



<b>1. Project Data:</b>		<b>Date Posted :</b> 03/19/2010	
<b>PROJ ID :</b>	P106458	<b>Appraisal</b>	<b>Actual</b>
<b>Project Name :</b>	Economic Management And Governance Reform Grant	<b>Project Costs (US\$M):</b>	\$ 7.9
<b>Country:</b>	Central African Republic	<b>Loan/Credit (US\$M):</b>	\$ 7.9
<b>Sector Board :</b>	EP	<b>Cofinancing (US\$M):</b>	
<b>Sector(s):</b>	Central government administration (60%) Oil and gas (20%) Forestry (20%)		
<b>Theme(s):</b>	Public expenditure financial management and procurement (23% - P) Regulation and competition policy (22% - P) Tax policy and administration (22% - P) Other public sector governance (22% - P) Other accountability/anti-corruption (11% - S)		
<b>L/C Number:</b>	CH392		
		<b>Board Approval Date :</b>	05/27/2008
<b>Partners involved :</b>		<b>Closing Date :</b>	05/31/2009
<b>Evaluator:</b>	<b>Panel Reviewer:</b>	<b>Group Manager:</b>	<b>Group:</b>
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## **2. Project Objectives and Components:**

### **a. Objectives:**

The Economic Management and Governance Reform Grant's (EMGRG) objective was to support the Central African Republic's (CAR) Poverty Reduction Strategy (PRS) in two key areas:  
 (i) strengthening public finance management; and (ii) improving public sector and economic governance aimed at fighting corruption and enhancing transparency and reinforcing the regulatory environment in the forestry and oil sectors, which are critical for sustaining high economic growth .

### **b. Were the project objectives/key associated outcome targets revised during implementation?**

No

**c. Components (or Key Conditions in the case of DPLs, as appropriate):**

EMGRG had two components with six sub-components to achieve its program. It required ten prior actions, which were completed.

**A. Public Finance Management :**

**(i) Public Expenditure Management :**

*Prior Action 1:* Issued Presidential Decree to enforce new budget execution procedures for implementing the state budget and nominate key staff in the General Directorates of Budget and Treasury .

*Prior Action 2:* Ministry of Finance adopted a new accounting classification after extensive consultations with civil society and donors.

*Prior Action 3:* The Ministry of Finance requested by an official letter that 51 government accounts held in commercial banks considered inactive, dormant or settled, be closed immediately and that the balance on these accounts be transferred to a designated treasury account .

**(ii) Tax Revenue Mobilization :**

*Prior Action 4:* Ministry of Finance redeployed seven treasury agents to each of the recipient line ministries generating revenues including Youth, Defense, Interior and Public Security, Commerce, Education, Civil Service and Health to facilitate reporting their respective revenues .

*Prior Action 5:* Ministry of Finance adopted the ASYCUDA (automated system for customs data ) computerized information system to produce pre-clearance documents for imports through Douala (Cameroon) so that it is compatible with the one used in CAR's central services in Bangui .

**B. Public Sector and Economic Governance :**

**(i) Anti-Corruption :**

*Prior Action 6:* Issued Presidential Decree to create a permanent anti -corruption oversight committee within the Prime Minister's Office. It specifies the composition of the committee and its responsibilities, including the design of an anti-corruption strategy and oversight of the various public entities involved in the fight against corruption.

**(ii) Forestry Sector :**

*Prior Action 7:* National fiscal regulations in the forestry sector were strengthened and legal remedies exercised by: (i) cancelling the exploitation permits of two new firms that failed to pay entry fees; and (ii) identifying all active forestry operators with overdue fiscal obligations and notifying them of the payment deadline .

*Prior Action 8:* The Ministry of Forestry issued a public notice suspending the issuance of new permits until CAR's forestry code has been enacted and widely disseminated .

**(iii) Petroleum Sector :**

*Prior Action 9:* A law was enacted to create a new petroleum regulatory agency and its governing documents were adopted, and the General Manager, Chairman of the Board and other key staff nominated .

*Prior Action 10:* A contract was signed between the petroleum regulatory agency and a pre -inspection agency of international reputation, which will be responsible for controlling the quality of imported oil products .

**d. Comments on Project Cost, Financing, Borrower Contribution, and Dates:**

This was a one-tranche single Development Policy Operation for US\$ 7.9 million.

The grant was disbursed upon effectiveness on June 17, 2008 and closed as expected on May 31, 2009.

### **3. Relevance of Objectives & Design:**

EMGRG's objectives of strengthening public financial management and addressing key governance issues were relevant when the operation was approved and remain so currently . They were aligned with two pillars of CAR's Poverty Reduction Strategy (PRS) for 2008-2010 to promote good governance and the rule of law and rebuild and diversify the economy. The objectives were also consonant with the World Bank and African Development Bank's Joint Interim Strategy for FY 2007-2008 to provide budget support for recovering from instability and lay the foundation for sustained growth by rebuilding government effectiveness and strengthening its governance to reduce fiduciary risk. These objectives were reiterated in the County Partnership Strategy approved by their Boards in July 2009. In addition, an IMF PRGF to maintain macroeconomic stability and support economic recovery was in force during the operation.

EMGRG's design, based on substantial analytical work, was also relevant . It sought to consolidate the reforms initiated under the Re-engagement and Institution Building Support Program Grant (RIBSUP) of FY 2007. Its conditionality incorporated good practice principles and the prior actions related directly to achieving the program's objectives. Moreover, the reforms assisted the government to achieve some of the HIPC Completion Point triggers that would provide much needed external resources . The operation's results framework included a clear statement of objectives and actions linked to time -bound targets.

### **4. Achievement of Objectives (Efficacy):**

EMGRG was implemented during a global economic crisis that had an adverse impact on CAR's main exports of timber and diamonds. Nevertheless, macroeconomic management remained on-track. Moreover, of the program's thirteen outcome indicators for 2009, ten were fully achieved and three mostly achieved, although full completion was marginally delayed for technical and capacity reasons (discussed below).

#### **A. Public Finance Management : This objective was substantially achieved .**

Good progress was made in improving the efficiency and transparency of public finance management under EMGRG. The new accounting nomenclature and chart of accounts adopted in March 2008 has improved the efficiency and transparency of the government's accounting and facilitated budget preparation and reporting . Quarterly budget execution reports are available within 8 weeks of the period's closing, a little tardier than the 6 weeks target, which is expected to be met when the system's computerization is completed . But the annual report was issued within two months of the end of the year as expected . As it was the first year of preparing the government's accounts, technical difficulties delayed completion to end -2009 and presentation to Parliament will occur in 2010. A new computerized expenditure management system and a substantial reduction in the number of public accounts in commercial banks has improved expenditure control and the timeliness and quality of budget reporting. At the same time, the tax base was broadened and administration improved to increase the tax revenue to GDP ratio. These developments helped the government reach its domestic primary surplus target and allowed it to make provisions in the 2009 budget for reducing substantially its arrears to public utilities. Moreover, improvements in public financial management are helping to ensure that the allocation of budgetary resources conforms with PRS priorities .

#### **B. Public Sector and Economic Governance : This objective was substantially achieved .**

Public sector governance improved because of reforms implemented under EMGRG . The anti-corruption committee in the Prime Minister's Office was expected to present to Parliament an anti -corruption strategy, a report on activities in 2008 and work program for 2009. These reports have been drafted and discussed with donors and civil society, but not yet finalized . All cabinet members have, however, submitted asset declarations in accordance with a UNDP format. The government's website has been upgraded and key documents posted to enhance transparency. Based on a procurement code enacted in 2008, the Procurement Directorate and Procurement Regulatory Agency have been established and staffed . The target for the number of contracts signed using the new procedures was exceeded . These achievements have contributed to the PRS objective of promoting good governance and the rule of law .

EMGRG reforms contributed to improving economic governance in the forestry and petroleum sectors that are critical for rebuilding the economy, a PRS objective . The government suspended awarding new forestry contracts until the new code was enacted and implementing decrees were adopted . It cancelled two forestry permits because the firms did not comply with the new regulations . The remaining operators cleared all tax arrears and have since honored all tax payments due . The regulatory framework for the oil sector was

improved and all companies are in compliance. An external agency was appointed to control the quantity and quality of all petroleum products.

#### **5. Efficiency (not applicable to DPLs):**

- a. If available, enter the Economic Rate of Return (ERR)/Financial Rate of Return (FRR) at appraisal and the re-estimated value at evaluation :

	Rate Available?	Point Value	Coverage/Scope*
Appraisal		%	%
ICR estimate		%	%

\* Refers to percent of total project cost for which ERR/FRR was calculated.

#### **6. Outcome:**

EMGRG's substantially achieved its objectives and was relevant to CAR's poverty reduction strategy and the Bank's country assistance strategy. It was part of a comprehensive assistance package provided by the Bank and other donors to help CAR recover from years of conflict and instability by improving government effectiveness. EMGRG reforms enhanced public financial management by upgrading budgeting, financial reporting and expenditure control including consolidating the Treasury's accounts in commercial banks. At the same time, the tax base was widened and administration improved to increased tax collections. These measures helped the government maintain a primary fiscal surplus and allowed it to reduce its arrears to public utilities. In addition, successful public sector and economic governance reforms, including measures to bolster anti-corruption and enhance procurement transparency and in the critical forestry and petroleum sectors will reduce fiduciary risk and facilitate economic growth. EMGRG reforms also helped to meet HIPC Completion Point triggers that would reduce debt service and facilitated budget support from donors. Thus, IEG rates the outcome as satisfactory.

- a. **Outcome Rating :** Satisfactory

#### **7. Rationale for Risk to Development Outcome Rating:**

EMGRG faces many risks that could adversely affect the sustainability of its development outcomes. CAR is vulnerable to exogenous economic shocks as it is a small economy with a narrow productive base that relies on the exports of a few commodities. Also, as the HIPC Completion Point has been reached and elections are scheduled for 2010, a potentially new government may not sustain the commitment to reforms. Moreover, the government's enforcement capacity may not be sufficiently developed to overcome vested interests, especially in natural resource management. Finally, security remains a significant risk.

Several factors mitigate these risks, however. The government has a sterling reform track record. Under difficult global economic conditions, its performance under the IMF's PRGF has been satisfactory for six reviews. Follow-on operations such as EMGRG II will reinforce the reform momentum. The government's capacity has developed because of this and other Bank and donor operations, which have been accompanied by substantial technical assistance. Moreover, the anti-corruption measures implemented, including asset disclosure by senior officials, are a buttress against vested interests. Finally, the security risk can be attenuated if the disarmament and demobilization program is fully funded. Nevertheless, because of the numerous risks, and despite credible prospects for mitigation, IEG rates the risks to sustaining the development outcomes as significant.

- a. **Risk to Development Outcome Rating :** Significant

#### **8. Assessment of Bank Performance:**

The Bank undertook significant analytical work in supporting the design of the EMGRG. It sought to build upon the foundation laid by RIBSUP, and it incorporated lessons from other post-conflict countries and good

practice principles on conditionality. It thoroughly assessed the risks and made appropriate arrangements for implementation by the Ministry of Planning, Economics and International Cooperation. EMGRG used the monitoring and evaluation framework in place for implementing CAR's PRS through an implementation oversight committee with representatives from all involved ministries and agencies. IEG rates the quality at entry as satisfactory.

The task team leader had substantial experience by being involved in the supervision of RIBSUP and preparation and supervision of EMGRG. He was supported by an economist from the resident mission. Early in the process an implementation schedule was agreed with the government. Follow-up was regular through monthly video conferences and several supervision missions, which prepared aide-memoires in consultation with the government. Good coordination with donors ensured adequate technical assistance and financial resources for implementing the program. IEG rates the quality of supervision as satisfactory.

As both the quality at entry and supervision are rated as satisfactory, so is overall bank performance.

**a. Ensuring Quality -at-Entry:**Satisfactory

**b. Quality of Supervision :**Satisfactory

**c. Overall Bank Performance :**Satisfactory

## **9. Assessment of Borrower Performance:**

The government's ownership of the program and its commitment to implementing it remained strong and consistent throughout. The Minister of Finance was personally involved in program implementation and the Prime Minister was kept informed of progress and chaired the wrap-up meetings with Bank missions. IEG rates government performance as satisfactory.

IEG cannot rate implementing agency performance as the ICR does not provide any information other than it was well-prepared for Bank missions and the dialogue was productive. However, as the reforms were successfully implemented and the outcomes substantially achieved, IEG rates overall borrower performance as satisfactory.

**a. Government Performance :**Satisfactory

**b. Implementing Agency Performance :**Not Applicable

**c. Overall Borrower Performance :**Satisfactory

## **10. M&E Design, Implementation, & Utilization:**

EMGRG's PAD specified clear and specific monitoring indicators, baseline values and outcome targets. The operation used the monitoring and evaluation framework designed to track PRS progress. During the first supervision mission, a sub-set of 5 outcome indicators was selected to monitor progress. Performance data were updated for each of four supervision missions. As the ICR provides information on all PAD indicators, it can be surmised that information was gathered and utilized to track the entire program to successful implementation. IEG rates the quality of M&E as substantial.

**a. M&E Quality Rating :** Substantial

## **11. Other Issues (Safeguards, Fiduciary, Unintended Positive and Negative Impacts):**

The ICR does not mention any safeguard or fiduciary issues. EMGRG contributed to poverty alleviation and better social outcomes because improved public financial management allowed increased budget allocations to priority sectors, including health and education. The operation built capacity in and strengthened public financial management, anti-corruption and economic management institutions.

<b>12. Ratings:</b>	<b>ICR</b>	<b>IEG Review</b>	<b>Reason for Disagreement /Comments</b>
<b>Outcome:</b>	Satisfactory	Satisfactory	
<b>Risk to Development Outcome:</b>	Significant	Significant	
<b>Bank Performance :</b>	Satisfactory	Satisfactory	
<b>Borrower Performance :</b>	Satisfactory	Satisfactory	
<b>Quality of ICR :</b>		Satisfactory	

**NOTES:**

- When insufficient information is provided by the Bank for IEG to arrive at a clear rating, IEG will downgrade the relevant ratings as warranted beginning July 1, 2006.
- The "Reason for Disagreement/Comments" column could cross-reference other sections of the ICR Review, as appropriate .

**13. Lessons:**

The ICR draws some useful lessons. Salient among them for post-conflict countries is:

- the importance of sharply focused and well-sequenced DPLs, accompanied with technical assistance, for restoring government effectiveness; and
- close donor coordination, preferably using the same support instruments, for predicting aid flows and facilitating the administration of donor support.

**14. Assessment Recommended?  Yes  No**

**15. Comments on Quality of ICR:**

The ICR is consistent with the guidelines, clearly and concisely written and provides adequate evidence and analysis to evaluate the operation, except for the omission of commenting on implementing agency performance and thin discussion of monitoring and evaluation . Its lessons are drawn on the experience with EMGRG . IEG rates its quality as satisfactory .

**a.Quality of ICR Rating : Satisfactory**