



TECHNICAL NOTE ON PUBLIC FINANCE REFORM



1. Problem scenario

Since 2005 the CAR has been involved in the process of reconstructing the management of its public finances. Stabilising public finance is a part of the promotion of good governance and the legally constituted State, and as such is one of the Government's priorities.

The Government's main concern is its ongoing insistence on continuing with public finance reform, turning it into an effective system whereby the State may fulfil its sovereign duties leading to the restoration of its authority in all areas it manages.

2. Current situation

A number of reform procedures have already been undertaken by the Government on the basis of diagnoses prepared in conjunction with the technical financial partners.

Thanks to these reforms, the CAR has recorded encouraging macro-economic and budgetary performances in the framework of the programme for facilitating the reduction of poverty and growth agreed with the IMF in 2006. This means that macro-economic stability has been restored. Thanks to this performance the CAR was able to achieve HIPC initiative level in June 2009.

3. Action approaches to public finance reform

a- Central approaches:

- Public expense management;
- Signing public contracts;
- Payments and pensions ;
- Mobilising domestic resources;
- Public debt and mobilising external resources;
- Accounting and Treasury management.

b-Overarching approaches:

- Legal and regulatory framework;
- Information systems;
- Domestic and external monitoring systems;
- Managing human resources and upgrading skills.

4. Government initiatives and support from the International Partners

All public finance reforms were undertaken with the support of the technical and financial partners. In 2009, with the support of its development partners, the Government decided to move towards a Global Public Finance Reform Plan (GPFR) designed to facilitate a significant improvement in the quality of public finances.

5. Results

Among other things, the reforms undertaken have produced the following results: the modernisation of the legal framework of public finance with the adoption in 2006 of the new Organic Law relating to finance laws, the new Regulation of public Accounts, the Regulation on the procedures for budgetary operations, the establishment of the budgetary and accounting sections, and the reorganisation of financial administrative bodies (Taxes and Customs);

The computerisation of budget management and the adoption of new texts governing the signing of public contracts, the development of the management account and the administrative account for the year 2008, the regular payment of salaries, the attainment of the achievement point of the HIPC initiative in June 2009. In addition to this, on December 08, 2010 the Government signed a memorandum with the technical and financial partners which defined the principles and terms and conditions for the formulation and implementation of programmes for the budgetary support of the PRSD.

It should not be forgotten that since the development of PRSD I covering the 2008 – 2010 period, the Government has continued to allocate resources in accordance with the finance laws to implement the main strategic approaches. This has led to four Ministerial Departments being defined as strategic sectors. These are the Ministries of Health, National Education, Procurement and Rural Development.

Monitoring the deployment of expenses in these sectors not only allows the Government to measure the effects of the actions it undertakes in aid of poverty reduction, but also shows the CAR's technical and financial partners the efforts which have been made in support of the social sectors, and helps boost the journey towards achieving the Millennium Development



Goals (MDG).

In actual fact, from 2008 to 2011, provisional expenses for the strategic sectors rose from 50.7 billion to 87.6 billion, with an annual average growth rate of 21.7% over the period.

The table below shows the breakdown of expenses in the strategic sectors by posting.

Table: Breakdown of provisional expenses by sector and posting

in billion FCFA		Personnel	Goods & Services	Action	Invest. using own resources	Invest. using external resources	TOTAL
Education	Supplementary 2009	8 295 154	2 876 550	1 332 000	1 545 000	432 000	14 480 704
	Budget 2010	9 142 032	3 141 000	1 342 000	911 000	6 247 000	20 783 032
	Budget 2011	10 446 943	3 604 700	1 394 500	899 550	9 247 000	25 592 693
Health	Supplementary 2009	3 159 720	4 112 500	-	753 675	3 771 550	11 797 445
	Budget 2010	3 307 107	4 903 300	-	1 553 750	8 813 000	18 577 157
	Budget 2011	3 397 220	5 171 300	-	2 073 264	13 399 000	24 040 784
Social Affairs	Supplementary 2009	572 994	151 750	122 500	230 000	471 000	1 548 244
	Budget 2010	599 722	214 650	137 500	461 000	1 397 000	2 809 72
	Budget 2011	616 492	225 650	147 500	383 114	3 596 500	4 969 256
Equipment & Infrastructure	Supplementary 2009	522 563	41 050	2 785 141	1 635 000	13 498 000	18 481 754
	Budget 2010	556 017	64 950	3 274 033	1 664 000	24 043 000	29 602 000
	Budget 2011	572 416	64 950	3 881 100	1 460 000	20 714 599	26 693 065
Rural Development	Supplementary 2009	1 439 073	385 050	427 000	897 000	1 662 812	4 810 935
	Budget 2010	1 519 315	475 457 550	427 000	1 331 000	1 594 000	5 346 865
	Budget 2011	1 557 607	78 050	482 000	1 407 619	2 402 750	6 328 026

Source : DGB/D

6. Difficulties encountered

Thanks to the reforms carried out, considerable progress has been made, but is still limited by the extent of the challenges facing the country. Despite the encouraging results, public finances still reveal significant imbalances which hinder strong growth favouring poverty reduction. Public finance has also been affected by the political upheavals which have racked the country in recent years. The main problems to be tackled in the reconstruction programme concern the powerful restrictions on the budget which are reflected in the high level of the budget deficit. This is the outcome of low tax and customs income, uncontrolled expenses, excess salary payments and the low level of investment expenses.

7. Challenges and prospects

The perception of public finance reform in the CAR is based on the political approaches adopted by the Government designed to set up an effective public finance management system whereby it can steadily attain the MDGs and combat poverty.

The joint perception of the reform programme has been defined as follows: the CAR will gradually achieve, by the year 2015, an effective system of public finances aligned with international standards.



8. Strategic approaches

Improving the financial resources of the State means: (i) improving the management of public expenses; (ii) strengthening the transparency framework and the battle against corruption; and (iii) improving taxation income and rendering it secure.

Controlling public expenses means: (i) stabilising Public Finances; and (ii) controlling expenses.

Reinforcing the Ministry's human resources and equipment resources means upgrading the skill levels of the Ministry of Finance and the Budget and providing them with the equipment they need.