

**ANNEX 4 CENTRAL AFRICAN REPUBLIC**

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## 1 ECONOMIC ENVIRONMENT

### 1.1 Main features

1.1. The Central African Republic (CAR) is a landlocked country with an area of 623,000 km<sup>2</sup>. It shares borders with Cameroon to the west, the Democratic Republic of the Congo and the Republic of the Congo to the south, Sudan to the east and Chad to the north. Its predominantly rural population was estimated at 4.5 million in 2011. It is growing at an average annual rate of 1.9%. Almost half the population is under 18 years of age. The capital Bangui is home to some 16% of the total population. Owing to its climatic diversity (dense humid forest in the south, pseudo-steppe in the north), the flora and fauna of the Central African Republic are rich and varied. It also has a dense hydrographic network and extensive forest and mining resources.

1.2. The Central African Republic is a fragile, post-conflict country. The numerous armed conflicts in the country have undermined its economic and social fabric. Life expectancy there has fallen, moving from 51 years in 1999 to 48.4 in 2011.<sup>1</sup> It is classified amongst the "least developed countries". Nominal per capita income was US\$483 in 2011, the lowest in the CEMAC zone.<sup>2</sup> The Human Development Index (HDI) classifies the Central African Republic as a country with a low level of human development, ranking it 179<sup>th</sup> out of 187 countries in 2011. Poverty affects most of the population (an incidence of 62% in 2008 as against 67% in 2003), with rural areas being the hardest hit.

1.3. The economy is based mainly on the agricultural sector (including subsistence farming, livestock breeding, hunting, fishing, and forestry), and is highly vulnerable to climatic conditions. Agriculture employs some 75% of the active population and accounts for more than half of GDP (about 52%). The decline in mining activities has meant a slight contraction in the GDP contribution of the industrial sector to 13.1% in 2011. On average, the services sector accounts for 30% of GDP. Foreign trade is based on the exploitation of forest and mineral resources.

1.4. The Central African Republic is currently the only non-oil exporting CEMAC country, with the result that the economic climate induced by oil price fluctuations is quite different from that of other CEMAC countries. Its chief exports are wood and diamonds.

1.5. The Central African Republic is dependent on external assistance. The predominance of the informal sector means that the tax base is rather limited. According to IMF estimates, total fiscal revenue represented an average of 9.2% of GDP for the period 1990-2010, as against an average of 16.9% in the CEMAC area and 18.2% in Sub-Saharan Africa.<sup>3</sup> This situation limits the Government's capacity to invest in the basic infrastructure necessary for economic take-off. The Central African Republic reached the completion point under the enhanced HIPC Initiative in 2009 and was thus able to benefit from debt relief totalling US\$578.2 million, which reduced the level of public debt from 63% to 25.5% of GDP in 2009.

**Table 1.1 Basic economic indicators, 2005-2012**

	2005	2006	2007	2008	2009	2010	2011	2012
Nominal GDP (in CFAF billion)	712.1	772.2	813.0	945.9	997.7	1,055.6	1,122.2	1,213.3
Inflation (%)	2.9	6.7	0.9	9.3	3.5	1.5	1.2	5.0
Real GDP growth rate	2.4	3.8	3.7	2.0	1.4	2.9	3.3	3.7
<b>GDP Structure (GDP at current prices)</b>	(% of GDP)							
Agriculture	..	..	27.7	29.1	29.5	30.1	30.9	32.0
Livestock rearing	..	..	12.0	12.6	12.7	12.6	12.7	13.4
Hunting and fishing	..	..	5.1	5.3	5.3	5.3	5.2	5.5
Forestry	..	..	6.4	5.6	3.7	2.4	2.8	3.8
Mining and quarrying	..	..	2.6	1.6	1.7	1.8	2.0	2.0
Manufacturing industries	..	..	6.3	6.3	6.4	6.3	6.2	6.4

<sup>1</sup> UNDP online information. Viewed at: <http://hdrstats.undp.org/fr/pays/profils/CAF.html> [27 February 2013].

<sup>2</sup> This income is equivalent to just over half that of Chad (US\$823 per capita), the only other LDC in the CEMAC.

<sup>3</sup> IMF (2012).

	2005	2006	2007	2008	2009	2010	2011	2012
Building and public works	..	..	3.8	4.1	4.1	4.1	4.3	4.5
Services	..	..	29.6	29.2	29.6	29.7	29.9	31.8
Tradable services	..	..	23.5	23.6	23.6	23.8	25.5	26.6
Non-tradable services	..	..	6.1	5.6	6.0	5.9	4.4	5.2
Taxes/products	..	..	3.9	3.8	4.7	5.2	2.2	2.4
Customs duties	..	..	1.8	1.9	1.8	2.0	3.1	3.4
<b>Public finances</b>	(% of GDP)							
Total revenue and grants	12.4	22.9	14.4	14.3	39.1	15.6	12.3	14
Tax revenue	7.1	7.8	7.3	7.5	8.1	8.7	7.8	8.6
Non-tax revenue	1.1	1.7	3	2.3	2	1.7	2.2	1.6
Grants	4.1	13.4	4.1	4.5	29	5.2	2.3	3.8
Total expenditure	16.9	13.9	13.1	14.6	13.7	15.9	14.6	13.7
Current expenditure	10.6	8.1	8	10.4	9.7	10.6	11	9.3
Investment expenditure	5.4	4.9	3.6	4.2	4	5.3	3.7	4.4
Overall fiscal balance, commitments basis, excluding grants	-8.7	-4.4	-2.8	-4.8	-3.6	-5.5	-4.7	-3.5
<b>External Sector</b>	(% of GDP, unless otherwise indicated)							
Outstanding external debt/GDP	93.6	72.9	68.5	63.0	25.5	20.3	18.3	17.2
Debt servicing/fiscal revenue ratio	30.0	101.1	22.9	22.1	293.6	..	..	..
Debt servicing/goods and services exports ratio	19.4	67.7	16.6	20.9	342.5	..	..	..
External reserves (in months of imports c.i.f.)	8.3	5.8	3.2	4.1	9.8	..	..	..

.. Not available.

Source: Information provided by the Central African authorities; IMF (2012); and BEAC. Online information, viewed at: <http://www.beac.int/index.php/statistiques/>; World Bank, World Development Indicators.

## 1.2 Recent Economic Trends

1.6. One of the major developments in the Central African Republic's economic environment since its last TPR has been the problematic implementation of its first poverty reduction strategy.<sup>4</sup> Under the strategy, the country had set itself a long-term vision of building a strong and diverse economy and a modern State open to the world. From 2008 to 2010, however, the implementation of the strategy faced numerous obstacles including the continuing nationwide energy crisis, soaring food prices and rising energy costs. This situation was compounded by a fall in demand for exports of Central African wood and diamonds induced by a difficult international situation related to the international financial crisis.

1.7. Economic activity therefore showed low growth levels in 2008 and 2009, which then accelerated slightly in 2010 and 2011 to about 3% per annum. The economy continued to expand in 2012 with real GDP growth of 4.1% thanks to more abundant rainfall and a resulting good harvest, and to an improved security situation during the first half of the year, and the resumption of mining activities in some parts of the country.

1.8. Fuelled by soaring food prices in 2008, inflation surpassed 9% before being quickly contained at 3.5% the following year, and held below the community ceiling of 3% in 2010 and 2011. This drop was due to a decline in international oil prices combined with tax relief measures taken by the authorities. However, inflation again picked up in 2012 driven by items related to clothing, food products and energy, to stand at 5%.

1.9. As regards public finances, revenue (excluding grants) increased by 10.6% in 2012 to reach CFAF 123.7 billion (10.2% of GDP) owing to improved corporation tax collection. After rising sharply in 2010, public spending contracted slightly to CFAF 166.1 billion in 2012, which resulted in a deficit of CFAF 42.4 billion (3.5% of GDP) in the overall fiscal balance (commitment basis, excluding grants).

<sup>4</sup> Central African Republic (2007).

1.10. On the foreign trade front, the structural current account deficit in the balance of payments widened to over CFAF 200 billion in 2010 before recovering slightly in 2011. Contributing factors were high levels of goods and services imports coupled with a poor export performance.

**Table 1.2 Balance of payments, 2005-2011**

(US\$ million)

	2005	2006	2007	2008 <sup>a</sup>	2009 <sup>a</sup>	2010 <sup>a</sup>	2011 <sup>a</sup>
Current account balance	-91.1	-47.7	-109.2	-197.0	-181.9	-201.9	-167.4
Current account balance excluding public transfers	-118.6	-125.3	-169.2	-264.2	-253.3	-275.0	-216.6
Foreign trade balance	-47.0	-44.9	-70.7	-150.1	-147.2	-163.5	-114.2
Exports f.o.b.	127.8	157.6	178.2	150.3	123.9	141.7	191.4
Imports, f.o.b.	-174.8	-202.6	-248.9	-300.4	-270.9	-305.3	-305.6
Services balance	-61.2	-68.6	-86.6	-96.9	-91.1	-113.9	-112.3
Credits	..	..	..	67.9	64.8	69.5	74.0
Freight, insurance	..	..	..	1.6	1.5	1.6	1.9
Government authorities	..	..	..	47.3	45.3	47.7	50.4
Travel	..	..	..	10.0	9.5	11.1	11.9
Other services	..	..	..	8.9	8.5	9.1	9.7
Debits	..	..	..	-165.0	-155.9	-183.3	-186.1
Freight and insurance	..	..	..	-83.7	-70.3	-86.2	-85.6
Government authorities	..	..	..	-2.5	-3.0	-3.4	-4.0
Travel	..	..	..	-54.5	-54.6	-52.5	-55.5
Other services	..	..	..	-24.3	-27.9	-41.2	-40.9
Revenue balance	-13.6	-15.0	-15.6	-22.3	-21.2	-4.6	-5.1
Current transfer balance	30.7	80.8	63.6	72.4	77.3	80.0	64.2
Capital and financial transactions account	59.1	22.4	30.9	105.0	124.5	131.2	137.1
Capital account	12.6	124.5	53.0	66.3	580.7	82.2	55.7
Financial account	46.5	-102.1	-22.1	38.6	-456.2	49.1	81.4
Errors and omissions	15.8	-23.6	3.6	6.9	42.1	-12.7	7.8
Overall balance	-16.2	-48.9	-74.6	-85.1	-15.5	-83.4	-22.7
Financing	16.2	48.9	74.6	85.1	15.5	83.4	22.7
Changes in official reserves (decrease +)	-15.8	30.9	55.6	-23.0	-1.5	44.0	9.3
Exceptional financing	32.0	18.0	19.0	107.9	16.9	39.4	13.4
Residual gap	0.0	0.0	0.0	0.0	0.0	0.0	0.0

.. Not available.

a Estimates.

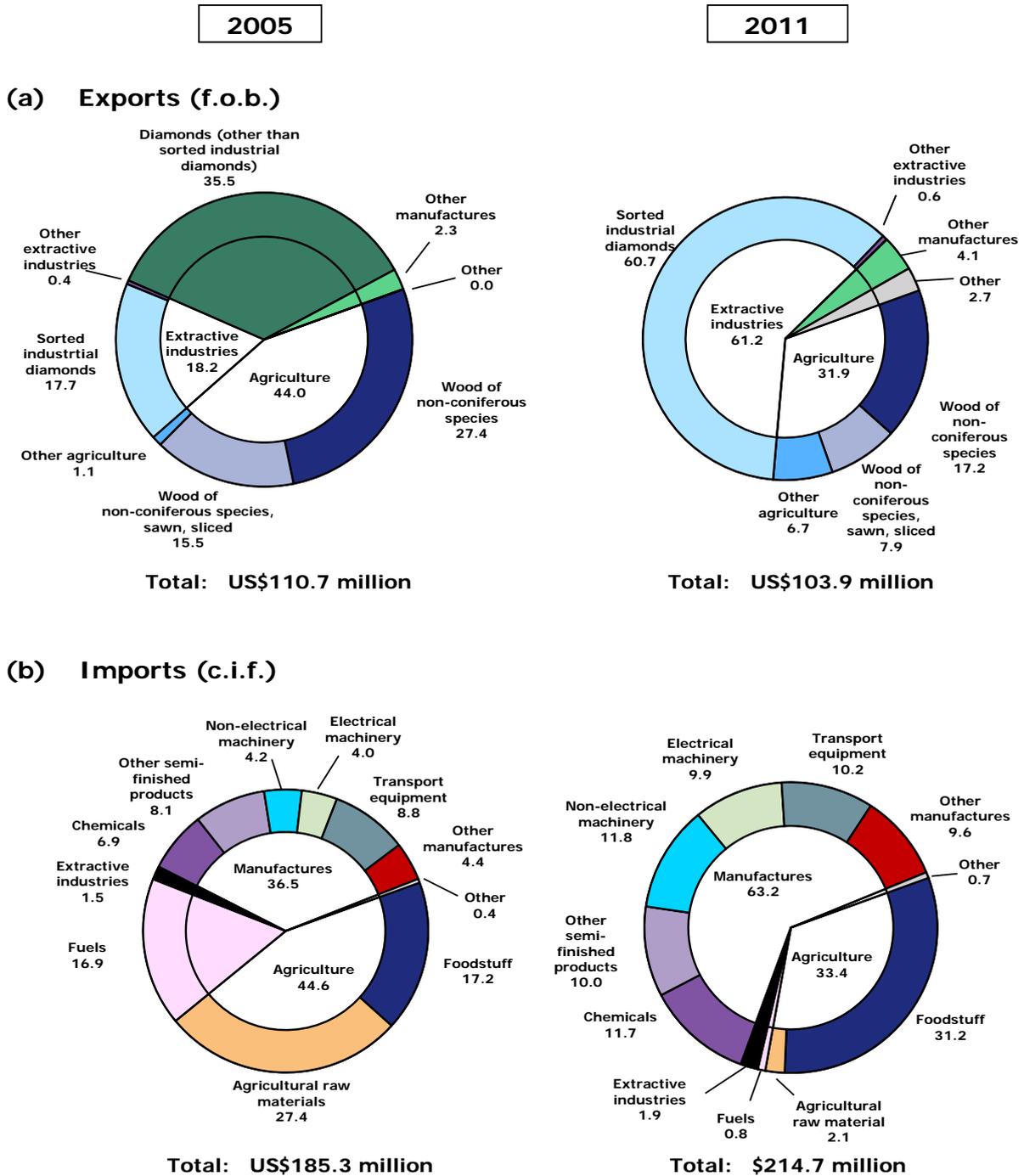
Source: Data provided by the national authorities and BEAC.

### 1.3 Trade and investment trend

1.11. Exports from the Central African Republic declined slightly in nominal terms to US\$103.9 million between 2005 and 2011 (Chart 1.1). Overall imports increased by 15.9% for the same period to stand at US\$214.7 million in 2011. The trade balance is running a US\$110.8 million deficit that is structural in nature. Diamonds are the main export product (Chart 1.1) and accounted for 60.7% of exports in 2011, compared to about 25% for wood. Other exports include cotton, coffee, and to a lesser extent, tobacco. The EU is the principal market for Central African exports (Chart 1.2). Its share in total exports has nevertheless declined, mainly in favour of China and Japan. The EU is also the Central African Republic's leading supplier, accounting for nearly half its imports in 2011.

Chart 1.1 Structure of trade in goods, 2005 and 2011

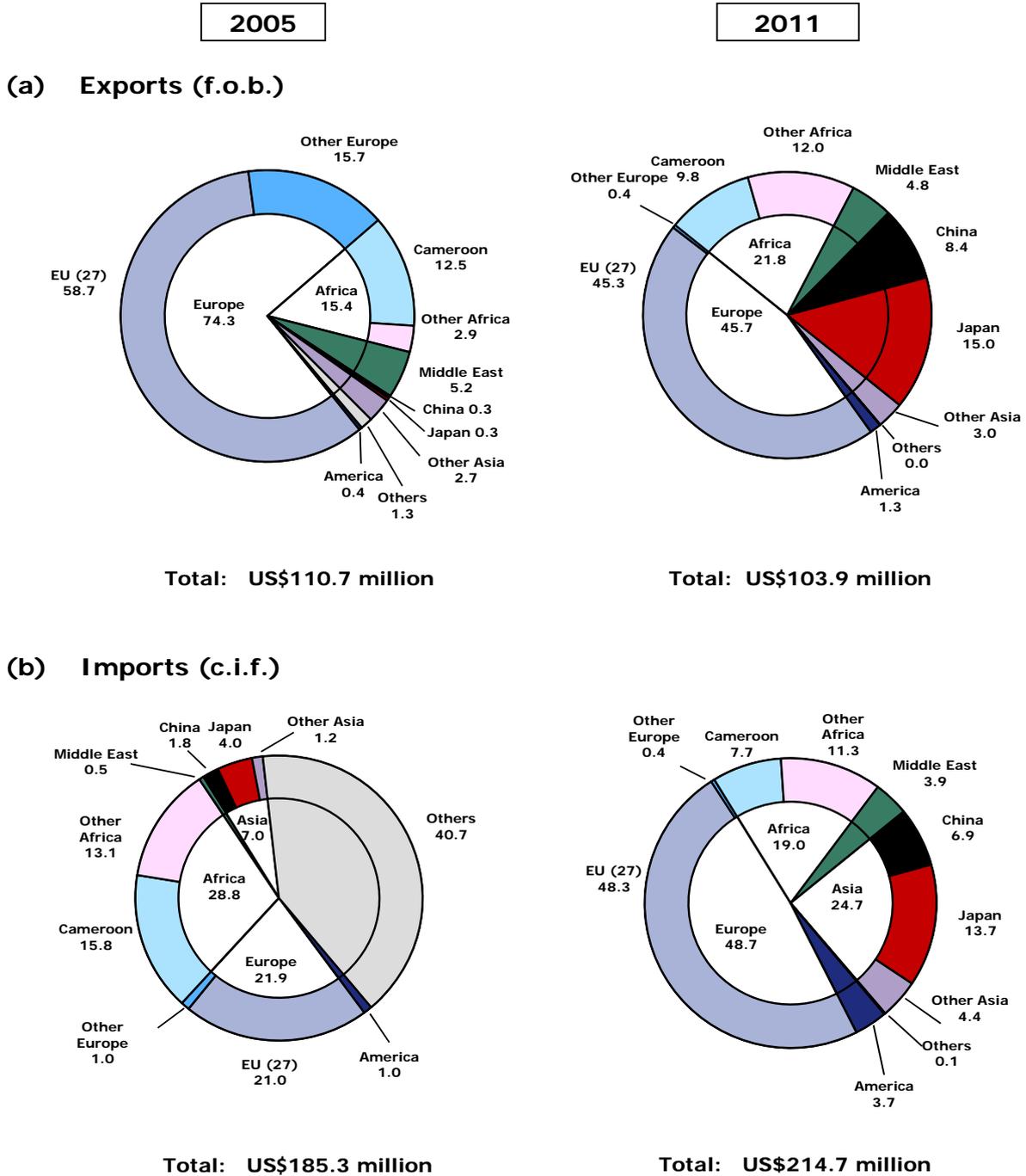
Percentage



Source: WTO Secretariat calculations based on data from the UNSD Comtrade Database (SITC Rev. 3).

Chart 1.2 Direction of trade in goods, 2005 and 2011

Percentage



Source: WTO Secretariat calculations based on data from the UNSD Comtrade Database (SITC Rev. 3).

1.12. Trade with the other CEMAC countries remains low, albeit underestimated in the available statistics. Trade with Cameroon, the Central African Republic's main CEMAC partner, is on the decline. Owing to the diversification of sources of supply, Cameroon's share in total imports contracted by half to 7.7% between 2005 and 2011. The Central African Republic exports agricultural products to Chad and animal products to the Republic of the Congo. Since 2011 it has been meeting some of its diesel fuel needs with imports from Chad.

1.13. Owing to its limited domestic supply capacity, the Central African Republic is a net importer of services, more particularly of business services (travel, freight and insurance). The imports of these services rose markedly in 2010 as a result of the liberalization of the services sector. The balance of services deficit consequently widened further from US\$91.1 million in 2009 to US\$113 million in 2010, and remained practically at that same level in 2011 and 2012.

1.14. At 5% of GDP in 2011 (common report, Chapter 1), inflows of foreign direct investment into the Central African Republic are above the average for Sub-Saharan Africa.<sup>5</sup> Yet these investments are not very diversified, as they go mainly to the mining sector. The risks of armed conflict and recurring problems of insecurity in some parts of the country are factors that discourage private investment. The reforms under way for some years now (Chapter 2), including the introduction of the Investment Charter, have managed to attract some foreign investment to the telecommunications and wood-processing sectors.

#### 1.4 Outlook

1.15. The Central African Republic's economic growth prospects remain bound up with the evolution of the domestic political situation and the economic environment in the EU, its main export outlet. The BEAC forecasts continuing expansion of economic activity and a 4.5% growth rate in 2013. This performance is premised on the continued recovery of agricultural output and the revival of agro-industrial and commercial activities. It is expected that inflation will be reduced to a low 1.9%, which is below the multilateral convergence threshold, despite tensions arising from the increase in the prices of petroleum products at the pump.

1.16. Insecurity and political instability are continuing challenges to the economic development of the Central African Republic. The resumption of economic activity has been proving difficult since the military coup in March 2013. The uncertainty associated with the political transition period, which should lead to new presidential and legislative elections in the second half of 2014, is unlikely to attract foreign investment to the country.

1.17. The outlook will also depend on the mobilization of resources for implementing the Second Poverty Reduction Strategy Paper over the 2011-2015 period.<sup>6</sup> This strategy aims to encourage strong growth that favours the poor and the vulnerable and promotes lasting human development. It is focused on three core areas, namely the consolidation of peace, governance and the rule of law, economic recovery and regional integration, and the development of human capital and basic social services. The authorities predict that its implementation should pave the way for average annual growth of 7% between 2011 and 2015. The requisite funding is estimated at almost US\$10 billion. These forecasts now seem jeopardised by the chaos that has been reigning in the country since the military coup of March 2013.

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<sup>5</sup> World Bank (2012).

<sup>6</sup> Central African Republic (2009).

## 2 TRADE AND INVESTMENT REGIMES

### 2.1 Overview

2.1. Since its last TPR the Central African Republic has launched numerous reforms, particularly in the realm of taxation, business start-ups and the fight against corruption. It continues to be plagued by social and political unrest, which is retarding its economic development and undermining its business climate. In the north of the country there is still a considerable risk of fighting between armed groups, including criminal gangs. The inclusive political dialogue conducted in 2008 and the conclusion of a peace agreement have not permanently eliminated the situation of insecurity. There was yet another military coup in March 2013, when the last Constitution was suspended (that of December 2004) and institutions were dissolved.<sup>7</sup> This recurrent instability coupled with other factors such as the low level of infrastructure development and the high cost of factors of production are limiting the effectiveness of the reforms undertaken.

2.2. Under the Constitution of December 2004 (the 7<sup>th</sup> since the proclamation of independence), as amended in 2010, the Central African Republic is a decentralized State, organized into regions, prefectures, sub-prefectures, communes and villages. The President of the Republic is the Head of State and of the Executive Branch. He is elected by direct universal suffrage in two rounds of voting for a five-year term of office renewable for one further term. He appoints the Prime Minister (Head of the Government) and, on the latter's recommendation, appoints the other members of the Government, and determines their responsibilities by decree. The current President was elected for a period of 18 months by the Transitional National Council set up after the military coup of March 2013.

2.3. The Parliament exercises legislative power. It has a single chamber and is composed of deputies elected by direct universal suffrage for a five-year term. The National Assembly passes laws, and controls the Government's activities. The latest parliamentary elections were held in 2011 but the resulting Parliament was dissolved as a result of the coup. The Transitional National Council is expected to exercise this function during the transition period.

2.4. Judicial power is exercised by the Court of Cassation, the Council of State, the Court of Auditors and the various courts and tribunals. It is independent of the executive and legislative branches. Commercial litigation is heard in first instance by the Commercial Court, on appeal by the Civil and Commercial Chamber of the Court of Appeal, and on appeal for annulment by the Civil and Commercial Chamber of the Court of Cassation.

2.5. The conception, implementation and evaluation of trade policy falls under the Ministry responsible for trade and industry.<sup>8</sup> It deals with issues relating to the Central African Republic's participation in the WTO and in regional, subregional and bilateral trade mechanisms; it acts as the secretariat of the National Trade Negotiations Committee.<sup>9</sup>

2.6. Other Ministries are involved in preparing and implementing these policies, in particular, the Ministries responsible for the economy, finance, foreign affairs, planning, international cooperation, agriculture, tourism, transport, justice, mining, energy, health, employment, telecommunications, urban planning, water and forests, small and medium-size enterprises, and arts and culture. The following entities may be consulted on an ad hoc basis:

- Chamber of Commerce, Industry, Mining and Crafts (CCIMA);
- The Central African National Employers' Union (UNPC), an organization comprising professional associations from the sectors of banking, insurance, construction, trade, forestry, services and industry;
- the Interprofessional Group of the Central African Republic (GICA), an entity bringing together companies with annual turnover of at least CFAF 1 billion);

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<sup>7</sup> It was the fifth military coup resulting in a change of government since the Central African Republic gained independence on 13 August 1960.

<sup>8</sup> Online information. Viewed at: <http://www.minco-rca.org> [21 March 2013].

<sup>9</sup> The National Trade Negotiations Committee is a functioning committee.

- the Boubanguéré Association (street vendors) consisting of operators in the informal sector.

2.7. The Government and deputies are all empowered to introduce draft laws which after being adopted by the National Assembly become laws once they are promulgated by the Head of State and published in the *Official Journal*. International agreements and treaties are negotiated, signed and ratified by the President of the Republic. The authorization of the National Assembly is required for any ratification or withdrawal. Approved or ratified agreements and treaties take precedence over domestic laws once they have been published, provided that they are implemented by the other party. Consequently, laws and regulations are classified in descending order of authority as follows: international treaties and agreements, Constitution, laws, ordinances, decrees, orders, and decisions.

2.8. The rules relating to the following areas are established by law: commerce; privatization/nationalization of companies; the status of foreign nationals and immigration; the tax base, rates and collection procedures for taxes of all kinds; and the fundamental principles of civil and commercial rights and obligations. The Central African Republic's principal trade-related laws and regulations are listed in Table 2.1. A draft commercial code and a draft investment code are under consideration by the Government.

**Table 2.1 Principal trade-related laws and regulations, March 2013**

Area	Instrument/text
Customs legislation	CEMAC Customs Code; CEMAC CET and exceptions specific to the CAR);
Status of trader	Ordinance No. 83.083 of 31 December 1983 regulating commercial activities and the provision of services in the Central African Republic;
Customs valuation	CEMAC Customs Code; 2013 Finance Law;
Preshipment inspection	Interministerial Order No. 182/MPEFBC/MCIPSP of 13 February 2004 on implementation of the contract dated 17 November 2003 between the Central African Republic and BIVAC Bureau Veritas; Order No. 342 of 27 August 1999 establishing the modalities for implementing measures to optimize the import verification programme; BIVAC/CAR Contract of 17 November 2003 (imports); BIVAC/CAR Contract of 1 March 2005 (wood exports);
VAT, excise duties, and customs border levies	General Tax Code, January 2012 edition; 2008 and 2009 Finance Laws;
Import prohibitions and licences	Decree No. 86.328 of 20 November 1986 establishing regulations on imports and exports in the Central African Republic;
Sanitary and phytosanitary measures	Law No. 65/61 of 3 June 1965 regulating livestock rearing in the Central African Republic; Law No. 65/62 of 3 June 1965; Law No. 63/350 of 4 January 1963 on the protection of plants and plant products;
Investment	Law No. 01.10 of 16 July 2001 introducing an Investment Charter in the Central African Republic (under review);
Procedures and regulations for the establishment of private commercial enterprises	OHADA Uniform Acts;
Protection of patents, industrial designs, and trademarks, new plant varieties	Revised Bangui Agreement (1999);
Protection of copyright and related rights	Ordinance No. 85.002 of 5 January 1985 on copyright (under review);
Competition and prices	Law No. 92.002 of 26 May 1992 on price liberalization and the regulation of competition; 2008 and 2009 Finance Laws;
State-owned enterprises	Law No. 95.007 of 15 August 1995 (privatization); Law No. 08.011 of 13 February 2008 on the organization of the institutional and legal framework applicable to enterprises and public offices;
Government procurement	Law No. 08.017 of 6 June 2008, establishing the government procurement code and public service concessions in the Central African Republic;
Forestry	Law No. 08.022 of 17 October 2008 on the Forestry Code;
Fauna	Order No. 84.045 of 27 July 1984 on the protection of wildlife and the regulation of hunting in the Central African Republic (under review);

Area	Instrument/text
Fisheries	Ordinance No. 71/090 of 6 August 1971 (draft code is being prepared);
Environment	Law No. 07.018 of 28 December 2007 on the Environment Code;
Mining	Law No. 09.005 of 29 April 2009 on the Mining Code;
Radioactive minerals	Law No. 06-031 of 27 September 2006, on radioactive minerals in the Central African Republic;
Upstream oil	Ordinance No. 93.007 of 25 May 1993 on the Petroleum Code;
Downstream oil	Law No. 07.005 of 24 April 2007 reorganizing the downstream oil subsector in the CAR, liberalizing the subsector and laying down general rules for the exercise of any activity in the industry;
Biofuels	Law No. 07.006 of 24 April 2007 establishing the Agency for the Stabilization and Regulation of Petroleum Product Prices (ASRP); Law No. 07.007 of 24 April 2007 establishing the Central African Petroleum Product Storage Company (SOCASP); Law No. 08.018 of 6 June 2008 on biofuels in the Central African Republic, creating the Biofuels Promotion Agency;
Electricity	Ordinance No. 05.001 of 1 January 2005 on the Electricity Code; Decree No. 10.095 of 18 March 2010 establishing the legal regime, the conditions of declaration for the issue authorizations to independent operators, independent producers, independent electricity producers and the taxation procedures; Decree No. 10.091 of 8 March 2000 approving a standard contract for public service concessions for electricity generation; Decree No. 10.092 adopting the national energy policy document; Standard contract for public service concessions for electricity generation;
Water/sanitation	Law No. 06.001 of 12 April 2006 on the Water Code of the Central African Republic; Decree No. 06.170 adopting the national water and sanitation policy document;
Road transport	Decree No. 90.043 of 13 February 1990 organizing road transport in the Central African Republic;
River transport	CEMAC/DRC Inland Waterway Navigation Code of 17 December 1999;
Civil aviation	Law No. 65.063 of 29 July 1965; CEMAC Civil Aviation Code;
Telecommunications	Law No. 07.020 of 28 December 2007 regulating telecommunications in the Central African Republic; Law No. 07.021 of 28 December 2007 setting the taxes and fees relating to the establishment and/or operation of telecommunications networks and services;
Postal services	Decree No. 93.054 of 19 February 1993;
Tourism	Decree No. 10.348 01.242 of 14 September 2001 establishing the general framework for the exercise of tourism activities in the Central African Republic;
Employment	Law No. 9 of 29 January 2009 on the Labour Code in the CAR;
Town planning	Laws No. 61/263 and 62/359 on town planning, as amended by Ordinance No. 71/003 of 16 January 1971 (currently being revised); Law No. 63/441 of 9 January 1964 regarding the national domain (currently being revised); Law No. 09.003 of 16 January 2009 on the orientation of national territorial development policy; Draft law containing the Code on State Land and Property in the CAR;
Banking and microfinance services	BEAC and COBAC;
Insurance	CIMA Insurance Code.

Source: Information provided by the national authorities.

2.9. Since the entry into force of the OHADA Treaty in 1995, the legal framework for business has in principle been governed by the different OHADA Uniform Acts (common report, Chapter 2).<sup>10</sup> The alignment of the national laws with these provisions is in fact not yet complete. The draft Commercial Code, which is now in the process of adoption, should confirm the harmonization of all national provisions with those of the OHADA.

<sup>10</sup> The revised OHADA Treaty was ratified in 2009.

2.10. Since the last TPR, the situation as regards the perception of corruption has improved, to go by the Transparency International classification.<sup>11</sup> Between 2007 and 2012 the corruption perception index rose from 2.0 to 2.6, and the country is ranked 144<sup>th</sup> of 182 countries (compared to 162<sup>nd</sup> of 180 countries in 2007). This improvement may be a reflection of the many initiatives launched, including the establishment of a National Anti-Corruption Committee tasked with formulating and implementing a national strategy in this area<sup>12</sup>; the creation of the National Financial Investigation Agency (ANIF)<sup>13</sup>; and the ratification of two international conventions (the African Union Convention on Preventing and Combating Corruption and the United Nations Convention against Corruption).<sup>14</sup> The anti-corruption strategy was adopted in 2006 and the ANIF is now functioning.

2.11. In the mining sector, the Central African Republic joined the Extractive Industries Transparency Initiative (EITI) in 2009 and achieved "compliant country" status in March 2011. In this context, an independent entity collects and publishes tax revenue declared as collected by the Government from enterprises in the sector, as well as declared payments by these companies to the State. The reports so far published cover revenues for the years 2006 to 2010.<sup>15</sup>

## 2.2 Trade policy objectives

2.12. The Central African Republic's trade policy is framed by commitments made at the multilateral and regional levels (common report, Chapter 2), and by national laws. The ultimate aim of this policy is to contribute to poverty reduction by further liberalizing the trade regime, diversifying exports, speeding up the privatization programme and sectoral reforms (agriculture, mining, services and industry), and through trade facilitation.

2.13. The sectoral strategy on trade and the private sector constitutes the operational framework for this policy. More specifically, the actions planned should enable the Government to realize its vision of "developing a dynamic and competitive private sector that creates jobs and contributes to poverty reduction", by 2015.

## 2.3 Trade agreements and arrangements

### 2.3.1 World Trade Organisation

2.14. The Central African Republic is an original member of the WTO. Between 1995 and 2010 and since 2013 it has been subject to "administrative measures" regarding sanctions against countries that have remained in arrears in the payment of their contributions, and this is limiting its participation in WTO decision-making bodies.<sup>16</sup> It participates in activities organized by the WTO, though not on a regular basis. Between 2007 and 2012, the CAR participated in 64 activities (all categories) organized in the framework of trade-related technical assistance, of which 48 were organized by the WTO.<sup>17</sup> The highest level of participation was recorded in 2010 (28 activities). The trade-related training programmes and activities relating to trade facilitation have been those most followed (19 and nine participations, respectively).

2.15. As an LDC, the Central African Republic participated in the Integrated Framework (IF) programme since 2005, and automatically in the Enhanced Integrated Framework (EIF) since its inception. It validated its first Diagnostic Trade Integration Study (DTIS) in 2007.

<sup>11</sup> Transparency International online information. Viewed at: <http://cpi.transparency.org/cpi2012> [28 February 2013].

<sup>12</sup> Decree No. 08.133 of 31 March 2008 establishing the National Anti-Corruption Committee.

<sup>13</sup> The National Financial Investigation Agency was created under community legislation (Regulation No. 01/03-CEMAC-UMAC-CM of 4 April 2003 on the prevention and punishment of money laundering and the financing of terrorism in Central Africa).

<sup>14</sup> Law No. 06.011 of 3 July 2006 ratifying the United Nations Convention against Corruption.

<sup>15</sup> The reports are published on the website <http://www.itierca.org>.

<sup>16</sup> In 2010, the Central African Republic accepted a payment plan that rescheduled its arrears over 30 years (WTO 2011). It respected the plan until 2012 but in 2013 reverted to category 3 covering countries subject to administrative measures regarding sanctions against countries that have remained in arrears in the payment of their contributions.

<sup>17</sup> Online information from the Global Trade-Related Technical Assistance Database (GTAD). Viewed at: <http://gtad.wto.org/index.aspx?lg=fr> [27 February 2013].

The recommendations of this study were incorporated in its second poverty reduction strategy paper (PRSP II, 2011-2015).<sup>18</sup> The DTIS is now being revised.

2.16. The action matrix was validated in 2007 and the National IF Implementation Unit created in 2008. Between 2008 and 2009, the Central African Republic carried out a Window II project on the promotion of sesame exports. Category 2 projects are being prepared in the priority agricultural sectors (sesame, corn (maize) and palm oil), and tourism.<sup>19</sup> A category 2 project designed to boost the capacity to supply agricultural products was approved in September 2012. Two other projects related to improving the industrial environment and formulating a national investment and competition policy are currently being validated.

2.17. The Central African Republic is facing some difficulty in implementing some of its obligations, in particular as pertains to customs valuation, notifications and the elimination of quantitative restrictions. According to the authorities, technical assistance is needed in the following areas:

- implementation of WTO agreements, in particular regarding customs valuation, notification, and licensing procedures;
- building the capacity of the Trade Negotiations Committee in negotiating techniques and fundraising strategies;
- strengthening the WTO reference centre with tools for analysing trade policy, documentation and a high-speed Internet connection;
- support for the creation of a certification, standards and quality centre, and capacity-building in standardization;
- support for the University of Bangui in introducing trade policy courses into the university curricula.

### 2.3.2 Relations with the European Union (EU)

2.18. The Central African Republic benefits from trade preferences under the EU's "Everything But Arms" programme, which allows it to export everything but arms to the EU duty-free and ex-quota. Like the other CEMAC countries, it participates in the negotiations on the Economic Partnership Agreement (EPA) between the ACP States and the European Union in the framework of the CEMAC extended to include Sao Tome and Principe and the Democratic Republic of the Congo (common report, Chapter 2).

2.19. For years now the trade balance with the EU has consistently shown a deficit owing to the limited number of export products and the high level of imports of staples goods. The trade deficit with the EU was estimated at CFAF 62.8 billion in 2011.<sup>20</sup>

### 2.3.3 Other agreements and arrangements

2.20. The Central African Republic benefits from the trade preferences of other developed countries in keeping with their national systems of preferences. It ceased to be eligible under AGOA in 2004. It is a member of the following regional and subregional organizations: the African Union (and Economic Commission for Africa), the Economic Community of Central African States (ECCAS), and the CEMAC (common report, Chapter 2).

<sup>18</sup> Central African Republic (2011).

<sup>19</sup> EIF online information. Viewed at: [http://www.enhancedif.org/FR%20web%20pages/Where%20we%20work\\_FR/CAR\\_FR.htm](http://www.enhancedif.org/FR%20web%20pages/Where%20we%20work_FR/CAR_FR.htm) [12 February 2013].

<sup>20</sup> EU online information. Viewed at: [http://eeas.europa.eu/delegations/central\\_africa/eu\\_central\\_africa/trade\\_relation/index\\_fr.htm](http://eeas.europa.eu/delegations/central_africa/eu_central_africa/trade_relation/index_fr.htm) [12 February 2013].

## 2.4 Investment Regime

2.21. Ranked last of 185 countries in terms of the "ease of doing business" criterion of the World Bank's 2013 Doing Business report, the Central African Republic is still the country where it is most difficult to do business in the world. It was classified 167<sup>th</sup> of 175 countries in 2006.<sup>21</sup> Owing to its landlocked situation and the difficulty of transit, average import time exceeds two months.

2.22. The business climate is characterized by a constant state of political insecurity and legal uncertainty stemming from the latent potential for conflict, high costs of factors of production, inadequate infrastructure and limited and costly access to credit. The reforms undertaken since the last TPR have simplified the tax environment for businesses and improved business start-up procedures.

2.23. The investment charter is the main regulatory framework for investments. It was adopted in 2001<sup>22</sup> and is a transposition of community provisions in this field (common report, Chapter 3). It covers companies active in the following areas: processing of products of plant or animal origin; manufacturing or processing; energy production; house-building of an economic, social and industrial nature; public works and civil engineering; collection, storage, packaging and processing of agricultural and food products; study and research; merchandise transport; laboratory analysis, testing or production of chemicals and pharmaceuticals; book production and printing; assembly and maintenance of industrial, transport, telecommunications and electronics equipment; and manufacture of chemical and food products to be used as inputs by other industrial enterprises.

2.24. In addition to the various guarantees (including non-discrimination, freedom of movement and the free transfer of earnings), newly created companies engaging in one of the eligible activities may benefit from customs, tax and land-related measures envisaged at community level (common report, Chapter 3), more particularly:

- tax exemption for corporate profits for the first three years of operation;
- the possibility of degressive or accelerated amortization and authorization to carry forward losses to subsequent periods during the first years of operation;
- for companies with subsidiaries, the possibility to deduct the income from shares or ownership interests in those subsidiaries from their taxable profits;
- tax reduction when profits are reinvested.

2.25. In the case of the expansion of a company, the period of exemption from corporation tax is reduced to the first two years of production. Registration fees are reduced by 50% in cases of company formation, new equity issues, mergers, or transfers of shares and holdings.

2.26. Exemption from corporation tax may be granted for a longer period depending on the level of investment made. It is three years for companies whose investment level is between CFAF 100 million and CFAF 1 billion, and five years for investments of at least CFAF 1 billion; it may be extended for two years. The advantages also depend on location: companies located 100 km from the capital benefit from an additional year, those established between 100 and 300 km from the capital, two years, and those located beyond, three years. Only the customs advantages are accorded during the additional period.

2.27. Some (national) provisions prescribe a tax reduction for companies that invest in human resource training or environmental protection. These companies can benefit from a 50% reduction of the costs incurred for the training or upgrading of technical personnel, and 25% of the costs for environmental protection. This advantage is limited to the three-year exemption period.

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<sup>21</sup> World Bank (2005) and (2012).

<sup>22</sup> Law No. 01-010 of 16 July 2001 introducing an Investment Charter in the Central African Republic.

2.28. Other measures arise from the application of the provisions of the revised OHADA Uniform Act relating to General Commercial Law, namely, the elimination of publication costs when creating a company (simply displaying the information publicly at the Commercial Court or posting it to the GUFÉ website will suffice), and the possibility to provide a sworn statement in lieu of a copy of a police record (common report, Chapter 2). Previously, obtaining approval and a professional trader's card from the Ministry responsible for trade had been prerequisites for engaging in any commercial activity. Since the reforms of 2010 and with the institution of a single information point for business formalities (GUFÉ)<sup>23</sup>, these requirements have been eliminated. The trader's card and registration with the CCIMA have become optional; registration with the social security is no longer a prerequisite for starting a business.

2.29. The granting of approval is determined mainly on the basis of local added value: the minimum acceptable rate is 35%. The other criteria include the impacts of the investment in terms of job creation, advantages for the State, its contribution in terms of external funding, the trade balance, and the environmental impact. Between 2006 and 2012, some 50 companies have been approved under the Investment Charter with a projected total investment of CFAF 202.4 billion (Table 2.2).

2.30. Companies enjoying these advantages must meet the following obligations: open an account with a local banking institution; keep proper accounts locally in accordance with the accounting standards in force; promote the recruitment of nationals and organize vocational training; and respect the various laws in force (environment, health, safety and hygiene at work). They are required to provide accounting and financial documents, as well as the various reports and statistics needed for assessing compliance with their undertakings.

2.31. The Investment Code is being revised.<sup>24</sup> The revision concerns, *inter alia*, its scope of application, a better definition of the guarantees, rights and obligations of investors, and the role of the private sector.

2.32. Mining and forestry activities fall under specific codes (Chapter 4).

2.33. Improving the business climate is one of the areas in which the Government plans to invest in order to revive economic growth.<sup>25</sup> A joint committee was set up for that purpose in 2009. It comprises representatives of government authorities, the private sector, civil society and development partners and is charged with tabling measures and reforms to facilitate the creation and development of enterprises and protect investments. The work of that committee has contributed to the aforementioned measures.

2.34. The enforcement of the Investment Charter is the responsibility of the National Investment Commission (CNI). It processes applications for authorization, monitors the implementation of investment programmes by the authorized companies, and proposes any measure that could improve the implementation of the Charter.

**Table 2.2 Number of authorizations granted and investments planned, 2006-2012**

	2006	2007	2008	2009	2010	2011	2012	Total
Number of authorizations granted	4	6	11	9	4	9	8	51
To nationals	4	3	4	5	2	6	6	30
To foreigners	0	3	7	4	2	3	2	21
Number of authorizations extended	0	0	0	0	0	2	1	3
Number of authorizations withdrawn	0	0	0	0	0	0	0	0
Investment planned for the first year (CFAF billion)	17.4	53.7	40.0	25.8	2.5	4.1	58.9	202.4

Source: Data provided by the national authorities.

<sup>23</sup> Decree No. 12.026 of 17 February 2012 on the creation, organization and functioning of the single window.

<sup>24</sup> A draft Code is currently being adopted by the National Assembly.

<sup>25</sup> Central African Republic (2011).

2.35. Since 2008, most of the procedures related to the creation of enterprises have been brought together in the GUFÉ. These formalities and the associated charges are set out in Table 2.3. For services rendered, the GUFÉ collects fees amounting to 5% of the total cost of formalities for natural persons, and 10% in the case of legal entities. With the establishment of GUFÉ, processing time for dossiers was reduced from seven to two days. It could be reduced to a few hours once computerization is complete.

**Table 2.3 Formalities and fees associated with business start-ups**

Formalities	Responsible entities	Fees and observations
Registration of statutes, the minutes of companies' constituent general meetings and other acts	Taxation and State Property	Registration fees: dependent on registered capital (minimum charge CFAF 70,000); Notarised declaration of the statutes: CFAF 20,000; Minutes: CFAF 20,000; Revenue stamps: CFAF 1,000/page;
Registration in the trade and personal property credit register	Registry of the commercial court	Natural persons CFAF 15,000; Legal persons CFAF 30,000;
Paying up of equity capital and opening of a bank account	Notary and bank	
Inscription in the register of companies	CCIMA	Optional: the fees are CFAF 15,000 for sole proprietorships and CFAF 50,000 for companies;
Preparation of the professional trader's card	CCIMA	Natural person: CFAF 1,000; Legal person: CFAF 1,500;
Declaration for the purposes of registration by a tax identification number (NIF)	Directorate-General of Taxation	CFAF 3,000 (stamp duty);
Registration in the National Social Security Fund (CNSS)	CNSS	22% of the wage bill (social security contributions);
Authorization to pursue the activity (if applicable)	Line ministries	0 to 100 million;

Source: Data provided by the national authorities.

2.36. The GUFÉ handled 2,034 dossiers in 2009, of which 897 had to do with the creation of new economic units, and 1,137 dossiers with the regularisation of legal documents amongst other formalities. Branch offices are currently being set up in the communities of Mbaïki, Bouar, Bambari, Berberati, Bossangoa, Bria and Bangassou. Neither the branch offices nor the GUFÉ website are operating.

2.37. A reform of the tax administration under way since 2006 also concerned the business environment, through the following measures:

- Harmonization of the tax system with the OHADA provisions, and restructuring based on the size of enterprises: the *régime réel normal* (standard tax regime) (for large companies), the *régime réel simplifié* (simplified tax regime) (for medium-size companies), and the *régime de base* (basic regime) (for small businesses);
- halving of the statutes registration fees<sup>26</sup> for the creation of companies;
- reduction of the corporate tax rate to 20% for companies carrying out agricultural activities<sup>27</sup>;
- abolition of the general withholding tax in favour of a "single global tax" at the rate of 12% of turnover. This tax is applicable to companies with an annual turnover of less than CFAF 30 million.

2.38. To improve the quality of public services, the Government has set up a service within the Ministry of Finance, (User reception desk) to receive complaints from users of government services. These complaints can lead to investigations and prosecutions.

<sup>26</sup> The taxes are: transfer of businesses, new buildings, leases, financing of agropastoral and fishery operations.

<sup>27</sup> It is 30% for other companies.

2.39. The Central African Republic has no free zones. An interministerial committee for the creation of industrial zones was set up in 2010.<sup>28</sup> The committee was placed under the authority of the Minister responsible for Industry, and specifically tasked with identifying and subdividing sites for industrial zones, serving as an interface between the Government and potential operators, and harmonizing oversight procedures. A site has been identified 35 km from Bangui on the way to Boali, and another near the M'poko International Airport (Bangui).

2.40. The creation of an investment and export development agency was foreseen in the draft investment code, and is now under study.

#### **2.4.1 Settlement of investment-related disputes**

2.41. State-investor disputes are settled in the national court system, or in accordance with the provisions of international treaties and conventions to which the Central African Republic is a party (common report, Chapter 2), namely the OHADA Common Court of Justice and Arbitration, the International Centre for Settlement of Investment Disputes (ICSID), and the Convention on the Settlement of Investment Disputes between States and Nationals of other States of 10 March 1965.

2.42. The Central African Republic has signed bilateral investment protection treaties with Germany (1968) and Switzerland (1973).<sup>29</sup> A bilateral reciprocity agreement grants French nationals access to the Central African Republic's courts on the same terms as nationals.<sup>30</sup> Finally, the Cotonou Agreement contains provisions to protect the investments of nationals of the European Union in the Central African Republic.

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<sup>28</sup> Order No. 0017/PM/CAB of 30 December 2010 on the establishment of an interministerial committee for the creation of industrial zones in the Central African Republic.

<sup>29</sup> Treaties have been signed with Egypt and Morocco but have not yet been ratified (online information, viewed at: <http://www.unctadxi.org/templates/DocSearch.aspx?id=779>).

<sup>30</sup> Establishment Agreement between the Government of the French Republic and the Government of the Central African Republic, signed at Bangui on 26 September 1994.

### 3 TRADE POLICIES AND PRACTICES BY MEASURE

#### 3.1 Measures directly affecting imports

##### 3.1.1 Registration

3.1. Any economic operator wishing to engage in a commercial activity, including foreign trade, must obtain approval from the Ministry responsible for trade<sup>31</sup>, and the professional trader's card.<sup>32</sup> To obtain approval, an application must be submitted accompanied by supporting documentation; in the case of natural persons, approval consists of a simple authorization and for commercial companies it is in the form of a ministerial order. Traders must be listed in the commercial register. These conditions of establishment are the same for nationals and non-nationals. Until 2012 the approval was recommended for all operators wishing to invest in the Central African Republic. Since Decree No. 12.026 of 17 February 2012, this approval has no longer been required for all business start-up formalities (Chapter 2). The related information is now contained in the Commercial Register.

3.2. Although the trader's card is optional, its holders are required to pay stamp duty (which varies depending on turnover, from zero for a turnover of less than 500,000, 2,000 for 500,000 to 3 million, and up to 40,000 for other amounts)<sup>33</sup>, as well as the business licence fee.<sup>34</sup> Trader's cards and business licences are granted on an annual basis and are renewable. It is prohibited to engage in production and wholesale and retail trading in the same premises.<sup>35</sup>

3.3. Foreign nationals, including those from the CEMAC area, must produce their foreign resident's card, obtainable from the Directorate-General of Immigration against payment. The prerequisites for foreigners to engage in commercial activities are the same as for nationals; enrolment in the trade and personal property credit registry for a fee of 15,000 for natural persons and 30,000 for legal persons, as well as formality fees of 5% and 10% respectively. The number of registrations for engaging in import-export trade has been increasing steadily since the last review, even tripling between 2008 and 2012 (Table 3.1).

**Table 3.1 Number of registrations for engaging in import-export trade, 2008-2012**

Year/description	2008 <sup>a</sup>	2009	2010	2011	2012	Total
Services sector	32	60	73	77	94	336

a 2008 (August–December).

Source: Single Information Point for Business Formalities.

3.4. The registration of statutes and enrolment in the trade and personal property credit registry are done via the Single Information Point for Business Formalities (GUFE). Other formalities must be carried out at the responsible departments/directorates. According to the authorities, the tasks of the GUFE are, *inter alia*, to: simplify the procedural formalities for the creation, modification, dissolution or termination of activities; receive, inform, guide and advise domestic and foreign investors; help improve the business environment to make it attractive to investment; regularly publish statistics on enterprises established; and to set up a related database. However, and also according to the authorities, it is not currently possible to complete all formalities via the Single Information Point, and it is therefore single in name only.

3.5. According to the authorities, all imports and exports must be covered by an electronic cargo tracking note (ECTN) issued by the Directorate-General of Customs; the Central African Republic does not have a national shippers' council.

<sup>31</sup> Ordinance No. 83.083 of 31 December 1983.

<sup>32</sup> Decree No. 83.550 of 31 December 1983.

<sup>33</sup> Interministerial Order No. 008/MCIACPSP/MFB of 13 April 2003. The stamp duty to be paid by the trader is determined according to turnover.

<sup>34</sup> Article 196 of the General Tax Code, January 2006 edition, supplemented by Article 17 of Law No. 05.015 of 31 December 2005. Any importer engaged in professional activities who is not registered and not in possession of a business licence must pay in advance the provisional import-export business licence fee at the "one-stop" window (Circular Note No. 170/MFB/CAB/DGID/DGAID/DELFSC of 21 February 2006).

<sup>35</sup> Article 6 of Law No. 92.002 of 26 May 1992.

### 3.1.2 Preshipment inspection

3.6. Since 1996, preshipment inspection has been mandatory in the CAR for all imports and exports of a f.o.b. value of CFAF 500,000 or higher. Some products are exempted automatically, whilst other exemptions may be permitted.<sup>36</sup> Applications for exemptions must be submitted by the importer in writing to the Ministry responsible for trade. Some products are exempt from preshipment inspection, namely: precious metals, works of art, explosives, postal parcels, the plants and seeds and floricultural products.<sup>37</sup> Precious stones are inspected by the BECDOR before export.

3.7. Since June 2006, BIVAC Veritas has been retained by the Government to carry out preshipment inspection on behalf of the CAR.<sup>38</sup> Under the contract, BIVAC inspection covers the verification of documents, quality, quantity, price, origin, tariff position, customs value of goods imported into the CAR, sealing of containers, eligibility of goods for a particular customs procedure, as well as specific aspects (for example, the control of pharmaceuticals must cover the dates of manufacture and the use-by dates). At least five days must be allowed for preshipment inspection. This measure is not based on any new regulation. Intra-CEMAC imports are also subject to preshipment inspection.

3.8. Inspection is done at the place of production, storage or dispatch and the importer must provide the BIVAC Bureau Veritas with the commercial import declaration (DIC) validated by the inspection company, approved and signed by the Ministry responsible for trade; Also required are a copy of the bank receipt showing registration of the import; and a copy of the pro forma invoice/purchase order and a receipt for the inspection fees. The inspection procedure gives rise to an inspection report. Once the inspection is done, BIVAC issues the verification certificate, which is then required for the customs clearance of the goods.

3.9. The preshipment inspection fees payable by the importer are relatively high (common report, Chapter 3.1.2) The fees are borne by the importer and are 1% of the f.o.b. value, with a minimum of CFAF 140,000 (€213) for commercial import declarations subject to inspection, and CFAF 20,000 for other commercial import declarations. Bivac issues no document other than the DIC.

3.10. At the rate of 1%, the minimum fee (flat rate) of CFAF 140,000 corresponds in principle to imports worth CFAF 14 million a relatively high amount for individual imports into the Central African Republic. Put another way, in practice, most of the imports subject to inspection are worth less than this amount, and are therefore subject to rates higher than 1%; the maximum rate is 28% (corresponding to the flat rate of CFAF 140,000 on imports worth CFAF 500,000). The importer must also pay 19% VAT on the fee. The cost of this mandatory inspection programme to the Central African economy is enormous. Despite its objectives, the mandatory nature of this inspection increases the cost of imports by the amount of the fees (especially the flat rate) payable by the importer, and duplicates the work of the Customs. Besides, neither the "commercial import declaration" made to BIVAC nor the related import verification certificate exists in electronic form. The BIVAC inspection company is not electronically linked to the computerized customs platform (ASYCUDA), and this complicates and further slows down the import process.

3.11. According to authorities, two scanners have been bought with funding from China in the framework of cooperation between both countries, and a 0.5% scanner management fee is levied on all imports, whether scanned or not.

3.12. At the importer's request and upon authorization by the customs, inspection at the destination is possible subject to a penalty of CFAF 300,000 (20% of the customs value in case of a repeat offence) in addition to the inspection fees.

<sup>36</sup> The following are exempt from BIVAC inspection: precious stones; precious metals; works of art; ammunition and arms other than for hunting and/or sporting purposes, similar materials and equipment imported by the army itself for its own use; live animals; printed and developed cinematographic films; regularly published newspapers and periodicals; and postal parcels.

<sup>37</sup> Interministerial Order No. 182 of 13 February 2004 issued by the Minister for Planning, Economy, Finance, Budget and International Cooperation.

<sup>38</sup> Interministerial Order No. 038/MFB/MCIPME of 17 June 2006.

3.13. Technical assistance is being sought so as to improve implementation of the multilateral provisions on customs valuation.

### 3.1.3 Customs procedures

3.14. Like all other CEMAC countries, the CAR has been applying the Community Customs Code<sup>39</sup> since its adoption in 2001 to the importation, exportation and re-exportation of goods. The customs regimes in force in the CAR are those envisaged under Community provisions (common report, Chapter 3.1.3).

3.15. The documents required for customs procedures in the CAR are: the license to engage in foreign trade; the bill of lading; the purchase invoice; the freight invoice; the certificate of insurance; proof of prior registration; and, if appropriate, the original of the electronic cargo tracking note (ECTN); the certificate of origin and the phytosanitary certificate, the commercial import declaration (DIC), the Bivac inspection verification certificate (ADV), and the waybill. The CAR has not yet ratified the Kyoto Convention on the Simplification and Harmonisation of Customs Procedures.

3.16. Customs clearance is done either by the owners of the goods in the case of imports for personal purposes, or necessarily by CEMAC-approved customs agents (forwarders) in the case of commercial imports. In March 2013, there were 19 agencies of approved customs agents established in the CAR. Applications for approval are examined by the DGDDI National Approvals Committee, upon whose favourable opinion the CEMAC grants the approval.

3.17. All imports/exports must be declared.<sup>40</sup> Some 56.3% of the total value of declarations is handled electronically (using ASYCUDA). At present, 41.6% of the value of oil imports, and 2% of the value of imports via provincial customs posts are not computerized.

3.18. A three-channel risk management system is currently in place: green (immediate release-IR), orange (random check) and red (mandatory check). This system is operating only at the four computerized offices in Bangui (56.3% of the overall value of imports).

3.19. Generally speaking, the Community customs provisions (including on transit) apply in the CAR (common report, Chapter 3, 3.1.3). However, the CAR has no accelerated or simplified customs clearance procedure. When the clearance credit procedure is used, the nationally fixed rate of increase is 1%.

3.20. There are three committees (origin, value, price) at the DGDDI for the settlement of disputes relating to each of these areas. The parties may make appeals via the Minister with responsibility for finance, the CEMAC Commission, and the WCO.

3.21. In 2006, observers spoke of a problem of corruption within the Central African administration, particularly the customs department, and took the view that officials became corrupt because of the numerous arrears in the payment of their wages. It would seem that there was some improvement, however, following reforms and the dissemination of the code of ethics.

3.22. Because the Central African Republic has no direct access to the sea, some 80% of imports arrive via the port of Douala in Cameroon and travel 1,500 km from Douala to Bangui; the remainder is generally routed via the port of Pointe-Noire in the Republic of the Congo.

3.23. Economic operators estimated in 2006 that some 70% of the imports along the Douala-Bangui corridor were "smuggled" goods, despite preshipment inspection. Aware of the malfunctioning of the customs administration, the Central African authorities reorganized it in 2007. Since then, and with the introduction of the single window in Douala, a pre-payment is made on all goods bound for the CAR to prevent their discharge on Cameroonian territory or along the way.

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<sup>39</sup> Regulation No. 5/01-UDEAC-097-CM-06.

<sup>40</sup> Decree No. 86-328 of 20 November 1986.

3.24. Since 2001, the external offices of the Central African customs in the ports of Douala in Cameroon and Pointe-Noire in the Congo have been responsible for monitoring transit operations to and from the Central African Republic. They are responsible for issuing transit documents and collecting charges of CFAF 53,000 per transit document (€81).

3.25. Since 2005, under the administrative assistance agreement between the Cameroonian and Central African customs authorities signed on 28 April 2005, the Central African authorities have set up a single window in the port of Douala for transit to or from the Central African Republic in order to carry out the initial customs formalities for goods; there are also other controls at checkpoints set up along the road corridor before the containers are finally cleared at the Bangui road terminal;

3.26. The UNITEC-BENIN company tasked with conducting the initial customs formalities at the "one-stop" window for transit to and from the CAR, in Douala and along the corridor with the Republic of the Congo. This company carried out the following customs procedures: prepayment of duties and taxes on goods when they arrive at the port of unloading, including those on second-hand vehicles; collection of an advance (flat-rate minimum tax) on corporation tax (IS) or personal income tax (IR), unless the names of the companies or persons concerned appear on a list of taxpayers that meet their tax obligations; collection of port fees, for example, those on vehicles, goods in containers, bulk goods, phytosanitary control, and the electronic cargo tracking note. UNITEC-BENIN was remunerated according to its performance in increasing revenue on behalf of the State.<sup>41</sup> The single window is composed of officers from the DGDDI, the Treasury, and the Taxation Department and has taken over from UNITEC.

3.27. In principle, the Congo has applied the WTO Customs Valuation Agreement since 2001, and its provisions have been incorporated verbatim into the CEMAC Customs Code and regulations on the matter (common report, Chapter 3, 3.1.3).<sup>42</sup> The CAR is nonetheless experiencing difficulties in effectively applying the Agreement. The CAR's customs department in fact makes use of reference values. In practice, any declared value that is lower than the corresponding reference value is deemed to have been undervalued and is automatically adjusted, and this is indicative of some problems in implementing the WTO Customs Valuation Agreement.

### 3.1.4 Rules of origin

3.28. The CEMAC rules of origin (common report, Chapter 3.1.9) are applied nationally in the CAR. No company or product from the CAR has been approved since the introduction of the Community scheme. Yet the CAR continues to export under the preferential regime based on the old system (common report, Chapter 3).

### 3.1.5 Customs levies

#### 3.1.5.1 Import duties and taxes

3.29. The Directorate-General of Customs is still one of the State's major sources of fiscal and overall revenue (Table 4.1 and Chapter 1). Since 2000, the CEMAC countries have been applying a Common External Tariff (CET) to imports from third countries. Updated in accordance with the 2007 version of the Harmonized System<sup>43</sup>, the CET comprises five bands defined as follows<sup>44</sup>: certain cultural and aviation-related products (zero rate), basic necessities (5%), raw materials and capital goods (10%), intermediate and miscellaneous goods (20%), and daily consumer goods (30%) (common report, Chapter 3.1.4). However, each CEMAC country unilaterally grants

<sup>41</sup> The company's remuneration was as follows: (a) 20% on revenue derived from payments on second-hand vehicles (minimum CFAF 50,000), on goods in transit (CFAF 15,000 per container or CFAF 600 per bulk tonne), or for phytosanitary control (CFAF 500); (b) 20% on the increase in customs revenue in comparison with the average earned over the 2003, 2004 and 2005 financial years on the corridors with Cameroon and the Republic of the Congo; and (c) 5% on revenue derived from IS/IR payments at the "one-stop" window for transit to or from the Central African Republic (around 10% of the c.i.f. value of the imports).

<sup>42</sup> Title 1, Chapter IV, Section IV.

<sup>43</sup> Decision No. 21/07-UEAC-1368 U-CM-15 of 17 March 2007 approving the update of the CEMAC TEC in accordance with the 2007 version of the Harmonized System.

<sup>44</sup> Act No. 7/93-UEAC-556-SE1 of 21 June 1993 revising the CET and establishing the procedures for implementation of the generalized preferential tariff.

CET waivers without consulting or notifying the other members. In the case of the CAR, these waivers concern 193 eight-digit tariff lines (common report, Chapter 3).

**Table 3.2 Fiscal revenue by main source, 2007-2012**

(CFAF million).

	2007	2008	2009	2010	2011	2012
(A) Fiscal revenue	25,686.8	27,220.4	32,598.1	37,675.8	36,745.8	45,055.5
(I) Imports	4,124.4	5,549.7	6,013.3	6,030.3	5,660.8	7,841.8
(A) Clearance credit	0.0	0.0	0.0	0.0	0.0	296.1
(B) Cash payments	4,124.4	5,549.7	6,013.3	6,030.3	5,660.8	7,545.7
(II) Douala single window	6,878.0	6,796.0	6,619.5	7,417.7	6,939.6	8,176.2
(A) Imports	3,161.8	3,371.3	3,020.5	3,337.4	3,452.6	3,512.3
(B) VAT	3,716.2	3,424.6	3,295.4	3,734.7	3,125.8	4,333.5
(C) Other single window charges	..	..	303.5	345.6	361.3	330.5
(III) Exports	3,652.7	3,345.9	2,026.1	2,046.2	2,122.0	2,225.0
(A) Diamonds and gold	1,263.6	890.4	975.3	1,041.7	1,212.8	1,331.2
(B) Timber	2,387.4	2,437.0	1,048.7	1,001.3	907.2	881.6
(C) Others	1.6	18.4	2.0	3.1	1.9	12.2
(IV) Provinces	505.2	332.0	302.6	265.3	392.7	439.2
(A) Imports provinces	505.2	331.1	302.3	264.4	391.7	438.4
(B) Exports provinces	0.0	1.0	0.3	0.9	1.0	0.8
(V) Petroleum tax revenue	6,004.9	5,507.6	10,393.1	10,437.7	1,498.8	17,792.8
Imports hydrocarbons	977.7	1 682.2	1,262.0	1,619.3	2,228.9	2,660.9
Special taxes on petroleum products	..	..	1,901.7	2,894.3	4,134.6	3,272.8
VAT hydrocarbons	3,684.1	3,620.1	3,082.7	4,113.0	5,820.5	7,551.6
Net TUPP	1,343.1	205.3	..	..	..	..
Positive TUPP	..	6,926.5	4,146.7	1,811.0	314.8	1,262.9
Negative TUPP	1,724.5	4,834.3	217.7	161.0	1,436.8	3,044.6
(VI) VAT	4,285.7	4,806.0	5,504.0	7,076.7	7,229.2	7,445.5
(A) VAT Bangui	3,694.1	4,406.4	5,175.8	6,653.3	6,806.1	6,924.4
(B) VAT Provinces	591.6	399.7	328.2	423.4	423.1	521.1
(VII) Disputes	235.8	883.1	1,739.6	4,402.0	1,902.7	1,135.0
(A) Customs Duties recovered	151.6	580.1	1,107.9	539.3	413.6	343.9
(B) VAT recovered	31.5	146.8	218.4	3,522.3	1,137.7	166.8
(C) Penalties	52.8	156.2	413.3	340.4	351.4	624.3
(B) Allocated revenue	4,002.0	2,489.3	5,093.8	9,736.3	11,022.5	11,403.1
TCI	431.5	332.6	601.2	651.7	771.4	885.9
CCI	186.1	132.6	254.7	274.1	319.4	301.4
P/COMIFAC	..	10.7	60.3	73.9	72.6	63.6
Fee/Scanners	..	..	..	..	..	435.3
REIF	789.2	461.8	687.9	825.8	931.9	625.8
OHADA	23.7	9.7	24.4	23.9	24.5	135.7
Customs Project	468.9	335.9	893.2	4,695.2	5,343.8	5,518.7
R.U.R.	2,102.7	1,205.9	2,572.1	3,191.7	3,558.9	3,436.7
Grand Total	29,688.8	29,709.7	37,691.9	47,412.1	47,768.3	56,458.6

.. Not available.

Source: Information provided by the Central African authorities.

3.30. Besides the CET, the Central African Republic applies other Community duties and taxes (common report Chapter 3.1.5): the 1% CEMAC Community integration tax or levy (TCI/PCI), applicable to imports originating in countries outside the CEMAC and released for consumption<sup>45</sup>; the 0.4% ECCAS Community Integration Contribution (CCI) applicable to imports originating

<sup>45</sup> Additional Act No. 03/00-CEMAC 046-CM-05.

in non-ECCAS countries<sup>46</sup>; the 0.05% OHADA levy applicable to goods of any origin<sup>47</sup>; and the 0.1% COMIFAC levy (common report, Chapter 3).

3.31. In addition, the CAR also imposes a 0.5% levy on computer equipment for finance (REIF) and the 0.5% scanner management fee on imports of any origin. A special CFAF 7 duty is payable on each net kilogramme of coffee imported during the authorized period.<sup>48</sup> In 2006, the Central African authorities also drew up a list of specific duties and taxes applicable to second-hand vehicles.<sup>49</sup>

### 3.1.5.2 Bindings

3.32. The CAR has bound 62.3% of its tariff lines (common report, Table 3.2). Resulting solely from the Uruguay Round, these bindings cover all agricultural products as well as several non-agricultural products.

3.33. For agricultural products, the bindings were at the rate of 30%; for the non-agricultural products concerned, the bound rates range from 20 to 70%.<sup>50</sup> The low percentage of bindings does not guarantee the tariff regime's predictability and raises the problem of transparency, which might make any partner hesitate, whether a trading partner or one seeking an environment conducive to investment. Besides, one tariff line, HS 871200 (bicycles and other cycles) has a bound rate that is lower than the rate applied (25% and 30% respectively)(common report, Table 3.2). The "other duties and taxes" on products for which tariffs were bound are at the zero or 16% rate, depending on the category of good, although they are taxable at non-zero rates.

### 3.1.6 Internal taxes

3.34. Pursuant to Community provisions<sup>51</sup>, since 1 January 2001 the Central African Republic has been applying value-added tax (VAT) and excise duty to local and imported products; the regimes, including principles and bases of taxation, are determined at the Community level (common report, Chapter 3.1.6). The VAT rate in the CAR has been 19% since 2006.<sup>52</sup> VAT is levied on goods for home consumption irrespective of their origin (including goods of CEMAC origin).<sup>53</sup> Some staple goods, whether imported or produced locally, are in principle exempt from VAT.<sup>54</sup> Unlike competing imports, meat, fruit and vegetables produced locally are, however, exempt from VAT, and this is in breach of the principle of national treatment. Exports are subject to the zero rate regime. The reason for this discrimination is social justice.

3.35. The CAR levies a 25% excise duty on alcoholic beverages, cigarettes and tobacco, precious stones, perfumes and cosmetics, amongst other things.<sup>55</sup> A rate of 10% is applied to non-alcoholic beverages; however, the taxes on those produced locally are not being paid. This is an infringement of the principle of national treatment. VAT-exempt products are also exempt from excise duty.

<sup>46</sup> Decision No. 05/CEEAC/CEG/X/02 of the Conference of Heads of State and Government of ECCAS.

<sup>47</sup> Order No. 5808/MEFB-CAB of 20 September 2005.

<sup>48</sup> Interministerial Order No. 029/MFB/MAE/MICA of 11 January 1996.

<sup>49</sup> Circular Note No. 010/MFB/DGDDI/DLD of 3 February 2006.

<sup>50</sup> Consolidated Tariff Schedules (CTS) Database. This Database was established pursuant to a decision taken on 27 November 1998 by the WTO Committee on Market Access. It contains all the information on tariff concessions (relating to goods) in a format convenient for purposes of analysis (MS Access 97), albeit without prejudging the legal status of those concessions. WTO Members can amend information held under their names.

<sup>51</sup> Act No. 1/92-UDEAC-556-CD-SE1, amended by Act No. 4/94-UDEAC-556-CD-SE1 and Act No. 1/96 UDEAC-556-CD.

<sup>52</sup> 2006 Finance Law.

<sup>53</sup> Article 253, Chapter I, Book II, General Tax Code, January 2006 edition.

<sup>54</sup> Annex to Chapter I, Book II, General Tax Code, January 2006 edition. These goods include: milk and cream; bread; infant food; medicines; medical appliances and invalid carriages; spectacles; books; insecticides and pesticides; and the first bracket of residential water and electricity consumption.

<sup>55</sup> Circular Note No. 010/MFB/DGDDI/DLD containing the customs programme for 2006. Products liable to excise duty are listed in the Annex to Chapter II, Book II, General Tax Code, January 2006 edition.

3.36. An advance on income tax (IR) or corporation tax (IS) is also levied on all transactions in goods and services of a commercial nature. This advance applies to imports and to transactions on the domestic market (with the exception of the sale of water and electricity). Since 2007, the advance on imports has been 3% of the customs value plus all duties and taxes except for VAT (and excise duty where applicable), and 3% of the price (including all taxes except for VAT) on transactions on the domestic market.<sup>56</sup> Economic operators not subject to the IS or the IR pay the minimum flat-rate tax (IMF) of 3%.

### 3.1.7 Tariff preferences

3.37. In accordance with Community provisions, the CAR grants tariff preferences to imports originating in the other CEMAC countries.

### 3.1.8 Duty and tax concessions

3.38. Apart from the system of duty and tax concessions and exemptions envisaged at the Community level (common report, Chapter 3.1.8) the CAR grants duty and tax exemptions to enterprises approved under the National Investment Charter (Chapter 2.4), the Forestry Code (Chapter 4.2), the Mining Code (Chapter 4.3), and the Petroleum Code (Chapter 4.3). Duty and tax exemptions also apply to goods imported by State structures, the public entities.

3.39. Other exemptions are accorded to "large enterprises" under the agreements on their establishment or under bilateral conventions or agreements.<sup>57</sup> The scale of the revenue foregone as a result of all these exemptions (Table 4.2) has more than doubled since the last review, and has risen dramatically for special exemptions granted on a discretionary basis, which suggests that the tax system is not properly adapted to the structure of the economy. These exemptions altogether represent more than 200% of the State's customs revenue (Chapter 3, section 3.1.5.1, Table 3.2), which greatly deprives the State of substantial resources with which to implement its various programmes.

**Table 3.3 Breakdown of revenue losses owing to exemptions, 2009-2012**

(Revenue loss in CFAF million)

By category	2009	2010	2011	2012
Basic UN Agreement	3,463.1	3,446.1	2,648.6	2,532.2
Diplomatic exemptions	190.9	243.3	240.7	704.8
Cooperation agreement	4.6	..	3.9	0.6
Headquarters Agreement	178.9	221.6	138.0	193.4
Establishment Agreement	8.7	..	..	6.3
Memorandum of Agreement (reduced rate of 5%)	82.5	42.7	326.1	212.2
Act No. 2/92-UDEAC-556-CD-SE1	443.3	371.5	225.1	219.7
Customs project	77.4	55.0	93.3	2.2
Financing agreement memorandum	1.7	..	..	..
Cooperation Agreement	116.7	54.9	26.4	16.4
Public investment contract being implemented	151.2	28.6	63.4	364.6
Exceptional exemption, total of duties & taxes except REIF	..	..	2.2	268.0
Memorandum of Agreement (reduced rate of 8%)	930.6	134.9	605.8	737.5
Bilateral conventions and agreements	1,204.3	1,711.9	1,655.2	3,549.0
Total exceptional exemption from duties and taxes	1,138.7	2,497.4	1,863.8	2,368.8

<sup>56</sup> Section VI, Book I, General Tax Code, January 2006 edition, as amended by the 2007 Finance Law. Circular Note No. 087/MFB/DIR.CAB/DGID/DELFC/SELFPM of 1 February 2007.

<sup>57</sup> Government of the Central African Republic, Ministry of the Economy, Finance, Planning and International Cooperation (2005).

By category	2009	2010	2011	2012
5% SUCAF REDUCED RATE	38.6	9.5	193.9	270.4
Exemptions management fee (RGE 8%)	207.6	133.3	155.5	1,202.1
<b>TOTAL</b>	<b>8,238.7</b>	<b>8,950.5</b>	<b>8,241.7</b>	<b>12,648.0</b>

.. Not available.

Source: Information provided by the Central African authorities.

### 3.1.9 Prohibitions, quantitative restrictions and licences

3.40. The Central African Republic has not notified the WTO of its prohibition, authorization and import licensing regimes as such. It has, however, notified several related measures to the Committee on Technical Barriers to Trade. The prohibition regime concerns in particular the 90% monopoly of sugar imports (as well as the relevant licences) granted to the private company, Sucrière en Afrique – SUCAF-RCA (Chapter 4.2), for which the authorities cited Article XIX of the GATT 1994 as the legal basis.<sup>58</sup> The authorities have also notified the creation of a regulatory body for sugar imports.<sup>59</sup> Another notification to the WTO relates to a ban on the import of certain products containing mercury.<sup>60</sup> Coffee may only be imported as of the date on which all the domestic output is deemed to have been sold (usually in April each year).<sup>61</sup> This information has been confirmed, though the memorandum of understanding with the SUCAF will expire in September 2013 and some revisions are currently being considered.

3.41. The import of pharmaceuticals into the Central African Republic is subject to registration formalities and a marketing authorization from the Minister of Health<sup>62</sup>, while the import of pharmaceuticals for veterinary use requires approval by the Minister responsible for livestock.<sup>63</sup> The production, import and sale of iodized salt for human or animal consumption are subject to controls in order to protect human and animal health.<sup>64</sup> The import and marketing of saccharine are controlled in order to protect human health.<sup>65</sup> It is forbidden to collect or trade in ivory.<sup>66</sup> The import and marketing of cellular telephones require prior authorization by the Minister responsible for telecommunications.<sup>67</sup> The 1996 law liberalizing the telecommunications sector nevertheless allows approved operators to import and market cell phones, but the regulator intervenes for reasons of safety and control of national security.

3.42. Apart from the registration formalities applicable to all foreign trade activities (section 3.2.1), control measures can be imposed imports of certain products for security reasons, to protect public health and morality or because of their strategic nature (Table 3.4). In general, controls in the form of import permits apply in order to protect consumers, live animals, plants or the environment, particularly under the international conventions signed by the Central African Republic.<sup>68</sup>

3.43. The Central African Republic participates in the Kimberley Process for trade in rough diamonds.<sup>69</sup>

<sup>58</sup> WTO document G/TBT/N/CAF/3 of 1 December 2004.

<sup>59</sup> WTO document G/TBT/N/CAF/5 of 2 December 2004.

<sup>60</sup> WTO document G/TBT/N/CAF/2 of 1 December 2004.

<sup>61</sup> Interministerial Order No. 029/MFB/MAE/MICA of 11 January 1996.

<sup>62</sup> Decree No. 94.196 of 4 June 1994.

<sup>63</sup> Law No. 65/61 of 3 June 1965.

<sup>64</sup> Decree No. 95.038 of 6 February 1995.

<sup>65</sup> Interministerial Order No. 002/MCIPSP/MSP of 11 January 2002.

<sup>66</sup> Ordinances No. 85.005 of 30 January 1985 eliminating elephant hunting and No. 85.046 of 31 October 1985 banning the collection and trade of ivory in the Central African Republic; and Interministerial Order No. 072 of 3 February 2004.

<sup>67</sup> Ordinance No. 85.046 of 31 October 1985.

<sup>68</sup> Online information. Viewed at: [http://www.wto.org/English/tratop\\_e/envir\\_e/membershipwtomeas\\_e.doc](http://www.wto.org/English/tratop_e/envir_e/membershipwtomeas_e.doc).

<sup>69</sup> Online information. Viewed at: <http://www.kimberleyprocess.com>.

**Table 3.4 Import controls, 2012**

Responsible body	Required document	Product
Ministry of the Interior	Prior authorization	Arms and ammunition; radio equipment (transmitters and receivers)
Ministry of Health	Prior authorization	All goods (other than for personal use)
Ministry of Health (pharmaceutical inspection)	Authorization	Pharmaceuticals
Ministry of Agriculture (veterinary service)	Sanitary certificate	Meat and fresh fish
Ministry of Agriculture, Water and Forestry (veterinary service)	Health certificate and CITES certificate	Live animals, trophies and protected species
Ministry of Energy	Prior authorization	Fuels
Ministry of Finance	Prior authorization	See 3.51

Source: Directorate-General of Customs.

### 3.1.10 Standards, technical regulations and accreditation

3.44. The Central African Republic has no national regulatory framework on standardization and quality management, and no notification has been made to the WTO on the matter. The only law on standardization and quality control is currently being adopted. The commission on texts has already reviewed and validated the draft law. There had previously been no State entity responsible for implementing Government policy on standardization. Since 2005, an organic text has made it possible to task the Ministry of Trade and Industry with implementing this policy. A standards and quality division was created for that purpose within the Ministry and more precisely within the Directorate-General of Industry. The SPS notification authority as well as the SPS enquiry point have just been designated. The notification to the WTO will soon be possible. The only certification done by the Central African Republic is that of products made by ORCCPA (coffee). The country has no national standards. The only institution authorized to adopt international standards and formulate national standards is currently being created (Central African Agency for Standardization envisaged in the draft law now being adopted).

3.45. The other quality infrastructure components (standardization, conformity assessment, certification and accreditation) are taken into account by the European Union within the framework of the CEMAC quality programme. In the CAR, in the absence of national rules, imports must be accompanied by a certificate of conformity with international standards. The certificate is issued by the BIVAC inspection company.

3.46. The customs and trade checkpoints are responsible for the enforcement of import regulations. Products quality controls are carried out by local laboratories to be sure of compliance with the standards.

3.47. The Central African Republic is not a member of the International Organization for Standardization (ISO). The CAR had been subscriber member of the ISO from 2010 to 2012. That membership was terminated at the end of 2012. Moves are afoot for rehabilitation. When needed, it utilizes the standards laid down by the Association française de normalisation (AFNOR).

### 3.1.11 Packaging, marking and labelling requirements

3.48. The Central African Republic has notified the Committee on Technical Barriers to Trade of the compulsory marking of packaging and containers for tobacco products put on sale.<sup>70</sup> The name and address of the importer, together with the weight and the country of origin of the product, must be placed on the bags used for imports of wheat flour, rice and sugar.<sup>71</sup> The metric system and the French language must be used in the Central African Republic. Penalties are envisaged for non-compliance with the laws in force on labelling, marking and packaging.

<sup>70</sup> WTO document G/TBT/N/CAF/1 of 1 December 2004.

<sup>71</sup> Order No. 028/MCIPME/CAB/CM of 8 October 1988.

### 3.1.12 Sanitary and phytosanitary measures

3.49. Since the CAR's last trade policy review in 2006, no measure (ordinary or emergency) has been notified to the WTO SPS Committee. However, an SPS enquiry point, a notification authority and a national SPS Committee have been set up by Interministerial Order No. 005 of 13 March 2012. The lack of an operational SPS system and the inadequate infrastructure are two of the main constraints on the development of trade and the quality of local products.

3.50. The Ministry of Health is responsible for applying sanitary measures in relation to human health and food, and the Ministry of Agriculture is responsible for phytosanitary measures. It is also responsible for safeguarding animal health, in both cases, in cooperation with the Ministry responsible for trade. There is a National Codex Alimentarius Committee created by Interministerial Order No. 0045 of 18 March 2011.

3.51. The import of plants, as well as packaging made of plant material, requires a phytosanitary certificate issued by the authorities in the country of origin.<sup>72</sup> Prior authorization is required in order to sell insecticides in the Central African Republic. The phytosanitary inspection taxes and fees are fixed according to a scale.<sup>73</sup> Products of animal origin must undergo sanitary import control and be accompanied by a sanitary certificate issued by the authorities in the country of origin.<sup>74</sup>

3.52. The Competition and Consumption Directorate conducts checks on the implementation of SPS regulations. The customs code makes it possible to monitor not just tariffs but also the quality of products entering and leaving the country. Texts have been adopted prohibiting certain products harmful to health (Order No. 0061 of 25 January 2012 prohibiting the import and marketing of certain alcoholic products).

3.53. The Central African Republic complies with the provisions of the FAO International Plant Protection Convention, the FAO/WHO Codex Alimentarius, the provisions of the World Organisation for Animal Health (OIE), as well as those of the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES).

### 3.1.13 Contingency measures

3.54. The Central African Republic applies the VAT zero rate regime and the various suspensive regimes envisaged at Community level (common report, Chapter 3); it has not implemented any other export advantages; it has only instituted import tax and customs benefits for production by enterprises approved under the Investment Charter (section 3.3.1 below). The CAR has no free zones.

### 3.1.14 Other measures

3.55. According to the authorities, there is no provision prescribing national content for the purposes of fiscal, customs or financial benefits, *inter alia*. No agreement has been signed with foreign governments or enterprises with a view to influencing the volume or value of goods and services exported to the Central African Republic. Likewise, the authorities are not aware of any such agreements between national and foreign companies. The Central African Republic applies the trade sanctions decided upon in the framework of the United Nations or of regional organizations to which it belongs.

3.56. The CAR does not engage in countertrade. Acting through the Directorate of Domestic Trade, which is responsible for control, supply and distribution, the State regulates threshold of the security stockpile at two months.

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<sup>72</sup> Law No. 62/350 of 4 January 1963.

<sup>73</sup> Order No. 005/MMDA/CAB/DGAAARH/DCA/SPS of 18 February 2004.

<sup>74</sup> Law No. 65/61 of 3 June 1965.

## 3.2 Measures directly affecting exports

### 3.2.1 Registration and customs procedures

3.57. The registration formalities applicable to the import of goods for commercial purposes also apply to export (section 3.2.1 above). The export of precious stones, as well as forest products, is subject to specific conditions of approval. The export of forest products is subject to special conditions of approval. Only mining companies, authorized purchasing offices and organized and approved mining cooperatives (for exports of at least CFAF 20 million, about €31,000) may export precious stones and precious and semi-precious metals.<sup>75</sup> The Bureau d'évaluation et de contrôle du diamant et de l'or - BECDOR, a State body, values gold and diamonds for the purpose of applying export duties and taxes.

3.58. The preshipment inspection regime, entrusted to the BIVAC (Section 3.1.3), applies to exports as well as imports. All exports require an export declaration, as well as a customs declaration. A document showing the foreign currency committed, endorsed by the bank with which the transaction is domiciled, is also required for all export transactions. The foreign exchange undertaking consists of the obligation to repatriate export earnings from countries outside CEMAC and convert them into CFAF within 30 days of the goods being shipped.

3.59. Since 2005, all exports of wood products are subject to the BIVAC verification programme. The programme covers the inspection, identification and marking of logs for export (when they are loaded onto trucks), as well as of wood products entering and leaving sawmills and when trucks go through the border posts with Cameroon. BIVAC is also responsible for securitizing customs revenue by verifying the price of wood, the basis for applying export duty. The exporter pays the BIVAC's fees, which amount to 1% of the f.o.t. value (free-on-truck, i.e. leaving the Central African Republic on a truck), determined twice yearly in a joint order issued by the Ministers responsible for forests and for finance<sup>76</sup>, plus 19% VAT; the minimum fee is CFAF 140,000.

3.60. The Office de réglementation de la commercialisation et du contrôle du conditionnement des produits agricoles - ORCCPA, responsible for the coffee subsector, issues the required approval to coffee exporters.<sup>77</sup> The export of cattle is the subject of special measures, for example, the obligation to sell the cattle on terminal markets in the Central African Republic and the submission of a sanitary certificate and international passport issued by the CEBEVIRHA-CEMAC.<sup>78</sup> Fees are charged for issuing these various documents.<sup>79</sup>

### 3.2.2 Export duties and taxes

3.61. Merchandise exports are subject to several export duties and taxes, in particular: the 0.5% levy on computer equipment for finance (REIF); a levy in the form of a 3% advance on the IR or IS for exports of a commercial nature.<sup>80</sup> Economic operators not subject to the IS or the IR pay the minimum flat-rate tax (IMF) of 3%, with the exception of coffee exporters.<sup>81</sup>

3.62. Gold, diamonds, wood, cattle and live wild animals are the subject of special regimes as regards export duties and taxes. In the case of gold, the export duty is 1% and the mining promotion tax is 0.75% of the BECDOR value. For diamonds, the export duty is 4%, the mining promotion tax is 1% and the special tax on purchases of diamonds is 3%. Export duty is 10.5% on logs and 4.5% on sawn wood, based on the f.o.b. value, determined twice yearly in a joint order issued by the Ministers responsible for forests and for finance. Cattle are subject

<sup>75</sup> Article 96 of Ordinance No. 04.001 of 1 February 2004 (Mining Code).

<sup>76</sup> The f.o.t. value is calculated by deducting from the f.o.b. Douala value for the preceding half-year the amount of the transport costs and the Douala f.o.b. cost. Where the f.o.t. value is negative, it is set at a flat rate of CFAF 5,000 m<sup>3</sup>. The transport costs taken into account depend on the geographical situation of the forestry permits, either in Zone 1 (lower Lobaye), or in Zone 2 (south-west).

<sup>77</sup> ORCCPA (2005). The fee charged is CFAF 30,000.

<sup>78</sup> Interministerial Order No. 0020/2001 of 25 April 2001.

<sup>79</sup> The fees are: export authorization (CFAF 5,000); CEBEVIRHA document (CFAF 50/head); sanitary control (CFAF 2,000/head of cattle; and CFAF 1,000/head of small livestock).

<sup>80</sup> General Tax Code 2008, Art. 166 *bis* 1.

<sup>81</sup> ORCCPA (2005).

to an export tax (CFAF 1,000/head of cattle; CFAF 500/head of small livestock). Live wild animals are also subject to export taxes.<sup>82</sup>

3.63. Coffee under the temporary admission regime is subject to CFAF 10/kg net after processing.<sup>83</sup>

### 3.2.3 Export prohibitions and controls

3.64. An export declaration must be filed for all goods being exported or re-exported. Goods are subject to checks by the BIVAC inspection company during importation and exportation.

3.65. The Central African Republic has had an export declaration regime since 1986.<sup>84</sup> It has participated in the Kimberley Process (KP) for trade in rough diamonds since April 2003.<sup>85</sup> The KP's permanent secretariat has been designated by the State for this purpose, in particular for certifying parcels of rough diamonds exported and verifying the traceability of diamonds produced in the country. A fee of 0.5% of the BECDOR value is levied for this service.

3.66. The Central African Republic has established a scheme for the sanitary certification of the products concerned (cattle, all types of meat). Green coffee must meet quality standards in order to be exported.

### 3.2.4 Export subsidies and promotion

3.67. The Central African Republic applies the VAT zero rate regime and the various suspensive regimes envisaged at community level (common report, Chapter 3); it has not implemented any other export advantages; it has only instituted import tax and customs benefits for production by enterprises approved under the Investment Charter (section 3.3.1 below). The CAR has no free zones.

3.68. According to the authorities, thought is being given to introducing export incentives.

## 3.3 Measures affecting production and trade

### 3.3.1 Incentives

3.69. The Central African Republic has not notified the WTO of subsidies or aid. The main support measures in effect relate to the benefits available to enterprises approved under the Investment Charter (Chapter 2.4 and common report, Chapter 3.3.1), the Forestry Code (Chapter 4.2), the Petroleum Code (Chapter 4.3), or the mining regimes (Chapter 4.3). Promotional benefits and exemptions are also accorded to large enterprises under their establishment agreement or a bilateral agreement. In addition, the State supports agriculture in various ways (Chapter 4.2). Public services such as electricity (Chapter 4.3), water (Chapter 4.3), transport (Chapter 4.5) or fixed telecommunications (Chapter 4.5) also benefit from Government support.

### 3.3.2 Competition and price control

3.70. Apart from CEMAC regulations on the matter (common report, Chapter 3.2.2), the provisions of which are, in principle, directly applicable in all the Member States, the Central African Republic has no national competition regime. According to the authorities, the regulatory framework in place dates back to 1992 and covers some aspects of the matter, namely: pricing regimes for products, goods and services of all kinds; market transparency; some anti-competitive practices<sup>86</sup>; the rules governing commercial transactions (with a view to protecting consumers)<sup>87</sup>; stockholding; and the investigation and suppression of economic fraud.

<sup>82</sup> Law No. 98.001 of 2 February 1998.

<sup>83</sup> Interministerial Order No. 029/MFB/MAE/MICA of 11 January 1996.

<sup>84</sup> Decree No. 86.328 of 20 November 1986.

<sup>85</sup> Online information. Viewed at: <http://www.kimberleyprocess.org>.

<sup>86</sup> The law defines anti-competitive practices as those whose purpose is or which could have the effect of preventing, restricting or distorting free competition in the market, for example, concerted action, agreements,

3.71. Consumer protection is also one of the objectives of the law. The focus is on market transparency and product quality. For example, traders must inform consumers of the price of the goods or services on offer and must provide an invoice at the customer's request, which under OHADA provisions should be mandatory. The law punishes offences such as counterfeiting and deceptive or misleading advertising concerning, in particular, adulterated or toxic products. The law thus touches on sanitary measures (section 3.1.10), dishonesty and fraud in the provision of services, and fraud relating to importation, production and sale. The law also deals with infringements connected with the exercise of the profession of trader and the application of the relevant provisions on domestic or foreign trade.

3.72. In principle, prices are determined by the free play of competition, except in the case of the authorization regime for staple foods and basic necessities. At present, controls also apply to 17 categories of product that are also the subject of reference values for imports (section 2.2). According to the authorities, the Office de réglementation de la commercialisation et du contrôle du conditionnement des produits agricoles - ORCCPA, which deals with the coffee subsector, determines the indicative domestic price for each season (Chapter 4.2). A minimum purchase price is also one of the accompanying measures in the cotton subsector (Chapter 4.2).

3.73. Price controls outside the framework of the exception regimes apply to petroleum products (Chapter 4.3), water (Chapter 4.3), electricity (Chapter 4.3), and postal and telecommunications services (Chapter 4.5).

### 3.3.3 State trading, State-owned enterprises and privatization

3.74. The Central African Republic has not yet notified the WTO of State trading enterprises within the meaning of Article XVII of the GATT.<sup>88</sup> The process of State withdrawal began in 2003, but the effective liberalization of the economy is continuing. The following de facto or de jure monopolies have been maintained: a monopoly of 90% of sugar imports has been given to the private company SUCAF-RCA (Chapter 4.2); and the import of electric power is the exclusive prerogative of the State-owned electricity company Énergie Centrafricaine - ENERCA (Chapter 4.3). There are also monopolies of the import, transport and storage of hydrocarbons (Chapter 4.3); international road transport (Chapter 4.5); and postal services and basic fixed telecommunications services (Chapter 4.5)

### 3.3.4 Government procurement

3.75. In 2008 the Central African Republic adopted a new framework<sup>89</sup> for the management of public procurement.

3.76. The new Government Procurement Code transposes all Community provisions (common report, Chapter 3.3.3). It meets international public procurement standards. The Procurement Code of the RCA and its implementing regulations are inspired by international standards established in this regard by institutions such as the World Bank, the Organization for Economic Cooperation and Development and the World Trade Organization.

3.77. The new regulatory and institutional framework is governed by the Government Procurement Code, which is a complete overhaul of the previous legal framework (1965). The Code reinforces the role of contracting authorities in the process of public procurement. It aims to increase competition, rationalize and modernize the procurement procedure, develop control and reduce arbitrariness. The new Procurement Code establishes the principle of separation of the functions of procurement, their control, and the regulation of the system (Article 109). The different functions are now distributed between three new bodies: the Government Procurement Regulatory Authority, the Directorate-General of Government Procurement, and the Procurement Services.

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express or tacit understandings or coalitions (Article 4) or abuse of dominant market position, a state of economic dependence of a client company or supplier, and the use of misleading advertising (Article 5).

<sup>87</sup> Law No. 92.002 of 26 May 1992.

<sup>88</sup> WTO Document G/L/1/Rev.7, November 2011.

<sup>89</sup> Law No 08017 of 6 June 2008 on the Government Procurement Code of the Central African Republic. Online information of the Directorate-General of Government Procurement. Viewed at: [www.dgmp-rca.org](http://www.dgmp-rca.org).

3.78. The provisions of the Government Procurement Code apply to public contracts whose estimated tax-paid value is equal to or higher than the disclosure requirement thresholds set each year under the finance law (Article 10 of the Procurement Code). When the choice of the procedure is a function of thresholds, it is determined according to specific provisions set out in Article 11 of the Code. They are envisaged in the 2009 Finance Law (Article 33) and explained in the procedural manual. It is required that calls for tenders are published in the national and international press (Article 29), in at least one mass circulation daily newspaper and if necessary, by public posting. These notices are also posted on the website of the Directorate-General of Government Procurement. Article 64 of the Code provides that a margin of preference may be attributed to a tender in the case of companies based in the CAR or in a member State, though this margin may not exceed 15% for domestic companies and 10% for CEMAC companies. As regards subcontracting, a preferential margin of 5% is granted to companies planning to outsource at least 30% of their tender to a company from a CEMAC member State (Article 26).

3.79. The Central African Republic is not a member of the WTO Plurilateral Agreement on Government Procurement nor is it an observer.

### 3.3.5 Protection of intellectual property rights

3.80. Like the other members of the CEMAC, the Central African Republic is a member of the African Intellectual Property Organization (OAPI), which was established by the Bangui Agreement in 1997 (common report, Chapter 3.3.4).<sup>90</sup> The RCA ratified the revised Bangui Agreement (1999) on 14 April 2004. The revised Agreement is applicable in the CAR pursuant to the 2004 Constitution (Chapter 2.1) as an automatically enforceable State law. In addition to the revised Bangui Agreement (1999), the Central African Republic has national legislation on copyright and related rights dating from 1985.<sup>91</sup>

3.81. The CAR has also been a signatory to the Convention Establishing the World Intellectual Property Organization (WIPO) since 23 August 1978, but has not yet signed most of the treaties administered by the WIPO; technical assistance is sought by the authorities for this purpose. The RCA has notified the Bangui Agreement (1999) to the WTO; as a least developed country, the Central African Republic is eligible for deferral of full application of the WTO TRIPS Agreement until 2016 for matters relating to pharmaceuticals and until 2013 for other products.

3.82. The Industrial Property Directorate (DPI), which forms part of the Ministry responsible for industry acts as the National Structure for Liaison (SNL) with the OAPI. Its main task is to transmit to the OAPI applications for patents, utility models and property (trademarks, industrial designs and trade names) from the CAR. The SNL also coordinates activities promoting awareness of the importance of industrial property in the Central African Republic. Since the CAR's last TPR, the number of applications, by year and by type of title, filed with the Service has increased significantly (Table 3.5).

**Table 3.5 Number of applications, by year and by type of title, filed with the SNL from the Central African Republic, 2006-2012**

Years/titles	2006	2007	2008	2009	2010	2011	2012
Patent	2	1	0	1	1	3	0
Trademark	0	0	0	0	1	3	2
Utility model	1	0	0	1	0	0	0
Industrial design	1	1	0	0	0	0	0
Trade name	9	13	29	30	11	13	18

Source: National Liaison Structure (SNL).

<sup>90</sup> The Bangui Agreement (1977) established the African Intellectual Property Organization (OAPI) to replace the African and Malagasy Industrial Property Office, set up in 1962. OAPI comprises Benin; Burkina Faso; Cameroon; the Central African Republic; the Congo; Côte d'Ivoire; Gabon; Guinea; Guinea-Bissau; Equatorial Guinea; Mali; Mauritania; Niger; Senegal; Chad and Togo. Viewed at: <http://www.oapi.wipo.net>.

<sup>91</sup> Ordinance No. 85.002 of 5 January 1985.

3.83. The management and protection of copyright and neighbouring rights are the responsibility of the Bureau centrafricain du droit d'auteur (BUCADA), which has existed since 1985.<sup>92</sup> To improve the situation of artists, the Government on 20 January 2005 set up within the Ministry responsible for culture a committee to restructure the BUCADA, and that committee has now taken over the latter's functions.

3.84. The regulatory framework for copyright in the Central African Republic is governed by Decree No. 85.002 of 5 January 1985 establishing the BUCADA, whose main task is to manage copyright matters. Sanctions for copyright violations are governed by the Central African Penal Code (Articles 185-191). The import of goods related to copyright and neighbouring rights is subject to payment of copyright before customs clearance and followed by the issuance of an endorsement to the importer. The importer must complete a form with the details of the works and their beneficiaries at the BUCADA. Under a reciprocity agreement with foreign collective management bodies, the BUCADA treats foreign copyright holders in the same way as nationals.

3.85. The most frequent intellectual property infringements in the CAR are counterfeiting and piracy and the areas most affected are music, the audiovisual sector and literary works.

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<sup>92</sup> Decree No. 82.006 of 5 January 1985.

## 4 TRADE POLICY BY SECTOR

### 4.1 Agriculture, livestock farming, forestry and fisheries

#### 4.1.1 Overview

4.1. Central African Republic (CAR) has considerable natural resources and climatic conditions favourable to agriculture, with abundant rainfall and an extensive and dense river system. Yet agricultural production is low, and most of the population face enormous difficulties in feeding themselves. The RCA is suitable for many crops (Table 4.1), as well as forestry and livestock farming. The sector is important owing to its contribution to GDP and employment (Chapter 1).<sup>93</sup>

**Table 4.1 Production of food crops, 2000, 2005-2010**  
(in thousands of tonnes).

	Quantity of production (in thousands of tonnes, unless otherwise specified)							Value of agricultural production: net production 2004-2006 (mn Int\$)		
	2000	2005	2006	2007	2008	2009	2010	2000	2007	2010
Cassava	560.4	578.2	572.0	597.8	621.8	642.9	679.0	58.5	62.5	70.9
Yams	380.0	357.8	370.0	386.7	402.2	415.9	435.0	87.2	88.8	99.8
Maize (corn)	100.7	131.0	131.0	139.8	146.8	151.2	150.0	13.8	19.1	20.9
Peanuts unshelled	104.5	145.4	146.1	156.4	159.5	162.7	140.0	44.2	66.2	60.5
Bananas	118.0	112.0	115.0	120.0	124.9	125.0	126.0	33.2	33.8	35.5
Taros (Colocasia)	105.0	102.2	101.1	105.7	109.9	113.7	118.0	22.3	22.4	25.0
Sugarcane	90.0	90.0	93.0	95.0	95.0	95.0	95.0	2.9	3.0	3.0
Plantain bananas	83.0	81.0	87.3	82.0	82.1	85.0	88.0	17.1	16.9	18.2
Fresh vegetables, nes	59.0	61.7	62.0	65.0	65.0	66.3	65.0	11.1	12.2	12.2
Sesame	37.4	34.1	42.0	48.1	49.0	50.0	50.0	24.9	32.0	33.3
Cottonseed	25.5	1.5	3.7	3.7	2.3	7.5	10.5	..	..	..
Cottonseed (for oil)	11.7	0.8	1.9	1.5	0.9	3.1	4.3	3.5	0.4	1.1
Cotton fibres	10.1	0.5	1.2	1.5	1.0	3.1	4.1	14.4	2.1	5.9

.. Not available.

Source: FAO Stat.

4.2. Only 800,000 ha are cultivated annually in relation to agricultural potential estimated at some 15 million ha, or about 5.3% of the arable area and less than 0.5 ha per agricultural worker. In addition, of a total area of pasture land estimated at 16 million ha, only 9 million ha are being used for an estimated herd of 3.7 million head of cattle.<sup>94</sup> In the south of the country, dense rainforest covers some 46,162 km<sup>2</sup> or about 7.5% of the national territory. As in 2006, this situation is partly attributable to the constant risks of looting and destruction by armed gangs throughout the hinterland, which is depriving the inhabitants of their production, their flocks and their agricultural tools. The fact that a significant part of the country has still not been made safe against these armed gangs is a considerable disincentive to agricultural investment. Farmers limit their wheat cultivation to what is needed for their own consumption.

4.3. The poor condition of rural roads and the resulting isolation of areas of production are a second disincentive to the production of a marketable agricultural surplus. Even though the country devotes much of its investment budgets to public works (Chart 4.1), the sectoral transport plans give priority to opening up the country externally rather than to opening up rural areas. The construction of roads and rural tracks seems an essential prerequisite for improving the production and trade of agricultural products.

4.4. The main institutions involved in the agricultural sector are: the Ministry of Rural Development (MDR) and the Ministry responsible for water and forests. The Ministry of Rural Development has set up two structures – the Agence centrafricaine

<sup>93</sup> Government of the Central African Republic (2011).

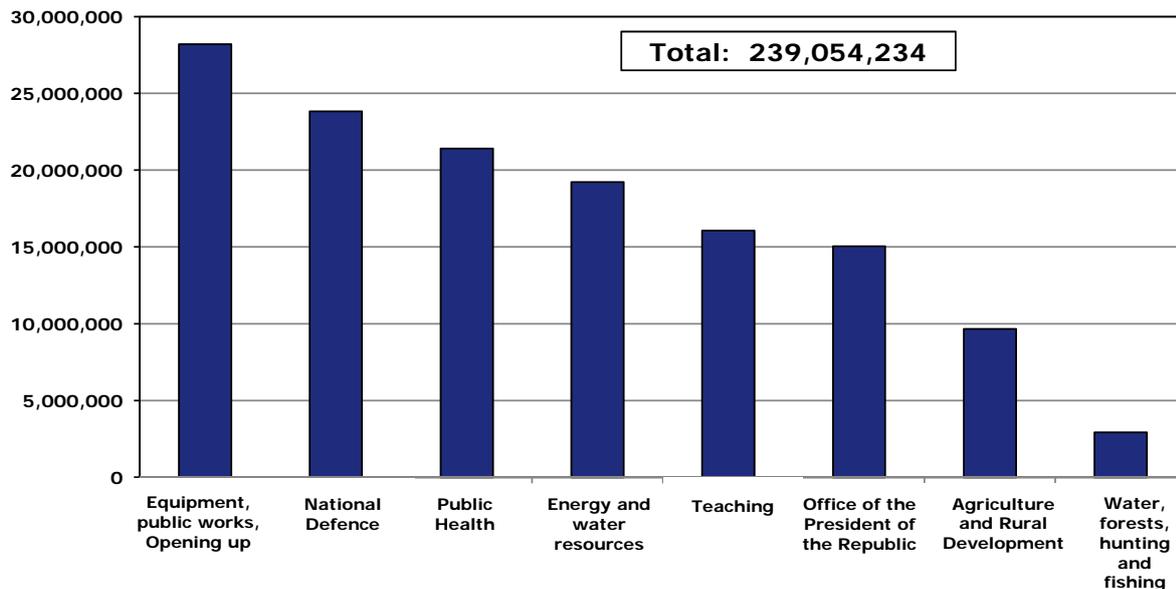
<sup>94</sup> National Agricultural Investment and Food Security Programme (PNIASA), September 2012.

de développement agricole (ACDA)<sup>95</sup>, and the Agence nationale de développement de l'élevage (ANDE) – in order to provide services to farmers and breeders, respectively. The Centre rural d'éducation et de formation (CREF) serves the rural population, and the Institut centrafricain de recherche agronomique (ICRA) develops seeds and improved technologies, whilst the Chamber of Agriculture, livestock, water, forestry, hunting and fishing and tourism represents rural areas.

4.5. The 2012 Finance Law has earmarked CFAF 9.7 billion (less than €15 million) for agriculture and rural development, and CFAF 2.9 billion for expenses related to water, forests, hunting and fishing. This represents some 5% of the total budget of CFAF 239 billion (Chart 4.1).

**Chart 4.1 Main budget items 2012, by chapter**

(in thousands of CFAF)



Source: Finance Law (2012).

4.6. The virtual absence of effective supervision of the distribution of seeds, fertilizer and insecticides and their high cost on the domestic market partly explain the limited use of inputs of 0.6 kg/ha in the CAR compared to 6.7 kg/ha in Cameroon, 7 kg/ha in Burkina Faso, 8 kg/ha in Mali and 22 kg/ha in Côte d'Ivoire. The RCA has neither a well-suited agricultural credit system nor a legal framework governing the overall functioning of the sector, in particular producers' organisations. Also lacking is modern agro-pastoral land law that would pave the way for an official property market with land registration, which could in turn attract foreign investors. With the exception of the private coffee and oil palm plantations, the majority of farms come under the traditional property regime. The CAR has stated the need for external assistance in order to develop a modern land law system.

4.7. The lack of suitable stores and storage facilities is also a major obstacle, causing the alteration of the quality of agricultural and livestock products, and negatively impacting the potential earnings of producers. Finally, trucks transporting goods are generally subject to harassment on the roads (common report, Chapter 3.2). For all these reasons the agricultural sector's performance is very poor. Crop and livestock production is not keeping pace with population growth. Consequently, the CAR, once a net food exporter, is now an importer. More than 50% of the value of imports into the CAR comprises agricultural products and foodstuffs.<sup>96</sup>

<sup>95</sup> Online information, ACDA website. Viewed at: <http://www.acda-rca.org>.

<sup>96</sup> Ministry of Agriculture and Rural Development (2011).

#### 4.1.2 Agricultural policies

4.8. The needs of the urban population are primarily met through imports from neighbouring countries. Anti-competitive practices are rampant, and are a reflection of the small number of economic operators who are both importers and transporters (see below in the case of sugar).

4.9. Few domestic or foreign companies are investing in the agriculture and livestock sector in the CAR despite the mainly tax and customs advantages available under the National Investment Charter (Chapter 2.5). Two entities were approved between 2010 and 2011 under the Investment Charter: the agro-pastoral farm in Bimon, with an investment programme of CFAF 105 million (€160,000 euros), the Centrafricaine de raffinage des oléagineux (CAROL) (CFAF 158 million), both for a period of three years.

4.10. The main tax incentives specifically for farmers/breeders under the General Tax Code (2012 Finance Law) are:

- i. the corporate income tax set at 20% of taxable profit instead of the normal rate of 30%; It is at least 0.5% of turnover by way of the flat-rate minimum tax (MFI);
- ii. exemption from the tax on agricultural companies, known as the tax on agricultural income, from the working of land devoted exclusively to food crops;
- iii. exemption from the business tax in the case of trade in agricultural products with a turnover of less than 30 million.

4.11. The relatively high tariff protection granted to agricultural production enterprises under the CEMAC CET (common Report, Chapter 3.2) is reduced by the high duties also levied on inputs and on material and equipment required for this production (tools, small-scale mechanization, irrigation equipment, etc.), as described below in the case of palm oil.

4.12. The tax burden is made more onerous by the use of reference values. Internal taxes are also levied on agricultural products upon importation. These measures increase the cost of food products. Therefore, to reduce their costs, some staples are exempt from customs duties and internal taxes (VAT, excise duties, others).

4.13. The imposition of selective taxes on some agricultural products and not others creates distortions and inequalities between products, and detracts from the economic efficiency of the agricultural and pastoral sector and its growth and development prospects.<sup>97</sup> Quantitative restrictions are also in place on imports, as in the case of sugar and flour, which are subject to an import monopoly. The same is true of seasonal coffee import quotas (see below).

#### 4.1.3 Policy by subsector

##### 4.1.3.1 Coffee

4.14. Coffee production plummeted from its peak of over 20,000 tonnes during the 1988/89 season to 2,500 tonnes during the 2004/05 season, almost all of which were exported. Exports were 4,693 tonnes in 2010/11 compared with 5,483 tonnes the previous year. On the other hand, the value of exports rose 21% in 2010, reaching CFAF 3,565 million in 2011 (€5.4 million) owing to the buoyancy of world market prices: the unit value rose 41.4% from CFAF 537/kg to CFAF 760/kg between December 2010 and December 2011.

4.15. Currently, coffee growers may either receive seedlings free of charge from the ICRA or obtain them from other producers. They then produce, harvest and dry the coffee. They are required to sell their output to a cooperative or to ORCCPA-approved buyers. Buyers process the coffee, mainly by dehusking it, and then put it in bags for export.

<sup>97</sup> Ministry of Rural Development (2007).

4.16. The Office de réglementation de la commercialisation et du contrôle du conditionnement des produits agricoles (ORCCPA), which in March 2013 was seeking external partners to revive the subsector, is the Government structure responsible for supervising the coffee marketing season in all the production areas.<sup>98</sup> Coffee from the CAR must be marketed and exported through the ORCCPA. The ORCCPA is also responsible for quality control and packaging.

4.17. Export is the responsibility of the operators approved by the ORCCPA, which may also be buyers. Five exporters and 28 collectors were approved in March 2013. The administrative fees for buyers are CFAF 30,000 (€46) per harvest, to which must be added 12% of turnover paid to the DGID by way of the single global tax; they must file an application with the ORCCPA and provide collection statistics, as well as a sales contract with the exporter. For exporters, the administrative fees for each coffee harvest are CFAF 100,000 plus a warehouse license fee of CFAF 20,000 and the 12% of turnover paid to the DGID as the single global tax. They must also provide collection statistics.

4.18. The ORCCPA proposes indicative coffee prices the prices to producers (payable by buyers and exporters) based on world prices at the start of every harvest. These indicative prices are then fixed by order of the Minister of Rural Development; the indicative price can be adjusted should world prices fluctuate by more than 10%.

4.19. The fee collected to finance the ORCCPA for the quality certification service is lower for exports to member countries of the International Coffee Organization (ICO) than for those to non-member countries (CFAF 30/kg versus CFAF 60/kg). The analysis, inspection and issuance of the product inspection note costs CFAF 30,000 for ICO members and CFAF 60,000 for non-members.

4.20. Coffee exports are not subject either to the 2% export tax or the 3% IMF. They are subject to a 0.5% computer fee.

4.21. Imports of coffee other than coffee seeds are subject to customs duty of 30% under the CEMAC CET. In addition to the customs duty, imported coffee is also subject to a CFAF 10 tax per kg. The ban on coffee imports during certain periods is designed to ensure the sale of local coffee.

#### 4.1.3.2 Cotton

4.22. For the most part, cotton cultivation is done on a small scale in the central and north-western regions, many parts of which are described as "unsafe". This is likely to limit their appeal as potential investment destinations. Despite the recurring conflicts in these areas, cotton cultivation is believed to be taking off again. (Table 4.1).

4.23. Cotton fibre output was roughly 4,000 tonnes in 2009-2010 (10,000 tonnes of seed cotton), worth CFAF 3.7 billion (€5.6 million). The Government has introduced a cotton subsector recovery plan for the 2011-2015 period designed to boost the output of seed cotton to 45,600 tonnes in 2014-2015. This would be achieved in part by increasing the yield from 572 to 760 kg per ha, in particular through the use of inputs (fertilizers, insecticides and herbicides) and irrigation.

4.24. When the private cotton company SOCADETEX went bankrupt in 2005, the Government entrusted the management of the subsector to the "Cotton Unit" (Cellule Coton) in the ACDA, which relaunched cotton production from 2006 to 2012; for that purpose the Government funded inputs in accordance with their availability. The Cotton Unit was replaced by China's State Development Investment Corporation (SDIC) in February 2012 after the signing of a ten-year management contract between the Office of the President of the Republic and the Chinese partner. The SDIC has built a new cotton ginning plant with a capacity of 250 tonnes per day and which was inaugurated on 9 December 2012. An oil mill is set to start operations in June 2013.

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<sup>98</sup> Law No. 91.013 of 25 September 1991.

4.25. Seeds are currently produced by the ICRA and made available free of charge to growers; it also provides inputs (on credit). Cotton farmers are organized into Cotton Producers' Groups (GPC), which are in turn brought together in the Fédération communale des producteurs de coton (FCPC), the Fédération préfectorale des producteurs de coton (FPPC) and the Union Nationale des Producteurs de coton (UNPC). Each GPC organizes its own collection of seed cotton (self-managed market) and in return for the service provided, receives fees of CFAF 4,320 per tonne. The SDIC buys cotton at the indicative price set in accordance with the 'Waddell method' in May each year.<sup>99</sup> The final price is determined in October of each year. Loans for inputs (fertiliser, insecticide, etc.) are deducted directly from growers' income.

4.26. The SDIC transports seed cotton to one of two plants (Bossangoa or Bambari) for ginning; thanks to the efforts of the Cotton Unit, the Guiffa plant could be rehabilitated and was operational for the 2012 season. Transport services (by road) are provided by private entities; cotton fibre is exported to Cameroon whilst the Unit sells dehusked cotton seed to HUSACA (a private company) at CFAF 25/kg for oil production. Cottonseed oil production was discontinued two years ago and cottonseed sold to HUSACA at CFAF 10/kg, the current price being CFAF 15/kg. The dehusking unit was sold to HUSACA which moved it to Guiffa in return for the destocking of cottonseed and the permanent maintenance of the facility.

#### 4.1.3.3 Sugar

4.27. The aim of the CAR's trade policy as regards sugar is to safeguard and promote employment in the sugar producing areas, where joblessness is high. This policy is also conditioned by regulations on sugar in the CEMAC area, which, amongst other things, approves of the administration of prices, and of quantities traded (common report, Chapter 4.2).<sup>100</sup> CEMAC regulations organize the production and sale of sugar within the Community (common report, Chapter 4). It taxes non-CEMAC sugar exorbitantly, thereby making it less competitive, while the production capacity of the sugar companies in the CEMAC area is insufficient to meet subregional needs. According to authorities, the sugar companies do not abide by the staff recruitment planning and above all, career planning in these units. Furthermore, SUCAF enjoys full exemption from corporate income tax.

4.28. The privately-owned company Sucrière en Afrique (SUCAF-RCA), which belongs to the French SOMDIAA group, signed a Memorandum of Understanding with the CAR in 2003. The Memorandum determines the organization of the Central African sugar market up to 2013. Under the 2003 Memorandum, SUCAF undertook to invest CFAF 5 billion (€7.2 million) to modernize the sugar industry, hire most of the staff of the former SOGESCA and to expand production capacity to 15,000 tonnes in 2012-2013. Production has in fact risen from 3,600 tonnes in 2004 to 11,154 tonnes in 2011. According to the authorities, the agricultural potential does exist for increasing output, but plant capacity has remained unchanged.

4.29. In the framework of this Memorandum, SUCAF-RCA has benefited from a package of Government measures designed to shield it from competition, but which are hardly compatible with the WTO Agreement or with the Community provisions (common report, Chapter 3.4): a 90% monopoly on sugar imports<sup>101</sup>, managed by an interministerial body for the regulation of sugar imports<sup>102</sup> which sets quarterly import quotas based on SUCAF output, estimated consumption, re-exports and inventories. This body then allocates the remaining 10% on a *pro rata* basis

<sup>99</sup> This formula was derived from a report and takes account of the following elements when determining the minimum price guaranteed to producers: the cost of basic inputs (fertilizers and pesticides) and labour; amortization of small tools; the level of intensification of cotton production; and the real price of inputs (truthful pricing).

<sup>100</sup> Regulation No. 19/07-UEAC-166-CM-16 of 8 December 2007 regulating the trade in sugar in the CEMAC area.

<sup>101</sup> This measure was notified to the WTO under Article XIX of the GATT 1994 (WTO document G/TBT/N/CAF/3 of 1 December 2004).

<sup>102</sup> Prime Ministerial Order No. 031 of 31 March 2008 creating an Interministerial Body for the Regulation of the Sugar Market in the Central African Republic (ORMS) and establishing its powers. Two bodies within the Ministry of Trade and Industry are responsible for monitoring sugar stocks. They are: the Supply and Distribution Control Unit, which controls the regular inventory of staple goods including sugar; and the Sugar Market Regulatory Body, which exclusively controls sugar stocks so that quantities and quarterly needs can be determined.

to requesting importers who meet the established requirements. One of these requirements is having a turnover in excess of CFAF 500 million (€726,000), which rules out small importers.

4.30. To enable SUCAF to cover the domestic market, the Government has provisionally reduced the rate of customs duty from 30% to 10% until the end of 2012.

- consumer prices are approved by an Order issued by the Ministry of Trade and Industry based on SUCAF's costs and margins, an approach which, according to the press, is having no real impact on the high price of sugar: in August 2012, sugar was trading at over CFAF 1,000/kg, whilst the price was approved at CFAF 850/kg in March 2013. In principle, therefore, the SUCAF is sure not to sell at a loss;
- duty and tax concessions are accorded on all imports of machinery, materials and equipment required for the SUCAF investment programme;
- similarly, a five-year corporation tax waiver is also granted.

4.31. After a decade of this regime, production has clearly not expanded as expected, with the SUCAF-RCA barely managing to produce 11,000 tonnes in 2012; domestic consumption (excluding re-exports) was estimated at 30,000 tonnes and imports at 13,000 tonnes.

4.32. The main consequence of the high taxation of sugar, a staple product, is that households have even less money to spend, which contradicts the very objectives of the sugar policy. The import monopoly is giving rise to fraudulent imports and a thriving black market.<sup>103</sup> The sugar imported by the SUCAF was apparently being delivered to wholesalers at a price considered exorbitant in September 2012, which then sold it on to retailers at two or three times the price. Some families have turned to local honey as a substitute.

4.33. Import quotas are set on the basis of domestic consumption only, and takes no account of informal re-exports to the DRC and Sudan. These re-exports are substantial and accordingly reduce the amounts available in the domestic market, placing greater upward pressure on prices. They do suggest nevertheless that the CAR is naturally situated at the centre of a potential regional market for this product.

4.34. Besides, the north and east of the country are not being served by SUCAF despite its principal mission to supply the entire national territory.

#### 4.1.3.4 Edible oils

4.35. The palm oil market became the focus of attention in September 2012 in the CAR for two reasons: First, the soaring prices of staple products in 2012 affected palm oil and the soap that is made from it. The surge in prices was believed to be largely due to anti-competitive practices, in particular, agreements between importers to create artificial shortages. There has also been some foreign private investment in the CAR's palm oil industry. The available statistics are presented in Table 4.2.

4.36. The Central African Palm Oil Company (CENTRAPALM) is a State-owned company set up in 1975 and produces palm oil from 2,500 ha with ADB assistance.<sup>104</sup> The processing plant has a capacity of 10 tonnes of fresh fruit bunches per hour. The average oil output, which is 300 tonnes p.a. for the domestic market only, has fluctuated considerably in recent years. The administered sale price is CFAF 440 per litre. CENTRAPALM received CFAF 48 million (€73,000) in subsidies for the purchase of a generator (2010) and the repair of the turbine (2012). Some 70-80% of CENTRAPALM's turnover comes from oil sales to the privately-owned companies Huilerie et savonnerie centrafricaine (HUSACA) and SAVEX for soap manufacture.

<sup>103</sup> Globe le visionnaire, Thursday 26 July 2012. Viewed at: <http://globevisionnaire.6mablog.com/post/La-SODIF-cr%C3%A9rait-elle-la-p%C3%A9nurie-du-sucre-en-Centrafrique%C2%A0>.

<sup>104</sup> African Development Bank online information. Viewed at: <http://www.afdb.org/fr/projects-and-operations/>.

**Table 4.2 Palm oil production and trade indicators, 2000, 2005-2010**

	Years						
	2000	2005	2006	2007	2008	2009	2010
Output/bunches (T)	10,188	10,122	13,414	9,200	4,721	131	4,077
Area (ha)	2,107	2,107	2,107	1,995	1,668	1,087	1,087
Oil output (T)	2,183	1,846	2,525	1,693	869	23	703
Output of palm kernels (T)	320	214	249	184	94	6	153

Source: Central African authorities.

4.37. The priority aim of the authorities is to develop village palm groves. The goal is to produce an additional 4,000 tonnes of oil palm, and the project is part of the CAR's first "Tier 2" project in the Enhanced Integrated Framework, with corn and sesame. This calls for improved varieties, adequate supervision, and investment in small processing units (dryers, oil presses, huskers, etc.). The high level of taxes under the CET on imports of hitches, transportation equipment, small tools, as well as equipment such as dryers, presses and huskers at rates ranging from 10% to 30% is driving up production costs in the subsector. A project has been launched to identify growers and provide them with inputs, but has not been implemented.

4.38. According to the ISIC definition, the simple average of the tariffs applied in the edible fats and oils industry is 20.8%, which is below the average rate levied on inputs, and this is likely to discourage production. The Government would set a reference value for imports of unrefined palm oil (dutiabale at a CET rate of 20% or higher depending on the product), but the 2012 Finance Law seems to indicate that palm oil is no longer subject to this rate. The use of import reference values would reinforce this tariff protection and increase the cost of edible oils to households. Following the approval of prices by the Ministry of Trade, palm oil is being sold at CFAF 559 per litre. Industrial oil sells for CFAF 499 per litre.

#### 4.1.3.5 Livestock rearing

4.39. The CAR has had its herd of cattle since 1920 thanks to the large-scale immigration of breeders attracted by the vast and rich pastures, and encouraged by a policy providing security and Government support. The CAR thus became an exporter of cattle to neighbouring countries in the 1980s. Some 9.3 million ha, out of a total of 16 million, are thought to be used for livestock comprising 3.2 million tropical livestock units, essentially transhumant.

4.40. The authorities believe that given secure farming conditions, the pastures in the Central African Republic could easily support over 8 million head of cattle under current conditions, which rely on extensive traditional methods. However, cattle rearing has undergone considerable upheavals in recent years as a result of the exodus of herders and their cattle, fleeing the insecurity of the hinterland.

4.41. The regulatory framework for livestock farming dates from 1965<sup>105</sup>; and also in part from the 1975 import and export regulations.<sup>106</sup> As things stand, besides significantly improving security, exploiting the CAR's cattle rearing potential would call for a considerable strengthening of epidemiological surveillance.<sup>107</sup> Under the supervision of the Ministry of Rural Development (MDR), the Interprofessional Livestock Development Fund (FIDE), a government body responsible for veterinary matters, and more generally for financing the activities of the livestock sector, has been replaced by the Agropastoral Development Fund (APDF) under Law No. 07.015 of 19 June 2007.<sup>108</sup> The National Livestock Development Agency (ANDE) is responsible for combating communicable diseases by controlling the quality of animal products and livestock-related movements and transactions; it is also responsible for health inspection. The authorities describe the livestock farming infrastructure<sup>109</sup> as "largely in a state of advanced dilapidation and even abandonment". Many livestock markets are no longer enclosed.

<sup>105</sup> Law No. 65/61 of 3 June 1965.

<sup>106</sup> Decree No. 75/079 of 15 February 1975.

<sup>107</sup> CAR (undated).

<sup>108</sup> National Advisory Committee of the CAR (2003).

<sup>109</sup> Ministry of Rural Development and Agriculture (2011).

4.42. The State Slaughterhouse Management Company (SEGA) is responsible for public slaughterhouses. Only the refrigerated slaughterhouse in Bangui in fact has cold rooms, which were not functioning in August 2012 and slaughtering conditions were described as a hazard to human health in Bangui.<sup>110</sup> Modern slaughterhouses and meat-processing units are few in number and their activities are not monitored. Clandestine slaughtering is the order of the day.

4.43. The quality control tax is CFAF 50/kg of imported meat (of any kind) compared with CFAF 10/kg for meat (of any type) produced locally or exported.<sup>111</sup> The meat importer or exporter pays these taxes to the ANDE.

4.44. The CAR is a member of the Economic Commission on Cattle, Meat and Fish Resources (CEBEVIRHA, see common report, Chapter 4.2). There are several taxes on livestock exports: the export authorization costs CFAF 5,000; the CEBEVIRHA document costs CFAF 50 per head of cattle (though the receipts do not go to the CEBEVIRHA); and sanitary control costs CFAF 2,000/head (CFAF 1000/head for small livestock).<sup>112</sup> The FNEC collects CFAF 2000/head; The FIDE CFAF 2000/head; and the Federation of Livestock Traders CFAF 1000/head.

4.45. The customs tariff applicable to cattle on the hoof is 30%, for bovine meat it is 20% and for cattle hides 10%; this points to a negative tariff escalation that could discourage the production of animal products.

#### 4.1.3.6 Fishing and aquaculture

4.46. Commercial fishing takes place on a small scale in rivers and there are some fish farms in operation. The volume of inland fishing and aquaculture in the Central African Republic has increased substantially between 2000 (less than 15,000 tonnes) and 2010 (over 35,000 tonnes).<sup>113</sup> The reasons for this dynamism since 2006 include the privatization or closure of two Government-owned fish farms, and the creation of several private entities.

4.47. The draft Central African Fishing and Aquaculture Code described in the TPR in 2006 is still awaiting approval and enactment.<sup>114</sup> It would replace Ordinance No. 71/090 of 6 August 1971 on fishing, which does not appear to have been implemented.

4.48. Investors wishing to invest in the fisheries sector in the CAR may approach the Ministry of Agriculture and Rural Development, and in particular the Department in charge of Water and Forestry, Hunting, Fishing, the Environment and Ecology, which is responsible for developing fisheries and aquaculture. The FAO is currently evaluating fisheries and aquaculture potential.

4.49. The CEBEVIRHA is in charge of fishery resources for the purposes of revitalizing fisheries and aquaculture in the CEMAC area<sup>115</sup>; The CAR also participates in the Programme for the sustainable Development of the Lake Chad Basin (PRODEBALT), and the Agropastoral Recovery Programme (PRAP), which falls within the remit of the Ministry of Agriculture and Rural Development, includes a fishing and aquaculture component.

4.50. The tariff protection rate for imported frozen fish is 30% under the CET, plus an excise duty of 25%, and a 3% advance on corporation or income tax (IR/IS), each levied on a customs value calculated using a minimum reference value set by the Administration. This product is also subject to a 19% VAT.

<sup>110</sup> Bangui: *Mauvaises conditions d'abattage des bœufs constituent un danger pour la santé*, published by RJDH-RCA (<http://reseaudesjournalistesrca.wordpress.com/2012/08/21/bangui-mauvaises-conditions-dabattage-des-boeufs-constituent-un-danger-pour-la-sante>) on 21 August 2012.

<sup>111</sup> Order No. 0018/MPMR/CAB/2001 of 25 April 2001.

<sup>112</sup> Decision No. 1-94-CEBEVIRHA-018-CE-29 and Interministerial Order No. 0020/2001 of 25 April 2001.

<sup>113</sup> FAO, *Profils des pêches et de l'aquaculture par pays*. Viewed at: [http://www.fao.org/fishery/countrysector/FI-CP\\_CF/3/fr](http://www.fao.org/fishery/countrysector/FI-CP_CF/3/fr).

<sup>114</sup> This Code would replace Ordinance No. 71/090 of 6 August 1971 on fishing which does not appear to have been implemented.

<sup>115</sup> Economic Commission on Cattle, Meat and Fishery Resources. Viewed at: <http://cebevirha.org>.

#### 4.1.4 Forestry

4.51. Logging is the country's chief export sector and its main source of external revenue (Chapter 1.4); it accounts for about a quarter of total tax revenue (excluding grants). The available statistics are shown in Table 4.3. The production of logs and processed products fluctuates considerably from year to year, owing to conflicts and other internal obstacles to production, and depending on external demand, which plummeted after 2008. The crisis has badly affected the sector and the current recovery is halting. The wood for export travels some 1,500 kilometres by truck to the port of Douala in Cameroon, a process plagued by numerous obstacles. The leading export market is China (48,587 m<sup>3</sup> in 2011), followed by Germany (48,427 m<sup>3</sup>) and France (30,006 m<sup>3</sup>).

**Table 4.3 Production and export of timber, 2000, 2005, 2008-2011**  
(m<sup>3</sup>)

	2000	2005	2008	2009	2010	2011 <sup>a</sup>
<b>Output</b>						
Logs	702,993	454,402	555,143	348,926	324,283	424,447
Sawn timber	102,353	71,386	73,675	61,849	45,138	54,176
Plywood	1,500	1,434	93	863	0	0
Processed logs	313,161	219,189	..	..	..	..
Processing ratio (%)	47	50	54	50	..	..
<b>Export of processed products</b>	65,881	52,945	62,281	40,477	36,657	38,413
<b>Exports of logs</b>	249,393	145,912	155,301	111,464	147,893	152,278
(in millions of euros)	..	23.8	24.8	10.5	13.0	9.1

.. Not available.

a First three quarters.

Source: Central African authorities.

4.52. The Central African Republic has 5.6 million ha of exploitable forests, almost all of which belong to the State. There are two major forest zones: that of the southwest (3.8 million ha), which is almost fully exploited (either under "management and operating permits" (PEAs) or as nature reserves), with an overall potential of some 866 million m<sup>3</sup>; and the Bangassou Forest (1.8 million ha) in the south-east of the country, where exploitation is exclusively small-scale owing to its inaccessibility. Some 800,000 ha have not been allocated for industrial exploitation and have remained nature reserves.

4.53. There are some sixty listed species, but production involves fifteen species (the main ones being Sapelli, Sipo, African mahogany, Aniegre and Iroko). The areas of planted forests are negligible (about 7,000 ha). The factors that have contributed to the decline in production and exports are primarily structural (the implementation of the new Forestry Code with requirements for sustainable exploitation), as well as exogenous (falling world demand since 2008).

4.54. The regulatory framework for logging, which dates from 1990<sup>116</sup>, was modernized with the Forestry Code enacted in 2008.<sup>117</sup> One of the main innovations in the Code is a stronger ban on log exports. Forestry enterprises must process on-site at least 70% of the logs from the first-grade species, and only finished and semi-finished products (2<sup>nd</sup> and 3<sup>rd</sup> - stage processing) may be exported. In reality, the average processing ratio is around a mere 48%, and the enterprises are not being penalized. The current policy is to require forestry enterprises to install new units to undertake the second and third stages of processing locally.

<sup>116</sup> Law No. 90.003 of 9 June 1990.

<sup>117</sup> Law No. 08.022 of 17 October 2008 on the Forestry Code of the CAR and its implementing texts, which are Decree No. 09.117 of 28 April 2009 and Decree No. 09.021 of 30 April 2009 establishing the procedures for implementation of the law.

4.55. Another innovation in the draft Forestry Code concerns the introduction of the principle of sustainable management of forests into management plans, in keeping with the Treaty on the Conservation and Sustainable Management of Forest Ecosystems in Central Africa.<sup>118</sup> The Code aims to reconcile the exploitation of forest products with the requirements of conserving forest assets and the biodiversity with a view to sustainable development, and to ensure the conservation and protection of areas of vegetation to allow for their regeneration. On the other hand, the provisions of the Voluntary Partnership Agreement (FLEGT-VPA) and REDD+, described in the common report, are not included; the Government's plan is to incorporate them subsequently in a new code.

4.56. Under the Code, forestry enterprises must obtain a "management and operating permit" (PEA), which determines the area of their concession and the conditions for exploiting it. PEAs are allocated for the lifetime of the company. The areas under PEAs are subject to taxation determined in the regulations and are the same for all companies: leasing tax (CFAF 500/ha of useful area under the PEA); felling tax (7% of the reference price per m<sup>3</sup>); and the reforestation tax (11% of the reference price per exported m<sup>3</sup> of all species).

4.57. Approved forestry companies are also required to prepare and abide by a management plan to be included in the conservation, protection and forest management plan for the State's forests. According to the authorities, as of September 2012 all of the CAR's 11 PEAs attributed to concessionaires contained formally approved management plans. Three other non-operating permits were awaiting allocation. The CAR has put in place national standards for management plans.

4.58. In the central area of the country, there are also dry forests and forest galleries rich in exploitable species. Owing to the fragility of these forest ecosystems, only small-scale exploitation is permitted. In these areas, small-scale logging permits are granted only to natural persons who are nationals of the Central African Republic and have lived for more than ten years in the area, and to locally organized and registered groups.

4.59. Since 2000, forest management in the Central African Republic has been supported by the PARPAF project, which is funded by the French Development Agency (AFD). Amongst other things, this project has led to the development of operating standards, including a certificate of origin that ensures the traceability of exported logs.

4.60. The following duties and taxes are levied on exports of forestry products: the export tax is 8% of the f.o.b. value for wood in the rough, 4% for sawn wood, and 1% for wood products. There is also a 2% levy by way of the flat-rate minimum tax, the levy on computer equipment for finance (REIF), the certificate of origin, and the phytosanitary certificate. Operators from the CAR complain that these taxes and others are again collected at time of export via the Port of Douala, which reduces their income. They mention:

- handling charges for placing the goods on board the ship ("f.o.b. charges");
- subcontracting commission charges: CFAF 15,000 per delivery note;
- fees paid to the customs (TEL): CFAF 10,000 per delivery note (BL);
- GUCE endorsement costs: CFAF 10,000/BL;
- IT tax: CFAF 15,000/BL;
- delivery note fee: CFAF 20,000/BL;
- certificate of origin fee: CFAF 10,000/BL;

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<sup>118</sup> This Treaty, which established the Commission on Forests in Central Africa (COMIFAC), was adopted at the Summit of Heads of State of Central Africa, held at Brazzaville on 4 and 5 February 2005. The implementation of the convergence plan agreed for this purpose is intended to be financed by donors (the Partnership for forests in the Congo Basin (PFBC), launched at the Johannesburg Summit in September 2002).

- phytosanitary certificate fee: CFAF 10,000/BL;
- EUR1 certificate fee: CFAF 5,000/BL;
- the cost of storing wood with the *Société d'Exploitation des Parcs à Bois of Cameroun*;
- commissions on disbursements;
- equipment rental fees; and
- parking fees after 11 days (demurrage).

4.61. In the domestic market, a marketing system dating from 1992 and amended in 2006 distinguishing between producer, wholesaler, retailer and the consumer is no longer being applied, and sales take place freely.<sup>119</sup> Owing to the market's failure to abide by this marketing system, the Ministry of Trade and Industry has been setting reference values for wood prices since 2008.<sup>120</sup> The reference values are set on a half-yearly basis by interministerial order.<sup>121</sup>

4.62. In October 2010, a Government study on the marketing of wood highlighted the relative scarcity of wood products in the domestic market.<sup>122</sup> The Government's current priority objectives therefore to significantly increase the added value of these products and better satisfy the demand of the local population, more particularly, enabling access products being sold, the prices of which are largely beyond the reach. Nevertheless, the small-scale and Community permits envisaged under the Forestry Code have not yet been allocated, and the villagers not yet organized and trained, which explains the low production capacity and unmet demand.

4.63. The study also confirms the persistence of numerous instances of red tape and hidden taxes being collected all along the transport chain and the very poor condition of the supply routes, which are a strain on the cost price of the items being sold.

## 4.2 Mining and Energy

4.64. The subsoil of the Central African Republic is rich in mineral deposits, including economically viable deposits of diamonds, gold and petroleum, which remain untapped owing to the combined effects of political crises and the inadequacy of infrastructure and transport.<sup>123</sup>

4.65. Most of the energy currently being consumed comes from wood. Other resources include wood-based fuels, the numerous hydroelectric sites throughout the territory (whose potential total power is estimated by the authorities at 2000 GW), promising signs of oil reserves, and uranium and lignite deposits (estimated at 2.9 million m<sup>3</sup>) in the town of Bakouma.

4.66. Energy and mining activities fall under the Ministry of Mines, Energy and Hydraulic Resources (MMEH).<sup>124</sup> The Government's activities aim to improve the energy supply throughout the country at a competitive cost, to ensure the independence and security of the country's energy supply, to ensure the protection of people, property and the environment against the risks associated with activities in the field of energy and to strengthen subregional, regional and international energy integration.

4.67. The CAR was declared to be in conformity with the Extractive Industries Transparency Initiative (EITI) in March 2011. In doing so, the stakeholders and partners involved in the implementation of the EITI in the CAR have recognized its endeavours to achieve greater

<sup>119</sup> Decree No. 06.229 of 11 July 2006 establishing the implementation rules for Decree No. 92.002 of 26 May 1992 liberalizing prices and regulating competition in the CAR.

<sup>120</sup> Order No. 010/MCIPME/DIRCAB of 14 July 2008 amending wholesale and retail margins and the list of cost prices of staple products subject to surveillance.

<sup>121</sup> Order No. 010/MCIPME/DIRCAB of 14 July 2008 amending wholesale and retail margins and the list of cost prices of staple products subject to surveillance.

<sup>122</sup> Central African Republic (2010).

<sup>123</sup> Ministry of Planning (2007).

<sup>124</sup> Online information. Viewed at: [http://www.mmeh-rca.com/site\\_fr](http://www.mmeh-rca.com/site_fr).

transparency in the extractive industry. The EITI team in the CAR has a regularly updated website.<sup>125</sup> Yet insecurity in the areas of production is one of the major constraints on the industry.

#### 4.2.1 Mining products

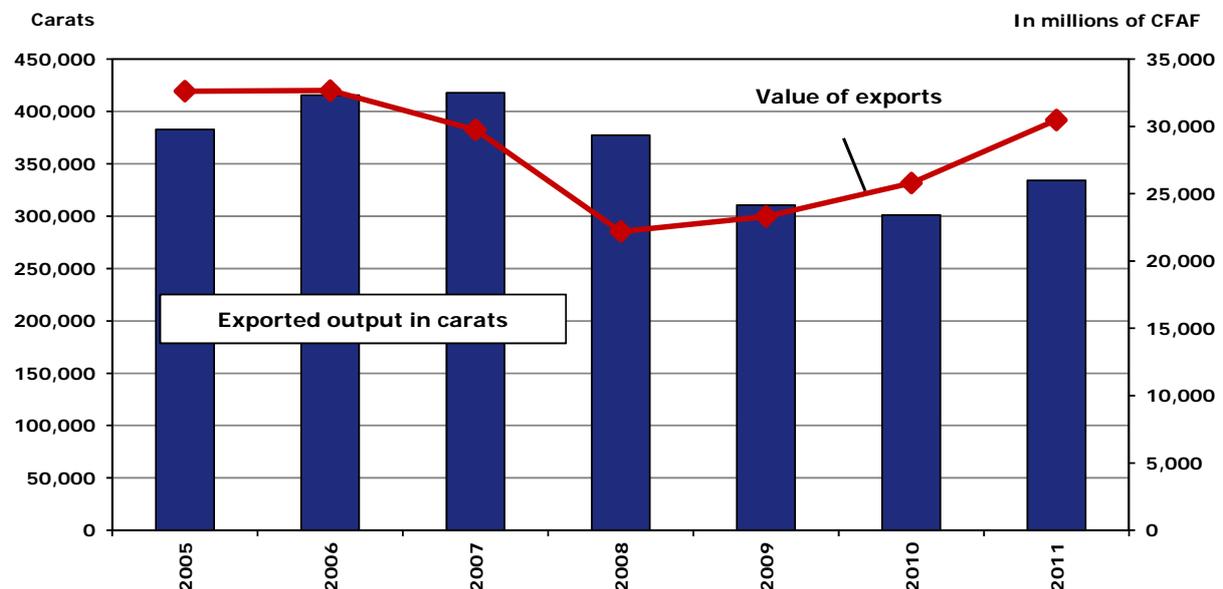
4.68. Only diamonds and gold are being exploited in a small-scale, semi-mechanized manner. According to the authorities, there is a deposit of 33,000 tonnes of uranium metal in Bakouma. The iron deposit in Bogoin contains proven reserves of 3.5 million tonnes of ore with a grade of 60-65%. Mineralized quartz, copper and lignite have also been located. There indications of the presence of manganese, tin, nickel, chromium and rare earths in areas scattered throughout the country.

4.69. Although the weight of the mining industry in economic activity is negligible and the amount of its foreign exchange earnings modest, it does represent a significant share of exports (Chapter 1). The world financial crisis of 2008-2009 was followed by an 18% decline in the value of exports, worth roughly €45 million (Chart 4.2). The bulk of diamond exports goes to in Belgium.

4.70. Altogether seven foreign mining companies have exploration licenses, including De Beers (2004) and Axmin-Aurafrique (2001) which discovered a gold deposit in Ndassima. On the whole, however, mining production in the CAR is on a small scale. Central African diamonds are recognized as being of particularly high quality. They are exported rough and are cut almost exclusively abroad. Over the past six years, the ADAMAS SWISS buying house has melted and exported gold as ingots, until the ANANT EXIM foundry ceased operations in 2011. There are currently no foundries or diamond cutting plants in the CAR owing to insufficient investment in processing and to fraudulent exports of the raw material.

4.71. In 2009, the authorities introduced a new Mining Code in replacement of a 2004 ordinance, in order to promote private investment in the CAR.<sup>126</sup> The new Code provides for the possibility of organizing mining workers into cooperatives of craftsmen, a policy which according to the authorities has borne fruit. The cooperatives are now authorized to export.

**Chart 4.2 Diamond exports and prices, 2005-2011**



Source: BECDOR.

<sup>125</sup> Online information, EITI-CAR Steering Committee. Viewed at: [http://www.itierca.org/Equipe\\_r4.html](http://www.itierca.org/Equipe_r4.html).

<sup>126</sup> Law No. 09.005 of 29 April 2009 on the Mining Code has replaced Ordinance No. 04.001 of February 2004. Its implementing Decree is No. 09.126. Viewed at: <http://www.smartrade-co.com/demo/wp-content/uploads/downloads/2010/11/caf96686.pdf>.

4.72. The Mining Code governs prospecting, exploration, exploitation, possession, movement and processing of all mineral substances in the CAR with the exception of uranium and hydrocarbons, which are covered by special provisions (see below). The State owns the country's mineral substances. The mining rights defined in the Code are:

- prospecting authorization only given to natural persons of Central African nationality, for one year, renewable once only;
- the reconnaissance permit, which is valid for one year as from its date of issue. It is renewable by Order of the MMEH in the same form, for the same period, and as many times as required by its holder provided on condition of compliance with the mining regulations;
- the exploration permit, valid for three years as from the date of the decree granting it. It is renewable twice for consecutive three-year periods;
- the small-scale exploitation authorization is valid for two years, renewable for two years at a time, provided that the area concerned is not the subject of an application for an industrial operating permit;
- the authorization for small-scale, semi-mechanized exploitation is valid for three years as from the date of issue. It is renewable for three years at a time; and,
- the industrial operating permit, valid for 25 years as from the date of the decree awarding it. It is renewable for consecutive five-year periods.

4.73. The State may take a share of 10% or more in the capital of mining companies holding prospecting or exploitation permits without payment; the share depends on the size of the deposit and the nature of the mineral. Mining rights are subject to *ad valorem* taxes on mining output and to small-scale mining taxes set in the Mining Code.

4.74. In 2009 the authorities also established a model mining agreement that would apply to all mining companies. To encourage investment, exemptions are available during the first three years of operation. Machinery and equipment needed for prospecting and exploitation (including site vehicles) are eligible for the temporary admission regime.

4.75. The Office for Geological Research and Mining (ORGEM) was created in April 2009 under the new Code. The ORGEM is an autonomous body responsible for improving the geological knowledge of the country and furthering the development of geological and mineral resources in the Central African Republic. Its responsibilities include rebuilding databases for the purposes of allocating areas to mining companies.

4.76. The diamond subsector employs around 80,000 small-scale miners, who are required to sell to 300 approved collectors who in turn sell to ten "purchasing bureaux". Under the Code, small-scale miners must sell their output to the collectors, who sell on to the purchasing bureaux, which in turn supply the processing plants or export the product themselves.

4.77. To be a collector a candidate must: (i) be of good character; (ii) never have been convicted of a criminal offense or of breaching the mining legislation; (iii) not be a shareholder or employee of a mining company, a purchasing bureau, a gem-cutting plant, a jewellery store or a foundry or a member of a mining cooperative; (iv) have paid for his collector's licence for the current year. The amount of the licence fee is set annually by the Government. Foreign nationals may be allowed to practice as a collectors only if they have lived for at least five consecutive years in the CAR; have made a real estate investment there of at least CFAF 50 million; and provide evidence of financial capacity of at least CFAF 10 million.

4.78. Only legal entities meeting the following conditions can be considered as purchasing bureaux: having a minimum equity capital of CFAF 50 million fully paid-up at the time of their incorporation; having made a deposit of CFAF 50 million (€76,200) with the Treasury; within three years as from the date of approval, making real estate investments worth at least CFAF 350 million (the State or the local authority provides land free of cost on

which to build); within a period of five years, building a head office of a minimum value of CFAF 150 million; and within a period of one year, having five secondary purchasing centres. Exporting is restricted to purchasing bureaux and mining companies. Mining cooperatives may nevertheless make exports worth at least CFAF 20 million (€30,769). According to the information available, ten purchasing bureaux were approved in 2012.

4.79. The Minerals and Gems Agency (COMIGEM) was established in 2009 to facilitate the trade of small-scale miners and the purchase of their products at the best prices. It is responsible for fostering and promoting transactions in precious and semi-precious minerals. The COMIGEM is a State purchasing bureau and is subject to the same requirements as the other purchasing bureaux.

4.80. Under the Mining Code, assessments of the taxable value of gold, diamonds other precious and semi-precious stones and metals intended for export are done exclusively by the Bureau for the Valuation and Control of Diamonds and Gold (BECDOR). Among its requests for technical assistance in this TPR, the MMEH has included the need for capacity building in diamond and gold marketing expertise. Through the Property Rights and Artisanal Diamond Development (PRADD) project, the USAID is seeking to contribute to the development of the mining sector in the CAR by improving traceability in the diamond industry. The CAR also participates in the Kimberley Process (KP), whose Permanent Secretariat is responsible for controlling and issuing certificates of origin and ensuring traceability in the artisanal diamond circuit based assessments by the BECDOR.

4.81. The taxes for official diamond exports are: the export tax (DS), 4%; the levy on computer equipment for finance (REIF), 0.5%; the Mining Industry Development Project (PDSM), 1%; the Permanent Secretariat of the Kimberley Process (SPPK), 0.5%; the flat-rate minimum tax (IMF), 3%; and the diamond tax (TSD), 3%. In short, the purchasing bureau pays taxes equivalent to 12% of the value of diamond exports. The taxes for official exports of gold are: DS of 1%; REIF of 0.5%; PDSM of 0.75%; and IMF of 3%, or altogether 5.25% of the value of exports. Depending on the weight of a uranium sample, the tax is CFAF 500 per kg plus CFAF 2,500 per 7 kg batch.

4.82. The import of mining substances is subject to the payment of duties and taxes, including a tariff at the maximum rate of 30%, VAT of 19% and excise duty of 25% on precious stones.

4.83. As regards uranium, a special regulatory framework was adopted at the end of 2006 to facilitate exploitation of the Bakouma deposit by URANIM, a privately-owned company. This framework also includes the requirement to process radioactive minerals in the country before export, as well as to manage waste and to market radioactive substances in keeping with international standards. In addition to the provisions of the Mining Code, the possession, holding, transport, processing, handling and marketing of mineral substances or radioactive products and all operations relating to them are subject to prior authorization. The relevant procedures are laid down in laws and regulations, in particular the law on radioactive minerals. Such activities are also subject to international rules on radioactive substances.

#### 4.2.2 Petroleum products

4.84. The CAR does not currently produce either petroleum or natural gas. Nevertheless, according to the authorities, there are promising signs along the border with Chad and these are currently being explored by a Chinese company. Prospecting, exploration, exploitation and transport of hydrocarbons by pipeline through the Central African Republic are governed by Ordinance No. 93.007 of 25 May 1993 introducing the Petroleum Code of the Central African Republic<sup>127</sup>, the provisions of which are administered by the MMEH; under this law, fossil substances in national territory are the property of the State.

4.85. In 2007 with the end of the period of exclusivity in favour of PETROCA, a parastatal company, the downstream oil industry was reorganized with the passing of three laws: Law No. 07.005 of 24 April 2007 reorganizing the downstream oil industry in the CAR, Law No. 07.006 of 24 April 2007 establishing the Agency for the Stabilization and Regulation of Petroleum Product Prices (ASRP), and Law No. 07.007 establishing the Société centrafricaine

<sup>127</sup> Ordinance No. 93.007 of 25 May 1993.

de stockage des produits pétroliers (SOCASP) in replacement of the Société de gestion des actifs logistiques (SOGAL) which until 2007 had been responsible for storing finished petroleum products.

4.86. Law No. 07.005 regulates competition, the granting of approval and licenses, and contains specifications for operators, as well as prices. The ASRP is responsible for monitoring changes in price structure, competitive bidding for the provision of supplies to the country, as well as the rules and challenges, with a view to ensuring the proper functioning of the subsector and its development throughout the national territory. The SOCASP is 51% State-owned, and is exclusively responsible for the storage and handling of all petroleum products and derivatives; the remaining 49% of its capital is privately owned.

4.87. The other downstream oil industry activities (import, re-export, transport, distribution and marketing of hydrocarbons) are all undertaken by "marketers" (distributors). Two decrees were published in 2012, namely, Decree No. 12.019 establishing the regulations implementing Law No. 07.005 of 24 April 2007 reorganizing the downstream petroleum sub-sector in the CAR and Decree No. 12.128 amending and supplementing the provisions of Decree No. 11.372 of 30 December 2011 prescribing the pricing methodology for petroleum products in the CAR.

4.88. Access for private persons to these activities is subject to approval given through a decree issued by the Council of Ministers on the advice of an interministerial commission. Three marketers are currently present on the market and eight other companies are awaiting approval. Fuel imports for 2011 rose to CFAF 18.7 billion (€28.6 million, or roughly €7 per capita). Until September 2011, service stations were supplied by two the companies Total-Centrafrrique and Trading d'exportation de pétrole brut et de produits pétroliers (TRADEX); SARPD Oil has been active since then.

4.89. Distributors import either by river via Kinshasa or overland via Douala in Cameroon and N'Djamena in Chad. The current regulations stipulate that 80% of the country's supply must be by river and 20% by road, given the high cost of land transport. The use of SOCATRAF, the only river transporter, and the limited capacity of road transporters are constraints on competition. One of the factors driving up costs is the impossibility of supplying the CAR by river from Cameroon and above all from Chad.

4.90. The distributor margin is determined according to the type of product and the amount to be sold under the investment plan negotiated by each distributor with the Government. A 15% "manager's" margin is in place for services related to the operation of service stations and storage. The prices at the pump in March 2013 were CFAF 880/litre for super, CFAF 660/litre for kerosene, and CFAF 870/litre for diesel. The scale of rates also includes a single tax on petroleum products (TUPP), which is specific. Customs duties are levied. When the "State Support/repayment" item is positive, a repayment must be made to the Government; but when it is negative, it is the State that makes a pay-out to marketers.<sup>128</sup>

4.91. The ASRP sets prices by reference to world prices and to those in force in other CEMAC countries. This agency acts as the secretariat for the petroleum product price structure committee and submits the price structure on a monthly basis for approval by the Minister responsible for energy. The agency is also responsible for monitoring the security stocks that distributors must maintain, and works jointly with the Ministry responsible for energy to combat fraud in this area.

#### 4.2.2.1 Electricity

4.92. In 2005, a new Electricity Code liberalized electricity generation, transmission and distribution and authorized the operation of independent producers.<sup>129</sup> However, the consumer prices of electricity have not changed for seven years and are still fixed at levels that are insufficient to cover the subsector's costs of production, let alone technical losses. It is in part for this reason that the CAR's electricity subsector remains underdeveloped, and little progress has been made despite the legislative changes of 2005. Less than 3% of the population has access

<sup>128</sup> Decree No. 12.128 of 6 June 2012 amending and supplementing the provisions of Decree No. 11.372 of 30 December 2011 prescribing the pricing methodology for petroleum products in the CAR.

<sup>129</sup> Ordinance No. 05.001 of 1 January 2005.

to electricity (19% in Bangui). The current total supply is estimated at 18.75 MW and has not changed since 2006, it falls short of demand and load shedding and power cuts are frequent.

4.93. Most of the output of ENERCA, the national company, is hydroelectricity. The Boali 1 power station (built in 1954) and the Boali 2 station (1976), with a total capacity of 18.75 MW, are located some 80 km from Bangui and are linked to the capital by two medium-voltage lines. These facilities are in an extremely dilapidated condition, hence the losses. Thermal energy represents only 2% of the total production; it is rarely used owing to the high cost of fuel.

4.94. ENERCA still finds it difficult to collect its revenue, particularly from State-owned enterprises. The Directorate-General for Energy, the Autonomous Regulatory Agency for the Electricity Sector (ARSEC, currently being set up) and ENERCA have spoken of a need for capacity building in the area of pricing and the methodology for implementing the pricing structure in the electricity subsector.

4.95. In the provinces ENERCA generates electricity from thermal sources; secondary centres are supplied with electricity for four to five hours a day. Companies (such as forestry enterprises or the SUCAF) often turn to generating their own power, some of which they are permitted under the new law (see below) to sell on to other clients or to ENERCA, though not at freely negotiated prices. These self-supplying entities would like the surrounding communities to be able to contribute to the purchase of materials for power transmission and facilities.

4.96. The town of Mobaye (608 km from Bangui) is supplied with electricity imported from a plant in the neighbouring Democratic Republic of the Congo. Those imports are subject to the CEMAC CET rate of 10% and 19% VAT. The amount being imported from the Democratic Republic of the Congo (DRC) to Mobaye is 677 MWH.

4.97. According to the Code, the production, transmission, import, export, distribution and sale of electricity are open to competition. Authorization is required for each activity from the Ministry responsible for energy, based on a technical opinion from the ARTEC.<sup>130</sup> Approved producers may supply their customers through the ENERCA network or may set up their own networks. Several texts are awaiting signature, covering in particular the terms of access to public transmission and distribution networks and the procedures for the establishment of contracts; the procedures for the collection and distribution of fines; the data provided by the operators in the subsector; the powers of sworn agents of the electricity subsector; and standards applicable to the preparation of investments in activities relating to electricity.

4.98. The selling price for electricity is determined in an order issued by the Minister responsible for energy; the scale applied dates from 8 February 2006 (Table 4.4).<sup>131</sup> Entities generating their own power are required to sell at fixed prices.

**Table 4.4 Electricity rates since February 2006**

(In CFAF)

Bangui and Mobaye	First bracket	Second bracket	Third bracket
Low voltage			
Lighting	76.56/kW	82.70/kW	89.31/kW
Energy	64.80/kW	69.76/kW	75.35/kW
Mixed	75.53/kW	81.57/kW	88.10/kW

Note: Public lighting is billed at CFAF 70/kW; the electricity rate is CFAF 161/kW in secondary centres. The medium voltage rate consists of a standing charge of CFAF 2,750/kW, plus a variable component (day, night, etc.) with a penalty for over-consumption of CFAF 26/kW. A special charge of CFAF 10/kW is invoiced and transferred by ENERCA to the Autonomous Regulatory Agency for the Electricity Sector; a contribution of CFAF 2/kW is also levied by ENERCA.

Source: Order No. 017/2006/MMEH/DIRCAB/DGE of 8 February 2006.

<sup>130</sup> Decree No. 10.095 of 18 March 2010 establishing the legal regime, the conditions of declaration for the issue authorizations to independent operators, self-supplying entities, independent electricity producers and the taxation procedures.

<sup>131</sup> Order No. 017/2006/MMEH/DIRCAB/DGE of 8 February 2006.

4.99. The authorities have indicated that several projects have been under way since 2011 with the assistance of foreign partners<sup>132</sup>:

- a project for the transfer of water from the Oubangui River to Lake Chad, whose energy component as pertains to Palambo and the Kotto River is very important for the CAR; the Central African Republic has expressed many reservations about the impact of the proposal, which involves taking water from the Kotto River and transferring it to Lake Chad. The Kotto and the Ouaka flow into the Oubangui River, which is an international waterway shared by three countries, namely the Republic of the Congo, the Democratic Republic of the Congo and the Central African Republic. Transferring the waters of the Oubangui by canals would mean a loss of flow at its crest line. The plan is to divert and transfer water from the Kotto and Ouaka. The draft feasibility study has been validated and there have been calls for an environmental study of the project and all its potential social and economic impacts on the areas watered downstream by the Oubangui once the transfer has begun;
- the "Boali 3" project to build a new line to Boali and Bangui, signed in July 2011 with the Chinese company Shengli Oilfield Engineering;
- African Development Bank (ADB) project to develop the Boali electric power system and interconnect the power grids of the CAR and the DRC;
- Emergency project in response to the energy crisis (PURCE). Some 45,000 energy saving lamps have been distributed to about 19,500 households. An invitation for tenders has been issued for the supply of roughly 5,000 prepayment meters; 100 km of low voltage network and 70 km of MV/LV network have been rehabilitated, 15 MV/LV transformer stations have been rehabilitated and equipped;
- continuation of the intensive peri-urban electrification project: Construction of 1.7 km of medium voltage network (MV), 12 km of low voltage network (LV), the installation of four 100 kVA transformers, installation of 400 connections out of a total customer base of 780 households in the Boeing pilot zone; works and supplies contracts signed on 15 December 2011 for the construction of 15 km of MV network, 80 km of LV network, the installation of 24,100 kVA transformers and 10 160 kVA transformers for connecting an expected total of 9,000 customers;
- in the realm of renewable energy, a memorandum of understanding was signed in August 2011 with the French company Helios énergie to develop, build and operate 20 MW solar photovoltaic power stations to supply electricity to the towns of Berberati, Carnot, Bouar, Bossangoa, and Bambari; and
- a memorandum of understanding was signed with the Czech company PK Horisia in December 2011 for the solar photovoltaic electrification of the town of Bossangoa.

### 4.3 Manufacturing sector

4.100. The difficulties facing the Central African Republic's manufacturing sector are immense, the main ones being lack of funding, untimely power cuts, the poor state of roads and transport equipment, the tax burden, and police harassment due to incessant stopping of vehicles carrying materials and other inputs, to say nothing of the lack of qualified workers, which is hitting building and public works sector particularly hard. Despite these drawbacks, there is a fabric of small and medium-size enterprises (SMEs), especially craft micro-enterprises, frequently operating in the informal sector. Larger SMEs have access to Government support, more specifically under the Investment Charter (reduced customs duties and VAT on inputs, export incentives). In 2012 the Government was seeking external assistance for setting up a funding structure for SMEs that would enable them to develop their activities and assist them in the process of participating the various bidding exercises. Such a structure could also provide support in the preparation of financial dossiers.

<sup>132</sup> Ministry of Energy and Water Resources (2012).

4.101. On the other hand, a company that manages to set up will be sure to enjoy dominant market position, protected from outside competition by the difficulties of obtaining supplies and by customs duties under the CEMAC CET. Although the latter does not encourage investment in the manufacturing sector owing to the relatively high level of tariff protection granted to semi-finished inputs, the privileges under the Investment Charter or investment agreements negotiated with the Government allow companies not to pay customs duties on their inputs and to pay significantly lower domestic taxes.

4.102. Mention may be made of agri-food enterprises and wood processing companies (see above), aluminium sheet manufacturing entities, (ALUBA, COLALU), a range of chemicals (SOCAGI, CENTRAJEL, SOCAP), construction materials (SOFAMAC), as well as garment workshops and other small-scale activities. The CCIMA Business Formalities Centre endeavours to provide support.

4.103. Cement is imported from the CEMAC area as well as from third countries and its price is often described as exorbitant. Yet cement is considered as a basic commodity and as such is subject to approval. The approved price of cement in Bangui in March 2013 was CFAF 9,500 per 50 kg bag. Cement imports have been duty-free since 2008. A cement company (SOCACIM) has been under construction since 2009 in Nzila under a partnership between the Government and Indian investors and with the help of a US\$30 million loan from the Indian Government. Production start-up has been delayed repeatedly, however, but is foreseen for 2013.

4.104. Imports of medicines are regulated by a 1994 decree that prescribes documentary control to be carried out by the Pharmaceutical Regulatory Authority before allowing access to the domestic market.<sup>133</sup> Law No 99.001 of 13 January 1999 lays out the conditions for the creation, operation and perpetuation of a fund designed to ensure supplies of medicines. Since 2004, a Unit for the sale of medicines has formed part of the medicine market as a technical body for managing the National Medicines Fund.<sup>134</sup> In March 2013, market players included a Chinese company, ASPHARCA, which produces solid solutes, and an Indian generics plant, ROFFE PHARMA, which began operations in July 2012.

4.105. The import, marketing and use of telecommunications equipment including satellite terminals are regulated. All equipment intended for connection to a public telecommunications must be approved by the ART (see below, telecommunications services). Costs are determined by means of an order<sup>135</sup> and are currently subject to a 10% customs duty (common report, Chapter 3.2)

#### 4.4 Services

4.106. On the whole, information regarding the regulation of services is sparse and that regulation is extremely outdated except as pertains to the telecommunications sector and lawyers' services, both of which are governed by new laws. Several sectors (banking, insurance, transport) are partly regulated at the Community level, but there is no indication that the Community provisions have been transposed into domestic law. The CAR made specific WTO GATS commitments regarding tourism in 1994.<sup>136</sup>

4.107. Under Ordinance No. 83.083 of 10 December 1983 regulating the trade and provision of services in the CAR, the supply of any service (educational, telecommunications, financial, transport, legal, tourism, medical, environmental, architectural, energy-related, cultural and sporting, as well as accounting) is subject to prior approval signed by the Minister responsible for trade.<sup>137</sup> A total of 315 approvals were issued in 2009, 389 in 2010, and 290 in 2011. In reality, it would seem that most services in the realms of healthcare, the hotel industry, catering, road transport and postal dispatches are being provided outside of any legal framework.

<sup>133</sup> Decree No. 94.196 of 4 June 1994 regulating the entry of pharmaceuticals into the CAR and its implementing Order No. 005 of 7 January 1995.

<sup>134</sup> Ordinance No. 04.013 of 5 August 2004.

<sup>135</sup> Order No. 488/MPTNT/DIRCAB/DGART of 17 November 2008 setting the taxes, fees and schedule of rates and charges for the establishment and/or operation of telecommunications networks and services applicable throughout the national territory.

<sup>136</sup> WTO document GATS/SC/17 of 30 August 1995.

<sup>137</sup> Ouefio, D. (2008).

#### 4.4.1 Transport services

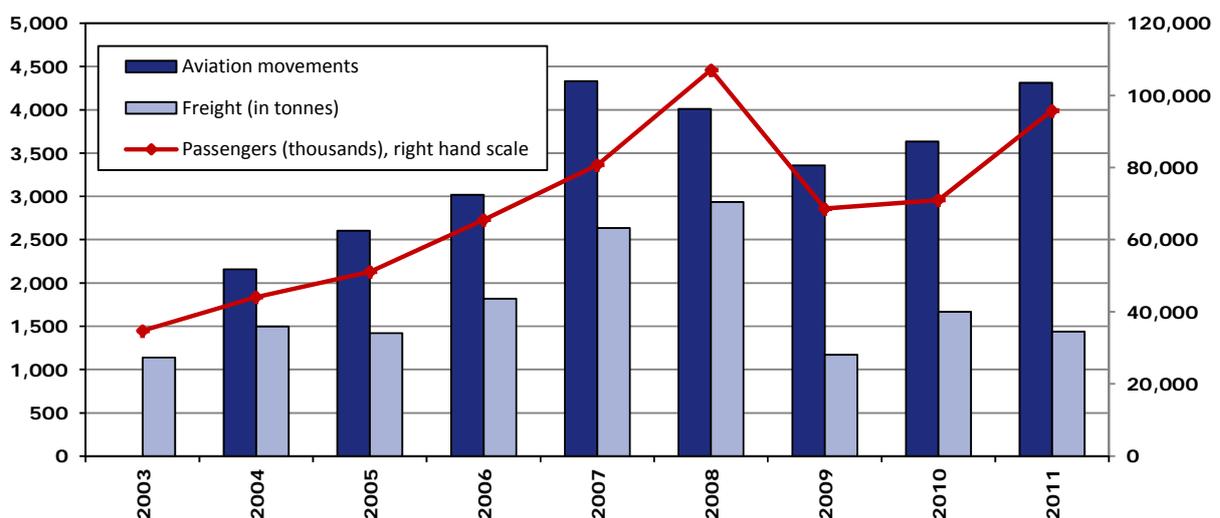
4.108. The CAR faces enormous transportation problems. The absence or the deplorable state of road infrastructure is pushing up both transport and product costs. The inadequacy of transport (infrastructure and services) prevents agricultural output from reaching storage or processing facilities on time and at least one third of the food produced locally is thought to be lost. Economically viable primary deposits of gold and oil remain unexploited. The areas of transport and public works are therefore critical to opening up the country both internally and externally, improving the movement of people, goods and services, and to overcoming poverty.

4.109. The Ministry of Transport and Civil Aviation is the authority responsible for the sector. It apparently has no website. The transport sector is regulated both at the Community level (common report, Chapter 4.5) and at the national level. The authorities have said that significant economic spin-offs are to be expected from the implementation of the Consensual Master Plan for Transport in Central Africa (PDCT-AC), given the CAR's geostrategic location at the crossroads of transcontinental trade flows. This programme was adopted in June 2007 in Libreville and encompasses 55 projects. Among the six projects that concern the CAR are four road-asphalting projects (629 km), a programme for the rehabilitation and/or renewal of water transport equipment and the improvement of the Bangui and Sangha rivers, and a project for the building of the Bangui-Zongo bridge on the Oubangui. Four cargo barges have been converted into passenger barges under this programme and two oil barges are being delivered.

##### 4.4.1.1 Air transport

4.110. Since 2006 the Ministry of transport and civil aviation has been working to bring the Bangui M'poko international airport into line with international standards. This airport receives the bulk of the air traffic, but there are also 40 aerodromes throughout the country in various states of operation. Broadly speaking, air transport in the Central African Republic is confronting problems of safety and security, with the result that the supply and quality of service are rather mediocre. For example, for the four years from 2009 to 2012, air transport traffic has been just about 100,000 passengers per year and a maximum of 5,000 tonnes of cargo per year. Since 2007, however, several new air transport companies have been operating in the country, which perhaps suggests that rates could start coming down and that quality could improve.

Chart 4.3 Air transport<sup>a</sup>, 2003-2011



<sup>a</sup> In both directions (arrivals and departures).

Source: ASECNA

4.111. The provision of domestic air transport services is regulated by Law No. 65.063 of 29 July 1965, which in principle prohibits cabotage by foreign companies. Under Article 10 of Decree No. 09.036 of 23 June 2009, foreign transport companies may only provide commercial services in the CAR if they are authorized to do so and designated by their countries of origin and

approved by the aviation authorities of the Central African Republic.<sup>138</sup> The Community regulations (CEMAC, Yamoussoukro Declaration) are described in the common report, but there are no corresponding implementing texts.

4.112. The Directorate-General of Civil Aviation and Meteorology (DGACM) is responsible for managing airports. It lacks the requisite technical expertise, it is not financially independent and is entirely dependent on the Government and the resources it provides, and this constitutes a major drawback to the supervision of air transport safety.<sup>139</sup> Airport Services are managed by the ASECNA (common report, Chapter 4.3), which oversees air transport operators and is responsible for air transport safety. Besides, no regulations are in place regarding aircraft maintenance or the approval of aircraft maintenance companies, even though this is envisaged in the CEMAC Code.

4.113. Yet the market seems to be showing some dynamism. In addition to the international company Air France, new companies operating since 2006 include Ethiopian Airlines, Kenya Airways, TAAG and Karinou. Three small airlines were also approved by the Ministry of Transport in 2007 to operate domestic flights, namely Minair, l'Apara and Via air. In 2011, the Aviation Handling Services company was approved under the 2001 Investment Charter (see Chapter 2), with an investment programme of CFAF 490 million (€747,000) for a period of five years.

#### 4.4.1.2 Road transport

4.114. According to the authorities, the main reforms undertaken in the sector since 2007 have been in connection with the revision of the Highway Code. The road network consists of some 9,300 km of classified roads (albeit impassable during some seasons of the year, see below) and 700 km of sealed roads (corresponding to 7% of sealed roads). The road from Bangui to Douala (Cameroon) on which the bulk of the CAR's imports and exports are transported, covers a distance of 1,500 km, of which only 392 km are sealed. Poor road safety, red tape and banditry are still the three major concerns. Recent efforts have included:

- identifying the points of highest road safety risk along the country's priority roads;
- reviving the national commission on the suspension and withdrawal of driving licences;
- completion of the study into the preparation of a road safety action plan in the CAR, together with a World Bank-funded investment plan;
- preparation of a draft law creating the National Road Safety Agency in the CAR;
- the introduction of protected school crossings along the sealed roads in the city of Bangui;
- supplying road safety equipment to the Ministry responsible for transport, with World Bank funding; and
- supporting Central African transporters in purchasing new trucks.

4.115. According to the World Bank, transporting a 20 tonne container from Douala to Bangui could take between 15 and 28 days during the rainy season. In July 2012, the World Bank approved US\$125 million in funding which should make for speeding up the repairs to the roads between Douala and Bangui in the CAR, thereby guaranteeing access to roads linking the two cities irrespective of the season. The project will also finance road safety activities and the facilitation of goods transport. This should make the country more attractive to trade and investment.

<sup>138</sup> Decree No. 09.036 of 23 January 2009 regulating commercial air transport in the CAR.

<sup>139</sup> International Civil Aviation Organization (2013).

4.116. The PDCT-AC Plan (see above) concerns highway No. 13 which runs from Enyellé (Republic of the Congo) to Mongoumba (CAR), then to Mbaiki and Bangui; and from Bossembélé to Bossangoa (RCA), then to Bédaoyo, and from Békai to Mbaikoro (Chad).

4.117. Some road transport companies have been approved under the Investment Charter of 2001, which allows for reductions in import duties and taxes on inputs. In September 2012, however, many transport companies complained of "VAT adjustments" and other charges being levied at customs, in particular by the SODIF (Chapter 3.2).

4.118. The Central African Road Charter Bureau (BARC) has a monopoly of international road transport and also manages the road terminal in Bangui based on a 1990 law<sup>140</sup> and on 2003 Community regulations (common report, Chapter 4.3).<sup>141</sup> Under this system, road traffic between Bangui and Douala is reserved to Central African and Cameroonian transporters. Load sharing between these countries is administered by the BARC and the Cameroon Land Freight Management Bureau (BGFT) as follows: 60% for transporters using CAR-registered vehicles and 40% for transporters using vehicles registered in Cameroon.<sup>142</sup> In principle, a Permanent Mixed Technical Commission on Transport monitors relations between the two countries in respect of transport. In practice, however, the authorities indicate that the share of transporters from the CAR is well below 40% (it was around 20% in 2005 according to BARC statistics), owing to the poor condition of the CAR-registered fleet of vehicles.

4.119. The management bureaux levy a 4% commission on the pre-tax costs of transport services provided, with a minimum flat rate. When the BARC itself charters, an additional 2% commission is levied. These amounts are in addition to those corresponding to the electronic cargo tracking note.

4.120. The international road transport of goods is subject to floor prices determined by regulations<sup>143</sup> that are systematically updated according to the trend in fuel prices.

#### 4.4.1.3 River transport

4.121. The CAR has three river ports, namely Bangui (upstream port and Kolongo oil port) and Salo. The Oubangui River is the country's main waterway. Downstream traffic covers 1,200 km in six to seven days (Bangui-Brazzaville) and upstream traffic in seven to 12 days (Brazzaville-Bangui). Goods are then transported to Pointe Noire in the Congo via the Congo Ocean railways or to Kinshasa (in the DRC). The river is used to export wood and live cattle and to import petroleum products when the season is favourable. The Oubangui river flow varies considerably, from less than 1,000 m<sup>3</sup>/s on average in March in Bangui (which limits navigability) to 8,000 m<sup>3</sup>/s in October.

4.122. Until 2004 the Société centrafricaine des transports fluviaux (SOCATRAF) had been a joint venture between the State as the majority shareholder (51%) and the Groupe Bolloré with a 49% stake. In January 2005, the State reduced its holding to 15%, and the Groupe Bolloré took over the remaining SOCATRAF stake, bringing its share 51%, whilst domestic investors accounted for 34%. The SOCATRAF is also partly funded by the French Development Agency (AFD). The AFD and the EU are involved in the river transport subsector through their support for the implementation of the project to renew productive river transport equipment.

4.123. The Service commun d'entretien des voies navigables (SCEVN) is a company jointly owned by the CAR and the Republic of the Congo and is responsible for maintaining all the navigable waterways in the Congo-Bangui-Sangha Basin, which cover a distance of 2,700 km. The International Commission for the Congo-Bangui-Sangha Basin (CICOS) is currently engaged in several projects (common report, Chapter 4).<sup>144</sup>

4.124. The regulatory framework for river transport includes the CEMAC/DRC Internal Navigation Code (1999) and various memorandums of understanding with the DRC and the Republic of the

<sup>140</sup> Decree No. 90.043 of 12 February 1990.

<sup>141</sup> CEMAC Regulation No. 15/03-UEAC-612-CM-11, implemented in the CAR through Interministerial Order No. 032/04/MET/MEPEFBCI/CAB of 23 June 2004.

<sup>142</sup> Convention of 22 December 1999 on land transport of goods between Cameroon and the CAR.

<sup>143</sup> Interministerial Order No. 025/MFB/METAC/MCIPME of 4 July 2006.

<sup>144</sup> CICOS online information. Viewed at: <http://www.cicos.info/siteweb/index.php?id=135>.

Congo (common report, Chapter 4.3); Decree No. 12.113 of 5 June 2012 organizing the river and maritime professions and auxiliary transport professions; and Decree No. 09.184 of 19 June 2009, organizing water transport in the CAR and its subsequent texts. There is no law governing subsectors such as maintenance, cabotage and piloting.

#### 4.4.2 Telecommunications services

4.125. The telecommunications subsector comprises the traditional operator, the Société centrafricaine des télécommunications (SOCATEL), which provides fixed and Internet telecommunications services. Teledensity is rather low (three lines per 1,000 inhabitants), which is a reflection of the poor state of SOCATEL infrastructure and the difficulty of accessing electricity. The new law enacted in 2007 maintains the SOCATEL monopoly on the provision of basic telecommunications services (fixed telephony and telex services). The State acquired the 40% share held by France Cables et Radio in 2007, and SOCATEL became fully Government-owned in 2012. The Government has not yet expressed a desire to privatize SOCATEL, but has announced the start of talks with the World Bank with a view to restructuring SOCATEL, which is facing financial difficulties in part stemming from its claims on the Central African Government. A sizeable portion of the company's staff has been laid off owing to the difficulty of paying their salaries.

4.126. On the other hand, the number of mobile telephone subscribers has grown exponentially, surpassing 1 million in 2010 (common report, Table 4.5). There are four mobile telephone companies in the market, namely Orange, whose GSM licence dates from 2007 and its subsidiary Telsoft (which since 2008 has been providing the country's only international gateway); Telecel, whose licence dates from 1996;); Azur Centrafrique (or Nationlink, licensed since 2004); and MOOV, (formerly A-CELL), which began operations in 2005 (Table 4.5). In 2012, all these companies were enjoying privileges under the Investment Charter (Chapter 2), mainly in the form of exemptions from direct and indirect taxes.

**Table 4.5 Mobile telephony indicators, 2012**

Mobile phone companies	Market share (CFAF)	Number of subscribers
TELECEL	54%	958,193
MOOV	16%	298,927
NATION LINK	16%	277,360
ORANGE	14%	252,206
TOTAL	100%	1,786,686

Source: Central African authorities

4.127. The CAR has undertaken no specific GATS commitments regarding telecommunications. In the CEMAC framework, the CAR are has made specific (Community) commitments towards the other members in the field of telecommunications.

4.128. In 2007, the CAR reformed the regulations governing its telecommunications services, *inter alia*, by means of two new laws which nevertheless do not provide for terminating the SOCATEL monopoly:

- Law No. 07.020 of 28 December 2007 regulating telecommunications in the CAR;
- Decree No. 09.209 of 17 July 2009, establishing its implementation procedures;
- Law No. 07.021 of 28 December 2007 setting the taxes and fees related to the establishment and/or operation of telecommunications networks throughout the national territory; and
- Order No. 489/MPTNT/DIRCAB/DGART of 17 November 2008 setting the general conditions for the establishment and operation of public telecommunications networks, and specifically stipulating that rates should be cost-oriented.

4.129. A draft law now being re-read by the General Secretariat of the Government takes account of CEMAC and ECCAS provisions on telecommunications. The Telecommunications Regulatory Agency (ART), operational since 2004, manages frequencies, grants licences and levies fees and other charges for various telecommunications services (Table 4.6). It acts as an arbitrator for interconnections, for which the agreements are negotiated among operators; the ART intervenes only in cases of anti-competitive practices.<sup>145</sup> The ART in principle has a website on which laws, decrees, orders and decisions are posted.<sup>146</sup> The Agency issues authorizations.

4.130. Telecommunications services are subject to a system of licensing or authorization, except for some services (mainly private) subject to a system of simple declaration. The Ministry of Telecommunications and New Information Technologies formulates the sectoral telecommunications policy, in particular with respect to privatization and opening up to new providers. The Ministry awards provider licenses by means of an Order. The ART allocates radio frequency bands.<sup>147</sup>

**Table 4.6 Costs of telecommunications licenses, 2012**

Type of network and services	Licence cost (CFAF million)	Validity	Number of active licences (2012)	Operators
Fixed and internet	3,500	30 years	1	SOCATEL
Global: mobile, internet and image	6,000	25 years	3	ORANGE/TELSTOFT MOOV, TELECEL, AZUR
Fixed + global	10,000	30 years	1	SOCATEL
Fixed + internet + international gateway				
Global + international gateway	10,000	30 years	1	ORANGE/TELSTOFT
Fixed + world + international	12,500	30 years		
Telephone /rural internet (nationals only)	0.25	5 years	..	..
<b>Carrier networks:</b>				
Sole international gateway	1,500	15 years	1	TELSTOFT
National fibre optic backbone	1,500	99 years	0	

.. Not available.

Source: Law No. 07.024 setting the taxes and fees related to the establishment and/or operation of telecommunications networks throughout the national territory.

4.131. Since 2004 the distribution of revenues from local, interurban and international communications has been determined by the State, which taxes incoming international traffic in the CAR. Since 2010, the pre-tax fees have been as follows<sup>148</sup>: if the operator has an international gateway, CFAF 80 per minute are payable to the local operator that terminates the traffic and CFAF 40 to the Government; if the operator passes through the "sole" international gateway, only CFAF 40 are payable to the Government; the company that manages the sole international gateway and the operators negotiate the allocation of their revenues with the arbitration of the ART, which validates it.

4.132. Because the ART lacked the technical means of measuring incoming traffic and therefore had to rely on declarations made by operators, in 2009 the Government entrusted

<sup>145</sup> Order No. 520/MPTNT/CAB/DGART/DT of 23 September 2004 as amended by Order No. 013/MPTNT/10 amending certain provisions of Order No. 034/MPTNT/09 of 3 December 2009 establishing a centre to combat fraud and monitor and oversee incoming international traffic in CAR.

<sup>146</sup> Telecommunications Regulatory Agency (2013).

<sup>147</sup> Law No 07-020 of 28 December 2007.

<sup>148</sup> Order No. 013/MPTNT/10 amending certain provisions of Order No. 034/MPTNT/09 of 3 December 2009 establishing a centre to combat fraud and monitor and oversee incoming international traffic in CAR.

Global Voice Group (United States) with the monitoring and oversight of international traffic, under the control of the Ministry in collaboration with the ART.

4.133. Between local communications operators, the distribution tax is CFAF 70 (pre-tax) per minute, distributed equally between the operator that originates the communication and the operator that terminates it. The share of traffic to be transferred to the traditional operator that carries the traffic is CFAF 25 per minute. Between the traditional operator and private operators, the tax is CFAF 40, which is split equally. For interurban communications, the mobile phone operator pays the traditional operator CFAF 157 per minute. Conversely, the traditional operator transfers CFAF 20 per minute to the mobile phone operator.

4.134. Internet access is subject to an ART license, and is possible only in certain cities (Bangui, Berberati, Bambari, Mbaïki, and Bossangoa where there are some operational difficulties). Lines leased to private parties are provided by satellite (VSAT). The setting up charges range from CFAF 500,000 to CFAF 1,500,000, depending on the range; the duration is five years. The monthly costs payable depend on the capacity of the connection (which ranges from less than 2 Mb/s to over 70 Mb/s).<sup>149</sup>

4.135. Some 55% of the country is thought to be covered by telecommunications services at present. Law No 07.20 envisages the creation of a universal service access fund. Contributions to this fund would come from all public network operators as well as public service providers and calculated in proportion to turnover. The application procedures and texts on the implementation of this fund are not yet in force, and as of March 2013 there were no obligations with respect to the universal service.

#### 4.4.3 Postal services

4.136. In reality, the regulations governing the postal services are not being observed and informal activities are flourishing. By law, the Office national des postes et de l'épargne (ONPE) is responsible for managing postal services.<sup>150</sup> The ONPE may transfer part of the postal service monopoly it holds by law to private operators established in the Central African Republic.<sup>151</sup> Accordingly, the ONPE concluded an authorization agreement in 1998 with the DHL company allowing it to provide express courier services<sup>152</sup>; the ONPE also provides an express courier service through its subsidiary EMS.

#### 4.4.4 Financial services

4.137. The CAR's financial sector is small (Table 1.1) and largely concentrated amongst four commercial banks, which represent 93% of the consolidated assets in the financial system. Amongst the other financial institutions are two insurance companies (4% of assets), and in 11 microfinance establishments (3% of assets).

##### 4.4.4.1 Banking services

4.138. Banking activities in the CAR are subject to the common CEMAC banking regulations (common report, Chapter 4.3), as well as to national regulations. The conditions of establishment are the same for national and foreign banks, and the market is largely dominated by the latter. The banking subsector in the CAR consists of four approved commercial banks:

- the Commercial Bank Centrafrique (CBCA-groupe Fotso) is the country's leading bank, accounting for almost half the market's total turnover. It has two branches, one in Bangui and another in Bouar. The bank's capital is 54%-owned by private Cameroonian interests and 46.7%-owned by private interests in the Central African Republic. The State is a CBCA shareholder (10% of equity);
- The Banque populaire maroco-centrafricaine (BPMC) ranks second with a market share of 28%. It has two outlets in Bangui. Two-thirds of its shares are held by Moroccan

<sup>149</sup> Order No. 488/MPTNT/DIRCAB/DGART of 17 November 2008.

<sup>150</sup> Law No. 94.012 of 22 November 1994.

<sup>151</sup> Interministerial Order No. 001/MPT/SG/98 of 2 March 1998.

<sup>152</sup> Order No. 010/MPT/CAB/CMP/ICP/DGONPE/98 of 20 November 1998.

investors and the rest by private interests in the Central African Republic. The State is also a BPMC shareholder;

- the Banque internationale pour la Centrafrique (BICA-groupe Fortis), recently taken over by ECOBANK, occupies third place, controlling 24% of the market with two outlets in Berberati and Bangui. Half the BICA equity is held by Belgian interests and the other half by private Central African interests;
- the Banque Sahelo-saharienne pour l'investissement et le commerce en Centrafrique (BSIC), which began operations in December 2007, belongs to the Tripoli-based BSIC Group). It has three outlets in Bangui.

4.139. The four private banks now comply with the regional capital requirement, which is set at CFAF 5 billion. The International Monetary Fund (IMF) has described the CAR's banking system as vulnerable, partly because of the accumulated arrears owed by the State (Chapter 1). According to the authorities, the restructuring of one troubled bank is ongoing. The Government has temporarily recapitalized it by issuing treasury bonds worth CFAF 5.5 billion in order to dilute the equity share of the former majority shareholder, and has increased its own stake from 10% to 51%. Local shareholders have also increased their holdings by CFAF 500 million. According to the IMF, the State's withdrawal from this bank has been delayed, as the authorities have announced the failure of competitive bidding organized to select a strategic investor, despite the interest expressed by an international banking group.

4.140. The PRSP II has recommended a national strategy for the promotion of microfinancing in order to support very small enterprises and SMEs. There were three approved microfinance establishments in March 2013, namely the Crédit mutuel Centrafrique (CMCA), supported by the Credit mutuel de France<sup>153</sup>, the new Caisse mutuelle des cfadiennes de Centrafrique<sup>154</sup>, which had just been approved, and the Union centrafricaine des caisses d'épargne et de crédit (UCACEC), which is experiencing serious problems of governance. There are hardly any microfinance institutions in the hinterland owing to the insecurity prevailing there. It has not been possible to obtain information as to the volume of activity of these institutions and of banks in general.

#### 4.4.4.2 Insurance services

4.141. This CAR is a signatory to the CIMA (Inter-African Conference on Insurance Markets) Treaty (see common report, Chapter 4.3). The Central African insurance market is small and has been stagnating for many years now. Motor vehicle insurance premiums account for 50% of insurers' portfolios. Two companies share the market, namely, the Agence générale française (AGF-Allianz, roughly 64.5% of the market), formerly UCAR, and the l'Union des assureurs centrafricains (UAC, 31.5% of the market), currently owned by the Senegalese SUNU group. Two brokerage firms are also present on the market: ASCOMA, (formerly ACC), a subsidiary of ACC Cameroon, and SOCCARREAS. This information could not be confirmed.

4.142. Insurance is compulsory for automobiles and for construction sites; the premiums are set by the operators, with a floor fixed by the Minister responsible for finance. The market as a whole is worth some CFAF 1.7 billion (€2.6 million).

#### 4.4.5 Professional and business services

4.143. Very little information is available regarding market access by foreign nationals to the professional services in the CAR. Some texts open the market to all professionals who are CEMAC nationals (for example, accountancy, see Table 4.7 and common report). In many cases, access to the market for foreign professionals is subject to a reciprocity clause, but it has not been possible to ascertain the countries with which the CAR has concluded a reciprocity agreement.

<sup>153</sup> Online information. Viewed at:

<http://cicm.creditmutuel.com/fr/site/action-pays/centrafrique/activite.html>.

<sup>154</sup> Online information. Viewed at:

[http://www.lamicrofinance.org/resource\\_centers/centrafrique/principaux\\_acteurs](http://www.lamicrofinance.org/resource_centers/centrafrique/principaux_acteurs).

**Table 4.7 Regulated professions in the Central African Republic**

Sector (number of professionals or enterprises)	Law (national association)	Market access
Taxation services (5)	Act No. 4/CACEU-133 of 17 November 1970 on the Regulations governing the profession of accountant	Access to the market is subject to two technical approvals (CEMAC approval and that of the country's Minister of Finance) and the approval issued by the single window for formalities regarding the practice of activities
Accountants and chartered accountants (30)	Act No. 4/UDEAC-133 (common report). Law No. 02.002 of 15 January 2002 establishing the National Association of Chartered Accountants	Recognized chartered accountant's diploma, CEMAC approval, registration with the Association of Chartered Accountants. Except where a reciprocal agreement exists, non-CEMAC nationals may not practice as chartered accountants in the CAR, nor set up an accounting firm between themselves. If they are residents, they may, however, be employed to an accounting firm; and set up a company with African partners if the latter represent a two-thirds majority in number and in capital
Chemical, mechanical or electrical engineers	No national legislation in this regard	Access to the market is subject to approval issued by the single window pursuant to Order No. 83.083, regulating trade and the provision of services. No limitation
Notaries (10)	Association of Notaries Chamber of notaries of the Central African Republic	..
Lawyers (20 law firms)	Law on the status of the lawyer's profession in the CAR, 25 May 2010. An Order issued by the Minister of Justice suspended the opening of new law firms	No market access limitation
Bailiffs	..	Central African nationality required
Medical services, Pharmacists, Dental surgeons (600 doctors, 16 dentists, 27 pharmacists, about 3,300 nurses)	Law No. 89.003 of 23 March 1989 liberalizing the health sector; Ordinance No. 80.84 of 28 October 1980 establishing the National Association of Doctors, Dentists and Pharmacists (and Decree No. 82.299 of 30 June 1982); Ordinance No. 82.027 of 30 June 1982 concerning the exercise of the profession of doctor, dentist and pharmacist and its implementing Orders No. 017 and No. 018 of 28 May 1983	Be registered with the National Association or be a citizen of a country that has signed a reciprocity agreement with the CAR; academic equivalence is necessary

.. Not available.

Source: Central African Legislation.

4.144. The lawyer's profession is governed by a new law dated 25 May 2010 on the status of the lawyer's profession in the CAR. The law creates a bar at each Court of Appeal in order to encourage lawyers to open practices in the hinterland so that the justice system can be more accessible to all citizens; it introduces a National Council of Bars, stipulates that the Certificat d'aptitude à la profession d'avocat (a postgraduate legal qualification needed to practice as a solicitor or barrister) must be awarded by a professional centre for the training of Central African lawyers, the organization and functioning of which are laid down by decree, though that decree has not yet been made public. Article 111 prescribes that a lawyer who is elected to the office of President of the CAR or appointed to the post of Minister or to any other government position is removed from the roster for the duration of the term of office. That law does not limit market access or national treatment for foreign nationals. Opening a lawyer's office requires, in addition to the technical approval of the Ministry of Justice, an approval issued by the single information point for business formalities. Under an old Order issued by the Ministry of Justice, the opening of new law firms is still suspended.

#### 4.4.6 Tourism

4.145. The CAR has enormous tourism potential (equatorial forest, fauna and flora, indigenous cultures), and wildlife tourism had been significant before the military and political upheavals occurring in the country since 1996.<sup>155</sup> Harassment and annoyances of all kinds have considerably limited tourism outside the framework of activities authorized and supervised by the Ministry of Tourism. This accounts for the drop in arrivals (by air in Bangui's classified hotels) from 13,881 in 1995 to 8,156 in 2004, a figure that then started rising steadily again to reach 25,759 in 2011, amounting to a total number of overnight stays of 48,501 or an average stay of 1.88 days.

4.146. Decree No. 01.242 of 14 September 2001 governs the exercise of tourism activities. It makes those activities subject to authorization by the Minister responsible for tourism. Travel agencies are governed by Order No. 020 of 2 August 2002, restaurants by Order No. 012 of 19 June 2002, tourist guides by Order No. 013 of 19 June 2002, and accommodation facilities by Order No. 018 of 20 December 2002. Decree No. 10.348 of 30 December 2010 accords fiscal and customs advantages for tourism activities.

4.147. The authorization required to set up an enterprise is free of cost; at the operational stage, travel agencies must obtain a license (for a fee of CFAF 500,000, or the equivalent of €762), and approval is required for other activities (for a fee ranging from CFAF 100,000 for unclassified establishments to CFAF 2 million for classified establishments).

4.148. There were five travel agencies in the CAR in 2012. They are all privately-owned and set up either by Central African or foreign nationals. There is a new five-star hotel in Bangui, the Hotel Ledger Plaza, owned by the Libyan State and inaugurated in 2012. The other accommodation facilities are owned by private interests and the State, and include nine hotels and 11 aparthotels in Bangui and two in the provinces, as well as a network of quasi-hotel and traditional accommodation facilities. The average annual hotel occupancy rate has increased from 49% in 2006 to 60% in 2009 and 2011 (62% in 2010).

4.149. Hotels are classified by an inter-ministerial committee under the auspices of the Ministry responsible for tourism, in principle, according to CACEU standards. Classifications were suspended in March 2013 pending the introduction of national and CEMAC standards, in collaboration with the World Tourism Organization (UNWTO), of which the CAR has been a member since 1995.

4.150. Tourist guides may only provide their services as subcontractors of an approved agency.<sup>156</sup> Travel agency personnel must be Central African nationals.<sup>157</sup> There are no specific restrictions on investment in tourism establishments and rates are freely set by the operators. The CAR has made specific GATS commitments regarding tourism<sup>158</sup>; in particular as pertains to hotel and catering services as well as those of tour operators and tourist guides.

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<sup>155</sup> Ministry of the Environment (2009).

<sup>156</sup> Order No. 013 of 19 June 2002.

<sup>157</sup> Order No. 020 of 2 August 2002.

<sup>158</sup> WTO document GATS/SC/17 of 30 August 1995.

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