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Central African Republic: Financial System Stability Assessment

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CENTRAL AFRICAN REPUBLIC

Financial System Stability Assessment

Prepared by the Monetary and Capital Markets and African Departments

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June 2, 2008

This Financial System Stability Assessment (FSSA) is based on the work of a joint IMF/World Bank Financial Sector Assessment Program (FSAP) mission that visited Bangui from January 17 to 24, 2008. The mission comprised Andres Jaime (mission chief, World Bank), Rodolfo Maino (co-mission chief, IMF), Romain Veyrune and Said Bakhache (both IMF), Piero Ugolini (IMF consultant), and Djibrilla Issa, Babacar Faye, and Faustin Koyasse (all World Bank).

The mission's objectives were to identify the strengths and weaknesses of the financial sector with the aim of helping the authorities establish an action plan for strengthening the contribution of the financial sector to economic development and poverty reduction. The World Bank will conduct an assessment of compliance with the FATF Recommendations for combating money laundering and the financing of terrorism in June 2008. Thereafter, the detailed assessment report and related ROSC will be available for purposes of this FSAP. The key findings of the FSAP include:

- The liquidity position of the financial sector has improved in recent years. This reflects a more favorable economic environment following the end of hostilities, higher remittance receipts, increased donor financing, and a weak loan demand.
- Although systemic risks presently appear manageable, the banking system exhibits important weaknesses. The most important one is sovereign risk as claims on the government represent a significant part of banks' assets and could not be considered risk free in light of fiscal stress.
- Improved fiscal discipline and regularization of public sector arrears and other debts to the central bank and local banks are prerequisites for CAR to be in a position to avail itself of the regional public debt market currently being established by the BEAC for CEMAC member countries.
- Significant structural impediments weigh on the capacity of the financial sector to support development. Less than 1 percent of the population has access to banking sector services; the scope for promoting SME lending is constrained by weaknesses in the legal and regulatory framework; the range of financial products offered by banks is not diversified, and credit information is poor.

The main authors of this report are Rodolfo Maino and Romain Veyrune.

FSAPs are designed to assess the stability of the financial system as a whole and not that of individual institutions. They have been developed to help countries identify and remedy weaknesses in their financial sector structure, thereby enhancing their resilience to macroeconomic shocks and cross-border contagion. FSAPs do not cover risks that are specific to individual institutions such as asset quality, operational or legal risks, or fraud.

Contents Page

GLOSSARY

ANIF	National Financial Investigation Agencies (*Agences Nationales d'Investigation Financière)*
AML/CFT	Anti-money laundering/combating the functioning of terrorism
APBEF	Professional Association of Banks and Financial Institutions (Association professionnelle des banques et des établissements financiers)
BDEAC	Central African States Development Bank (Banque de Development des États de l'Afrique Centrale)
BEAC	Bank of Central African States (Banque des États de l'Afrique Centrale)
BRVM	Regional Securities Exchange (Bourse Régionale des Valeurs Mobilières)
BVMAC	Central African Securities Exchange (Bourses des Valeurs Mobilières de l'Afrique Centrale)
CAA	Autonomous Amortization Fund (Caisse Autonome d'Amortissement)
CAMU	Central African Monetary Union (Union monétaire de l'Afrique centrale)
CAR	Central African Republic
CCS	Coordination and Monitoring Committee (Comité de coordination et de suivi)
CEMAC	Central African Economic and Monetary Community (Communauté Économique et Monétaire d'Afrique Centrale)
CFAF	Francs of the African Financial Community
CIMA	Inter-African Conference on Insurance Markets (Conférence Interafricaine des Marchés d'Assurance)
CMCA	Central African Mutual Credit (Credit Mutuel de l'Afrique Centrale)
CMF	Financial Markets Commission (Commission des Marchés Financiers)
COBAC	Central African Banking Commission (Commission Bancaire de l'Afrique Centrale)
COSUMAF	Central African Financial Market Supervision Commission (Commission de Surveillance du Marché Financier de l'Afrique Centrale)
DFSs	Decentralized financial systems
ECB	European Central Bank
FATF	Financial Action Task Force
FOGADAC	Central African Deposit Insurance Fund (Fonds de Garantie des Dépôts en Afrique Centrale)
FSAP	Financial Sector Assessment Program
FSSA	Financial System Stability Assessment
GDP	Gross domestic product
GNP	Gross national product
IAS	International Auditing Standards
IFRS	International Financial Reporting Standards
MFIs	Microfinance institutions
OHADA	Organization for the Harmonization of Business Law in Africa
ONPE	National Post and Savings Office (Office national de la poste et de l'épargne)
PEs	Public enterprises
RCCM	Registry of Commerce and Personal Loans (Registre du commerce et du crédit mobilier)
ROSC	Report on the Observance of Standards and Codes
SMEs	Small and medium-sized enterprises
SYGMA	Large-value automated system (Système de gros montants automatisés)
SYSCOA	West African accounting system (Système comptable ouest-africain)
SYSTAC	Central African remote clearing system (Système de télé-compensation en Afrique Centrale)
UCEC	Union of Savings and Loan Associations (Union des Caisses d'Épargne et de Crédit)
WAEMU	West African Economic and Monetary Union

EXECUTIVE SUMMARY—PRINCIPAL RECOMMENDATIONS

CAR's financial system plays a limited role in supporting economic growth. There are still major weaknesses and risks related to the narrowness of the economic base and the country's dependence on external assistance, which are exacerbated by the fragile security situation. The financial system, which suffers from weak market infrastructure and legal and judicial frameworks, remains small and undeveloped, in part, owing to the severe social and political upheavals in recent years. Also, the repayment of domestic arrears (13 percent of GDP at end-2007) has become a key economic and political issue. Addressing these shortcomings will be critical if the financial system is to play its proper role in supporting sustainable growth.

Although bank liquidity has recovered since the 2006 regional FSAP, credit expansion to the private sector remains sluggish. The improvement in bank liquidity reflects not only export-led growth, but also a more favorable business environment following the end of internal conflict. However, despite accelerating economic growth, banks are finding it difficult to expand lending beyond their traditional clientele. A number of factors, including macroeconomic uncertainties, government arrears, lack of transparency in corporate and public accounting information, and weaknesses in the judicial system, have contributed to slow credit expansion.

The CAR authorities also urgently need to strengthen the public finances, including their public debt and cash-flow management. Since the government's borrowing from the BEAC has reached the statutory limit, the authorities have increasingly turned to commercial banks for financing its operations. This has led to crowding out of the private sector and a high level of exposure to sovereign risk. An efficient system of government cash-flow management, working closely with the BEAC, is warranted. Moreover, improved fiscal management would facilitate CAR's participation in the regional public debt market that is being established for the CEMAC countries.

Banking sector stability has improved with the restructuring of one of the country's three commercial banks. Reported banking soundness indicators show that all three banks made profits in 2006 and 2007. However, vulnerability tests indicate that: (i) while two banks would be able to withstand credit, liquidity, or foreign exchange shocks, the third bank remains vulnerable and (ii) all banks are vulnerable to government default risk. The mission recommends: (i) continuing with ongoing efforts to capitalize the banking system through reinvesting of profits, and (ii) strengthening supervision through off-site monitoring and more frequent inspections.

Access to financial services, including by small and medium-sized enterprises (SMEs), is extremely limited. SMEs experience difficulties in accessing loans due to a range of factors—mainly, lack of information systems and judicial system weakness. Priority should be given to addressing legal, prudential, and judicial weaknesses to support the development of the microfinance sector.

The harmonization of domestic law with OHADA has not been fully completed. OHADA is not supplemented by domestic law provisions on the organization and functioning of the commercial registry that would guarantee its reliability, transparency, and integrity. An organized and effective system of controls to prevent or detect irregularities is warranted.

The FSAP has identified a set of financial sector priorities to support economic growth (Box 1).

Box 1. Main Recommendations

Recommended Actions	Priority	Timing
Liquidity and Debt Management		
• Improve the framework for government cash-flow forecasting and management. Prepare medium-term cash-flow projections, supported by a cash-flow committee made up of Treasury and BEAC representatives.	High	Short-term
• Eliminate direct borrowing from BEAC over time by relying instead on the regional government securities markets.	High	Medium-term
• Increase transparency and efficiency of liquidity management by consolidating all government accounts at the BEAC.	High	Short- to Medium-term
• Develop the capacity to be in a position to rely on the regional government securities markets currently being prepared by the BEAC in close cooperation with other CEMAC member countries.	High	Short-term
• Develop a medium-term financing strategy for government debt.	High/Medium	Medium-term
Financial System Stability		
• Continue efforts to recapitalize the banking system.	High/Medium	Medium-term
• Monitor risk management practices and lending standards to address prudential risks.	High/Medium	Medium-term
• Adopt regulations to facilitate leasing, factoring.	Medium	Medium-term
• Strengthen the supervision of the MFIs.	High	Medium-term
Legal and Judicial Framework		
• Improve commercial and land registries	High	Medium-term
• Strengthen the judicial system (mainly, by introducing specialized judges in business law, providing additional resources, enforcing regulation and laws).	High	Medium-term
• Complete harmonization of domestic law with OHADA.	High/Medium	Short-term

I. Macroeconomic Environment and Financial Situation

A. Macro-Financial Setting

1. **The Central African Republic's economy has been adversely affected by political struggles and armed conflict over the past decade.** Drought, regional conflict, and a decline in the terms of trade have further undermined economic performance. Since the early 1990s, economic activity has been steadily declining and living standards have deteriorated considerably. Consequently, it became difficult for the government to mobilize domestic tax resources, which, at about 8.5 percent of GDP, are among the lowest for developing countries. This, along with a drying up of foreign aid and loss of public spending control, led to significant accumulation of domestic and external arrears.

2. **The economic recovery from the last conflict of March 2003 is gaining momentum, but vulnerabilities and risks persist.**

- **Macroeconomic performance has strengthened.** This has been supported by improvement in the fiscal position (the overall budget deficit moved from 8.5 percent of GDP in 2005 to a projected 2.7 percent in 2007); a pickup in donor financing, and an improved external debt position (Table 3).[1]

- **Subsistence agriculture remains the largest sector of the economy, which is vulnerable to climate-related shocks.** In addition, export performance is prone to fluctuations in the price of diamonds and timber, the main export commodities.

- **Banks' large exposure to government debt is a major risk, given the government's relatively low creditworthiness.** Poor government cash-flow and fiscal management partly explain the government's continued dependence on commercial bank financing. However, bank lending to the private sector has also been dampened by the lack of business activity and loan demand.

- **The repayment of domestic arrears (about 13 percent of GDP at end-2007) is becoming a key economic and political issue.** Wages, pensions, and civil damages constitute 75 percent of these arrears while the rest is mainly commercial debt.

- **The productive base of the economy is showing signs of modest widening, which could potentially bode well for the financial sector.** The services sector, particularly telecommunications, could further provide the banking sector with opportunities for diversification. Production of coffee and cotton, while still low, is showing signs of a modest recovery.

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[1] The country has reached the decision point under the enhanced HIPC Initiative and could qualify for additional debt relief under the MDRI once it reaches the completion point.

- **The recently finalized Poverty Reduction Strategy Paper produced by the authorities underscored the need to improve governance.** However, the overall security situation, the lack of confidence in the banking system (from the depositors' side), and the institutional and governance weakness (from the lenders' side) are not facilitating financial intermediation.

3. **Membership in the CEMAC currency union has been a source of macroeconomic stability for CAR.** Inflation has been contained at relatively low levels even during recent periods of civil unrest. Developments in regard to CAR's competitiveness are consistent with the rest of the CEMAC region.[2] Against the backdrop of considerable macroeconomic risks, weaknesses were detected concerning the implementation of supervisory and regulatory recommendations. In this regard, most of the issues identified by the 2006 CEMAC regional FSAP are yet to be addressed (Annex).

4. **The overall liquidity position of the financial sector has improved markedly since the time of the regional FSAP exercise in early 2006**. As shown in Figure 1, the liquidity crisis appears to have waned and the banks have enough resources to finance their operations. The improved situation resulted largely from higher growth spurred by an improvement in the export sector, repatriation of earnings, and a more favorable economic environment following the end of hostilities. Capital inflows spurred by donor financing and a weak demand for loans also helped boost liquidity. As a result, the BEAC has not had to refinance banks' activities since mid-2006, the level of banks' deposits at the BEAC has increased, and the BEAC has initiated deposit auctions to absorb some excess liquidity.

5. **As in the rest of the CEMAC region, credit expansion to the private sector economy has been weak.** Banks continue to find difficulties in expanding credit activities beyond a small core of clients. Uncertainties about the future of the economy, security issues related to inland transportation, the large stock of outstanding government arrears, the lack of transparency in the accounting practices of some enterprises, and a poor judicial system capable of supporting debt collection are the main reasons for the poor credit expansion.

6. **Crowding out by the public sector is a growing concern, as statutory advances by the BEAC to the Government have had to be replaced by credit from commercial banks** (Table 4**).** Statutory and exceptional advances by the BEAC to the Government increased sharply from CFAF 58 billion (6 percent of GDP) at end-2004 to an estimated CFAF 78 billion (7 percent of GDP) at end-2007. As the BEAC halted the provision of additional credit to CAR, the Government began resorting extensively to short-term credits from commercial banks in the form of overdrafts.[3] Since the Government is borrowing from the banks at the maximum interest rate allowed, the incentive for commercial banks to lend to the private sector is diminished.

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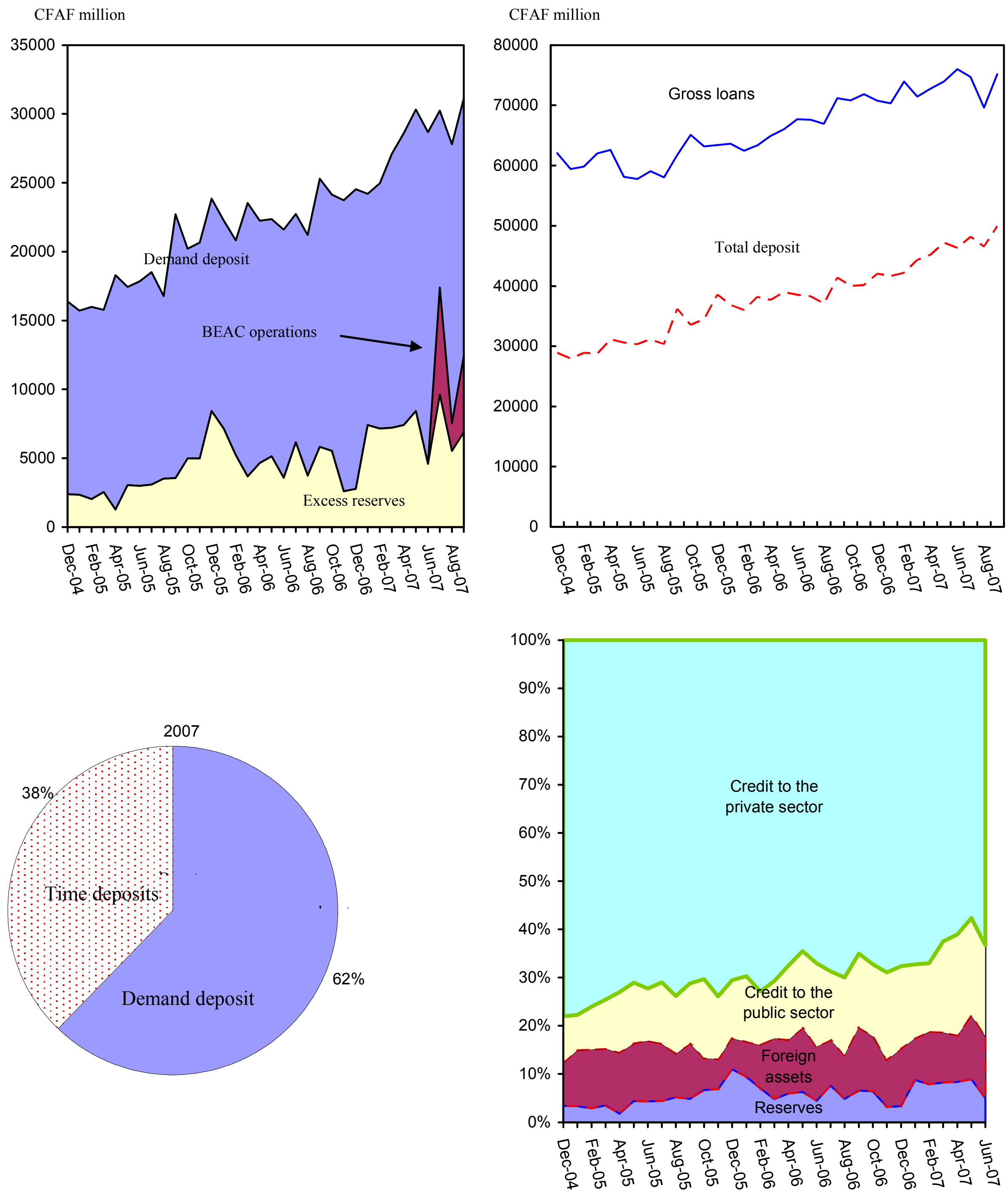
[2] For a fuller discussion of competitiveness in the CAR see the Staff Report for the 2007 Article IV Consultation.

[3] Credit from commercial banks has tripled from CFAF 5 billion at end-2004 to CFAF 14.8 billion (1.8 percent of GDP) at end-September 2007.

Figure 1. Selected Liquidity Indicators



Source: BEAC/COBAC

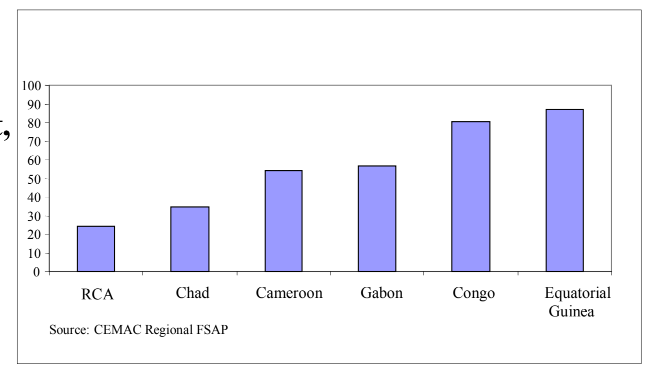
B. PAVING THE WAY FOR RELIANCE ON THE MARKET FOR FINANCING THE GOVERNMENT

7. **Outstanding government domestic debt has reached about CFAF 182 billion or the equivalent of 22 percent of GDP in 2007.** The domestic debt comprises some CFAF 110 billion of domestic payment arrears (mostly salaries), CFAF 57 billion of BEAC total advances and consolidated special financing, and CFAF 15 billion of borrowings from the commercial banks.

8. **The mission recommends developing a medium-term debt strategy.** The priorities should aim at reducing domestic payment arrears to enhance social stability and containing the government's reliance on high-cost commercial borrowings. Encouragingly, the authorities have agreed with BEAC on a schedule for repaying the exceptional advances that have been provided to CAR, and will likely seek external financial assistance to support the repayment of advances.[4]

9. **<sp>To better control the budget execution under a tight financial constraint, the Government has created a Treasury committee.** The committee, whose main responsibility is to manage weekly cash-flows, is chaired by the President of the CAR and meets every Thursday, aiming at improving the link between resource availability and commitment planning. All relevant officials of the Ministries attend the meeting.

Figure 2. Member States' Deposits with BEAC, 2006



10. **<sp>The planned introduction of a regional government securities market in the CEMAC under the aegis of the BEAC should facilitate a more transparent and cost-effective financing for the Government, but steps will need to be taken to ensure efficient use of this facility.** In particular, the authorities will need to strengthen their debt and cash-flow management.[5] Currently, government cash management is complicated by the number of bank accounts it holds.[6] The fact that the Government holds deposits outside the central bank complicates liquidity management and the BEAC's implementation of monetary policy, and adds considerable uncertainty to commercial banks, given the volatility of these deposits. Among CEMAC countries,

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[4] Given the weak debt management infrastructure, technical assistance will be provided by MCM to implement the preconditions for being able to access the markets in an orderly way under a new financing strategy. In particular, a formal Medium Term Debt Strategy is required to guide the implementation of a proper debt management/debt strategy framework and to clear refinancing domestic commercial bank debt by issuing government securities.

[5] Technical assistance by Afritac Center has been provided in FY 08 and additional assistance is scheduled for FY09.

[6] To increase transparency and the efficiency of government cash flow management it would be desirable to consolidate all the government accounts at the BEAC.

CAR's percentage of government deposits held at BEAC is the lowest (Figure 2). Direct borrowing from the central bank should be eliminated over time, and treasury securities markets should be developed to improve the effectiveness of monetary policy and to implement a transparent financing mechanism for the government. It will also be critical to restore credibility by clearing public sector arrears and reducing outstanding loans from the commercial banks.

11. **However, there would be considerable risk in issuing government securities before key structural issues are addressed**. The regional public debt market currently being developed by the BEAC in close coordination with CEMAC member countries should offer important benefits (Box 2). Nonetheless, as indicated in the Guidelines for Public Debt Management prepared by Fund and World Bank staffs, there are a number of important steps to be taken before launching a program of issuance of government securities to ensure the smooth functioning and liquid market for treasury securities. Key considerations include:

- It will be important for the CAR to coordinate closely with the BEAC and the other CEMAC countries to ensure that appropriate coordination mechanisms are in place when the securities are issued. This will require the full support of all government debt offices of the region.[7]

- A credible government cash-flow framework will be required, which in turn would need to be based on well-grounded, medium-term fiscal projections. This framework should include the capacity to estimate and program the amounts of debt to be repaid and the financing that could be generated from the issuance of government securities at a regional level. It is essential that such exercise is continuously updated to take into account new developments.

- A liquidity committee composed of Government and BEAC officials will be essential in order to forecast liquidity in the market. To this end, frequent contacts with the market must be maintained to better appreciate market conditions.

Box 2. Potential Benefits From Issuing Government Securities in the Regional Debt Market

The new regional debt market promises to deliver a number of important benefits:

- Improvements in transparency and concomitantly lower financing costs.
- Greater involvement of the BEAC could help in coordinating debt issuance within the region and ensure that maturity profiles facilitate absorption by the regional market. Moreover, a centralized debt market would assist BEAC in managing regional liquidity.
- Commercial banks, other financial institutions, and households will have a broader array of marketable instruments to invest in.
- The regional securities market should also enable the development of a money market, a collateralized interbank market, and secondary market activities.

[7] BEAC is leading the effort to establish a regional government securities market by 2009.

- A risk management framework should be developed to identify and manage trade-offs between expected cost and risk in the government debt portfolio.

II. Structure of the Financial Sector and Vulnerabilities

A. Financial Sector Structure and Bank Performance

12. **The financial sector of the CAR, the smallest in the CEMAC, is undeveloped and dominated by commercial banks**. In addition to the National Office of the BEAC, the system consists of three commercial banks,[8] two microfinance institutions (MFIs),[9] two post office banks,[10] two insurance companies,[11] and a social security fund (Table 1).[12] Because of the economic and security problems facing the CAR, the financial institutions, especially the MFIs, have consolidated their business in Bangui over the past few years. There is no money market, no securities market, and no foreign exchange market in the CAR.

Table 1. Structure of the Financial System, End-2007

	Number	Assets (CFAF billion)	Percentage of Assets	Percentage of GDP
Banks	3	98	91	12
Microfinance institutions 1/	2	4	4	0
Post office banks	2	…	…	…
Social security agency 2/	1	…	…	…
Insurance companies 1/	2	6	5	1
System total	10	108	100	13

Source: COBAC, individual institutions.
1/ End-2006
2/ Not available

13. **The Central African Banking Commission (COBAC) is responsible for the supervision of commercial banks and MFIs in the CEMAC.** Given COBAC's limited resources, supervision operations focus on commercial banks, with plans to increase further its

[8] The banks are Eco Bank Centrafrique, formerly Banque Internationale pour le Centrafrique; Commercial Bank Centrafrique (CBCA); and Banque Populaire Maroco-Centrafricaine (BPMC). All three banks are foreign, and the government is a minority shareholder in each of them.

[9] Crédit Mutuel de Centrafrique (CMCA) is the largest in terms of assets, with 11 branches; and Union Centrafricaine des Caisses d'Epargne et de Crédit (UCEC) has 14 branches.

[10] Caisse Nationale d'Epargne (CNE) and Centre des Chèques Postaux (CCP), which are part of the National Post Office.

[11] Union Centrafricaine d'Assurance et de Réassurance and Union des Assurances Centrafricaines.

[12] Office Centrafricain de Sécurité Sociale.

staff capacity toward end-2008 (following a first increase in staffing levels in 2007) to ensure better application of the regulatory framework established in 2002.[13]

14. **The banks' liquidity position has improved but remains potentially weak.** The reserve requirement ratio has been kept at zero since 2003 and banks are now investing excess liquidity at BEAC (deposit auctions). For the first time since 2003, the reserves held by the banking system have exceeded the level of reserves that would be required to meet the reserve requirements ratio that had been in place prior to 2003. Nevertheless, as shown by stress tests, the reimposition of reserve requirements would seriously affect the banking system.[14]

15. **The weak balance sheets of the commercial banks represent an important impediment to credit growth to the private sector.** Despite recent progress in recapitalization and provisions for nonperforming loans, the capital base of the commercial banks is weak and vulnerable to possible shocks. The latter, together with high interest rates paid on government claims and weaknesses in the legal and judiciary system, impedes the banks' ability to diversify their portfolio through expanding their client base to SMEs. Based on the assessment of soundness prepared by COBAC (Table 2), further recapitalization would be beneficial. Banks also need to strengthen their risk management capacity to address prudential risks and to be provided with proper incentives by the regional supervisor in this regard.

16. **Although profitability has increased, the banking sector remains vulnerable.** All the banks made profits in 2006 and 2007 (Table 5). Nevertheless, one-third of loans extended by banks are nonperforming and one bank in particular is viewed by COBAC as critically undercapitalized (Table 2). The business climate, marked by socio-economic problems and weaknesses of the judicial system, prevents the enforcement of guarantees, thus contributing to private sector defaults. Given the advanced state of deterioration of the banking portfolio, full provisioning is warranted as soon as a loan becomes non-performing, regardless of the type of collateral provided (real guarantee or government security). Banks conduct business essentially with the government (overdraft facilities) and with a few large companies specialized in the trading and the mining of raw materials.

Table 2. CAR Assessment of the Soundness of Banks, 2007

	1	2	3A	3B	3C	4A	4B
Bank							
A							x
B			x				
C	x						

Rating: 1=very good; 2=good; 3A=weak; 3B=somewhat weak; 3C=very weak; 4A=critical; 4B=very critical.
Source: Central African Banking Commission (COBAC).

[13] The insurance companies are regulated by the Inter-African Conference on Insurance Markets (CIMA) in Gabon, which is the supervisor in 16 African countries. The social security agency is supervised by the Inter-African Conference on Social Security (CIPRES) in Togo.

[14] It is critical that the authorities start planning for the re-introduction of the regulation on reserve requirements.

17. **Although supervisory procedures are adequate, the capacity of the supervisory function should be strengthened.** COBAC would like to carry out, in addition to offsite supervision, a general inspection of each institution every two years. However, a lack of staff has prevented it from achieving this objective (visits presently occur only every three years, on average). The last visit by COBAC inspectors for a general inspection in the CAR dates back to 2006.[15] COBAC should have the appropriate means to carry out a general inspection, at least, every 18 months in the case of weak banks. In addition, the supervisor should establish a risk-based forecasting system that would allow it to anticipate rather than react to bank problems. Lastly, the regional regulations adopted by COBAC in 2002 for the supervision of MFIs have not yet been fully implemented.[16]

B. Stress Tests, Soundness, and Short-term Vulnerabilities

18. **Stress tests results point at the vulnerability of the banking sector to sovereign risk.** The tests are described in more detail in Appendix I, but they illustrate that the banks' exposure to government default is greater than to other shocks. The public sector heavily relies on commercial banks' financing through overdraft facilities, signaling a low level of credibility of the government. The banking sector liquidity could also be stressed if the government does not repay credits in a timely fashion. The FSAP mission recommended maintaining a higher capital adequacy ratio while acknowledging that banking sector vulnerability would remain high as long as the government diversifies its financing. Banks profits may also be vulnerable to a rapid reduction in government credit because it is unlikely that they would be able to replace credit to the government with credit to the private sector rapidly.

19. **Foreign exchange positions at commercial banks are relatively modest and reflect the lack of export activities (commodities) transiting through formal channels.** As per the foreign exchange regulation, banks are not allowed to maintain a foreign exchange position besides a working balance on correspondent accounts (creditor position).

20. **Prudent portfolio management aimed at avoiding further impaired debt is essential for maintaining the solvency of the banking sector.** According to the stress tests, two banks would be able to withstand portfolio deterioration and the accumulation of new NPLs. This would, nevertheless, require a provisioning and capitalization effort if overdue obligations were to become impaired. By contrast, one of the banks could become insolvent as a result of an increase in NPLs.

[15] COBAC has recently exercised its power to place a weak bank under provisional administration.

[16] The two MFIs are struggling to complete information on their the balance sheets.

III. Financial System Development

A. Access to Financial Services

21. **Access to financial services is extremely limited in the CAR**. Bank account holders represent less than 1 percent of the total population. The data also illustrate that ½ percent of the population use bank credit facilities, and just over 1 percent is members of microfinance institutions. The postal financial institutions—the national savings bank (*Caisse nationale d'épargne*) and the postal checking center (*Centre des chèques postaux*)—still manage about 7,250 accounts (1,250 savings accounts and 6,000 postal checking accounts) belonging to civil servants. There is no significant activity in these accounts except at month-end, when wages are paid. This situation attests to the total concentration of bank branches and ATMs in three towns in the CAR, with 71 percent of all bank branches located in Bangui alone, and the government cash-flow pressures that led to the accumulation of wage arrears ranging from 7 to 36 months.[17]

22. **The range of financial services supplied in the CAR is limited, compared to countries with a similar level of development.** The availability of loan accounts is low and highly concentrated and there is little diversification concerning financial products offered by banks. Financial services such as operations in securities and foreign exchange, leasing, and remittances are marginal. Savings products include demand deposits on which interest is set freely; time deposits; and passbook savings accounts with mandatory interest of 4.25 percent.

23. **Most SMEs find difficulty in obtaining credit for a number of reasons, the most significant of which is the weakness of the judicial system.** The absence of a system of information on promoters also contributes to their problems (Appendix II). Banks hold substantial claims on the government, which are not subject to a strict credit rating process. Given that the government pays higher interest rates, thus making claims on the government very profitable, there is little incentive for banks to extend credit to the private sector SMEs.

24. **Access to financial services by the rural sector is almost nil.** The commercial banks withdrew from the agricultural credit business following the accumulation of overdue obligations in the cotton and coffee sectors, especially after the poor performance of a number of companies, the accumulation of arrears to producers and to the banking system, and the cessation of coffee production. In the absence of access to financial services, the microfinance sector remains largely underdeveloped (Table 9). The postal financial institutions are arms of the National Post and Savings Office (*Office national de la poste et de l'épargne*—ONPE), which provides a number of payment services, but since its creation in 1995, it has recorded sizable deficits and has no

[17] See Tables 7 and 8.

analytical accounting.[18] A full evaluation of the postal financial institutions is warranted to determine the financial, economic, and social viability of these offices.

B. Constraints on Access to Financial Services

25. **Macroeconomic and political stability is critical to development through expanding access to financial services.** The deterioration of the macroeconomic environment after years of conflict has created considerable uncertainties for enterprises and financial institutions, adversely affecting the willingness and ability of banks to lend to the private sector.

26. **Effective enforcement of the legal and judicial system is a crucial factor in encouraging banks to provide finance to SMEs.** A number of financial institutions in the CAR are facing uncertainties in the enforcement of laws and regulations. In particular, inefficiency in the practice of certain guarantees (mortgages and pledges of goodwill) and in the functioning of collection procedures for the settlement of liabilities leads to a general lack of confidence in the effectiveness and reliability of existing arrangements. This inefficiency contributes to apprehension of the banks and other financial operators about lending to SMEs.[19]

27. **In addition, the financial system lacks the diversification needed to meet the financing requirements of the economy**. One characteristic of the financial sector is the absence of leasing, licensed venture capital or equity investment financial institutions, and factoring companies, etc. The development of these specialized institutions is hampered by the lack of the necessary legal, prudential, and regulatory frameworks. In addition, the development of the MFI sector is hampered by CAR's unfavorable business climate and institutional weaknesses.

C. Legal and Judicial Framework for the Financial Sector

28. **OHADA uniform acts govern the financial sector's activities, particularly credit provisions, in the CAR.[20]** However, the harmonization of domestic law with OHADA uniform acts has not been completed. The following issues are still pending:

- Concerning OHADA Uniform Act on General Business Law, applicable to the commercial registry (RCCM—*Registre du commerce et du crédit mobilier*), there has

[18] The government has commissioned a study for 2008 by the Tecsult firm to fully evaluate the company**.**

[19] Several banks reported that they had matters pending before the courts for more than five years. In addition, the lack of valuable collateral is also impeding the financing of SMEs.

[20] The assessment of the legal framework for credit activity in CAR covered the following areas: general business law (commercial registry), security, debt collection and enforcement procedures, debt collection in collective proceedings, debt collection by arbitration, bank loan contracts, the land regime, financial leasing, commercial paper (warrants), alternative means of commercial dispute settlement (conciliation), bank contracts (bank accounts, contracts for deposits of funds, deposits of securities, bank transfers, opening of credit lines, current account contracts, discounting).

been considerable improvement vis-à-vis the former system in CAR by providing an organizational framework for its operations. However, the relevant OHADA act is not supplemented by domestic laws on the organization and functioning of the RCCM that would guarantee its reliability, transparency, and integrity, which are essential for the performance of the commercial registry's functions.

- Concerning OHADA Uniform Act on Organizing Securities, the CAR has not yet identified the domestic provisions that should either be added to complement or be removed to comply with the relevant OHADA act.

- Concerning OHADA Uniform Act Organizing Simplified Recovery Procedures and Measures of Execution, the numerous referrals to the OHADA law calls for a harmonization effort that has not yet been realized, in particular the updating of the Central African Code of Civil Procedure.

- Concerning OHADA Uniform Act on Organizing Collective Proceedings for Wiping Off Debts, the charters and regimes of the entities involved in collective proceedings (appraisers, trustees) have not yet been established. As a result, irregularities and abuses are found in collective proceedings that have been initiated in the CAR. These include measures taken without consulting all eligible creditors, and insufficient transparency in the proceedings.

- Concerning OHADA Uniform Act on the Arbitration Law, there is no structure in place in the CAR for organizing arbitration proceedings. Creditors must resort to the Central African State's jurisdictional authorities, which have major deficiencies, as described below.

- Regarding bank loan contracts, they are currently subject to the provisions of ordinary law under the French Civil Code that was in effect when the CAR gained independence in 1960. While these provisions have undergone many reforms in France to adapt them to the contemporary economic context, they have remained unchanged in the CAR for almost five decades.

- Concerning land tenure, the precariousness of titles, which must be registered before a mortgage is assumed, the scarcity of land titles, and the litigation and disputes to which they are often subject, point to the need for updating the current law. Even though the registration procedure is relatively easy overall, very few titles are registered, thereby greatly limiting the number of registered buildings, which, under OHADA law, are the only ones that can be mortgaged.

29. **Several weaknesses in the legal and judiciary system need to be addressed to remove impediments to credit expansion to the private sector and to diversification of financial services**. The necessary measures would include:

- Appoint magistrates at all levels of jurisdiction who are specialized in business law, by providing specialized training;

- Implement law 03-001 of January 13, 2003 establishing the charter of court bailiffs as well as implementing regulations;

- Regulate appraisers and trustees which play key roles in collective proceedings, with a view to eliminating irregularities found in the conduct of persons appointed by the commercial court to act as appraisers or trustees;

- Provide materials and human resources for the courts' operations so that all levels of the court system can execute justice on commercial matters;[21]

- Provide sufficient resources for staff of the RCCM and the Land Registry so that the staff can properly carry out their duties.

30. **CAR law must be made compliant with the OHADA Uniform Law to strengthen the legal framework for economic affairs, in general, and to secure credit activities, in particular.**

- Reform efforts should be started within the OHADA National Commission, recently established by presidential decree; this should also afford the opportunity to update or overhaul certain codes and laws, such as the Code of Civil Procedure and the land tenure laws.

- To prevent the risk of irreparable loss in the event of destruction, the RCCM and the Land Registry should be adequately computerized to complement the current paper-based archives. In addition, the design of a framework to guarantee the registry's reliability, transparency, and integrity is essential for the RCCM to be able to effectively perform its functions and foster the development of credit.[22]

- The law establishing the legal status and regime of bailiffs and its implementing regulations must be applied as soon as possible, together with an effort to ensure better enforcement of court decisions.

[21] The court system includes commercial court, district court, appeals court, and Cour de Cassation (court of final appeal).

[22] This work could benefit from OHADA's experience with the ongoing pilot projects in Benin and the Republic of Congo, supported by French Cooperation.

- It would be advisable to initiate measures to promote alternative dispute resolution in business, such as arbitration to offer creditors a credible alternative for protecting their rights.

- Judges in commercial courts must receive basic and continuing training.

- Judicial decisions must also be made within reasonable time frames, within an organized publication of court decisions, under penalty of disciplinary sanctions.

- The budgets of the courts must be increased to provide them with adequate operational resources.

- The lay judges to sit on the commercial court must be elected by the Chamber of Commerce as soon as possible, to ensure the collegiality of this important court.

- The Land Registry must be computerized and its files kept under better conditions.

Table 3. Central African Republic: Selected Economic and Financial Indicators, 2004–08

	2004	2005	2006 Est.	2007 Est.	2008 Proj.
	(Annual percentage change, unless otherwise indicated)				
National income and prices					
GDP at constant prices	1.0	2.4	4.0	4.2	4.9
GDP at current prices	1.3	6.2	8.4	6.3	7.4
GDP deflator	0.3	3.8	4.4	2.1	2.5
CPI (annual average)	-2.2	2.9	6.7	0.9	2.6
CPI (end-of-period)	-0.3	1.7	7.1	-0.2	4.6
Money and credit					
Net domestic assets	12.0	10.4	6.0	4.3	6.9
Domestic credit	13.6	9.8	7.5	6.5	4.9
Broad money	14.2	16.5	-4.2	-3.7	-7.0
Velocity of broad money (end of period)	6.1	5.5	6.3	6.9	8.0
External sector					
Exports, f.o.b. (US$ basis)	-0.5	1.5	22.8	22.8	10.8
Export volume	-1.6	-8.1	15.1	13.5	7.8
Imports, f.o.b. (US$ basis)	17.0	8.9	18.3	16.1	19.9
Import volume	15.7	8.2	11.3	11.5	12.3
Terms of trade	-7.7	2.8	0.4	4.0	-3.7
Nominal effective exchange rate	1.7	-0.2	0.2	...	1.9
Real effective exchange rate	-0.9	0.7	5.7	...	0.1
	(percent of GDP, unless otherwise indicated)				
Gross national savings	4.4	2.3	6.6	4.5	3.9
Of which: current official transfers	0.6	2.0	1.5	1.3	1.7
Gross domestic savings	0.0	0.1	1.4	1.5	1.6
Government	0.6	0.0	13.2	4.7	4.6
Private sector	-0.6	0.1	-11.8	-3.2	-3.0
Consumption	100.0	99.9	98.6	98.5	98.4
Government	3.3	4.5	3.2	2.7	3.5
Private sector	96.7	95.4	95.4	95.9	94.9
Gross investment	6.2	8.9	9.2	8.9	10.3
Government	2.0	4.0	3.7	2.7	3.7
Private sector	4.1	4.9	5.6	6.2	6.6
Current transfers and factor income (net)	6.6	2.5	5.2	3.0	2.3
External current account balance	0.5	-6.3	-2.7	-4.4	-6.4
Overall balance of payments	-2.9	-1.1	3.0	-3.3	-3.8
Central government finance					
Total revenue	11.7	12.4	22.8	14.3	15.2
Total expenditure	-13.9	-16.9	-13.9	-12.7	-15.3
Overall balance for period t expenditure					
Excluding grants	-5.6	-8.7	-4.4	-2.5	-4.7
Including grants	-2.2	-4.5	9.0	1.6	-0.1
Domestic primary balance [1]	-2.8	-3.6	0.4	1.1	0.3
NPV of external public and publicly-guaranteed debt	...	...	...	42.1	36.8
Public sector debt	109.2	95.6	89.5	79.7	71.7
of which: domestic debt [2]	23.0	23.3	22.9	22.1	20.6
Gross official foreign reserves					
(millions of US$, end-of-period)	148.4	147.1	129.9	90.3	69.3
(in months of imports, f.o.b.)	11.2	10.6	7.3	4.3	2.9
Nominal GDP (billions of CFA francs)	670.7	712.1	772.2	820.6	881.3
Exchange rate (average; CFA francs per US$)	528.3	527.5	522.9	478.7	...

Sources: C.A.R. authorities; and IMF staff estimates and projections.

[1] Excludes grants, interest payments, and externally financed capital expenditure.

[2] Comprises domestic arrears and government debt to BEAC and commercial banks.

Table 4. Central African Republic: Monetary Survey, 2004–08

	2004	2005	2006 Est.	2007 Est.	2008 Proj.
	(billions of CFA francs, at end of period)				
Net foreign assets	49.5	56.2	43.0	33.2	16.8
Bank of Central African States (BEAC)	51.4	59.7	43.6	18.5	2.2
Operations account	69.6	77.0	61.6	35.8	28.7
Use of IMF credit	-21.2	-20.0	-21.0	-22.2	-29.0
Other	3.0	2.6	2.9	4.9	2.5
Commercial banks	-1.9	-3.5	-0.6	14.6	14.6
Net domestic assets	60.7	72.2	80.0	85.3	93.4
Domestic credit	115.4	126.1	135.7	143.8	149.5
Credit to the public sector	60.2	72.0	79.3	84.7	86.0
Credit to central government (net)	62.9	74.2	80.9	89.7	91.0
BEAC	58.7	67.7	70.1	78.0	79.2
Current account	25.1	32.1	36.2	16.1	10.4
Consolidated loans	14.6	17.2	18.4	41.1	41.1
IMF (net)	21.2	20.0	21.0	22.2	29.0
Deposits	-2.2	-1.6	-5.4	-1.4	-1.3
Commercial banks	4.2	6.6	10.8	11.8	11.8
Credit to other public agencies (net)	-2.7	-2.2	-1.6	-5.0	-5.0
Credit to the economy	55.2	54.1	56.4	59.1	63.6
Public enterprises	6.7	5.6	5.2	4.2	4.2
Private sector	48.4	48.5	51.3	54.9	59.4
Other items (net)	-54.6	-53.9	-55.7	-58.5	-56.2
Money and quasi–money	110.2	128.4	123.0	118.4	110.2
Currency	81.3	89.9	80.9	58.9	52.1
Deposits	28.9	38.6	42.0	59.5	58.1
Demand deposits	16.4	23.8	24.5	38.3	33.9
Term and savings deposits	12.5	14.7	17.5	21.2	24.2
Memorandum items:					
Net domestic assets of the central bank	32.3	38.6	40.1	44.8	52.7
Monetary base	83.7	98.3	83.7	61.7	54.9
Nominal GDP	670.7	712.1	772.2	820.6	881.3
Velocity (GDP/broad money)					
End of period	6.1	5.5	6.3	6.9	8.0
	(Annual change, in percent of beginning period broad money)				
Net foreign assets	2.2	6.1	-10.3	-8.0	-13.8
Net domestic assets	12.0	10.4	6.0	4.3	6.9
Net domestic credit	13.6	9.8	7.5	6.5	4.9
Net credit to central government	7.9	10.3	5.2	7.2	1.1
Credit to the economy	6.0	-1.0	1.8	2.1	3.8
Money and quasi–money	14.2	16.5	-4.2	-3.7	-7.0
	(Annual percentage change)				
Monetary base	15.3	17.4	-14.8	-26.3	-11.1
Credit to the economy	11.6	-1.9	4.3	4.7	7.6
Public enterprises	-20.2	-16.2	-8.3	-19.1	0.2
Private sector	18.2	0.1	5.8	7.1	8.2

Sources: C.A.R. authorities; and IMF staff estimates and projections.

Table 5. Central African Republic: Prudential Indicators for the Banking System, 2005–07

	2005	2006	2007	Banks in violation of prudential indicators
Regulatory capital				
Regulatory capital as a share of risk-weighted assets*	12.4	10.8	15.4	Bank A
Capital (net value) as a share of assets	13.5	11.1	13.0	
Asset quality				
Credit to the government (as a share of loans net of provisions)	14.3	23.8	29.8	
Non-performing loans (as a share of gross loans)	34.2	32.9	30.4	
Provisions (as a share of doubtful loans)	77.9	76.0	99.7	
Non-performing loans net of provisions (as share of capital*)	50.8	47.3	0.4	2
Large exposures (as a share of capital*)				
Government	70.5	107.0	97.7	Banks A and B
Larger exposure	68.1	92.9	70.8	Bank A
All exposures exceeding 15 percent of capital/eight times equity capital	18.0	25.1	19.4	
Profits and profitability				
Average return on assets (ROA)*	6.8	7.0	..	
Average return on equity (ROE)*	47.6	43.8	..	
Margin on interest (as a share of gross revenue)*	99.0	103.0	..	
Expenditure excluding interest (as a share of gross revenue)*	106.2	87.5	..	
Personnel expenditure (as a share of noninterest expenditure)	32.4	95.2	..	
Revenue from trading and banking services (as a share of total revenue)	45.3	39.4	..	
Average rate spread between loans and deposits				
Liquidity				
Short-term liabilities (as a share of total liabilities)[1/]	75.1	73.4	75.7	
Liquid assets (as a share of total assets)[2/]	53.0	64.8	63.2	
Liquid assets (as a share of short-term liabilities)	70.7	81.6	76.9	Bank A
Bank reserves (as a share of short-term liabilities)	19.7	6.9	16.0	
Deposits (as a share of total loans)	56.2	56.0	85.8	
Government deposits (as a share of total deposits)	20.7	4.6	12	
Sensitivity to market risk				
Net open foreign exchange position (as a share of capital)*	34.7	27.7	21.0	Bank B
Foreign currency deposits as a percentage of demand deposits	1.7	8.4	2.7	
Foreign currency deposits (as a share of foreign currency demand assets)	26.6	52.6	9.6	
Capital requirements as a share of net capital				
For risk diversification			100	Banks A and B
Risk hedging (100 percent provisioning)			20	

Source: BEAC, COBAC, and Staff estimates.

* Part of the key prudential indicators.

[1/] Short-term liabilities are defined as demand liabilities.

[2/] Liquid assets are defined as those that are immediately available.

Appendix I. Stress Test Methodology and Results

31. **Short-term vulnerability, both in terms of credit and liquidity, looms from the exposure of the banking sector to sovereign risk.** Default on credit to the government, a serious possibility in CAR because of distressed public finances, would make the whole banking sector insolvent. Furthermore, the extensive recourse to overdrafts also exposes banks to liquidity stress if the government does not timely honors its obligations. Increasing bank capital would allow a better coverage of risk, but government financing would have to be diversified or reduced to significantly reduce short-term risk for the banks.

32. **Shocks were tested on the individual data of the three banks operating in the CAR,** based on the data collected by the COBAC. The assumptions for the stress tests are as follows, and the results are provided in the Table 4, below.

Credit risk

33. **The sovereign risk is the main threat on the banking sector stability.** Even with the recent fiscal adjustment, the government financing needs remain large and have no other alternative than bank financing. As a result, an important part of the credits is concentrated on the government, which solvability could be challenged.

34. **The following assumptions were considered in performing the credit risk stress tests**:

- The prescribed minimum weighted capital adequacy ratio of 8 percent in the CEMAC includes also banks' claims on the government because CAR does not observe the CEMAC convergence criteria.[23]

- Non-performing loans (NPLs) are provisioned in accordance with the COBAC rules, that is, 75 percent for NPLs of less than a year and then 100 percent for NPLs of more than a year.

- The large major exposures examined in the stress tests are those equal or above 15 percent of capital.

Liquidity risk

35. **Although recently improved, banks cash-flow has been tight in a recent past and remains artificially supported by the cancellation of reserve requirement.** The situation is further worsened by the looming presence of overdraft in bank assets, which tends to overstate

[23] The risk weighting of claims on government is based on the respect of fiscal convergence criteria (fiscal deficits and public debt as a ratio of GDP, following broadly the so called Maastricht Criteria in the EU), and can go from 0 to 100 percent. In the case of the CAR, the current weight is 100 percent in view of the very poor performance of the CAR against the convergence criteria.

bank liquidity. In particular, the following assumptions were considered in performing the liquidity risk stress tests:

- Liquidity shocks included a withdrawal of 25 percent of deposits (a ratio observed during banking crisis in the CEMAC in the past).

- Banks in the CAR are currently not subject to the reserve requirements. We assume that, should they be made subject to it, the BEAC would apply the ratio applying to countries with a satisfactory level of liquidity (i.e., 10.25 percent for demand deposits and 8.25 percent for time deposits).[24]

- The government is the first beneficiary of banks' overdraft facilities. If the debits are not paid back in a timely manner, the claim should be excluded from the liquid assets.

Foreign exchange risk

36. The foreign exchange risk is not tested because the variability exchange rate does not resort as a short-term vulnerability. The exchange rate regime makes unlikely changes in the CFA franc exchange rate vis-à-vis the euro and the foreign exchange regulation limits external position. The main bank exposure would be long position in dollar; however, no data were made available to the staff regarding the composition of banks' foreign assets.

Transformation risk (cost of resources)

- Demand deposits represent about 80 percent of all deposits in 2007. Banks' cost of funding is unlikely to be significantly impacted by macroeconomic shocks that would lead to an increase in interest rates.

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[24] Current BEAC regulations differentiate reserve requirements based on the level of liquidity in the country (i.e., abundant, satisfactory, tight).

Table 6. Central African Republic: Stress Test Results

	Capital adequacy ratio	Bank with CAR ratio below 2 percent[1/]
Capital adequacy ratio	15.4	
Capital adequacy ratio after the shocks		
A. *Credit risk*		
Default of the largest individual risk	3.1	
Default of the largest risks[2/]	-11.7	A B
Default on credit to the government	-1.9	A B
Downgrading of NPLs by one level	12.2	B
50 percent increase in NPLs	3.1	A B
B. *Liquidity risk*		
Liquidity ratio before shocks	76.9	
Liquidity ratio after shocks		
Reimposition of reserve requirements	65.5	
Delay in the payment of government debits[3/]	57.0	
Withdrawal of 25 percent of deposits	13.9	
Withdrawal of 40 percent of deposits	0.2	A

[1/] There are three banks in the CAR (A, B, and C). The CAR for A is 7.3 percent; B, 10.4 percent; and C, 35 percent.
[2/] Defined as individual loans over 15 percent of capital.
[3/]This is the liquidity ratio discounting the share of current asset, i.e., overdraft, which could not be recalled.
Source: COBAC and Staff estimates

APPENDIX II. OBSTACLES TO SMES FINANCE

37. **The following obstacles related to the availability of financial and accounting information on SMEs have been identified:**

- Most SMEs (and a few larger borrowers) do not keep reliable financial accounts and do not provide all the information required for decision making by the commercial banks. This lack of information limits the banks' knowledge of this market segment and the opportunities to provide them with financial services.

- While the CAR has adopted a chart of accounts for enterprises that recognizes the constraints faced by SMEs, their ability to produce this information needs to be strengthened.

- Financial institutions cannot rely on a central database with reliable financial information on potential customers. In particular, BEAC's credit information center (*Centrale des Risques*-CR) is not reliable, in part due to the lack of a single identification number and the absence of standard harmonized addresses. In addition, there are long delays for the availability of information that is recorded by the CR.

- There is no financial analysis center **(***Centrale des Bilans*-CB**)** recording financial information on potential borrowers. A major constraint on implementation of the BEAC plan in this regard is the absence of financial statements by SMEs

- There have been major delays in setting up the payment problems information center (*Centrale des Incidents des Paiements*-CIP), which would facilitate the establishment of sound market discipline for potential borrowers from credit institutions.

38. **The authorities should review the functional architecture of these credit bureaus**, with a view to merging them into a single center to process information that can be used by the financial institutions. In addition, the authorities should encourage the creation of private information centers whenever possible.

39. **The limits on lending rates are another obstacle to SME financing**. As in the other CEMAC countries, a ceiling of 15 percent is in place on lending rates. To cover the risks related to SME lending, banks charge commissions and other fees to their customers. However, the ceiling is a binding limit given that banks are required to add those fees to the actual cost of lending. As recommended in the regional CEMAC FSAP, and in order to foster financial intermediation, it is recommended that the limits on lending interest rates be brought in line with market fundamentals.

Table 7. Geographic and Demographic Density of Bank Branches in some African Countries

Country	Geographic Density		Demographic Density	
	Branches per 1,000 km2	ATMs per 1,000 km2	Branches per 100,000 inhabitants	ATMs per 100,000 inhabitants
CAR	0.01	0.00	0.18	0
Benin	0.67	NA	0.97	NA
Burkina Faso	0.51	NA	0.99	NA
Côte d'Ivoire	0.55	NA	0.87	NA
Guinea Bissau	0.08	NA	0.23	NA
Mali	0.15	NA	1.70	NA
Niger	0.03	NA	0.27	NA
Senegal	1.01	NA	1.75	NA
Togo	1.43	NA	1.53	NA
WAMU	0.26	NA	1.07	NA
Cameroon	0.27	0.19	0.8	0.56
Namibia	0.11	0.3	4.47	12.11
Botswana	0.11	0.27	3.77	9.00
Kenya	0.77	0.56	1.38	0.99
South Africa	2.22	6.49	5.99	17.5
Tanzania	0.23	0.07	0.57	0.17
Ghana	1.43	0	1.6	0
Madagascar	0.19	0.07	0.66	0.22
Nigeria	2.41	0	1.62	0
Uganda	0.67	0.9	0.53	0.7
Zambia	0.21	0.09	1.52	0.65
Zimbabwe	1.11	1.15	3.27	3.38

Source: World Bank

Table 8. Central African Republic: Geographic Distribution of Bank Branches (Dec. 2007)

	No. of Branches	No. of ATMs	Population	Branches and ATMs per 100,000 inhabitants
Urban	7	0	1,475,315	0.5
Of which: Bangui	5	0	597,000	0.8
Berberati	1	0	47,000	2.1
Bouar	1	0	45,000	2.2
Other towns	0	0	831,315	0.0
Rural	0	0	2,419,824	0.0
Total	7	0	3,895,139	0.2

Source: World Bank

Table 9. Central African Republic: Data on the Microfinance Sector, 2006

	CMCA	UCACEC	Total
No. of branches	10	14	24
No. of branches in Bangui	9	10	19
No. of members	31,505	4,575	36,080
Total loans (in millions of CFA francs)	1,176	24.03	1,200
Average loans (in CFA francs)	505,703	224,622	730,325
Total deposits (in millions of CFA francs)	3,440	171	3,611
Average deposits (in CFA francs)	110,141	37,439	147,580
Profit/loss (in millions of CFA francs)	23.8	12.7	36.5
Total assets (in millions of CFA francs)	3,581	275	3,856

Source: BEAC, COBAC

ANNEX

Progress in Implementation of the CEMAC Regional FSAP Recommendations

The CEMAC Regional FSAP (IMF Country Report 06/321) provided a wide-ranging reform agenda for CEMAC to meet financial sector current challenges. The status of accomplishment at the national level in CAR of those recommendations that have the most marked impact on the stability, development, and integration of the financial sector is the following:

Subject	Recommended Actions	Status of Implementation
Financial sector supervision	Reduce further the powers of the national authorities in the issuance or withdrawal of bank licenses^{N} (ST), increase staffing levels at the COBAC$^{R\text{-}N}$ (ST), enforce fully current regulations, including for AML-CFT$^{R\text{-}N}$ (ST), and strengthen further the consistency of the prudential framework with international standards^{R} (MT)	Partially Addressed • Although the influence of national authorities was reduced, staffing at COBAC is still an issue. • The AML/CFT assessment for the CAR will be conducted in June 2008.
Systemic liquidity management and recycling of fiscal surpluses	Centralize government cash balances at the BEAC^{N} (ST), reinforce the use of market-based instruments for monetary^{R} and public debt management^{N} (MT), and establish a framework to assess a desirable target for international reserves^{R} (ST).	Partially Addressed • The BEAC has started work to assess a desirable target for international reserves.
Banking sector stability	Increase the minimum capital adequacy ratio for the banks so that they can better absorb shocks^{R} (MT).	Not Addressed • The minimum capital adequacy ratio for banks in CAR has not yet been increased above the minimum level.
Access to financial services	Foster financial intermediation by bringing the limits on deposit and lending interest rates in line with market fundamentals^{R} (ST) and ultimately lifting all interest rate controls^{R} (MT), and strengthen the business environment by enhancing the proper functioning of the legal and judicial framework and strengthening financial infrastructure$^{R\text{-}N}$ (MT).	Not Addressed • Restrictions on interest rates are still in place. • Strengthening the business environment by enhancing the proper functioning of the legal and judicial framework is not completed.

^{R}: action to be taken at the regional level; ^{N}: action to be taken at the national level; ST: short term (i.e., within a year or two); MT: medium term (up to three–four years).