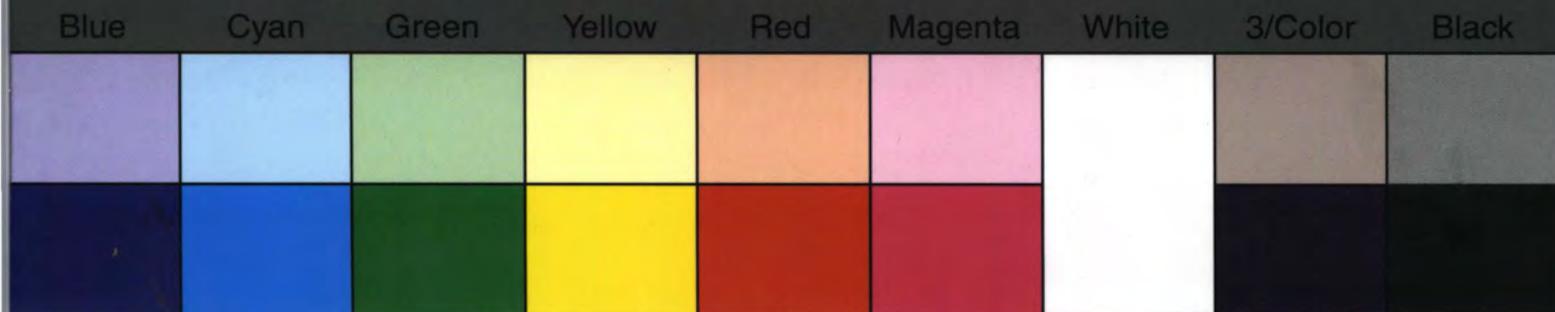
APRIL 1970

IBRD 2946



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BASIC DATA

<u>Area:</u>	620,000 sq. km
<u>Population (estimation) 1971:</u>	1.6 million <u>1/</u> 2.1 1965 ²
Rate of growth	2.1%
Density	2.5 per sq. km
School attendance in percent of the relevant age group <u>2/</u>	
Primary (6 - 11 years)	78%
Secondary (12 - 18 years)	4%
<u>Gross Domestic Product</u> at current market prices	1967 - CFAF 46.6 billion
Per capita 1967	CFAF 31,300 or \$127 at the 1967 exchange rate
1970 (estimated)	US\$ 133 at the 1970 exchange rate
Current Growth Rate 1964/67	4.2%
1967/70	8.2%
Real Growth Rate 1967/70	5.8%

Money and Banking: The CAR uses the Communauté Financière Africaine franc (CFAF)

(in billions of CFAF)

(end of the year)	<u>1966</u>	<u>1967</u>	<u>1968</u>	<u>1969</u>	Nov <u>1970</u>
Money Supply	5.37	5.87	7.17	6.64	6.99
Domestic Credit	5.75	7.12	8.82	11.25	12.94
Foreign Assets (net)	1.13	0.34	0.36	-2.49	-3.27
<u>Public Finances</u>	<u>1966</u>	<u>1967</u>	<u>1968</u>	<u>1969</u>	<u>1970</u>
Total receipts	8.1	8.2	9.2	9.3	9.9
Total expenditures	-7.9	-9.2	-10.2	-10.6	-11.8
<u>Overall Surplus or Deficit</u>	<u>0.1</u>	<u>-1.0</u>	<u>-1.0</u>	<u>-1.4</u>	<u>-1.9</u>
<u>Current Surplus or Deficit</u>	<u>0.7</u>	<u>-0.5</u>	<u>-0.7</u>	<u>-1.1</u>	<u>-1.3</u>
Capital Expenditures	-0.6	-0.5	-0.3	-0.3	-0.7
Investments outside the budget	2.5	2.1	1.4	2.0	1.6
<u>Trade and Payments</u>	<u>1966</u>	<u>1967</u>	<u>1968</u>	<u>1969</u>	(11 months) <u>1970</u>
Exports	9.1	8.9	10.5	10.9	9.5
Imports	10.4	12.6	11.8	11.7	11.1
Trade Balance	-1.3	-3.7	-1.3	-.8	-1.6
Change in foreign assets (net)	-0.8	-0.8	-	-2.9	-0.8
Foreign aid disbursements	2.5	2.1	1.7	2.6	1.7

1/ A 1965 population survey indicated that the population at that moment might be as high as 2.1 million.

2/ Government schools only.

Commodity concentration of exports

% of Exports of major products to countries outside the Central African Customs and Economic Union (UDEAC)

(in percent)

	<u>1966</u>	<u>1967</u>	<u>1968</u>	<u>1969</u>
Diamonds	53.5	46.7	53.1	44.8
Cotton	14.7	22.8	23.4	25.2
Coffee	23.7	20.0	12.2	15.2
	<u>91.9</u>	<u>89.5</u>	<u>88.7</u>	<u>85.2</u>

External Public Debt

(in millions of US\$)

outstanding as of December 31, 1968

Disbursed only	20.6
Including undisbursed	21.0
With additions until June 30, 1969	30.8

Public Debt Service on outstanding debt 1969 1970 1971 1972
as of June 30, 1969

Including undisbursed portion 2.0 2.2 2.9 2.7

Debt Service Ratio (as % of 1969 exports of goods and services) 3.9 4.3 5.6 5.2

Bank Group Operations

IDA Credit No. 1146 CA for road construction \$4.2 million FY1969
IDA Credit No. 199 CA for highway maintenance \$4.3 million FY1970

IMF Position

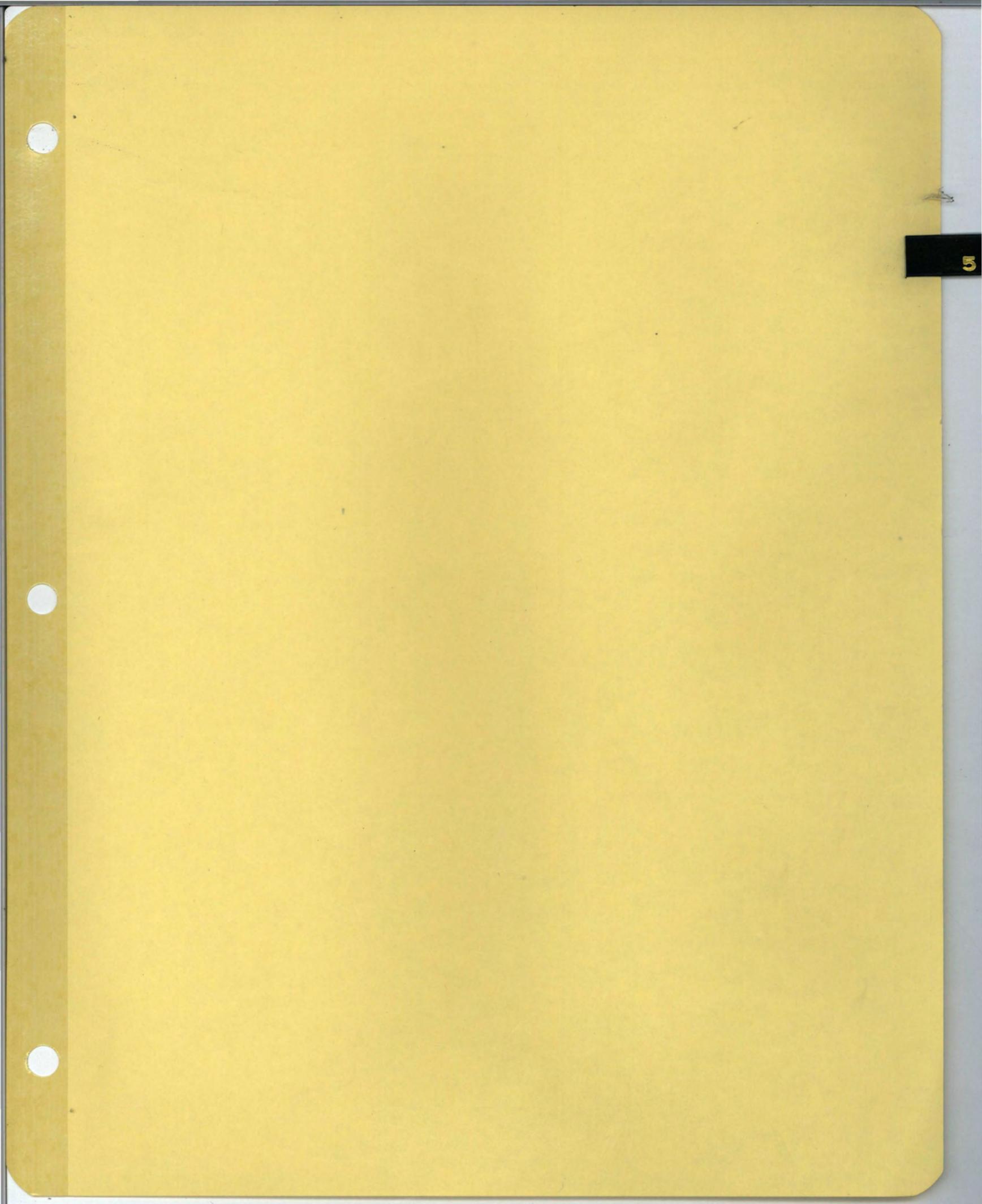
Quota: \$9.5 million
Position: None

Political Status: Member of the:

Central African Customs and Economic Union (UDEAC)
Central Bank of Equatorial African States & Cameroon (BCEAEC)
Organization of African Unity (OAU)
Common Organization of African and Malagasy States and Mauritius (OCAMM)

Associated with the:

European Economic Community (EEC)



POLITICAL SITUATION

1) At the beginning of the twentieth century, CAR was considered the least endowed and most backward of all Equatorial African colonies. The concessionary companies which exploited the country failed to develop it. Their downfall came with the decline of rubber prices in the early twenties. The CAR was the scene of the worst abuses of the Africans by the companies and the bloodiest revolts in the history of the former French Equatorial Africa took place there. To this day relations between Africans and Europeans seem to be more tense in CAR than anywhere else in french-speaking Central Africa. After the collapse of most of the concessionary companies, the French administration supported the exploitation of cotton, coffee, and diamonds. The need for a war effort in 1939 favored the introduction of coercive measures. Rubber gathering was revived and the cultivation of cotton made compulsory.

2) The Central African Republic, until 1958 called Oubangui-Chari, obtained its internal political autonomy in 1956 and became independent on August 13, 1960. It became a member of the Bank in 1963.

3) In 1958 the first pre-independence president of CAR, Abbé Barthélemy Boganda, was elected on an "anti-cotton" platform, which capitalized on the people's resentment against compulsory cotton growing during the colonial regime. Boganda, like his successors, Dacko and Bokassa, was born in the Mbaiki area of Lobaye, southwest of Bangui. President Boganda disappeared in a plane crash on March 29, 1959, and was replaced by President David Dacko, a former schoolteacher. Dacko's Administration was clouded by a disastrous decline of cotton production reflecting the fall of world market prices and the deep dislike by peasants of administrative coercion to grow cotton. The Dacko Administration continued to maintain close links with France while developing ties with Communist nations. President Dacko was an ardent supporter of a railroad link between Bangui and Douala and persuaded UNDP to finance a transport survey for which the Bank was Executing Agency. The worsening budgetary and economic situation (not unlike the 1971 situation) prompted President Dacko to introduce an austerity budget for 1966, including severe cuts in military expenditures.

4) On New Year's Eve 1965 (the night of "Saint Sylvester" - now the name of Bangui's most prestigious hotel), President David Dacko was deposed in a bloodless coup d'état by army commander and self-styled War Minister, Jean Bedel Bokassa. The army's disapproval of the Government's foreign policy, and retrenchment of military expenditures, popular opposition to high taxes, enforced (MESAN) party subscriptions, and a compulsory domestic loan seemed to have prompted the takeover. The Government of President Bokassa has campaigned vigorously and successfully for an increase in cotton production. The new regime centers around the person of Bokassa, a shrewd, tough, and volatile leader with no visible political opposition in the country. He is a former officer of the French army and a highly decorated veteran of World War II and the Indochina war. Ministers often compete to increase their influence with the President, which seriously hampers coordination. Civil servants remain timid for fear of being jailed or driven into exile. The President was re-elected in 1969 in a rather unconventional plebiscite in the presidential palace among civil servants and army officers.

5) On the face of it, the internal situation in the CAR has been stable, although important cabinet reshuffles have often taken place and President Bokassa appears to live in constant fear of plots. Recently he took into his cabinet several younger ministers, such as the Minister of Finance, Lakoué, and the Minister of Power, Zanifé, with better training than their predecessors. However, their role still remains technical and Bokassa considers them as executors of his will.

6) In external relations, Bokassa tends to change course frequently. In February 1968, Bokassa withdrew from the Central African Customs Union (UDEAC) to form a new confederation with Chad and Zaïre. In December 1968, Bokassa rejoined UDEAC after France promised to help exploit the uranium deposits of Bakouma. In 1970, he established diplomatic relations with some eastern European countries, including East Germany, partly in the hope of finding financing for his pet project, the CAR-Cameroon Railroad. In April 1971, he suspended relations with East Germany, stating that "they promised much and did nothing". In August 1971, Bokassa, who has hired his own DC-8, announced his withdrawal from the multinational African airlines, Air Afrique. However, until now, the CAR is still a member of Air Afrique. Ruptures and spectacular reconciliations were the main features of Bokassa's relations with other African Heads of State.

7) In monetary matters, he was the only one to advocate a revaluation of the franc last September. When he was voted down by the Finance Ministers of the Franc Zone, he insisted on printing his own money. Anti-French riots broke out last October in Bangui when the (French dominated) Central Bank for Equatorial Africa insisted on partial repayment of short-term advances to the CAR Treasury. However, Bokassa managed to have Mr. Pehoua, a Central African and ex Governor for the World Bank, appointed as Director of the Central Bank. Bokassa resented the warning of the Central Bank on the growing short-term indebtedness of the CAR and relations between Bangui and Paris are cool.

RECENT ECONOMIC TRENDS AND BANK STRATEGY

1) The Central African Republic has fairly good natural resources. Ecological conditions are favorable to the development of agriculture and, to some extent, of livestock. Agriculture continues to be the CAR's most important activity contributing some 30 % of the gross domestic product. There are also some mineral resources (diamonds, uranium, limestone) and large unexploited forests. Although the market is small, there is some scope for industrial development. The lack of direct access to the sea is a serious handicap. The sole practical route to the sea is a 1,800 km river and rail route (Transequatorial Route) from Bangui, the capital, to Pointe Noire in Congo-B.

2) The economy is small, providing employment for about 50,000 salary and wage earners (less than 10 % of the labor force). The remainder of the population (about 85 %) is chiefly engaged in agriculture and to a lesser extent in mining (individual diamond digging). Cotton and coffee are the main cash crops accounting for about 25 and 15 % of foreign exchange earnings. Diamond exports (official and smuggled) account for roughly 40 to 50 % of the total. Receipts from timber exports were 5 % of foreign exchange earnings and prospects are favorable; but the principal problem is whether the transportation system will be adequate to evacuate the timber.

3) Economic growth during 1969 and 1970 has been 3 to 4 % a year (in real terms). Due to drought, cotton and coffee output declined in 1971 and overall economic growth in that year has been negligible. The outlook for 1972 and the next few years is for continued economic stagnation, because of the effect of several unfavorable Government measures and policies.

- (a) In 1970 the Government expelled French technical assistants in agriculture and animal husbandry. Following this measure, FED has also withdrawn its advisers. A total of 100 experts has thus left the country. This measure will seriously affect the cotton and livestock production, two sectors with favorable development potential. Cotton output, which had risen during 1966 - 1970 from 25,000 to 59,000 tons in response to the "opération Bokassa" a program launched by the President in 1966 to ensure adequate supplies of food crops, improve yields of export crops such as cotton and to raise the income of the agricultural community, is likely to decline gradually because of lack of extension services, selected seeds and other inputs.
- (b) The Government has been in disputes with the industrial diamond mining companies since 1969 and their production (about 10 % of total diamond production) has completely stopped. Individual diggers are increasingly smuggling their diamonds out of the country because the Government established license fees which were too high.
- (c) The Government has incurred large payment arrears to the private sector in the CAR and abroad. This has diminished confidence of

the business sector in the Government. There is little evidence of new private investment in CAR.

- (d) The Government has severely damaged a number of institutions useful for development. Among these is the Banque Nationale de Développement which the Government has used to finance a number of uneconomic ventures and which as a result is in bad financial shape. Potential financiers (Caisse Centrale and the central bank) are reluctant to make further loans to this bank. Another example is the poor financial condition of the power company ENERCA. The Government has furthermore used up the accumulated reserves of about 30 institutions which deposit their funds with the Treasury.
- (e) The Government has also fallen behind on the servicing of official debts. This fact, and the lack of domestic counterpart resources has seriously slowed down the activities in CAR of foreign aid donors. France, the most important single source of aid, seems to be limiting itself to a holding operation. The Bank is also waiting for improvement in the financial situation before it is willing to commit further resources.

4) These factors have made for an unfavorable climate for development in the CAR. The condition of public finance, which is at the root of these problems, is briefly discussed in the following paragraphs.

5) Since 1966 the CAR Government budget has been continuously in deficit. The overall deficit has risen from 12% of revenue in 1966 to 20% in 1971 (January - September).

(in CFAF billion)

	1966	1967	1968	1969	1970	1971 Jan-Sep.	Annual Growth 1966 - 1970
Revenue	8.9	8.2	9.2	10.1	10.6	8.5	7%
Expenditures (of which curr. exp.)	7.9 (7.3)	9.2 (8.7)	10.6 (10.3)	11.5 (11.2)	12.5 (11.8)	10.2 (9.1)	12%
(of which salaries)	(3.6)	(4.2)	(4.2)	(4.8)	(5.7)	(4.7)	12%
Deficit (-)	0.1	-1.0	-1.4	-1.4	-1.9	-1.7	
in % of revenue	1%	-12%	15%	14%	18%	20%	

6) Revenues rose at the satisfactory rate of 7%, probably faster than the GDP growth rate during 1966-70. However, expenditures have gone up even faster and the result has been a continuously growing deficit. Almost all these expenditures are on current account. The growth of expenditures stands in no relation to the increase in useful services performed by the Government. Much of the increase of expenditures is due to personal, often impromptu, decisions by President Bokassa who has reserved to himself authority to change budget allocations during the year. A large part of these expenditures are classified under "unforeseen expenditures". Moreover, Government agencies have been in the habit of ordering from the private sector without corresponding budget allocation or authorization from the Ministry of Finance.

7) The cumulative deficit since 1966 amounts to an estimated CFAF 7.4 billion. The financing of this deficit has exhausted the Government's reserves, and the credit normally available to it. It has moreover led to a serious accumulation of unsettled debts, about CFAF 5 billion, almost half of one year's Government revenue.

8) Experiencing acute liquidity shortages, the Government has acted to step up revenue collection and to bring expenditures under control. It has had some success with its revenue measures. In 1971 (part-year results) revenue was growing by 17%, a far higher growth rate than that of the stagnant economy. Government revenue in 1971 must have been about 21 - 22% of GDP, a high level for a country at CAR's stage of development.

9) On the expenditure side there has not yet been evidence of restraint. In fact, 1971 expenditures were increasing even faster than revenue and the deficit during January - October 1971 was larger than ever (20% of revenue).

10) The President had introduced a program of austerity measures in 1970, including a freeze on new personnel recruitment (with some exceptions), reductions in scholarships, limitation on expenditures for representation abroad and elimination of official cars. However, this decree, still valid in 1971, was poorly enforced, as evidenced by a sharp rise in each of these expenditure items. By October 1971, the Government had exhausted the entire liquidity of the Treasury and in an effort to meet its monthly salary bill, stopped payment on all non-personnel expenditures.

11) As will be set out below, the Government at the Bank's prompting, has invited the Fund to help in the formulation of a financial rehabilitation program. The Fund has responded by sending a mission which is currently in the country.

12) In the past we had repeatedly - but unsuccessfully - drawn the Government's attention to the fact that a continued large budgetary deficit would endanger our operations in the CAR.

13) During the September 1971 discussions, including the negotiations of the \$3.6 million credit for an education project, in Washington with the Government we began to suspect that the budgetary situation was worse than described by the government representatives and decided to send a two-man economic mission, Messrs. Jansen and de Wit, to CAR in October 1971 which concluded:

- (a) that budgetary deficits have been growing at an alarming rate from 1966 to 1971;
- (b) that only a small part of the deficits could be financed by central bank credit or foreign (French) budget support and that the Government has accumulated large arrears;
- (c) that exports have decreased, foreigners have transferred capital abroad, and reserves became negative;
- (d) that the Government's overspending has resulted in very little economic growth in 1971.

14) In the light of the conclusions of this mission, it was decided to suspend further processing of the education credit negotiated in September 1971 pending the adoption of a new program of financial recovery by the Government. Following Mr. Steckhan's December visit to the CAR, President Bokassa wrote to Mr. Schweitzer requesting an IMF mission to work out with the Central African authorities such a financial recovery program. (Copy of the IMF briefing paper is enclosed under item 11c).

15) Provided the Government adopts and implements, as we hope it will do, a sound stabilization program, on the basis of the recommendations of the IMF mission presently in the CAR we will expand our project identification and preparation work in the CAR.

16) A power project which appears ready for appraisal in early FY 73 (provided a review by consultants confirms its economic justification), would be an appropriate vehicle to channel urgently needed external resources to the country to supplement its savings efforts on the basis of the IMF program, and to improve the efficiency and financial viability of an existing institution (ENERCA). In the future the emphasis of our project preparation and financing efforts should be on developing the agricultural potential (cotton and live-stock) of the CAR, on improving the road and river transport system of this land-locked country and on raising the quality and relevance of education which is vital to the required development of manpower resources.

POPULATION

The Central African Republic, with a population of 1.6 million in 1971, is a relatively small country even by African standards. (There are about 35 other African countries which have larger populations.) The demographic features of the country correspond to the average situation in the continent with respect to certain characteristics, but differ markedly with respect to others. The estimated crude birth rate in the CAR is about 46.4 which is quite close to the average birth rate for Africa. On the other hand, the crude death rate is about 4 points higher than the average (24 in CAR versus 20 for Africa) and the density of population is considerably lower (2.5 persons per square kilometer in CAR versus 11 in Africa). The Government or voluntary associations have not so far taken any initiative to introduce family planning in the country.

According to the U.N. projections the population is estimated to reach 2.24 million by 1985. The present expectations are that the birth rate is unlikely to undergo any significant change during the next 10-15 years, while the death rate will decline from the present level of 24 to about 18 by 1985. As a result, the rate of growth of the population will increase from 2.2 at present to 2.8 by 1985.

Bangui, the chief town in the country, has a population of more than 150,000. The urban population (in towns 20,000 +) constitutes about 18 percent of the total population.

High mortality level, and rapid urbanization are the principal demographic problems of the country. Lack of census and other demographic data make it difficult to make a better assessment of the demographic problems of the country.

Central African Republic

- | | |
|-----------------------------------|----------------|
| 1. Total population, 1971 | 1,557,000 |
| 2. Total area | 623,000 sq.km. |
| 3. Crude Birth Rate, 1970 | 46.4 per 1,000 |
| 4. Crude Death Rate, 1970 | 24.0 per 1,000 |
| 5. Rate of natural increase, 1970 | 22.4 per 1,000 |
| 6. Population trend, 1950-1985 | |

<u>Year</u>	<u>Population</u>
1950	1,071,000
1960	1,252,000
1970	1,522,000
1980	1,948,000
1985	2,236,000

- | | |
|--|---------|
| 7. Population of Bangui, 1966 | 150,000 |
| Total population in towns 20,000 + (1966) | 242,000 |
| 8. Age-specific fertility rates, 1965-1970 | |

<u>Age</u>	<u>Births per year per 1,000 women of specified age</u>
15-19	191
20-24	291
25-29	258
30-34	205
35-39	139
40-44	68
45-49	27

FOREIGN AID

1) During the seven-year period 1964 - 1970, CAR received CFAF 15 billion (US\$60 million) in grants and loan assistance ^{1/}. Of this amount, 80% or CFAF 12 billion (US\$48 million) was in the form of grants.

2) France is the largest foreign donor accounting for 50% of all assistance (i.e. CFAF 7.3 billion or US\$30 million) of which over 70% in grants. Annual French capital aid disbursements thus exceeded US\$4 million. In addition, France provided technical assistance worth US\$5 million a year. About 50% of French grant aid (FAC) went to agriculture and about 25% to infrastructure.

3) The European Development Fund (EDF) was the second largest donor accounting for 35% of all external capital assistance (i.e. CFAF 5.3 billion or US\$21 million) all in grant form. Annual EDF aid disbursements thus averaged US\$3 million of which 23% for production, 23% for infrastructure, 23% for education, 19% for rural development, and 11% for health.

4) Several other countries, of which the most important were the Federal Republic of Germany and the United States, made small grants and provided some technical assistance.

5) In 1969 an IDA credit of US\$4.2 million was approved for a road project, of which US\$0.2 million was disbursed in 1970, and US\$1.7 million in 1971.

6. DISBURSEMENTS OF FOREIGN AID ^{1/} 1964-1970
(in millions of CFA francs)

	1964	1965	1966	1967	1968	1969	1970 ^{2/}	1964/70
France	1,031	1,214	1,341	980	831	1,209	644	7,250
FAC grants	560	928	940	660	477	767	578	4,910
FAC loans	-	-	58	13	33	114	1	219
CCCE loans	138	86	214	257	321	328	65	1,409
Budget grants	333	200	129	50	-	-	-	712
EDF grants	313	910	794	866	853	890	687	5,313
U.S. grants	256	187	237	105	50	56	49	940
U.N. grants	n.a.	n.a.	n.a.	n.a.	n.a.	60	n.a.	60
IDA loans	-	-	-	-	-	-	61	61
German loans	-	222	134	172	-	191	245	964
Mainland China loan	-	500	-	-	-	-	-	500
Total	1,600	3,033	2,506	2,123	1,734	2,406	1,686	15,088
of which grants	1,462	2,225	2,100	1,681	1,380	1,773	1,314	11,935

^{1/} Does not include technical assistance which is estimated at CFAF 1,250 million annually.

^{2/} Preliminary data.

Source: Data provided by the Central African Republic authorities.

7. CAR's future foreign aid requirements are difficult to estimate on the basis of available information. According to the last CPN (August 11, 1971) the 1971-1975 development plan will call for public investments in the amount of CFAF 41 billion (US\$164 million), of which CFAF 33 billion (US\$132 million) were to come from foreign commitments and the rest from public savings. In view of the Government's tight financial position, it is unlikely that public savings could reach CFAF 8 billion (US\$32 million) over the next five years. Similarly, it is practically impossible that foreign commitments would reach US\$26 million annually.

8. France's future aid to CAR is likely to decline.

9. We have no information on the amount of aid CAR will receive under the Third EDF. 32 projects are under discussion. At least about CFAF 5 billion (US\$20 million) should be disbursed over the five-year period mid 1971- mid 1976. We expect that the major part of this amount will be for education and agricultural projects, although CAR will only be able to absorb these amounts if more foreign technical assistance is forthcoming.

10. Last year's Bank Group lending program as reduced at the September 1971 CPN review meeting, involved IDA commitments of \$16.0 million for FY1969-1973. The proposed Bank Group lending program for FY1973-1977 amounts to US\$13.0 million, and would be also exclusively IDA.

IDA * 2t3 mpa

BANGUI-M'BAIKI HIGHWAY PROJECT
(146 CA, 1969 - IDA Credit of US\$4.2 million)

Background

This is the Bank Group's first lending to the C.A.R. Bangui-M'Baiki is one of the most important highway links of the country. It connects Bangui, the capital, with the Lobaye Province, the main producer of coffee, rubber and timber. The road may also be the first section of a future transport link between Bangui and Cameroon as an alternative to the railroad to Cameroon proposed by the Government.

Project Description

<u>Borrower:</u>	Central African Republic
<u>Total cost:</u>	US\$5.6 million
<u>Credit amount:</u>	US\$4.2 million (= foreign exchange cost)
<u>Date of credit:</u>	April 3, 1969
<u>Rate of return:</u>	about 14%
<u>Description:</u>	Detailed Engineering and Reconstruction of the Bangui-M'Baiki road (102 km) including supervision by the Department of Public Works and procurement of equipment to maintain the road.

Status

The construction works are proceeding satisfactorily, and are expected to be completed by August 1972 which is well before the credit closing date of March 31, 1973.

Issues

A surplus of US\$0.9 million (half of which is due to the 1969 devaluation of the French franc) is likely to remain on the Credit account. The Government has requested to use the expected saving to finance a traffic count program and the building of a material and soil laboratory. The need for a traffic count program is being looked into by the consultants which are carrying out the Highway Maintenance program (see Credit 199 CA). The need for a new laboratory will be examined by the next supervision mission, scheduled for May 1972.

HIGHWAY MAINTENANCE PROJECT
(199 CA, 1970 - IDA Credit of US\$4.3 million)

Background

A sparsely-populated country, with a dominantly subsistence-type economy, does not provide the transport network with large amounts of traffic. Internal traffic was estimated at about 150,000 tons in 1968. Internally, road transport is dominant, supplemented to some small degree by the services of Air Bangui which links 10 of the nation's 20 airfields. River transport on the Upper Oubangui, east of Bangui, serves the adjacent area, but, while still important for import and export traffic, it is declining in importance for internal traffic as road transport becomes increasingly influential.

The road network provides reasonable access to most parts of the country. With over 21,000 km of roads and tracks, the CAR has about 15 km of road per 1,000 inhabitants; this is a higher density than either neighboring Chad (9 km) or Cameroon (4 km). Lack of adequate maintenance, however, particularly on secondary roads and tracks, reduces the effective coverage of the road system by leaving many areas difficult and costly to reach.

Project Description

<u>Borrower:</u>	Central African Republic
<u>Total cost:</u>	US\$5.4 million
<u>Credit amount:</u>	(= foreign exchange cost) IDA US\$4.3 million
<u>Date of credit:</u>	June 19, 1970
<u>Rate of return:</u>	28%
<u>Description:</u>	The project consists of: (i) a <u>four-year maintenance program</u> , to be implemented by the Department of Public Works with the assistance of consultants, including the following: a) the <u>purchase of road maintenance equipment, spare parts and materials</u> required for the maintenance of nearly 4,000 km of roads; b) the <u>establishment of proper accounting and inventory techniques</u> ; c) the <u>training of local staff</u> at all levels in programming and supervision of road maintenance services and in the operation and maintenance of equipment; and

- (ii) the feasibility and detailed engineering studies of the improvement of one of the three main highways of the CAR, the Bangui-Bossemele road (156 km).

Status

Effectiveness of the Credit was delayed by one year because of the delay in establishing a required Road Fund. The consultants for the maintenance program and the road feasibility study are fully mobilized and work is now progressing satisfactorily.

EDUCATION PROJECT

Background

Education and training are based on the French system. In the recent past the quantitative growth of the system has been rapid but mainly at the primary level where enrollment is about 73 percent of the age group. This rapid growth has had an adverse effect on efforts to improve the quality of education and has increased substantially the demands of the sector on scarce government resources. Secondary enrollment represents only 4 percent of the relevant age group. Four institutions give agricultural courses and their output seems to exceed the needs of the country. Technical education and vocational training appear to be inadequate. Post-secondary institutions enroll about 160 students in law, economics, administration, and agriculture. There are a number of "out-of-school" training programs.

In spite of considerable government expenditure on education and much foreign aid, mainly from France and other European countries, social and economic development of the country is hampered by shortages of trained local high and middle level manpower while unemployment among unskilled workers is growing. At present, as much as 75 percent of professional and technical positions are filled by expatriates.

The Government is aware of these problems and has recently decided to take various cost reducing measures, including the control of primary enrollment expansion, and the gradual replacement of expatriate teachers. At the same time it will seek quality improvement and a greater relevance of the system to the needs of the economy. These broad policy decisions are to be embodied in a long-term educational plan for which technical assistance is required. As a first step toward achieving these objectives, it is intended to : (a) expand and rationalize secondary education by introducing a modernized curriculum at the lower level and by strengthening science teaching at the upper level; (b) improve technical and commercial education; and (c) establish a training college for secondary school teachers.

A project to assist in implementing these objectives was appraised in May 1971, and a development credit of US\$3.6 million, being 90 percent of the estimated cost, was negotiated in September 1971.

Project Description

Construction and equipping of:

- (a) four new lower secondary schools and an extension to an existing one;
- (b) additional facilities for science and practical subjects in four lycées;
- (c) extensions to an existing technical lycee;
- (d) one new secondary teacher training college; and
- (e) technical assistance for the preparation of a long-term educational plan and the implementation of the project.

what is present status

The project schools would have 8,090 student places of which 3,530 would be provided under this project.

Status

The project was negotiated in September 1971.

BOALI II POWER PROJECT

Background

The Bank mounted a mission in 1968 to appraise the extension of the Bangui diesel plant. After appraisal the Government financed the project from bilateral sources. In February 1972, we sent a mission to investigate the status of preparation of the Boali II project. The mission found that the management of Energie Centrafricaine (ENERCA), the national power company, has improved surprisingly since 1968. Information is more readily available, local senior staff (engineering) is in service, and the opposition to the employment of expatriate (French) staff and French technical assistance appears to have disappeared.

ENERCA's principal problem remains financial management. Accounts for 1970 and 1971 are not available. Accounts receivable appear to have reached a figure equal to about one year's revenues. ENERCA's principal debtor is the Municipality of Bangui. Steps to improve ENERCA's finances have been taken, including negotiations of a government loan to the Municipality of Bangui to enable the municipality to meet its commitments vis-à-vis ENERCA.

Since the feasibility study prepared by the Yugoslav firm Energo-project, total project cost has increased by 25 percent to US\$12 million and this will affect the rate of return which was originally estimated at 18 percent. The Bank's February 1972 preparation mission suggested to the Government to employ consultants to:

- (i) review the Yugoslav project;
- (ii) study lower-cost alternatives to the technical design;
- (iii) determine the realistic costs of a phased development.

Terms of reference for consulting services were discussed and ENERCA agreed to invite proposals.

Status

On the assumption that the proposed consultants' study would be completed early April and would show economic and financial justification for the project the following timetable appears feasible:

July 1972	Appraisal
August 1972	Final design and preparation of tender documents and specifications
December 1972	Yellow-cover report
February 1973	Green-cover report Advertise tenders
March 1973	Negotiations
May 1973	<u>Board presentation</u>
May/June 1973	Analyze bids
July 1973	Start construction
End 1975	Commissioning 1st Phase Boali II (10MW)

OUHAM - OUHAM PENDE COTTON PROJECT

Background

Cotton is second only to diamonds as a source of foreign exchange and has been an obvious candidate for expansion. By 1968, 130,000 ha of cotton were being grown and production reached 57,800 tons, due to a considerable extent to technical assistance provided by BDPA and CFDT and grants from FAC and FED. In September 1970, the Government requested France to withdraw its 103 technical advisers, which was a major set-back to development. Since then momentum has been lost, particularly with regard to research and extension work.

Following a request from the Government a PMWA mission visited the Central African Republic in October/November 1971 to reinvestigate matters and consider the setting up and financing of a cotton development project in the Ouham and Ouham Pendé areas.

The Project

The proposed project is based on a study made in 1970 and would concentrate on both the production of cotton as a cash crop together with subsistence crops such as maize, cassava, groundnuts, etc. Something like 320,000 people on 70,000 holdings would be involved. The aims of the project would be to provide extension services, farmer credit, improved ginning facilities and better roads.

Total Project cost is about US\$15 million.

Project appraisal is not yet possible because:

- (a) Organizational problems following the departure of the French technicians;
- (b) Uncertainty over the supply of cotton seed; and
- (c) Existing credit problems.

LIVESTOCK PROJECT

Background

Despite widespread tsetse fly, the national herd is said to number over 500,000 animals, there is considerable local demand for meat, and prospects for livestock development are potentially good. Cattle have been traditionally imported from Chad and the Sudan to supplement locally produced animals, though these have been reduced in numbers in recent years. Numerous schemes have been started to encourage the installation of cattle markets, the eradication of tsetse fly, and the establishment of fattening ranches, but they have had a chequered history.

Status

Two projects that could involve the Bank have been discussed in outline, namely the establishment of a "corridor" to facilitate the movement of cattle from Chad, and the setting up of a ranch in the west of the Central African Republic. Plans received a set-back following the departure of French technical personnel, and action is not likely until administrative problems have been resolved.

BANGUI-BOSSEMBELE ROAD PROJECT

Bangui-Bossembele (156 km) is one of the three main highways of the CAR. Feasibility and detailed engineering studies are financed under Credit 199-CA (see item 7b), and carried out by consultants Louis Berger (U.S.). Work on the studies started in July 1971. The consultants' preliminary economic analysis indicates that upgrading to paved standard may be difficult to justify. A more definite judgement has to await the consultants' draft final report on the feasibility study which is expected to be completed at the end of February.

SIBUT-BAMBARI ROAD PROJECT

1. The Bank was Executing Agency for an economic and technical feasibility study of the rehabilitation of the Sibut-Bambari road, and if the rehabilitation of this road were justified, final engineering for such rehabilitation. In early 1968 UNDP had made funds available for these studies.

2. The feasibility study was carried out by Belgian Consultants, Research and Development, in 1968 and 1969. The study as prepared by the Consultants' contained deficiencies but gave the Bank enough of a basis to conclude that a substantial improvement of the road is not economically justified at present, and that its feasibility should be re-examined around 1975, since, if the assumed traffic growth materializes, it is likely that the rehabilitation of the road would offer a rate of return in 1976/77 of about 10%. The Bank has suggested to the Government and UNDP to cancel the second phase (detailed engineering) of the study and to provide in the CAR country program 1972-1976 of UNDP for an updating of the feasibility study to be followed by detailed engineering if appropriate.

3. The Government disagrees with the Bank's conclusions and argues that traffic rates and the rate of return will be higher than those calculated by the consultants and the Bank. The Bank has restated its position on several occasions, the last time during the annual meeting in September 1971. The Government has not yet requested UNDP to include the updating of the feasibility study and detailed engineering in its 1972-1976 country program.

BACKGROUND ON
OTHER SUBJECTS LIKELY TO BE DISCUSSED

1. We can see three subjects which President Bokassa may raise during your visit to the CAR.

- (a) his pet project: the CAR-Cameroon railroad project
- (b) the proposed Boali hydropower project
- (c) the date of the presentation to the Board of the already negotiated education project (see item 8 a).

2. You will find background information for 1(a) under item 9(c) para 2 and for 1(b) under item 8(b). As far as 1(c) (the education project) is concerned you may wish to reiterate your hope as expressed in your December 1971 letter to President Bokassa (copy of which is enclosed under item 11(b)) that an effective program of financial rehabilitation could be formulated soon with the help of the IMF and its implementation started without delay and that this would give you a basis to present to the Board further credits for the CAR.

3. As far as the work of the IMF mission presently assisting the CAR in working out a program of financial rehabilitation is concerned, Mr. Boushehri (Head of the IMF mission) and/or Mr. Nkodo, our observer on this mission, would be available for a briefing on Saturday March 4 prior to your 11.30 a.m. courtesy visit to President Bokassa if you so desire.

4. You may wish to raise with President Bokassa:

- (a) prospects for a program of financial rehabilitation
- (b) status of Investment Disputes (you will find background on this subject under item 9(b)).

5. In your afternoon discussions with the Government other than the before-mentioned projects may be raised by Ministers and item 9(c) will give you some background.

INVESTMENT DISPUTES

1. The CAR Government has undertaken a series of expropriations, the status of which is as follows:

- (a) In 1967 Société Equatoriale d'Energie Electrique (SEEE); agreement has been reached;
- (b) In 1967 Union Electrique d'Outre-Mer (UNELCO). The Government recognized the principle of compensation. No agreement has been reached yet on the valuation of the assets taken over by the Government and the justification for an amount of the so-called eviction indemnity (a commitment embodied in the concession, to compensate for lost profits and calculated as the last 5 annual profits prior to nationalization multiplied by the number of years the concession would have run). We understand that President Bokassa early in 1972 has indicated to the President of UNELCO his willingness to discuss the issue ;
- (c) The Agence Transéquatoriale des Communications (ATEC). In 1969 the Government withdrew from the convention establishing the Agence Transéquatoriale des Communications (ATEC), a multi-national transport agency jointly established with the Congo, Gabon, and Chad. The Government took over ATEC's transport facilities located on its territory and set up a national agency, Agence Centrafricaine des Communications fluviales (ACCF), to run them. ACCF is continuing transport services to the former ATEC partners under a series of bilateral agreements which have led to satisfactory cooperation.
- (d) While withdrawing from ATEC, the Governments of the CAR and Congo nationalized the Compagnie Générale des Transports en Afrique Equatoriale (CGTAE). Both Governments have reached a settlement with the company in mid-December 1971.
- (e) Mining Companies: In 1969 the three diamond mines in the CAR were closed by the Government in a dispute over mining rights. The discussions between the Government and Diamond Distributors, Inc. (DDI) broken off in November 1970, started again in March 1971. An agreement was reached, resuming the activities of DDI as soon as a suitable mining code now under preparation is available and the DDI is able to raise \$600,000, the necessary sum for reopening the mines. We understand that DDI has now raised this money.

2. You may wish to take the opportunity to express appreciation for the agreement reached in December 1971 with CGTAE and to enquire about the status of the UNELCO negotiations.

PROJECT POSSIBILITIES SUBMITTED BY GOVERNMENT

1. Over the years the Government has mentioned to us with more or less insistence a variety of projects which we have not yet been able to include in our Operations Program, some because they appear economically unjustified or of low priority and others because we do not know enough about them. Among these projects are the following:

- (a) Bangui-Cameroon railroad project
- (b) Bossembele-Chad border road
- (c) Development Bank project
- (d) River transport project
- (e) Tourism project
- (f) Urban development project.

2. Bangui-Cameroon railroad project. (i) Both President Dacko and President Bokassa are ardent supporters of this project as a possibility to open up a second route to the sea (in addition to the river-railroad route Bangui-Pointe Noire). President Bokassa has written to Mr. Woods in 1967 and in 1970 to Secretary General U Thant who passed a copy of the Bokassa letter on to you, urging the World Bank to finance this railroad.

(ii) In July 1967, the CAR, Cameroon, UNDP and the World Bank signed a plan of operations for the financing of an economic and technical study of transport means of the southwest region of the CAR and the neighboring southeast region of Cameroon. A Dutch consulting firm (NEDECO) and a French consulting firm (BCEOM) were retained to carry out the studies. The World Bank was appointed the executing agency. The study was to be done in two phases: Phase I is to define the most economic transport system between Bangui and Douala for the development of forestry and other resources. Phase II comprises preliminary engineering for the selected transport system. The consultants submitted their final report on Phase I in November 1971.

(iii) The consultants came to the conclusion that a railroad connection from Bangui to Yokadouma in Cameroon was not economically justified and the Bank advised in July 1971 the two Governments that a road linking Nola in CAR through Yokadouma in Cameroon to Yaoundé would respond best to the region's transportation needs. In fact, the consultants' report makes it clear that, whatever solution may be appropriate in southeast Cameroon, service to the Central African Republic is not a significant factor since the contribution of CAR traffic in the form of timber and general merchandise to a road or rail link through Cameroon is small. The Bank has recommended to the Cameroon and CAR Governments that Phase II of the Project be cancelled and that they would submit a new request to UNDP for the financing of a pre-investment study of a Yaoundé-Yokadouma-Nola road link. UNDP would consider the new request as a regional project, to be financed out of its reserve fund. The Governments of Cameroon and CAR were to exchange their views on this subject during a meeting in Cameroon at the end of January; we have not yet been informed on the results of this meeting.

3. Bossebele - Chad border road. During the Annual Meetings, the CAR delegation requested Bank Group financial assistance for the feasibility and detailed engineering studies of the road between Bossebele and the Chad border. This link would be the continuation of the Bangui-Bossebele road, presently being studied by Louis Berger (US) under the Highway Maintenance Project (see item 7(b)).

Consideration of this project depends on the justification of the Bangui-Bossebele road and, as mentioned before (see item 8(e)), we hope to receive the draft final report on the study of the feasibility of the Bangui-Bossebele road by the end of February. Our next road supervision mission to CAR will further look into this project. We have already advised the Government that a proposed road link from Moundou (Chad) to Ngaoundere (Cameroon) was likely to divert most of the traffic from and to the Moundou area which presently uses the Moundou-Bangui road, to the Transcameroon Railway.

4. Development Bank Project. During the 1971 Annual Meeting, the delegation of CAR asked for a Bank loan to Banque Nationale de Développement (BND) to finance small industries and trade in the country. BND is a multipurpose financing institution with a share capital of CFA 420 million of which 63% is owned by the CAR Government, 30% by Caisse Centrale de Coopération Economique, and 7% by the Banque Centrale des Etats de l'Afrique Equatoriale et du Cameroun (BCEAEC). BND lends for industry and handicraft, agriculture, trade and housing, and its lending rates range from 6% to 8%. BND's loans in 1970 totalled CFA 1.24 billion of which half were medium and long-term. The bulk of term loans was for housing, and only about CFA 100 million went to industrial and agricultural projects. BND's main lender is Caisse Centrale from which loans of CFA 543 million were outstanding at the end of 1970. We have studied the request and made certain observations. We are proposing to send a staff member from Development Finance Companies Department to the CAR in March 1972 for exploratory talks provided the Government agrees. We have not yet heard from the Government. ←

5. River Transport Project. A PMWA mission, which visited the CAR in October/November 1970, identified a US\$2 million river transport project. This project would consist of:

- (i) the purchase of 4 petroleum barges and a barge-pusher, and
- (ii) the construction of the river port of Loko Safa on the Sangha River.

This project would help ACCF, the Central African River Communications Agency, to meet the increasing river transport demand after 1972. It has to be considered in conjunction with ATC's plans for the expansion of river transport. PMWA is planning another mission this year.

6. Tourism project. The northern and eastern regions of the CAR offer certain attractions to tourists, but their development is hampered by the remoteness and inaccessibility of the region. On behalf of the CAR, a German firm, Africa Bureau, carried out a feasibility study which was submitted to the World Bank. The Government has set up an integrated tourism program for the northern, southern, and eastern regions, which would consist of improvement of the facilities

and accommodations, and means of communication (hotel, roads, airports). The total cost of the program would be around \$2.0 million. The project does not look promising at this stage.

The data presented are insufficient to enable any proper assessment of the proposal to be made. Financial calculations are completely missing in the report and no data on the benefits of the project are given. The projections of traffic growth over an unspecified period are based on highly dubious assumptions, but even if they were to be achieved, the total number of visitors would still be so small (2,500) that the impact on the CAR economy would be minimal, and the possibility of providing facilities economically for so small a number is highly questionable. Moreover, with this small number of visitors, the chance of putting together a project for consideration by the Bank Group seems very small. We have informally communicated these views to the CAR but have not had a response yet.

7. Urban Development Project. The CAR has repeatedly requested Bank assistance for the urban development of Bangui, the last time at the 1971 Annual Meetings. The Government feels the need to improve the drainage, sewerage and street system of Bangui. They also feel that these improvements would help reclaim a swamp area of 500 ha near the city center, thus providing suitable land for the increasing urban population.

The State Secretary for Public Works, Mr. Dallot, had a talk with our Urban Projects Division last September. At that time the Bank suggested keeping sewerage, street improvement and land reclamation in a single "project package" and described to him the steps, including the preliminary engineering and economic feasibility studies, required for the preparation of a project suitable for consideration by the Bank Group.

In late 1971, the Western Africa Department received a letter from the Minister of Public Works in CAR requesting a project preparation mission from the Bank.

This request is being considered.

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WBG ARCHIVES

CONFIDENTIAL
August 20, 1971

COUNTRY PROGRAM NOTE

CENTRAL AFRICAN REPUBLIC

	<u>IDA Lending Program (\$ million)</u>	
	<u>FY 69-73</u>	<u>FY 73-77</u>
1971 Population: 1.6 mil.		
1970 per capita GNP: \$130 ^{1/}		
Current Pop'n. Growth Rate: 2.4% per annum	IDA <u>17.8</u>	<u>14.8</u> ^{3 m/yr}
Current exchange rate: CFAF 277.71 = US\$1.00	Operations Program	<u>19.8</u>
	<u>Annual Average per Cap. (\$)</u>	
	IDA 2.23	<u>1.85</u>

^{1/} Updated estimate conforms to Bank Atlas.

A. RECENT DEVELOPMENTS

1. The political situation in the CAR has been stable, although important cabinet reshuffles have taken place and President Bokassa appears to have lost confidence in some major ministers on whom he relied heavily in the past (Messrs. Patasse, Kombot-Nagemon and Ayandho). On the other hand, several younger ministers, with better training than their predecessors, are now part of the Government. One of these, Mr. Pehoua, is the new Minister of Planning and Governor for the Bank.

2. Since the last Program Review (May 1970), there has been little economic growth. In fact, production of diamonds, the major export, and cotton, the major agricultural export, have declined somewhat. As a result, net foreign assets have further declined from minus US\$9 million at the end of 1969 to US\$12 million in October 1970. Structural and technical difficulties have emerged as serious impediments to further growth in mining (see paras. 5 and 6). Furthermore, institutional changes in agricultural production and marketing recently introduced by the Government have created uncertainties about the future of agriculture (para. 19). In addition, there has been a further deterioration in the financial situation. Our last economic mission (May 1971) focussed on these problems.

CAR - ACTUAL BUDGET RECEIPTS AND EXPENDITURES 1966-1970
AND BUDGET ESTIMATES 1971

Central Government - Fiscal Year Basis^{1/}
(in billions of CFAF)

	1966	1967	1968	1969	1970	1971 Estimate
I. Current receipts	8.0	8.2	9.2	10.1	10.6	10.6
II. Current expenditures	7.3	8.7	9.9	10.7	11.2	12.0
of which: wages and salaries	3.6	4.2	4.2	4.8	5.7	6.0
III. Current surplus or deficit(-)	0.7	-0.5	-0.7	-0.6	-0.6	-1.4
IV. Capital expenditures (-)	-0.6	-0.5	-0.3	-0.3	-0.8 ^{2/}	-0.6
V. Apparent surplus or deficit(-)	0.1	-1.0	-1.0	-0.9	-1.4	-2.0
VI. Unpaid bills	-	-	-0.4	-0.5	-0.6	-
VII. Actual surplus or deficit	0.1	-1.0	-1.4	-1.4	-2.0	-2.0

^{1/} January to December plus "complementary period" - Jan-March next year until 1970.

^{2/} Budget estimate.

3. Current budget revenue in 1970 totalled about CFAF 10.6 billion, and registered current budget expenditures amounted to CFAF 11.2 billion. Between 1967 and the end of 1970 a cumulative current deficit of about CFAF 2.4 billion was registered and a further CFAF 1.4 billion current deficit is expected this year. This deficit is understated because as much as CFAF 1.5 billion of unpaid bills were accumulated in the hands of the private sector between 1968 and 1970 and the CAR Treasury delayed settlement with the French Treasury of transfers made to France through the Post Office. Capital expenditures increased the cumulative deficit further and we have doubts about the economic justification of some of these capital expenditures. The deterioration in public finance was mainly due to the rapid increase in expenditures for administration, education, and defense in spite of slower growth of the economy between 1966 and 1970.

4. Although there is growing awareness among ministers of the seriousness of this situation, the Government has so far not taken appropriate and sufficient remedial measures. Several of the measures to restrain current (mainly personnel) expenditures, which were introduced with the 1970 budget, were a step in the right direction, but their effect has been negligible, and current expenditures, including accumulated unpaid bills, continued to rise sharply in 1970. The austerity measures and the additional planned stricter enforcement of tax administration will not be sufficient either in 1971, mainly because cotton, coffee, and diamond

production are expected to remain below previously attained levels. In addition, considerable current and investment expenditures foreseen in 1971 for state farms, for the new marketing agency, ONCPA, and for the university, do not appear in the budget. The situation, therefore, requires rapid and drastic corrective action on the part of the President and Minister of Finance. This may include reducing and postponing expenditures, and if necessary, introducing new taxes.

5. Diamonds continue to play an important role in the economy (53 percent of exports outside the Equatorial Customs and Economic Union (UDEAC) in 1969 and 38 percent in 1970), although production of raw diamonds, which had already decreased by 10 percent in 1969, decreased by a further 10 percent in 1970. The reasons for the decline are the introduction of overly high diggers' license fees for the individual diggers (artisans) who produce more than 90 percent of the diamonds, the disorder in the diamond purchasing sector due to the abolition of the monopoly of a diamond purchasing consortium, increased activity of diamond purchasing offices in neighboring countries (Cameroon, Chad), and a continued standstill in the industrial diamond mines. Meanwhile, the Government has reduced license fees to quite a low level. Notwithstanding our success in helping to bring about an agreement in principle between the Government and Diamond Distributors Inc. (DDI) to reopen the three mines closed down after a dispute over mining rights taxation, DDI does not foresee any new production before March 1972 and even then only if in the meantime an acceptable new mining code can be developed.

6. In last year's CPP we also mentioned that a new company, Uranium de Bakouma (URBA) had started a large uranium project (CFAF 8 to 13 billion). To date CFAF 3 billion has been invested. However, the project has run into serious technical difficulties since the concentration process appears to be uneconomic. All investment has been halted, and it is unlikely that production of uranium will occur in the near future.

B. EXTERNAL ASSISTANCE

7. Public transfers, excluding an average of US\$ 5 million per annum in French technical assistance, decreased from an average of US\$ 9.3 million per annum in 1965-1968 to US\$ 7.5 million in 1969-1970. This was due mainly to reduced disbursements by FAC and other donors and only partially compensated by increased disbursements by FED in 1969 and by a first disbursement of US\$ 0.2 million from IDA in 1970.

8. The proposed lending program involves IDA commitments of US\$ 17.8 million for FY 1969-1973 and US\$ 14.8 million for FY 1973-1977. IDA commitments are therefore expected to average respectively US\$ 3.6 million and US\$ 3.0 million per year in the two periods and disbursements US\$ 1.5 million per year during the former period, and US\$ 4.1 million during the latter.

9. The CAR government has still not completed its development plan for the period 1971-1975. The document which is being prepared is not cast in terms of expected actual investments, but consists of a list of expected financing commitments. We do not know the exact composition of

this tentative program and therefore cannot evaluate its economic justification. After final scrutiny by the Government, the plan will likely call for commitments of CFAF 50-57 billion or US\$ 180-205 million during the 5-year period 1971-1975.

CAR - INVESTMENT PLANS 1967-1970 AND 1971-1975
(in billions of CFAF)

	1967-1970		1967-1969/1		1971-1975	
	Planned		Actual		Commitments	
	Total	Annual	Total	Annual	Total	Annual
<u>Total Investment</u>	<u>36.9</u>	<u>7.4</u>	<u>19.7</u>	<u>6.6</u>	<u>50.0</u>	<u>10.0</u>
External financing	19.3	3.9	11.0	3.7	n.a	n.a
Domestic financing	14.1	2.8	8.6	2.9	n.a	n.a
Undecided as of January 1, 1969	3.5	0.7	0.1	-	n.a	n.a
<u>Public Investment</u>	<u>28.3</u>	<u>5.7</u>	<u>11.8</u>	<u>3.9</u>	<u>41.0</u>	<u>8.2</u>
Foreign financing	n.a	n.a	n.a	n.a	33.0	6.6
Domestic financing	n.a	n.a	n.a	n.a	8.0	1.6
<u>Private Investment</u>	<u>8.6</u>	<u>1.7</u>	<u>7.9</u>	<u>2.6</u>	<u>9.0</u>	<u>1.8</u>

1/ 1970 investment figures are not yet available but expected to be below average.

10. The financial feasibility of such an investment program is dubious, even for the lower amount of CFAF 50 billion. While private sector investment might amount to roughly CFAF 9 billion, as foreseen by the Government, it is doubtful that sufficient resources can be mobilized for a CFAF 41 billion investment program in the public sector. Public savings might reach CFAF 8 billion of which CFAF 4 to 5 billion by the Government budget. This, however, would require considerable improvement in financial performance, since at present, the Government is running up current deficits. Foreign commitments of CFAF 33 billion are quite unlikely. FAC and FED commitments over the period might add up to CFAF 8 billion each, while the IDA program amounts to CFAF 4 billion. On the basis of past experience, other foreign aid donors might contribute a further CFAF 4 billion. This would still leave a foreign financing gap of about CFAF 9 billion, US\$ 32 million, or more than \$ 6 million a year. It is hard to see how the Government could obtain additional foreign aid commitments of US\$ 6 million a year. More likely, the Government will therefore have to limit the program to about CFAF 41 billion, of which CFAF 32 billion in the public sector. In addition, lack of finances is not the only limiting factor in public investment. Some improvements have occurred in the absorptive capacity of key ministries (see para. 11). If the Government furthermore, restores its link with French technical assistance for agriculture absorptive capacity might rise sufficiently to warrant a CFAF 41 billion commitment program, which could lead to about CFAF 30 to 35 billion of actual investment. This would still mean about CFAF 5 to 10 billion more investment than estimated investment during the 1967-70 period or an increase of 20 to 40 percent.

C. IDA LENDING PROGRAM

11. Our problems with the CAR in the past were due to the low level of education and training of the CAR administration, to the capriciousness of the CAR President, the inexperience or personality of the previous Governors of the Bank and to the fact that the authorities had become apprehensive about our inactivity in spite of several missions to their country. More recently, we have financed two projects and have thus established a better working relationship with several ministers, including the Ministers of Public Works, Education, and Planning. We may therefore be able to exert a beneficial influence on policies both through the preparation of projects in our lending program and by discussing the findings of economic missions with the Government.
12. During the negotiation of the highway maintenance program in May 1970, we drew the attention of the Government to unsettled investment disputes with mining, river transport, and power companies. As discussions between the parties are continuing, it is not now necessary to hold back lending on this account. We will, however, again draw the Government's attention to the need for continued progress this fall. Two companies involved are French and the French authorities take a similar position. With the American-owned mining companies, an agreement was reached in principle (see para. 5).
13. On the basis of our improved working relationship, we propose to pursue the dialogue on economic policies with the Government and to continue preparation of projects as outlined below. If, however, no understanding on the control of recurrent expenditures can be reached at the annual meeting or during the negotiation of the education project this fall, we would inform the Government that we might have to consider reducing the pace of our operations after FY 1972, pending evidence of improvement in economic policy making.
14. In a letter dated July 12, 1971, we drew the attention of the Minister of Finance to the fact that a continued budgetary deficit would endanger our operations in his country. In June 1970, after negotiating a transportation project, we had addressed a similar letter to President Bokassa. We also informed the Minister that the negotiation of an education project later this year should be accompanied by a thorough discussion of the budgetary performance at that time and of the outlook for 1972. We also indicated that the Bank would in principle be prepared to study the possibility of providing technical assistance in this field, in order to help specify the measures to be taken.
15. In accordance with the conclusions reached at the May 1970 review meeting, the proposed operations program of US\$19.8 million for the period 1973-1977 still includes only IDA projects, in view of the country's poverty and lack of creditworthiness and is some US\$4.0 million smaller than the one approved then. The lending program of US\$14.8 million is only US\$5.0 million less than the operations program. In terms of number of projects, this assumes

a slippage of only two out of six. This not too large slippage ratio in a difficult country is due to the fact that almost all the projects included in our program have been fully identified by us, and preparation of several is well advanced. If the structural and financial problems referred to above are not solved, we may have more slippage in the next two or three years, but the operations program under consideration contains no projects in 1975 and is not very large in 1976 and 1977. We will therefore be able to take care of any slippage that may occur in the years prior to 1975.

16. Even with improved performance in public finance, it can hardly be expected that significant budget savings can be developed. If we are to continue lending, IDA must be prepared to finance a large part of project costs, including, inevitably, a considerable proportion of local expenditures. In the past IDA financed up to 88 percent of total costs, net of taxes. For certain projects, such as educational and agricultural projects, this amount should be at least as high as 90 percent, provided there is a significant improvement in the country's efforts in mobilizing its own resources

D. ECONOMIC SECTORS AND SECTORAL DISTRIBUTION OF IDA OPERATIONS

17. The Bank Group should focus primarily on three sectors:

- (i) agriculture and livestock, which are the mainstay of the vast majority of the population and which offer the best possibilities for development;
- (ii) transport, which is an important factor in the structure of prices in this land-locked country; and
- (iii) education, which is vital to the necessary improvement of manpower resources.

Cotton Project (FY 1973, US\$5.8 million)

18. In March 1970, a PMWA preparation mission visited the CAR and recommended a cotton development project in the Ouham and Ouham Pende regions. A follow-up mission finalized the preparatory work in October 1970 and discussed with the Government the outlines of the project. The project would consist of:

- (a) technical assistance to provide the extension services and training of farmers;
- (b) construction of buildings and purchase of equipment for the marketing board;
- (c) the increase of the capacity of the existing ginning mills and storage facilities;
- (d) improvement of the feeder roads;
- (e) feasibility study of the intensification and diversification of food and cash crops.

The total project cost, excluding taxes but including US\$1.2 million in wages to local personnel, is now estimated at about \$7.0 million, of which IDA's participation is estimated at about \$5.8 million or about 83 percent. The project would be implemented in four years.

19. The cotton project continues to be of high priority in CAR, but in September 1970 the Government, reportedly dissatisfied with the attitudes of some French experts, asked France to recall all 103 technical assistants in agriculture, including those engaged in research and veterinary work. As a result, the management of this vital sector appears to have become ineffective, and considerable amounts of research output, for instance experimental cotton seeds, have been lost. In a letter dated May 4, 1971, we informed the Government that further steps for implementation of the Ouham and Ouham Pende cotton project depend on adequate extension and research services being available. Mr. Kossingou, State Secretary for Agriculture, assured our last economic mission that the Government intended to ask the French authorities to replace the technical assistants with new ones. The French authorities in Paris (FAC) did not seem to be overly anxious to do this quickly, nor was it clear that 100 new people would be easily available. The project may therefore slip into FY1974, but at this stage should be left in the FY1973 program, because it is too important for CAR's overall production performance.

Livestock (FY 1974, US\$2 million)

20. Last year we reported that we had made no progress in the preparation of the livestock project (US\$4 million in FY 1974) because of the lack of organization for project implementation in the livestock development services. Because of the above-mentioned withdrawal of French technical assistance, the situation has worsened, at least for one element of the project, namely the creation of a ranch in the west of the CAR. On the other hand, a FAC mission which visited the CAR in November 1969 has finished its report on the second element of the project, namely the cattle distribution corridor, which also appears in the Chad operations program (FY 1974). This corridor will allow Chadian cattle to move to CAR on the hoof without excessive weight loss and will thus allow the Bangui slaughterhouse not only to supply the Bangui market, but even to export to both Congo's. We have retained a US\$2 million livestock project in the operations program in FY 1974 for this purpose. FAC, however, is not expected to act on the cattle corridor report until new technical assistance has been secured and the livestock development unit reorganized. No definite date for further preparation by PMWA can therefore be given at present.

Education (FY 1972, US\$3.5 million - FY 1977, US\$3.0 million)

21. There have been no substantial changes in the educational sector. We hope to negotiate the first education project later this year. The project consists mainly of the improvement of existing secondary schools through the strengthening of the science curriculum and the equipment of science laboratories. The cost of the project may be slightly higher than foreseen last year. We have therefore increased the proposed IDA contribution from about US\$3.5 million, out of a total cost of about US\$3.8 million, excluding taxes. The second education project remains basically unidentified.

Transport (FY 1974, US\$4 million - FY 76, US\$3 million)

22. Our strategy is first to achieve in a modest way an improvement of some portions of major road links, which we started with Bangui-Mbaiki (Road I, FY69). The construction of this road is expected to be completed by July-August 1972, which is well before the March 31, 1973 closing date of the credit. We plan to continue this cautious improvement of the major road links with Bangui Bossembele (Road III, FY74) and Sibut-Bambari (Road IV, FY76). At the same time, we want to secure a general improvement of the existing road network. This we started by means of a highway maintenance project (Road II, FY70) and hope to pursue by improving some feeder roads through the cotton project (Agriculture I, FY73). The highway maintenance credit was signed on June 19, 1970, but became effective only on June 10, 1971 because of the slowness of administrative procedures in the CAR. Disbursements have consequently been delayed. However, the closing date of June 30, 1975 can still be met. There is no change in IDA allocation for the operations program in the transport sector compared with the last program review except for a reduction by US\$1 million of Road IV (Sibut-Bambari). The detailed engineering of this road, to be financed hopefully by UNDP, has already been postponed from FY70 to FY75, because we were unable to justify the project in 1970 on the basis of the UNDP-financed feasibility study.

23. Because of the importance of the river transport system in the CAR, a PMWA mission, which visited the CAR in October/November 1970, recommended a US\$2 million river transport project in FY73. This project would consist of:

- (a) the purchase of a petroleum barge assembly (Convoi Pétrolier), and
- (b) the construction of the river port of Loko Safa on the Sangha River.

This project would help ACCF, the Central African River Communications Agency, to meet the increasing river transport demand after 1972, and may allow us to help CAR eliminate the pending compensation issue, which involves the nationalization of the private-owned riverfleet of CGTAE, a French company (see para. 11 above). We have not included this project in the operations program but are holding it in reserve in case one of the road projects does not materialize.

24. The telecommunications project (US\$2 million) which appeared in our previous operations program was dropped because on July 6, 1971, we learned that the Government was negotiating a US\$6.5 million project with the U.S. Export-Import Bank. Our previous operations program also included a power project for the development of a second power site upstream of the existing Boali power plant to further exploit the power potential of the M'Bali river. The Yugoslav consultant firm which was doing the feasibility study has now completed it and estimated the total cost at \$11.0 million. On July 5, 1971, the Government signed a suppliers' credit of US\$8.0 million with the Yugoslav company to finance the foreign exchange component of the project cost. By letter dated August 5, the CAR Government informed us that a delegation would visit the Bank for general discussions on Bank Group current and future operations particularly on the Boali II Power Project. We have excluded the project from the operations program but may have to revise our position after the discussions with the delegation.

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E. CONCLUSIONS AND RECOMMENDATIONS

25. The CAR remains a difficult country to deal with, especially because of the capricious decision-making process centralized in the hands of the President, and the difficulties encountered by many CAR leaders in understanding Bank procedures. We have, however, made appreciable progress in our dealings with this country. For instance, we were influential in bringing about a settlement of the dispute with the diamond company. On the other hand, so far we have not been able to persuade the Government to exercise stricter financial discipline. We feel, however, that here as well, with continued efforts, we may succeed. We therefore suggest that the Bank continue lending and project preparation in 1972, provided progress is made in budgetary discussions at the annual meeting or during the project negotiations later this year. In view of the extremely difficult budgetary situation, IDA should continue to finance a large part of project cost.

Western Africa Department
August 20, 1971

CENTRAL AFRICAN REPUBLIC: CUMULATIVE ESTIMATED AND ACTUAL DISBURSEMENTS ON LOANS AND CREDITS

(\$ millions)

Project & No.	Amount: - Original - Cancelled - Net	Date: - Approved - Signed - Effective	Closing Date	Forecast Date	FY'70	FY'71				FY'72				FY'73	FY'74	FY'75
						1	2	3	4	1	2	3	4			
Highway Project IDA 146	4.2 - -	3/25/69 4/ 3/69 6/11/69	Orig: 3/31/73 Rev: - Act: -	N.A. 9/30/70 (first) -	- - .2	- .2 .2	- .6 .2	- 1.2 1.2	- 1.7 1.6	- 2.0 -	- 2.3 -	- 3.1 -	- 3.7 -	4.2 - -	- - -	- - -
Highway Maintenance Project IDA 199	4.3 - -	6/11/70 6/19/70 6/10/71	Orig: 6/30/75 Rev: - Act: -	N.A. 9/30/70 (first) -	- - -	- - -	- - -	- - -	- - -	- .5 -	- .7 -	- 1.2 -	- 1.9 -	3.8 3.5 -	4.2 4.2 -	4.3 4.3 -

Controller's
August 20, 1971

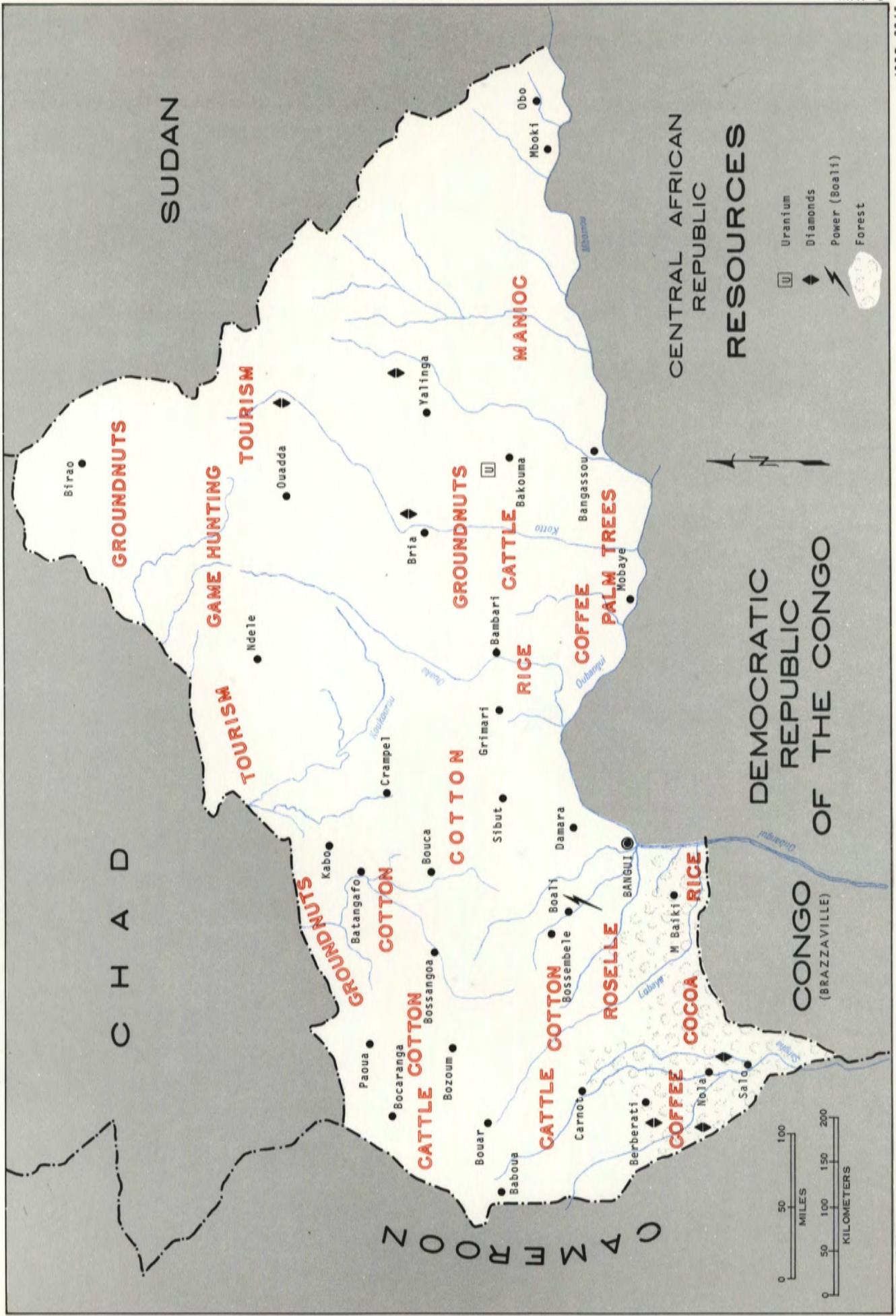
INDICATORS OF DEVELOPMENT

I. ECONOMIC & STRUCTURAL INDICATORS	Unit	1961-64	1964-67	1967-69	1971-75
1. Gross Domestic Product (in constant prices) ^{1/}	% change	3.3	0.4	n.a.	n.a.
2. Manufacturing Output	% change	17.2	14.7	n.a.	n.a.
3. Agricultural Output (including forestry)	% change	7.3	10.0	n.a.	n.a.
4. Imports of Goods	% change	34.0	48.1	-7.2	10.0
5. Exports of Goods	% change	110.7	0.4	22.7	22.0
6. Domestic Price Level (wholesale)	% change	17.9	12.7	3.2	n.a.
		<u>1961</u>	<u>1964</u>	<u>1967</u>	<u>1969</u>
7. Gross National Savings	% GDP	n.a.	n.a.	n.a.	n.a.
8. Resource Gap	% GDP	n.a.	n.a.	n.a.	n.a.
9. Net Factor Payments Abroad	% GDP	n.a.	n.a.	n.a.	n.a.
10. Gross Domestic Investment	% GDP	n.a.	n.a.	n.a.	n.a.
11. Debt Service	% exports	n.a.	n.a.	n.a.	5.1
12. Central Govt. Current Revenue	% GDP	11.4	16.1	17.6	n.a.
13. Central Govt. Curr. Surplus (Deficit -)	% GDP	0.6	-	-1.1	n.a.
14. Public Exp. on Social Services (Education plus Health)	% GDP	2.3	3.5	5.4	n.a.
15. Military Expenditure	% GDP	0.7	2.0	1.8	n.a.
16. Manufacturing Output	% GDP	8.5	8.3	10.7	n.a.
17. Energy Production	kwh/cap	8.0	15.0	19.0	27.0
18. Fertilizer Consumption	'000 tons	n.a.	n.a.	n.a.	n.a.
II. SOCIAL INDICATORS					
19. Population Growth Rate 1970	%		2.4		
20. Urban Population Growth Rate 1960-1970	%		8.1		
21. Birth Rate 1960	Per 1,000 pop'n		48.0		
22. Family Planning	Acceptors '000s.		none officially		
23. Income of: Highest quintile	% total income		n.a.		
24. : Lowest quintile	% total income		n.a.		
25. School enrollment: Primary & Secondary ^{2/}	% school-age pop'n		30.0		
26. Literacy rate ^{3/}	% adult population		15.0-20.0		
27. Unemployment rate	% labor force		n.a.		
28. Population per hospital bed	Number		610.0		

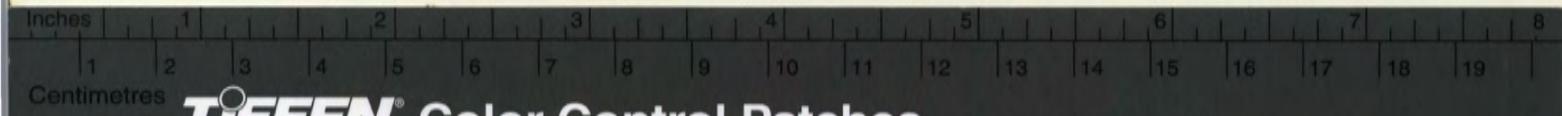
^{1/} GDP at current prices deflated by wholesale price index.

^{2/} Education and health.

^{3/} Latest available as per USAID, Economic Data Book.



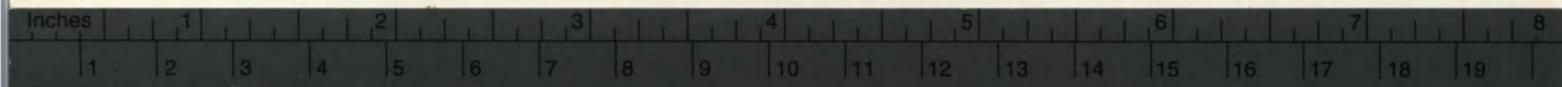
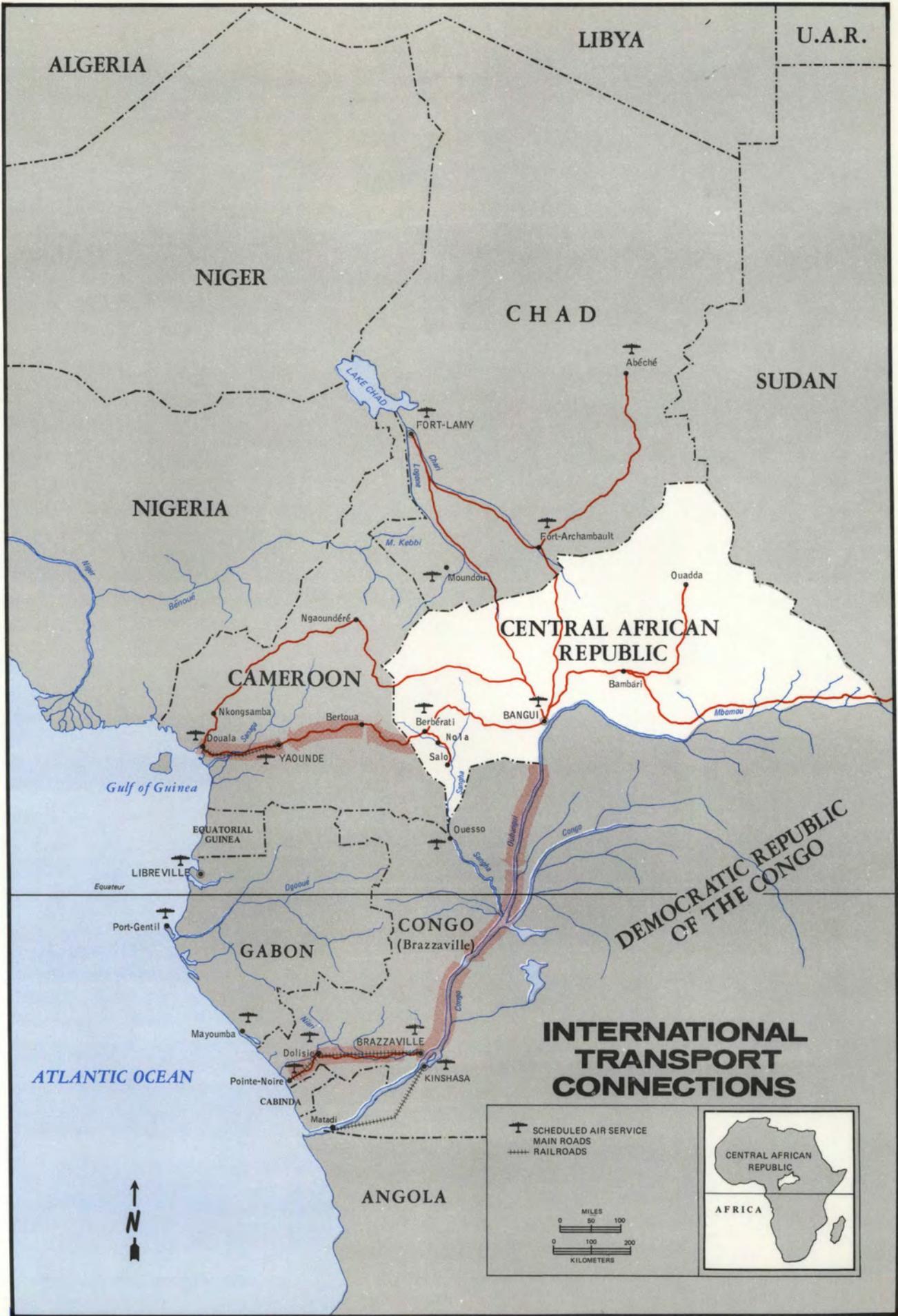
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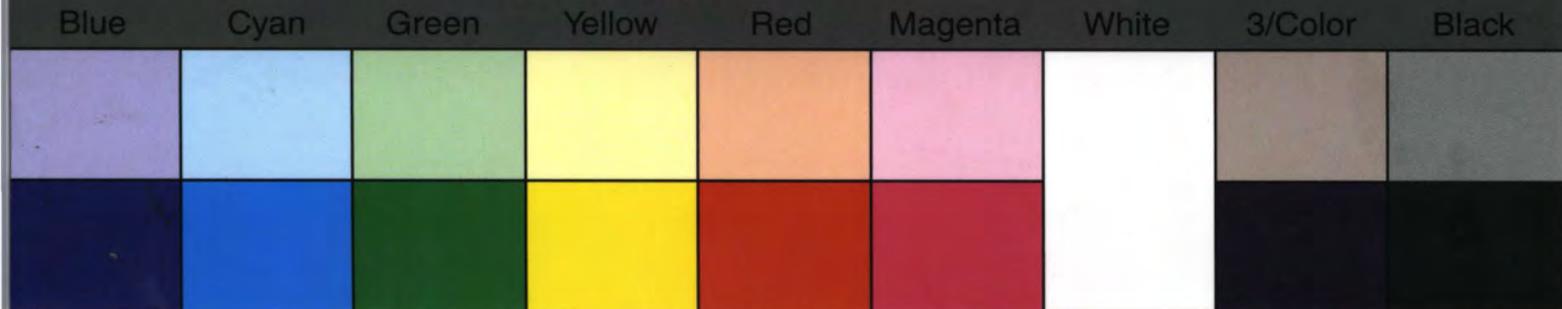
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COUNTRY PROGRAM NOTE

CENTRAL AFRICAN REPUBLIC

1. The Country Program Note for the Central African Republic was reviewed at a meeting chaired by Mr. Knapp on September 8, 1971. The following decision was taken on the proposed lending program:
 - (a) In view of the poor budgetary performance of the country and the relatively high level of IDA resources allocation, it was decided for planning purposes, to reduce the IDA contribution to the Cotton Development Project to \$4.0 million. It was also decided to seek participation of other lenders in the project.
 - (b) During the negotiations of the \$3.5 million credit for the Education Project, we will discuss the program of reforms to improve the budgetary situation; if no decisive commitment on the budgetary control can be reached we would have to scale down our operations after FY 1972.
2. A revised lending program is attached.

Western Africa Department
September 8, 1971

CAR - PAST LENDING OPERATIONS AND PROPOSED LENDING PROGRAM THROUGH FY1977

Population: 1.6 m
Per Cap. inc.: \$127

		(\$ million)										
		Through										
		1969	1970	1971	1972	1973	1974	1975	1976	1977	1969-73	1973-77
Agriculture I Cotton	IDA					4.0						
Agriculture III Livestock	IDA						2.0					
Agriculture III Unid.	IDA									2.0		
Education I	IDA				3.5							
Education II	IDA									3.0		
Road I Bangui M'Baiki	IDA	4.2										
Road II Highway Maint.	IDA		4.3									
Road III Bangui Bossem- bele	IDA						4.0					
Road IV Sibut Bambari	IDA								3.0			
Operations Program	IDA				3.5	4.0	6.0	-	3.0	5.0	16.0	18.0
	No				1	1	2	-	1	2	4	6
Lending Program	IDA	4.2	4.3	-	3.5	4.0	4.0	2.0	-	3.0	16.0	13.0
	No	1	1	-	1	1	1	1	-	1	4	4
FED		40.7	0.5	6.0	6.0	6.0	6.0	6.0	n.a.	n.a.		
FAC		40.6	1.5	8.1	6.0	6.0	6.0	6.0	n.a.	n.a.		
IDA Gross Disbursements		-	-	1.6	2.6	3.5	1.9	3.8	5.3	4.5		
Net "		-	-	1.6	2.6	3.5	1.9	3.8	5.3	4.5		
Net Transfers		-	-	1.6	2.5	3.4	1.8	3.7	5.2	4.3		

TRANSLATION

RAssa:jfe
February 23, 1972

Re: Sending of a mission to the CAR

The President of the Republic

Bangui, December 22, 1971

685/CS/PR

Dear Mr. Managing Director,

Following the mission of Mr. Rainer B. Steckhan to the Central African Republic and the discussions I had with him in the presence of my Minister of Planning, International Cooperation and Statistics, I would like to request you to consider sending to the Central African Republic a mission which would be entrusted with the preparation, in liaison with my government and myself, of an economic and financial rehabilitation program whose purpose would only be to complement the austerity measures which I had to take on my own initiative several months ago.

Sincerely yours,

S/ General of the Army
Jean-Bedel Bokassa
President of the Central African Republic

The Managing Director
of the International Monetary Fund
Washington

TRANSLATION

His Excellency
General Jean-Bedel Bokassa
President of the Central African Republic
Bangui
Central African Republic

December 15, 1971

Mr. President:

In my letter of October 13, 1971, I informed you of the arrival of a Bank mission with the purpose of continuing with your colleagues the dialogue on the development of the economic and financial situation which was started with the delegation which represented the Central African Republic at the Annual Meeting of the World Bank and of the International Monetary Fund.

In your letter of September 17, 1971, you had advised me that your Government paid particular attention to the budgetary situation and that measures to improve this situation were being taken. Our mission which visited Bangui from October 19 to October 30, 1971, found that the efforts to improve the financial situation have resulted in increased tax revenue and consequently budgetary income. However, expenditures continue to show their unfavorable upwards trends, and as a result, the deficit of the public finances continues to grow. A continued deficit will endanger the implementation of your development program to which we had hoped to give our support.

Even if, in view of the financial difficulties of your Government, we were ready to finance a greater share of the cost of your investment program, the implementation of the program would create additional recurrent expenditures which would have to be financed out of the Government budget. For instance, we have just finished negotiations on an education project, the implementation of which would require from the Government a financial contribution without which the success of the project would be seriously endangered.

We know that your Government is aware of this problem, a solution to which might hopefully be found within the framework of a financial recovery program to be brought about with the assistance of the International Monetary Fund. It seems to us that the time has come when the development of the Central African economy requires a resolute effort by your Government to reduce its consumption expenditures and to reorient its financial operations in the direction of high-priority development requirements. For this reason

I propose that you submit a request for assistance to the International Monetary Fund and I will undertake to second your request and to ensure that it will be followed up quickly. I would hope that an effective program of financial rehabilitation could be formulated soon and its implementation started without any delay. This would give us a basis to present to our Executive Directors further credits for the Central African Republic, with the assurance that they would effectively contribute to the development of the country.

Mr. Steckhan, Division Chief, responsible for our operations in the Central African Republic, will visit Bangui on December 20, 1971. May I express the hope that it will be possible for you to see him and to give him an opportunity to elaborate on the questions which I have taken the liberty to raise in this letter.

Sincerely,

Robert S. McNamara

TRANSLATION

October 13, 1971

His Excellency
General de Division Jean Bedel Bokassa
President of the Central African Republic
President of the Government
Bangui, Central African Republic

Dear Mr. President,

I thank you for your letter No. 474/CS/PR dated September 17, 1971, which His Excellency Mr. François Pehoua, Minister of Planning, International Cooperation and Statistics transmitted to me during our conversation on October 1, 1971.

I have duly noted the list of projects which you have drawn to my attention in view of their significance for the economic and social development of the Central African Republic. I am pleased to note that most of these projects are already being considered by the Association and I wish to assure you that the appropriate departments of our institution will study them with the careful attention they deserve. The choice you have made is a clear indication of the development strategy you intend to follow for your country. As you know, the Bank Group has already been active in the CAR in the field of transportation through the provision of two credits for the construction of the Bangui-M'Baiki highway and road maintenance.

A credit for the financing of an education project has recently been negotiated and I hope that it will be soon possible to submit it to our Board of Executive Directors.

In this connection, I have noted with special interest your comments on the budgetary situation which, as you know, is a source of concern to us inasmuch as the implementation of the development program which you have defined and to which we wish to give our support could certainly not be carried out without an urgent financial rehabilitation effort. I know that my associates have had very useful discussions with your delegation. Mr. Chauffournier will shortly get in touch with your Minister of Finance to arrange for the visit of one of our missions to Bangui during the month of October. This mission should obtain such additional information on the budgetary situation and prospects as is necessary to submit the credit for the financing of the education project to our Board. This credit is the continuation of an association which has already resulted in the granting of two important credits. The progress of the operations under study and the dialogue undertaken with your associates with respect to your development plan and financial rehabilitation program lead me to hope that our activities in the Central African Republic will continue to expand. Rest assured, Mr. President, that we shall make every effort to achieve this goal.

Sincerely,

Robert S. McNamara

TRANSLATION

No. 474/CS/PR

No. 95
Pages 3
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From
Dept.
CENTRAL AFRICAN REPUBLIC

Subject
Bangui, September 17, 1971

Dear Mr. President,

As my Government has just prepared a list of projects which it intends to undertake under the new Five-year Plan 1971-1975, I have decided to send to the World Bank a government mission to resume the dialogue on the projects already submitted to your organization and to negotiate the financing of new projects.

You will no doubt realize that the efforts required to ensure a fuller implementation of our Plan reflect our concern for maintaining a relationship and a cooperation which I have always highly appreciated.

I particularly recommend to you for favorable consideration some projects whose financing appears vital for the Central African economy, namely:

- a) General surveys: e.g. Construction and Public Works laboratories
- b) Production:
 - 1) agriculture (Cotton)
 - 2) livestock (cattle trails and meat distribution)
 - 3) power (Boali II hydro-electric plant)
- c) Transport infrastructure (for which partial financing has already been obtained)
 - 1) Sibut/Bambari highway
 - 2) Traffic counts
- d) Allocation of funds to the BND to enable it to increase its operations in the fields of industrial, commercial and agricultural development.
- e) Social investment (Education)
- f) Tourism

You will certainly appreciate the urgency and the social and economic impacts of these projects.

I would like to expressly confirm the wishes of the Central African Government to obtain the Bank's assistance in the immediate future for the following projects: Education, Power-Boali II, Development of cotton in the Ouham and Ouham-Pendé regions, cattle trails and meat distribution, improvement of the Sibit-Bambari highway and the allocation of funds to the Banque Nationale de Développement.

An especially favorable consideration should be given, in my opinion, to the request for financing the Boali II scheme, in order to cope with the increasingly critical situation with regard to electric power in the Central African Republic.

As far as the budgetary situation is concerned, it is receiving special attention from the Government since the visit of the IIF mission and the economic mission of the World Bank who made very relevant recommendations some of which are being implemented through institutional enactments with respect to financial legislation.

Rest assured, Mr. President, that my Government, for its part, is multiplying its efforts so that the assistance which you may provide to the Central African Republic will find a responsive framework which will lead to the most efficient results.

I have given proper instructions to the government mission which will visit your institution to provide all the necessary clarifications and satisfactory assurances on this particular point.

I am convinced that through your personal intervention, our frank and thorough discussions and negotiations will be more productive in a spirit of close and continuous cooperation with the International Bank for Reconstruction and Development.

It is with this hope and while waiting to have the pleasure of welcoming you in the Central African Republic, that I remain,

Yours sincerely,

S/ Major General Jean-Bedel BOUSSA
President of the Central African Republic
President of the Government

SEP 30 REC'D

République Centrafricaine
Unité - Dignité - Travail

OCT 4 1971
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Le Président

BANGUI, le 17 Septembre 1971

General neg
3 file

N° 474/CS/PR

Monsieur le Président,

Mon Gouvernement venant de fixer la liste des réalisations qu'il entend entreprendre dans le cadre de son nouveau Plan Quinquennal 1971-1975, j'ai décidé d'envoyer auprès de la Banque Mondiale une mission gouvernementale pour reprendre le dialogue sur les projets déjà déposés auprès de cet organisme et négocier le financement des nouveaux projets.

Il vous apparaitra certainement que les efforts demandés pour assurer une mise en oeuvre plus complète de notre Plan traduisent le souci de la République Centrafricaine de maintenir des relations et une coopération que j'ai toujours su apprécier à leur juste valeur.

Je recommande particulièrement à votre attention en vue d'une décision favorable des projets dont le financement apparait capital pour l'Economie Centrafricaine, à savoir :

En Excellence Monsieur Robert MAC NAMARA
président de la Banque Internationale pour la
reconstruction et le Développement
21. A. Street
WASHINGTON - DC U.S.A.

... / ...

- a) *Etudes générales : ex. : Laboratoires des bâtiments des Travaux Publics*
- b) *Production :*
 - 1) *Agriculture = Coton*
 - 2) *Elevage = Pistes à bétail et distribution de viande*
 - 3) *Energie = Centrale hydroélectrique de BOALI II*
- c) *Infrastructure de communication (dont financement partiel déjà acquis)*
 - 1) *Route Sibut/Bambari*
 - 2) *Comptages routiers*
- d) *Dotation de la B.N.D. en fonds permettant une plus grande intervention dans les secteurs de développement industriel, commercial et agricole.*
- e) *Equipements sociaux : Education*
- f) *Tourisme*

L'urgence et l'impact socio-économique de tous ces projets ne sauraient vous échapper.

Je vous confirme expressément le désir du Gouvernement Centrafricain de voir la Banque intervenir dans l'immédiat pour les projets Education, Energie-BOALI II, Développement de l'Ouham, Ouham-Pendé, pistes à bétail et distribution de viande, aménagement de la route SIBUT-BAMBARI et dotation à la Banque Nationale de Développement.

Un examen spécialement bienveillant devrait, à mon sens, être réservé à la demande de financement de l'Energie-BOALI II dans le but de répondre à une situation de plus en plus critique en matière d'énergie électrique en République Centrafricaine.

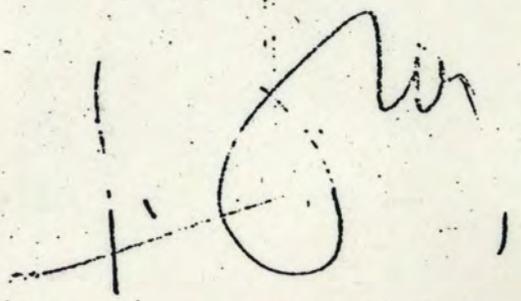
Quant à la situation budgétaire de mon Pays elle fait l'objet d'une attention particulière du Gouvernement depuis le passage des Missions du Fonds Monétaire International et d'Evaluation Economique de la Banque Mondiale qui ont fait des recommandations très pertinentes dont certaines sont traduites dans les faits par la prise des textes institutionnels dans le domaine de la législation financière.

Soyez donc assuré que mon Gouvernement, de son côté, multiplie ses propres efforts pour que l'aide que vous pourrez apporter trouve en République Centrafricaine des structures d'accueil qui la rendent pleinement efficace.

J'ai donné à la mission gouvernementale que vous voudrez bien accueillir les instructions voulues pour que toutes précisions et apaisements utiles soient apportés sur ce point particulier.

Je demeure persuadé que grâce à votre intervention personnelle, les contacts sincères et approfondis et les négociations seront plus fructueux dans le cadre d'une collaboration confiante et suivie avec la Banque Internationale pour la Reconstruction et le Développement.

Dans cet espoir, et en attendant d'avoir le plaisir de vous recevoir en République Centrafricaine, je vous prie de croire, Monsieur le Président, à l'expression de ma haute considération.



Général de Division Jean-Bedel BOKASSA
Président de la République Centrafricaine
Président du Gouvernement

INTERNATIONAL MONETARY FUND

CENTRAL AFRICAN REPUBLIC

Briefing Paper - Staff Mission

DECLASSIFIED

APR 05 2013

WBG ARCHIVES

Prepared by the African Department and the Exchange
and Trade Relations Department

(In consultation with the Fiscal Affairs Department, the Legal
Department, and the Treasurer's Department)

Approved by Mamoudou Touré and Timothy Sweeney

February 4, 1972

In a letter dated December 22, 1971, President Bokassa of the Central African Republic (C.A.R.) has requested assistance from the Fund in drawing up an economic and financial rehabilitation program. The request makes no mention of possible financial assistance. A mission consisting of Messrs. D. Boushehri (head), J.F. Garnier, E.A. Devletoglou, and M. Hardon will visit Bangui for a period of approximately three weeks beginning February 17, 1972. Mr. T. Nkodo of the IBRD staff will accompany the mission as an observer. The mission will stop over in Paris to hold discussions with the BCEAEC and French officials.

I. Relations with the Fund

The Central African Republic became a member of the Fund on July 10, 1963 with a quota of SDR 7.5 million. Its quota was increased by installments to SDR 10 million under the Fourth Quinquennial Review of Quotas. Effective December 30, 1970 the quota was increased further to SDR 13 million in accordance with the Fifth General Review. No par value for the currency of the C.A.R., the CFA franc, has yet been established with the Fund. The official exchange rate of CFAF 246.856 = US\$1.00 was changed to _____

CFAF 277.710 = US\$1.00 on August 11, 1969 following the devaluation of the French franc. On January 12, 1972 the C.A.R. informed the Fund that it maintains the gold value of its official exchange rate unchanged from that established on August 11, 1969. On February 10, 1971 the C.A.R. made a purchase equivalent to SDR 1.33 million, equivalent to its gold tranche. On December 30, 1971 the C.A.R. effected a repurchase in SDRs in discharge of the first installment in respect of the amount equivalent to \$701,942.31 which the C.A.R. paid in currency in excess of 75 per cent of the increase in quota on December 30, 1970 from SDR 10 million to SDR 13 million. The Fund's present holdings of C.A.R. currency are equal to 98.9 per cent of quota.

The C.A.R. is a participant in the Special Drawing Account and has received allocations totaling SDR 4.4 million. As of January 20, 1972 the C.A.R. holdings amounted to SDR 1.38 million, or 31.6 per cent of its net cumulative allocation. The counterpart of SDRs is kept in a blocked account with the Central Bank.

The last Article XIV consultation discussions with the C.A.R. were held in Bangui March 1-13, 1971, and the staff report (SM/71/134) was discussed by the Executive Board on August 9, 1971.

II. Recent Economic Developments

Over the past few years the C.A.R.'s marketed production appears to have been rising at an average rate of between 4 per cent and 5 per cent a year. This growth has been broadbased, and new sectors, such as diamond mining and manufacturing industry, have been developed as agriculture has expanded. The increase in output has been especially large for cotton, manufactured

textile goods, and, until recently, diamonds. The development of forestry has progressed and there is considerable potential for further expansion. As a result, there has been a widespread growth in income, especially for the rural population. Public investment has been undertaken, mainly with the financial assistance of France and the EEC, to improve the economic and social infrastructure and to increase efficiency in agriculture. Foreign private investment has also contributed to the development of manufacturing industries.

As a result of disagreement with the C.A.R. Government regarding the reorganization of the agricultural sector, French technical experts in agriculture and veterinary services were withdrawn at the request of the C.A.R. in 1970. The EEC subsequently withdrew its technical assistance to agriculture as they considered that their continued operation was rendered difficult owing to the absence of the basic services that had been provided by the French experts. The EEC action has weakened the administrative apparatus for distributing fertilizers and insecticides in connection with the cotton and coffee productivity program. In view of the above, agricultural performance, which had deteriorated in 1970 due to adverse weather conditions, can be expected to have regressed further in 1971 when the impact of the departure of the experts can be expected to be felt.

Since 1968 there has been a marked deterioration in the C.A.R.'s financial position. Ordinary budgetary receipts in 1970 amounted to CFAF 10.6 billion and expenditures stood at CFAF 11.2 billion. Budgetary revenues have been rising but the increase has not been proportionate to the growth in the value of production. Receipts from taxes on foreign

trade have not increased appreciably, reflecting mainly the virtual stagnation of imports and extensive smuggling, especially of diamonds. The increase in receipts from income and other taxes has been retarded by the application of the Investment Code to new investments. On the other hand, budgetary expenditures, despite some attempts at containment, have been rising at a considerably faster rate than budgetary revenues. Although the increasing outlays were due in part to budgeted expenditures related to the expansion of government services and the consequent increase in expenditure on wages and salaries, a large part stemmed from outlays authorized by the President which were not included in the original budgets. Despite an official decree promulgated in 1970 whereby recruitment of new personnel was frozen, their number appears to have continued to increase.

In financing the Government's deficits since 1967, the Treasury has virtually exhausted its liquid resources by borrowing from the Central Bank up to the statutory limit, by utilizing deposits of public institutions, and by accumulating very substantial arrears of payments toward the private sector and the French Postal System. The short-term indebtedness of the Government toward the end of 1971 has been about CFAF 5-6 billion. The Treasury is now hardly able to meet its current commitments. As a result, at the end of September 1971 the Government halted all new nonpersonnel current expenditures. A Caisse Autonome d'Amortissement (CAA) was expected to take over the payment of government debt beginning on January 1, 1972; it is to be financed by earmarked tax receipts. Neither of these measures can be considered as improved financial management since the former can only be short-lived and the latter can only be effective if expenditure reductions are large enough to generate a budgetary surplus.

The most important features of monetary developments in the C.A.R. in recent years have been a rapid expansion in credit, virtual stagnation in private sector deposits, and a sharp deterioration in the net foreign assets position of the banking system. During the four years 1967-70 total domestic credit increased each year by approximately 27 per cent. Although credit to Government was rising steadily because of the deterioration in the budgetary situation, more than two thirds of the credit expansion which took place during 1967-70 was in credit to the private sector. Increased production, higher export prices, delays in transportation, transfer of funds abroad as the financial situation deteriorated, and substantial government payment arrears all contributed to the demand for credit by the private sector. Money supply rose by 39 per cent, or an average increase of 9.7 per cent a year, reflecting largely an expansion in currency outside banks.

In recent years the C.A.R.'s balance of payments has been characterized by a substantial deficit on goods and services which has been largely offset by a net inflow of official grants and capital. Judging by the change in the net foreign assets of the Central Bank, the balance of payments moved from an approximate balance in 1968 to deficits of CFAF 1.68 million in 1969 and CFAF 0.77 billion in 1970 (including the SDR allocation equivalent to CFAF 0.44 billion). The deterioration in 1969 stemmed largely from a reversal in the private capital account, from a net inflow of CFAF 1.46 billion in 1968 to a net outflow of CFAF 2 billion in 1969. Although detailed information is not available for 1970, private capital transactions appear to have resulted again in a net inflow, and the overall deficit probably reflected a deterioration in the trade and services accounts.

Over the four years 1967-70 the net foreign assets of the Central Bank decreased by CFAF 2.94 billion to a negative position of CFAF 1.36 billion at the end of 1970, or the equivalent of one and one-half months' 1969 export receipts. Due to seasonal factors the balance of payments position is stronger in the first half of the year. Inclusive of SDR allocations it showed a surplus of CFAF 0.52 billion during the first seven months of 1971 as against a surplus of CFAF 0.31 billion in the comparable 1970 period.

The C.A.R.'s exchange system contains both an exchange restriction through limitations on travel allowances and a multiple currency practice through a tax of 2.5 per cent on certain private sector payments. The Executive Board approval of these practices (Decision No. 3248-(71/1)) expired on December 31, 1971.

III. Topics for Discussion

The mission will assist the C.A.R. authorities in the formulation of an economic and financial rehabilitation program which will bring about a basic improvement in the budgetary and balance of payments situation. A gradual solution to the problem of the short-term government debt is also envisaged. The program will be such as not to impair economic growth.

Since the root cause of the present precarious financial position is the public finance performance, the mission will concentrate its effort in the fiscal field. It will ascertain the present situation by a close scrutiny of government accounts in order to determine the magnitude of the outstanding accumulated short-term obligations. A key element of the financial program will involve a careful examination of the 1972 budget and the existing control mechanism both with regard to revenue collection and

expenditure authorization. Although the possibility of increasing tax receipts by raising existing levies or introducing new ones seems limited since the tax burden is already high (about 22 per cent of GDP), the mission will explore the possibility of increasing revenues. The main thrust of the program will be toward establishing expenditure priorities involving the elimination of low-priority outlays and the curtailment if necessary of some that might be considered necessary but that could be phased over a longer period. The mission will refrain, to the extent possible, from making recommendations that would temporarily postpone outlays which are eventually unavoidable, such as those for maintenance and materials, so as to preclude a bulge in subsequent years. To facilitate adherence to the financial program, the mission will prepare monthly receipt and expenditure forecasts.

If all these measures do not result in a cutback in outlays adequate to generate a reasonable budget surplus, consideration will be given to an obligatory subscription by government employees to Treasury bonds during the next three years. The subscription would be a percentage of their salaries; the lower salary scales could be exempt.

Since the short-term debt of the Government is estimated to be equivalent to at least six months' budgetary receipts, its reduction in the short run can be undertaken only to a small extent by the generation of public savings if economic growth is to continue. Therefore, some form of consolidation is called for. In order to consolidate the indebtedness toward the French Postal Checking System, some assistance from France may be required. The indebtedness toward the Central Bank, despite the constraint of the statutory time limit, will probably have to be rolled over. The mission

will discuss these possibilities with French officials and the Central Bank in Paris on its way to Bangui. The indebtedness toward the private sector may have to be settled in part by the issuance of Treasury bonds to be redeemed over a period of years.

In order to generate a balance of payments surplus, the program will involve a more restrictive monetary policy which will be compatible with reduced credit requirements of the private sector once the fiscal elements of the program are implemented. The degree of curtailment will depend on the time span that is considered reasonable for eliminating the negative net foreign exchange position.

Although the request for assistance in the formulation of an economic and financial rehabilitation program does not mention use of Fund resources, this possibility cannot be precluded. If such a request is made, the mission will note the request and refer it to Management upon its return to headquarters. In any event the financial program that the mission will submit to the authorities will conform with the necessary criteria for the use of Fund resources within the first credit tranche.



CENTRAL AFRICAN REPUBLIC

BACKGROUND NOTES

Population: 2.3 million (1968 census)

Capital: Bangui

The Central African Republic (C.A.R.) is a landlocked country more than 300 miles from the sea and located at almost the precise center of the African Continent. It is bounded by Chad on the north, Sudan on the east, Congo (Brazzaville) on the south, and Cameroon on the west. The C.A.R. has an area of 241,000 square miles, slightly smaller than Texas.

The country is a vast, well-watered plateau, the northerly portion of which drains into the Shari basin and eventually into Lake Chad and the southerly into the Oubangui River, a confluent of the Congo River. Navigation is, however, generally seasonal and difficult.

With an average altitude of approximately 2,000 feet above sea level, the C.A.R. does not have the oppressive tropical climate associated with many coastal areas of Africa. Average monthly temperatures at Bangui, the capital city, range between 70° F. and 90° F. A rainy season from May through October brings the bulk of the country's precipitation, but some heavy rains occur intermittently during the rest of the year. Vegetation varies from the tropical rain forest in the extreme southwest to the semidesert in the northeast. The great bulk of the land is open savanna.

The C.A.R.'s flag consists of four horizontal bands (from top to bottom: blue, white, green, and yellow), bisected by a vertical red bar. A yellow star appears on the blue band at the upper left.

THE PEOPLE

The total population, according to the 1968 census, was 2,255,000, although some observers estimated it at about 1.6 million. There are some 6,500 Europeans and 200 Americans (mostly missionaries; a few businessmen) in the country. The annual population growth rate is approximately 2.4 percent. The population density is about 9 persons per square mile, with the average much lower in the east and northeast sectors. With the exception of a few regions along the rivers and on the Chad frontier, there are no densely populated areas. The principal urban centers are the capital, Bangui, with a population (according to the 1968 census) of 301,000; Berbérati, 93,000; Bambari, 35,000; Bouar, 48,000; Bangassou, 46,000; and Mbaiki, 17,000. More than 80 percent of the people live in rural areas.

Although there are about 80 different ethnic groups in the Central African Republic, two of them—the Baya-Mandjia and the Banda—together comprise more than two-thirds of the total population. A third tribe, the M'Baka—about 7 percent of the population—has supplied all three Central African Presidents.

Each ethnic division has a language of its own, but Sangho, the language of a small riverine group along the Oubangui River, is the *lingua franca* spoken in all parts of the country. However, the country's official language is French. In 1966, 68 percent of the Central Africans claimed adherence to Christianity (40 percent Protestant; 28 percent Catholic). Of the remainder, 5 percent were Moslem and 27 percent animist. The literacy rate has been estimated by the Government at 18.1 percent.

HISTORY

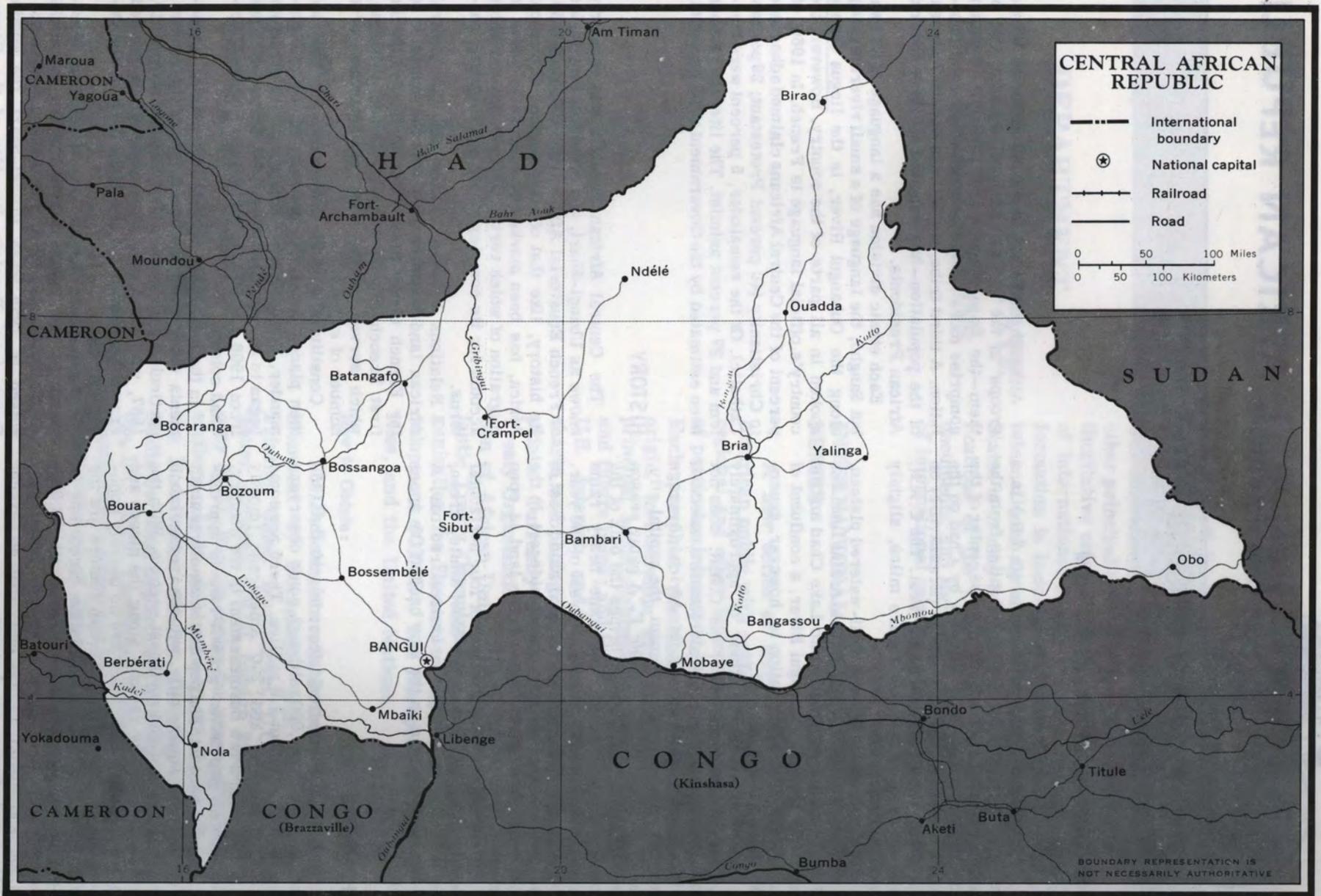
The Central African Republic was formerly known as Ubangi-Shari, one of the four territories of French Equatorial Africa from 1910 until 1958. Its history, like that of other regions of tropical Africa, has been marked by successive waves of migration of which very little is known and which account for its complex ethnic and linguistic patterns.

Relations between France and this central African land began in 1887 with the extension of the French Congo toward the north. In 1889 the first French outpost was established at Bangui, which served as the point of departure for a number of expeditions.

Constituted as a French territory in 1894 and then placed under the authority of a High Commander, Ubangi-Shari's administrative structure began to be organized about 1900. United with Chad from 1906 to 1909, it formed the Ubangi-Shari-Chad colony.

In the meantime, several international agreements determined the boundaries of the country, particularly the convention concluded on April 19, 1887, with the Congo Free State which granted France possession of the right bank of the Oubangui River.

Ubangi-Shari became one of the four territories of the Federation of French Equatorial Africa in January 1910. This federation was dissolved in 1958 when Ubangi-Shari, the Middle Congo (now People's Republic of the Congo,



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Brazzaville), Chad, and Gabon became fully autonomous members of the French Community.

The independence of the Central African Republic, as well as that of the other former French Overseas Territories in West and Equatorial Africa, climaxed a series of measures on the part of France looking toward increased autonomy for its Overseas Territories. These reforms were inaugurated by the French Constitution of 1946, which conferred French citizenship on inhabitants of black African dependencies and other overseas areas, decentralized certain powers, and initiated participation by local advisory assemblies in the political life of the Overseas Territories.

Further liberalizing reforms were introduced with the enactment of the Overseas Reform Act, known as the Loi Cadre, on June 23, 1956. These reforms, in addition to removing remaining voting inequalities, provided for the creation of governmental organs assuring a measure of self-government to individual territories. The establishment of the French Community, following the constitutional referendum in September 1958, further extended the internal powers of the former Overseas Territories. The Central African Republic became an autonomous Republic within the Community on December 1, 1958, and continues to celebrate this date as its National Day.

Barthelemy Boganda, revered as the founder of the C.A.R. and of its mass political party, Mouvement d'Evolution Sociale en Afrique Noire (MESAN), was invested as President by the first Constituent Assembly. President Boganda died in an airplane crash in March 1959 and was succeeded as head of the Government and MESAN by his cousin, David Dacko. The C.A.R. became independent on August 13, 1960. In November the National Assembly approved the constitution and elected Dacko President.

The Dacko administration operated with separate executive, legislative, and judicial branches. In December the constitution was amended to institutionalize MESAN as the single national movement through which the people exercised their sovereignty. In January 1964 President Dacko was elected to a 7-year term by direct universal suffrage.

Following a swift and almost bloodless coup d'etat on January 1, 1966, Col. Jean-Bedel Bokassa, Chief of Staff of the Armed Forces, assumed power as President. He announced that he had acted to eliminate the waste and corruption of certain officials in the Dacko government, to halt the country's drift into increasing economic stagnation, and to remove the influence of the Chinese Communists, who he charged were threatening the independence and freedom of the C.A.R.

GOVERNMENT & POLITICAL CONDITIONS

Upon assuming power in January 1966 President Bokassa abolished the constitution, dissolved the National Assembly, and issued a constitutional decree which placed all legislative and executive powers in the hands of the President. He stated

that all previous laws and regulations remained in effect unless specifically abrogated by the Government and maintained the official status of the national political movement as MESAN.

President Bokassa (Chief of State and Head of Government) continues to rule by decree and is assisted by the Council of Ministers (cabinet) which he appoints.

The judicial branch maintains its independence from the presidency. The highest tribunal in the C.A.R. is the Supreme Court whose judges are appointed by the President.

For administrative purposes the Central African Republic is divided into 14 Prefectures whose officials are appointed by the President.

ECONOMY

The Central African Republic is a predominantly agricultural country. In 1968 (the most recent year for which figures are available) its gross domestic product (GDP) was U.S. \$200 million, or about \$136 per capita. The major obstacles to the country's development continue to be its great distance from the sea, its limited transportation system, the dearth of skilled manpower, an agricultural sector still devoted largely to subsistence production, and lack of financial resources. The Government has, therefore, placed considerable emphasis on policies to improve the organization and direction of the economy. A 4-year development plan was adopted in May 1967; its primary goals are improving agricultural output and commercialization and expanding the small industrial sector. The currency of the C.A.R. is the CFA (African Financial Community) franc (277 CFA- U.S. \$1.00).

Agriculture and Forestry

Almost 90 percent of the C.A.R.'s labor force is involved in agricultural production, mostly for their own consumption and local barter. The primary cash crops are cotton and coffee. The Government has made a major effort to improve agricultural production through "Operation Bokassa," a concerted productivity campaign. As a result of this campaign, cotton production almost tripled between 1966 and 1969, to a harvest of 58,000 tons. Coffee production also increased in 1969 for the first time in several years, because of fluctuating weather conditions, to 9,172 tons from a 1968 level of 8,342 tons.

The country's livestock—about 555,000 head of cattle and 500,000 sheep and goats—are increasing, but the herds are still too small to supply all the meat needed and additional animals must be imported.

The extensive forests of the C.A.R. represent a significant potential for export earnings if transportation problems can be solved; in 1969 hardwood represented 7 percent of the total exports, double that of 1968.

Mining and Industry

These sectors displayed considerable growth during the 1960's. Exploited mineral resources consist almost entirely of gem and industrial diamonds, exports of which have become the principal source of foreign exchange for the C.A.R. From 1961 to 1968 diamond production increased almost sixfold. In 1968, 609,300 carats were produced, with a value of \$18.1 million. Production declined in 1969, however, to 526,906 carats worth \$15.4 million. More than 80 percent of total production is purchased from artisanal collectors by professional diamond buyers; the rest is produced by European and U.S.-owned mining companies. The latter stopped production after C.A.R. seizure in November 1969 in a dispute over payments for concession rights, and the dispute is still under negotiation. A uranium deposit, estimated at approximately 5,000 tons of ore, has been discovered in the eastern C.A.R. Plans are underway, in cooperation with the French Atomic Energy Commission, to begin production of uranium concentrate in 1972 at the rate of 500 tons annually.

Industrial growth has been continuous since independence and is accelerating, but manufacturing still accounts for a very small part of GDP. Until recently local industry consisted mainly of small processing plants for agricultural and consumer goods. Since 1968 additional industries have been completed, such as a large textile plant and others to produce or assemble oil and soap, jute bags, plastic utensils, hardware, transistor radios, motorbikes, and shoes.

Trade

The C.A.R.'s total foreign trade in 1969 increased by 2 percent over that of the previous year, while its chronic trade deficit was reduced, since imports rose .8 percent over 1968 figures and exports increased 3.2 percent. In 1969 imports totaled \$44.4 million and exports were \$38.2 million. Diamonds continued as the C.A.R.'s most important single export but fell from 53.1 percent to 44.8 percent of the total export earnings, while cotton and coffee, making up most of the rest, increased. Fourth-place wood exports doubled in volume and value. Diamonds were sold principally to France (33 percent), Israel, and the United States. Principal imports were machinery and electrical equipment, transportation material and equipment, and textiles.

France is the C.A.R.'s major trading partner, accounting for 55 percent of all C.A.R. imports in 1969, while consuming 51 percent of its exports. The European Economic Community (EEC) as a whole provided 71 percent of C.A.R. imports and purchased 64 percent of its exports. Trade with

the C.A.R.'s partners in the Customs and Economic Union of Central Africa (UDEAC) and Chad constituted more than 10 percent of its total trade.

Barriers to goods from the United States and other nonmembers of the EEC include quotas and licensing requirements and a UDEAC common external tariff, which favors imports from the EEC. This discriminatory tariff was reduced by 50 percent in early 1970.

C.A.R. imports from Communist countries increased in 1969 but still accounted for less than .5 percent of total C.A.R. trade, while exports declined.

U.S. trade with the C.A.R., traditionally one-sided (1968—5 percent of C.A.R. imports; 32 percent of its exports, including 59 percent of diamond exports), shifted sharply in 1969 due to a decrease in diamond exports to the United States and an increase to France. However, this shift was statistical only since the diamonds were reexported from France to the United States. The C.A.R.'s trade surplus with the United States thus declined in 1969 from \$9.5 to \$1.5 million.

Economic Assistance

Foreign financial assistance is of major importance to the C.A.R.'s development effort. The largest burden is borne by France, whose total annual contribution is estimated at approximately \$10 million, followed by the EEC's Economic Development Fund with about \$42 million since independence.

Aid is also received from the United States, the United Nations, Israel, the Federal Republic of Germany, and the Soviet Union.

FOREIGN RELATIONS

The Central African Republic has retained close ties with France since independence and is a member of the French Community and the franc zone and an associate member of the European Economic Community. In 1964 an agreement was signed creating the Union Douaniere et Economique de l'Afrique Centrale (UDEAC) which grouped the four countries of former French Equatorial Africa and Cameroon in an economic common market and customs union as of January 1, 1966.

The Central African Republic is also a member of the 15-nation African, Malagasy, and Mauritian Common Organization (OCAMM) and the Organization of African Unity (OAU). A member of the United Nations since September 1960, the Republic joined the International Bank for Reconstruction and Development (IBRD), the International Monetary Fund (IMF), and the General Agreement on Tariffs and Trade (GATT) in 1963.

The C.A.R. broke diplomatic relations with the Chinese People's Republic in January 1966 and in May 1968 reestablished diplomatic relations with the Republic of China. It has, however, maintained diplomatic relations with the U.S.S.R. since November 1964 and recognized North Korea and East Germany in 1970. The C.A.R. expanded its foreign relations considerably in 1969 and 1970, establishing many new diplomatic ties.

U. S. -C. A. R. RELATIONS

Relations between the C.A.R. and the United States are friendly. The United States has maintained an Embassy at Bangui since February 1961. Since 1963 the U.S. Government has conducted a small educational and cultural exchange program with the C.A.R.

A bilateral aid agreement was signed with the United States on February 10, 1963, and the United States provided a total of \$4.7 million in grant aid from 1962 to 1969. Commodities and technical assistance were given primarily for road maintenance, agricultural services, the C.A.R. police, and the National Pioneer Youth Program. Bilateral aid ended in fiscal year 1968 and was replaced by a modest program of regional assistance.

U.S.-supported U.N. programs also play a significant role in the C.A.R.'s efforts to achieve national economic development. The C.A.R. signed an Investment Guaranty Agreement with the United States on December 31, 1969.

PRINCIPAL GOVERNMENT OFFICIALS

President; Minister of National Defense; Minister of Agriculture and Animal Husbandry; Minister of Public Health and Population; Ministry of Tourism—Gen. Jean-Bedel BOKASSA
 Vice President in Charge of Justice—Antoine GUIMALI
 Minister of State for Highway, River, and Air Transport—Ange PATASSE
 Minister of State for Public Works, Construction, and Equipment—Auguste M'BONGO
 Minister of Finance—Francois GON
 Minister Delegated to the Presidency—Jean AMITY
 Minister of Plan and National Orientation—Henri-Paul BOUNDIO
 Minister of Foreign Affairs—Clément N'GAI-VOUETO
 Minister of Interior—Louis KPADO
 Minister of National Education—Henri MAIDOU

Minister of Mines and Geology—Bernard-Christian AYANDHO
 Minister of Industry and Commerce—Dérant ENOCH-LAKOUE
 Minister of Civil Service and Labor—Joseph POTOLOT
 Minister of International Cooperation—Mrs. Marie-Mathurine SILINGHIA
 Minister of Youth, Sports, Arts, Folklore, and Culture—Louis-Pierre GAMBA
 Minister of Energy—Gaston BANDA-BAFIOT
 Minister of Posts and Telecommunications—Antoine GOALO
 Minister of Social Affairs—Mrs. Marie-Joséphe FRANCK
 Minister of Information—Joachim DA SILVA
 Minister of Water Resources, Forests, Hunting, and Fishing—Christian SOMBODEY
 Ambassador to the U.S.—Roger GUERILLOT
 Ambassador to the U.N.—Michel ADAMA-TAMBOUX

The Central African Republic maintains an Embassy in the United States at 1618 22d Street, N.W., Washington, D.C. 20008.

PRINCIPAL U. S. OFFICIALS

Ambassador—Melvin L. Manfull
 Counselor of Embassy—James R. Wachob
 Public Affairs Officer (USIS)—Harold F. Radday

The U.S. Embassy in the Central African Republic is located at Sq. de la Republique Centrafricaine, Bangui.

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Office of Media Services
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