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Fonds: Records of the Office of the President

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McNamara Papers

Contracts
Central African Republic
(1969 - 1973)

 **Archives**  **1770998**
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Contacts with member countries: Central African Republic - Correspondence 01

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GEN. AFRICAN REPUB.

CENTRAL AFRICAN REPUBLIC

1. 10/31/69 HE Nester Kombot Naguemon, Foreign Minister
2. 1/29/71 Ambassador Roger J. Guerillot
3. 10/1/71 Francois Pehoua, Minister of Planning and International Cooperation
4. 3/4/72 Notes on visit.
5. 3/4/72 (Bangui) Fidele Bakry, Minister of the Plan, International Cooperation and Statistics
Joseph Potolot, Minister of Foreign Affairs
Enoch Lakoue, Minister of Finance
Mr. Mongopas, State Secretary in charge of Protocol
5. " President Jean Bedel Bokassa
- " " Salfo A. Balima, UNDP Resident Representative
- " " Louis Alazoula, Minister of Agriculture and Livestock
Fidele Bakry, Minister of the Plan, International Cooperation and Statistics
Francois Gon, Minister of Commerce and Industry
Enoch Lakoue, Minister of Finance
Henry Maidou, Minister of National Education, Youth Sports and the Arts
Aguste M'Bongo, Minister of State for Public Works, Housing and Road Transport
Andre Zanife, Minister of Power
6. 6/1/73 Jean-Louis Psimhis, Minister of Plan, International Cooperation and Statistics
Henri Maidou, Minister of National Education, Youth, Sports and the Arts
A. Dallot-Befio, Minister of Public Works and Transport
Mr. M'bedo, Director of Plan
Mr. Larose, Chief of Mission of the Consultants (Lamarre-Valois of Canada)



Mr. McNamara:

For your
12.25 wty
on
Friday
cc 10/30

OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara

DATE: October 30, 1969

FROM: Roger Chaufournier *RC*SUBJECT: Visit of the Foreign Minister of the Central African Republic

1. His Excellency Nester Kombot Naguemon, the Foreign Minister of the Central African Republic, will call on you on Friday, October 31, at 12:25 pm. Prior to September 1969 Mr. Naguemon was Minister of Development and Transport. Mr. Wilkinson, of the Western Africa Department, will also attend the meeting.
2. Following a period in which the Bank's relations with the CAR became rather strained, we financed our first operation in the CAR in March 1969. An IDA credit of \$4.2 million was made for the Bangui-M'Baiki road linking the capital to a center of agricultural and forestry development in the southwest of the country, which is also the home of the President of the Republic, General Jean Bedel Bokassa.
3. The Bank is also executing agency for a UNDP financed study of highway maintenance, and the feasibility of the Sibut-Bambari road to the north of Bangui. The highway maintenance project was appraised earlier this month. The Bank is also executing agency for the CAR/Cameroon Regional Transport Survey, financed by UNDP. A copy of the lending program is attached.
4. A Bank economic mission will arrive in the CAR on November 3 for about 1 month. The mission will study the agricultural sector in particular.

CRWilkinson:mam

President has seen

Population: 1.4 m
 Per Cap Inc: \$110

IVa. CAR - 5 YEAR LENDING PROGRAM

(\$ millions)

		Fiscal Year					Total	Total	
		1969	1970	1971	1972	1973	1974	1964-68	1969-73
Cotton	IDA			3.0					
Livestock	IDA				4.0				
Agric. Unidentified	IDA						3.0		
Communications	IDA						2.0		
Education	IDA				4.0				
Power I	IBRD				3.0				
"	IDA				3.0				
Power II	IBRD						1.0		
Roads I	IDA	4.2							
Road Maintenance	IDA		2.0						
Roads II - Sibut-Bambari	IDA			4.0					
Roads III	IDA					4.0			

IBRD				3.0		1.0	3.0
IDA	4.2	2.0	7.0	11.0	4.0	5.0	28.2
Total	<u>4.2</u>	<u>2.0</u>	<u>7.0</u>	<u>14.0</u>	<u>4.0</u>	<u>6.0</u>	<u>31.2</u>
No.	1	1	2	3	1	3	8

OFFICE MEMORANDUM

TO: Memorandum for the Record

DATE: January 29, 1971

FROM: Roger Chaufournier *RC*

SUBJECT: C.A.R. - Visit of the Ambassador with Mr. McNamara

The Ambassador of the C.A.R. to the United States, Mr. Roger J. Guerillot, paid a courtesy call on Mr. McNamara on Friday, January 29, 1971 at 12:15 p.m.

Mr. McNamara explained that after a period of inactivity of the Bank Group in the C.A.R., we started our operations two years ago and we are hopeful to be able to expand them further in the years ahead. Mr. McNamara explained that he had created new African Departments in order to give greater attention to the problems of Africa and West Africa in particular.

The Ambassador thanked Mr. McNamara for the Bank Group's interest in the C.A.R. and mentioned that his Government still attached great importance to the construction of a railway to link the C.A.R. to the sea. Mr. McNamara said that while he was not prepared to discuss the merits of the railway, he agreed with the Ambassador that adequate transportation facilities were greatly needed for a land-locked country like the Central African Republic and for that part of the world in general.

The meeting was attended by Mr. Kochman and Mr. Chaufournier.

RChaufournier:sm

President has seen

ROGER J. GUERILLOT

Born in France in 1908 - Married - Speaks French and a little English.
Graduated from the University of Paris in law and economics in 1932.
Early in the colonial period, he was involved in politics in the former
Oubangui-Chari (actual Central African Republic) where his parents were
appointed as civil servants.

1953-56: Member of the Grand Conseil of French Equatorial Africa

1957-59: Minister of National Economy

1960-69: Ambassador to the European Communities.

August 1970: Ambassador to the United States of America

Note: Arrived in Oubangui-Chari at the age of 17, Mr. Roger Guerillot
took Central African nationality in 1960.

President has seen

To: Mr. Roger Chaufournier

From: Wilfried P. Thalwitz

Subject: Discussions with Mr. Roger Guerillot, CAR Ambassador to the U.S.

1. Please find attached a CAR lending program which includes \$16.0 million for agriculture, \$6.0 million for education, \$5.5 million for public utilities, and \$8.0 million for transport.

2. The past operations in the CAR were for the transport sector - one of \$4.2 million for the construction of the Bangui-M'Baiki road signed on April 3, 1969, and the second of \$4.3 million for the maintenance of the main roads in the CAR, signed on June 19, 1970.

3. In the near future, we intend to invest in telecommunications and in education:

(a) Telecommunications: A Bank/IDA reconnaissance mission visited the CAR in March 1970 and recommended a project for FY 1972 provided the Government passes the complementary legislation governing detailed organization and financial management of the OPT. This legislation has already been prepared and the draft has been reviewed in the Bank. Our comments have been sent, and we have scheduled an appraisal mission for April provided we receive the telecommunications development program (Reference our letter dated Nov. 20, 1970).

(b) Education: A Bank/UNESCO preparation mission visited the CAR in November to assist the Government in finalizing their manpower and education survey. This mission has discussed the project outline, and a UNESCO preparation mission is scheduled in February. This mission will be followed by a Bank appraisal mission in April 1971.

Population: 1.5 m
 GNP Per Cap: \$120

IVa. CAR - 5 YEAR LENDING PROGRAM

(\$ millions)

		Fiscal Year				Total	Total
1971	1972	1973	1974	1975	1976	1964-68	1969-73

Cotton Development	IDA		4.0				
Livestock	IDA			4.0			
Cocoa	IDA				4.0		
Agriculture Unidentified	IDA				4.0		
Telecommunications	IDA	1.5					
Education I	IDA	3.0					
Education II	IDA				3.0		
Power I	IDA			3.0			
Power II	IDA				1.0		
Roads II	IDA		4.0				
Roads III	IDA				4.0		

IDA	<u>4.5</u>	<u>8.0</u>	<u>7.0</u>	<u>12.0</u>	<u>4.0</u>	<u>21.0</u>
No.	2	2	2	3	2	6

3

4.

5

OFFICE MEMORANDUM

TO: For the Record

FROM: Rainer B. Steckhan *RBS*

SUBJECT: Central African Republic - Visit by Mr. McNamara

DATE: March 16, 1972

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WBG ARCHIVES

1. On March 4, 1972 Mr. McNamara paid a one-day visit to the Central African Republic (C.A.R.). The program of his visit is attached (Annex I). Mr. McNamara was accompanied by Messrs. Kochman, Chauffournier, Clark, Ljungh and the writer. The main purpose of the visit was to obtain an impression of the economic potential and the economic management of the country and to discuss with the President of the C. A. R. the need for a radical financial austerity program as a condition for continued IDA lending.

Background

2. Over the last year we had become increasingly concerned about the steadily deteriorating financial and budgetary situation of the C.A.R. to a point where we decided to halt further processing of a US \$3.6 million education credit negotiated in September 1971. When President Bokassa was apprised of this decision he requested - at our suggestion - an IMF mission to prepare an economic and financial rehabilitation program which would justify further IDA lending. The IMF mission arrived in Bangui two weeks prior to Mr. McNamara's visit. Its analysis of the situation showed that the C.A.R. was rapidly drifting towards financial catastrophe. If nothing would be done quickly the consolidated deficit of the Government and the state enterprises was estimated to reach 6 billion CFAF in FY72. In addition, at the end of 1971 the Government had accumulated arrears totalling some 8 billion CFAF. Thus, without any remedial action, the Government would be saddled at the end of 1972 with arrears totalling some 14 billion CFAF, i.e. 25 percent of GDP or 127 percent of 1971 receipts, after having exhausted its reserves and the credit normally available to it.

Financial situation

3. In separate talks with President Bokassa on the one hand and the principal ministers on the other (Annex II contains a list of their names) Mr. McNamara did not pull his punches in giving his views of the state of Government finance and its effect on economic growth, institution - building and political stability. Some of his interlocutors appeared, for the first time, visibly shaken by the seriousness of the situation.

4. In his frank talk with President Bokassa, who was accompanied by IBRD Governor and Minister of the Plan, Bakry, and C.A.R. Ambassador to the U.S. Maïdou, Mr. McNamara summarized the findings of the IMF mission which had taken, as he put it, an independent look at the situation. He stated that the existing arrears and the projected deficit would lead to "total financial collapse", unless tough remedial action was taken. He also stated that President Bokassa who had just been appointed "President for Life" by the Party Congress "on behalf of the whole nation" had the power to take the necessary action. At the same time, Mr. McNamara went out of his way to assure the President of the Bank's friendship and

earnest desire to proceed with the already negotiated education credit provided the Government did what was required.

5. In his reply, President Bokassa, expressed appreciation for Mr. McNamara's frankness and pledged to embark on a financial and economic recovery program in accordance with the recommendations of the IMF mission. To demonstrate the sincerity of his intentions he said he had already cancelled an order for a German hospital ship and had written to UTA asking them to acquire the DC8 of "Air Centrafrique" (which in the IMF's view constitutes a drain on the budget amounting to some US \$3.0 million a year in charter fees and operating costs, assuming 100 flying hours a month). He added that he would also freeze plans for constructing another large hotel in Bangui. President Bokassa explained that his Ministers had not drawn the seriousness of the financial situation to his attention. He said he realized that if he wanted to be strong politically he had to be strong financially. He concluded that he would settle the arrears as soon as possible, refrain in the future from supplier financing of investment projects and continue to rely on the advice and financial assistance from international institutions such as the World Bank Group.

6. Mr. McNamara took the occasion of his afternoon talks with the principal ministers to reiterate his views that only financial austerity could prevent the C.A.R. from going "bankrupt". He said that in the nearly 50 developing countries which he had visited he had never seen a financial situation that was worse than that of the C.A.R. The former Minister of Finance and present Minister of Industry and Commerce, Gon, observed at the meeting with Mr. McNamara that if the Bank Group refused to lend long-term for development projects in the C.A.R. the Government would be compelled to borrow short-term funds for this purpose. Mr. McNamara retorted that under present conditions nobody was likely to lend to the C.A.R. any substantial amounts.

Economic Management and Potential

7. From talks with the Government and UN Resident Representative, Balima, and from a brief visit of Bokassa Village No.1 it was quite clear that the President had embarked on many uneconomic investment programs. The agricultural project (Bokassa Village No. 1) we visited briefly was obviously too costly, ill prepared and of little relevance to rural needs. IBRD Governor and Planning Minister Bakry advocated again the Government's pet project of a railroad to the sea, but did not have answers to the three questions Mr. McNamara raised: what is the total cost of such a railroad, what is the traffic for it and why would the Government put funds in such a project rather than the obvious priorities of river transport, cotton and livestock development.

8. The Government team Mr. McNamara had discussions with, appeared weak, colorless and largely ignorant of the seriousness of the financial situation and the real economic priorities. Ministers were content to push projects in their own portfolio without regard to overall priorities and available financial resources. In addition, President Bokassa initiated his own development projects often outside the plan and the budget and without keeping his Ministers informed. Our discussion revealed the deficiency of Bokassa's authoritarian regime which had instilled fear in his ministers and had reduced them to executors of his will. As a result, the President did not seem to get advice on measures to be taken to promote sound economic development although he obviously had the power to take tough and unpopular measures. In his discussions, Mr. McNamara went so far as to suggest to the Ministers to fire any person who was incapable or unwilling to tell the President the truth.

9. As a result of economic mismanagement and two successive droughts production of the major agricultural products of coffee and cotton has drastically declined. Coffee production in 1971 was not likely to exceed 50 percent of the 12,000 tons harvested in 1969 and cotton had fallen to about 50,000 tons in 1971 from the 1969 high of 59,000 tons. The economy has not grown at all in 1971 and the UN Resident Representative reported shortages of meat and foodstuff last year. At the same time given sound management, the economic potential of the country appears good. The recent agreement of the Government with Diamond Distributor Inc. to form a joint company on a 50/50 basis and to reserve large areas for industrial exploitation is bound to stimulate production of the C.A.R.'s most important foreign exchange earner. The steep increase in timber production and export over recent years is likely to continue provided the river and road transportation system is expanded and made more efficient.

Conclusions

10. The visit confirmed our view on economic priorities and on the need for financial measures. The first step on the road to economic recovery is a program of financial austerity. Following Mr. McNamara's visit President Bokassa has taken this step by writing a letter to the Managing Director of the Fund announcing a program as worked out with the assistance of the IMF mission. The program consists essentially of measures designed to increase budgetary receipts by CFAF 1.9 billion, to reduce budgetary expenditures by CFAF 1.3 billion and to eliminate the deficit of public enterprises during FY 1972. The next step will be to strengthen the Ministry of Finance through technical assistance from the IMF which President Bokassa has requested and the IMF is likely to grant. A serious obstacle to lasting improvement is the absence of a trusted and well-informed economic adviser to President Bokassa and it will be difficult to convince the President of this need. UN Resident Representative Balima who appeared knowledgeable about African affairs, suggested that among the African leaders only President Houphouet-Boigny could persuade Bokassa to ask for such a person. If asked the Bank should try to recruit the adviser.

11. As far as future IDA lending is concerned, President Bokassa's letter to Mr. Schweitzer outlining a sound and feasible financial recovery program should constitute a sufficient basis for a decision by IDA to go ahead with the education credit. The priorities for the future are cotton, livestock and river transport and project preparation should continue. The Boali II power project can only be considered once financial management of the power company has improved and the large public debt to the company settled.

12. Progress in the improvement of the financial and economic situation should be closely monitored and the Bank will consider seconding a staff member to the "Article 14" IMF mission tentatively scheduled for August 1972. Towards the end of 1972 the 1973 budget will have to be prepared and thought will have to be given to urging the C.A.R. to request another IMF mission to work out a sound budget for 1973.

RBSteckhan:ys

cc: Mr. McNamara
Mr. Chenery
Mr. Chadenet
Mr. Chauffournier
Mr. Ljungh

LIST OF MINISTERS PARTICIPATING
IN WORKING MEETING WITH MR. McNAMARA
ON MARCH 4, 1972

Minister of Agriculture and Livestock	Louis ALAZOULA
Minister of the Plan, International Cooperation and Statistics IBRD Governor	Fidèle BAKRY
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 State for Public Works, Housing and Road Transport	Auguste M'BONGO
Minister of Power	André ZANIFE

6.

OFFICE MEMORANDUM

TO: Memorandum for the Record

DATE: June 11, 1973

FROM: Xavier de la Renaudière, Director, Programs II, W.A. Regional OfficeSUBJECT: Meeting of C.A.R. Delegation with Mr. McNamara

1. A delegation from the C.A.R. comprising Mr. Jean-Louis Psimhis, Minister of Plan, International Cooperation and Statistics, Mr. Henri Maidou, Minister of National Education, Youth, Sports and Arts, Mr. Augustin Dallot-Befio, Minister of Public Works and Transport and one official, met Mr. McNamara on Friday, June 1, at 6.45 p.m. Messrs. Kochman, de la Renaudière and Munthali attended the meeting.

2. The C.A.R. delegation stated the purpose of their visit which was to discuss with Bank representatives problems facing the execution of on-going projects and also Bank's involvement in future projects, as well as general Bank-C.A.R. cooperation. The delegation further stated that the Government would like the Bank to provide technical assistance in development planning. Mr. McNamara stated that the Bank was prepared to assist the Government of the C.A.R. in its development efforts. He added, however, that the Bank had been disappointed by the Government's failure to implement economic and fiscal rehabilitation measures which it had undertaken to carry out following the visit of an IMF mission; in addition, the Government had gone back on its contractual agreements with the Bank on the on-going project as a result of which the execution of the projects concerned was in jeopardy. Under the circumstances, Mr. McNamara stated, the Bank would like to see a serious and demonstrable Government intention to improve the situation and to ensure the successful execution of on-going projects before considering new projects and before deciding on the Government's request for planning assistance.

3. The C.A.R. delegation referred to the special problems of a land-locked country in the position of the C.A.R.; the delegation also referred to the efforts that the Government had recently made to ensure the successful completion of on-going projects, e.g. the creation of the Caisse Autonome d'Amortissement and the Head of State's instruction on the settlement, as a matter of high priority, the arrears on the Highway Maintenance, as well as the commitment to allocate budgetary funds amounting to CFAF 400 million to the road maintenance program for each of the years 1973 and 1974.

4. Mr. McNamara concluded by saying that the Bank would continue to watch closely progress on on-going projects from which some future projects were expected to flow and that the Bank-C.A.R. dialogue would continue during supervision visits. He added that the Bank would review the Government's economic performance in about six months with a view to determining whether or not the lending program should be revised to include new projects.

cc: Messrs. Ljungh
Chaufournier
Thalwitz
Steckhan
Jansen/Westebbe
Nkodo
Ms. Goris
CVBMunthali:mee

President has seen

OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara

DATE: June 1, 1973

FROM: Roger Chaufournier *RC*SUBJECT: Visit of Ministerial Delegation from Central African Republic

1. You will meet today at 6:45 with a delegation from the CAR consisting of the following Ministers:
 - Mr. Jean-Louis Psimhis, Minister of Plan, International Cooperation and Statistics;
 - Mr. Henri Maidou, Minister of National Education, Youth, Sports and the arts; (whom you have met in Bangui)
 - Mr. A. Dallot-Befio, Minister of Public Works and Transport.

2. The Ministers are accompanied by Mr. M^obedo, Director of Plan and Mr. Larose, Chief of Mission of the Consultants (Lamarre-Valois of Canada) for the IDA-financed Highway Maintenance project and Education project. I propose that Mr. de la Renaudière should be present at the meeting.

3. The delegation has come to Washington to discuss problems confronting the on-going IDA-financed projects, particularly the Highway Maintenance project. The delegation also wishes to discuss possible future Bank Group's operations in the C.A.R.

4. The Highway Maintenance project is in serious jeopardy. Equipment financed under the credit is not used for lack of fuel and spare parts since the Government has not met its obligation to allocate adequate budgetary funds for this purpose. As a result of these financial difficulties, a large volume of unpaid bills has accumulated and the IDA financed consultants are not fully employed. During yesterday's and today's discussions we have agreed with the delegation on a reduced maintenance program and the Government has undertaken to settle the outstanding bills and to allocate more budgetary funds for recurrent cost. On the other hand we may consider using the undisbursed balance of a previous road construction credit to assist in the financing of spare parts and fuel to supplement the funds allocated by the Government to the project.

5. We have also discussed measures to speed up implementation of the Education project. The delegation has proposed a number of minor changes in the scope of the ongoing project which have been found acceptable.

More substantial changes in the size of a secondary teacher training college are envisaged by the Government. We shall review these proposals in the next few days and cable our reaction to the Government. These changes and more importantly cost increases mainly resulting from the dollar devaluation may require supplementary financing. We have agreed to discuss this point when we have more definite estimates of investment costs and related recurrent costs.

6. The problems facing the Highway Maintenance project result from the unsatisfactory overall economic and financial situation in the C.A.R. about which you had frank discussions with President Bokassa and his Ministers last year, which to date, shows no sign of improvement. While the IMF rehabilitation program may have been ambitious, the Government has fallen quite short of implementing it; in fact, an expert recruited by the Fund to advise the Ministry of Finance on the implementation of the rehabilitation program had to leave the country because of the poor conditions under which he had to work. We have indicated to the delegation that we would follow closely economic developments, but that while we would make every reasonable effort to assist in the efficient implementation of ongoing projects, we found it more difficult to envisage financing new projects until we see evidence of conditions which will assure their successful implementation.

CMunthali/Xde la Renaudière :cm