

# Central African Republic



## Overview

The Central African Republic (CAR) lies landlocked at the heart of the African continent. Aside from abundant land, CAR is well endowed with natural resources such as timber, gold and diamonds.

Of the total population (5 625 118) in 2017, 32.45 percent is between 25 and 54 years (male 913 363 and female 912 096). The urban population of CAR increased from 20.1 percent in 1960 to 40.65 percent of the total population in 2017, growing at an average annual rate of urbanisation of 2.73 percent, higher than the 2.12 percent total population growth rate. Subsistence agriculture, together with forestry and mining, remains the backbone of the economy; approximately 60 percent of the population lives in outlying areas, with the result that the agricultural sector generates more than half of GDP. Timber and diamonds account for most export earnings, followed by cotton.

Economic development faces hurdles which include the CAR's non-coastal geography, poor transportation system, largely unskilled work force, and a long history of misdirected macroeconomic policies. Distribution of income is particularly unequal. Despite the numerous grants from France and the international community, it has only been able to meet humanitarian needs. Since 2009, the IMF and the government have worked hand in hand to institute reforms that have resulted in some improvement in budget transparency, but other problems remain. International aid includes a three-year extended credit facility valued at US\$116 million by the IMF. Also in late 2016, the World Bank approved a US\$20 million grant to restore basic fiscal management, improve transparency, and assist with economic recovery. Participating in the Kimberley Process, a commitment to remove conflict diamonds from the global supply chain, partly lifted the ban on diamond exports from CAR in 2015. Gross Domestic Product has failed to recover to its pre-2013 levels due to the continuous insecurity.

Since the end of 2012, CAR has been facing an increasingly complex political and humanitarian crisis. Intensified armed opposition to the central government by a coalition of armed movements called Séléka resulted in a coup d'état in March 2013, which was accompanied by numerous human rights violations and large areas controlled by armed groups (80 percent of the territory). By the end of 2013, one fifth of the population (one million persons) were displaced. At least 1.2 million people have been forced from their homes. One in four people are either internally displaced or have sought refuge in neighbouring countries. In 2017, the number of internally displaced people increased by 70 percent.

## KEY FIGURES

Main urban centres	Bangui
Exchange rate: 1 US\$ = [a] 1 Aug 2018	560.24 Central African CFA
PPP Exchange rate (Local currency/PPP\$) 1 CFA = [b]	335.5
Inflation 2016 [c]   Inflation 2017 [c]   Inflation 2018	4.70   3.80   n/a
Population [d]   Urban population size	5 625 118   2 283 797
Population growth rate [d]   Urbanisation rate [d]	2.12%   2.73%
Percentage of the total population below National Poverty Line 2014 [e]	56%
Unemployment rate [b]	6%
GDP (Current US\$) [f]   GDP growth rate annual [f]	US\$2 000 million   4.0%
GDP per capita (Current US\$) 2017 [b]	US\$418
GNI per capita (Current US\$) 2017 [b]	US\$390
Gini co-efficient 2010 [b]	56.2
HDI global ranking 2016 [g]   HD country index score 2016 [g]	188   0.352
Is there a deeds registry?	Yes
Number of residential properties that have a title deed	n/a
Lending interest rate	2.95%
Mortgage interest rate   Mortgage term (years)	15%   n/a
Downpayment	n/a
Mortgage book as a percentage of the GDP	n/a
Estimated number of mortgages	n/a
Price to Rent Ratio in City Centre   Outside City Centre	n/a   n/a
Gross Rental Yield in City Centre   Outside City Centre	n/a   n/a
Construction as a % of GDP	n/a
What is the cost of standard 50kg bag of cement?	US\$17
What is the price of the cheapest, newly built house by a formal developer or contractor? (Local currency)	13 445 760 Central African CFA
What is the price of the cheapest, newly built house by a formal developer or contractor? (US\$)	US\$24 000
What is the size of this house (m <sup>2</sup> )?	50m <sup>2</sup>
What is the average rental price for this unit (US\$)?	US\$400
What is the minimum stand or plot size for residential property?	50m <sup>2</sup>
Ease of Doing Business Rank [h]	184
Number of procedures to register property [h]	5
Time to register property (days) [h]	75 days
Cost to register property (as % of property value) [h]	11.00%

NB: Figures are for 2018 unless stated otherwise.

[a]	Xe.com
[b]	World Bank World Development Indicators
[c]	African Development Bank
[d]	Indexmundi
[e]	United Nations statistics
[f]	International Monetary Fund
[g]	UNDP Development Indicators
[h]	World Bank Doing Business

However, the country is undergoing an internationally supervised transition involving several constitutional referendums as well as presidential and parliamentary elections.

Economic recovery which began in 2014, though uncertain at the start, is strengthening gradually, with a real GDP growth rate that reached 4.5 percent in 2017.<sup>1</sup> This improvement is embedded in the recovery of the extractive sector, which surged by 22.8 percent following the partial suspension of the Kimberley Process. Inflationary pressures, which were strong during the crisis, should lessen in 2017 and 2018 thanks to the recovery of transport in the Douala-Bangui corridor and to improved food supply. The inflation rate, which was as high as 11.6 percent in 2014, was expected to gradually ease from an average of 5.6 percent in 2015, to 4.7 percent in 2016 and 3.8 percent in 2017. CAR being a member of Banque des états de l'Afrique Centrale (BEAC) which is the regional central bank, lowered its benchmark interest rate by 50 basis points to an all-time low of 2.45 percent in 2015. This loose monetary policy is likely to be transmitted to the country's financial institutions.

## Access to finance

The 2018 World Bank Global Findex data report of Demirgüç-Kunt et al. (2018) shows that the percentage of the population who affirm having an account (by themselves or together with someone else) at a bank or another type of financial

institution or report personally using a mobile money service in the past 12 months has increased between 2011 and 2017. In general 14 percent, independently of age, level of education, level of income or gender, have an account. However, the percentage of respondents who report having an outstanding loan (by themselves or together with someone else) from a bank or another type of financial institution to purchase a home, an apartment, or land is 5 percent; this rate is 7 percent for the labour force (age more than 15), 2 percent for the population out of the labour force (age more than 15), 6 percent for men, 5 percent for women, 5 percent for the young adults (age between 15 and 24), 5 percent for older adults (age more than 25), 5 percent for those with primary education or less, 5 percent for those with secondary education or more, 5 percent for the poorest 40 percent, 6 percent for the richest 60 percent and 3 percent for the rural area. According to these most recent statistics, men receive more housing loans than women, the labour force receives more loans than the out-of-labour force population and the richest receive more loans than the poorest in CAR.

CAR is primed to establish a housing bank; leading officials of Shelter Africa Center, a real estate and housing firm based in Nairobi, Kenya are posing the possibility of establishing a bank for housing, according to a publication on APA news website.<sup>2</sup> This is the result of a recent meeting between the company's leading officials and the Minister of Housing to find solutions to the difficulties of state officials without decent housing. Shelter Africa intends to explore avenues for financing projects that involve the construction of social housing in the Central African Republic, to put an end to the crisis in the country's housing industry. However, the Minister warned that for such a housing scheme to become a reality, the country has to return to lasting peace and security.<sup>3</sup>

Almost no housing finance instruments are available. The housing finance landscape remains underdeveloped, offering many opportunities for the development of this sub-sector. A few banks, such as Ecobank Centrafrique and the Sahelo-Saharan Bank for Investment and Commerce, offer housing credit (over a maximum fifteen-year term) and credit for equipment (for a maximum of three years) to individuals at an interest rate of between 8.5 percent and 17 percent a year, plus value-added tax (VAT), for up to CFA 50 million (US\$85 280) for credit for equipment and without maximum amount for housing credit. These loans are secured by first-order mortgages on the concerned properties and are in general supplied to public and private administration workers. Additionally, according to the World Bank database on housing finance provided by Badev et al. (2014),<sup>4</sup> the minimum income required for a prudent mortgage in CAR is US\$13 894 and only 0.5 percent of the population can afford this; the access to the mortgage market is therefore challenging for almost all of the population.

In 2011 and 2012, government officials from the Ministry of Urban Development and Housing undertook several exchange visits to Senegal and Morocco to learn from these countries in view of creating a housing bank. Plans were to create a housing bank named the Central African Housing Bank (Banque de l'Habitat de la Centrafrique), and a housing promotion agency (Agence Centrafricaine de Promotion de l'Habitat). The Housing Promotion Agency was created in 2009 and fully staffed in 2011. However, the creation of the Central African Housing Bank was never ratified.

As part of the Central African Economic and Monetary Community (CEMAC), CAR shares a common currency with other member states and delegates monetary policy to the BEAC. The financial sector is regulated by two regional regulatory authorities named COSUMAF (Commission de Surveillance du Marché Financier de l'Afrique Centrale) to regulate financial institutions and COBAC (Commission Bancaire d'Afrique Centrale) to administer, regulate, and supervise countries' member banks; additionally, there is a Division of Financial Control at the Ministry of Finance and Budget, which works as a national authority for financial institutions.

CAR made progress in providing access to finance until the last political crisis again disrupted efforts. CAR's financial sector is the smallest in the CEMAC region and accounts for only 17.6 percent of GDP; it is thus largely underdeveloped and plays only a limited role in supporting economic growth. In addition to the BEAC National Office, the system currently comprises four commercial banks, holding approximately 93 percent of the total financial system's assets in addition to two microfinance institutions (MFIs), two post office banks, three insurance companies,

and a social security fund. Other financial institutions are largely absent from the country's financial system, and their development remains hampered by weak market infrastructure as well as the lack of the necessary legal, judicial, prudential, and regulatory frameworks. While the sector has seen some moderate expansion in recent years, financial intermediation levels are amongst the lowest in the world, and credit to the economy, which was 15 percent of GDP in 2014, represented only 12.9 percent of GDP in 2017; and the main sectors benefitting from bank loans in the same year are trade (20 percent), transport and communications (16 percent), forestry (12 percent) and other services (28 percent).

Access to housing-related financial products remains a major challenge. Due to economic and security concerns, financial institutions, and particularly banks and MFIs, have largely consolidated their business in Bangui, the capital of the country. Bank branches and ATMs are mostly concentrated in three towns, with 71 percent of total branches located in Bangui. Coverage of banking services as measured by the number of branches per 100 000 adults was only 0.96 percent in 2013. Ecobank Centrafrique is the most extensive banking company, with branches in each of the main urban centers. Ecobank has 12 branches all over the country, although eight of these are located in Bangui. The post office is in charge of the postal savings bank, primarily serving as a channel for salary payments to civil servants, a minimal percentage of whom hold a savings account. According to the latest getting-credit indicator of the World Bank's Doing Business Report (2018), CAR is ranked 142 out of 190 countries. About 5.7 percent of the population holds a bank account and only 0.5 percent have outstanding loans, while only 1 percent has access to MFIs. Low levels of mobile penetration also dampen the potential expansion of access to financial services through mobile technology.

Between 2007 and 2011, UNCDF, UNDP, the CAR Government and various players of the microfinance sector launched a four-year US\$4 million programme named Programme d'Appui à l'Emergence d'un Secteur Financier Inclusif en République Centrafricaine. The aim is to support the emergence of an inclusive financial sector in order to give the poor and low income population access to sustainable financial products and services provided by microfinance institutions operating in a sustainable legal and institutional framework. At the beginning of 2010 there were only five licensed MFIs, comprising 31 branches and 32 000 clients. Crédit Mutuel de Centrafrique is the most important MFI network in the CAR, with a gross loan portfolio of US\$3.9 million shared by 6 109 account owners, and deposits amounting to US\$8.8 million in 2013. The Société Financière Africaine de Crédit (SOFIA), another MFI, began operations in March 2009, and by end 2014 had 330 borrowers with total loans of US\$0.24 million; however, during the same year, the SOFIA deposits amount was higher (US\$3.25 million), highlighting the issue of financial access in CAR.

### Affordability

Affordability is of great concern in the CAR housing sector. The high cost of building materials, low incomes of Central Africans, and the general political and economic volatility make owning a house a mere dream for the average citizen. In 2017, a simple one-bedroom housing unit with a modern toilet costs on average CFA 13.9 million (US\$24 000). Compared to the average monthly income of only CFA 20 844 (US\$36), the cost of a one-bedroom house represents 576 times monthly revenue. It is obvious that only a tiny proportion of the Central African population can access formal housing.

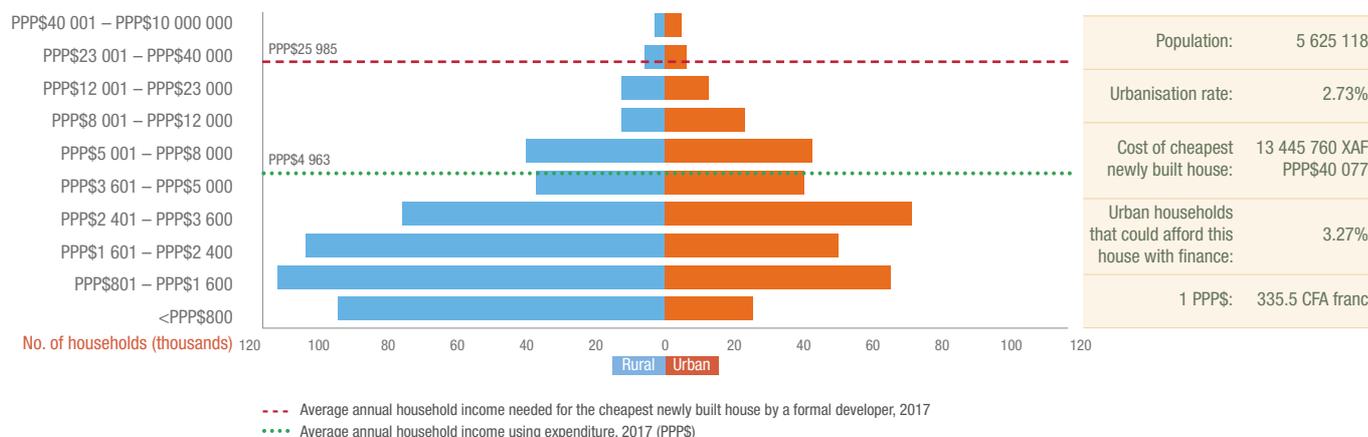
The urban population rate was 40.65 percent in 2017 (with a forecast of 61.6 percent in 2050). This increasing housing demand on one hand combined with the very small proportion of the CAR population which can access formal housing on the other hand highlights the issue of housing affordability and the urgent need for a clear policy to solve the issue.

A large number of Internally Displaced Persons (IDPs) occupy rental units (estimates are around 70 percent). Unsurprisingly, the main challenge for this group of IDPs has been the inability to pay rent, having lost their livelihoods. In Carnot and Sibut the monthly rent varied between CFA 2 895 to 5 790 (US\$5.27-US\$10.54) while in Bangui this could be anything between CFA 52 110 to 579 000 (US\$94.9-US\$1 054.47), depending on the size of the house and the main purpose of renting.

In 2017 a standard 50kg bag of cement cost as much as CFA 10 000 (US\$18.21). Other building materials such as a standard iron bar and a sheet of corrugated

## CENTRAL AFRICAN REPUBLIC

Annual income profile for rural and urban households based on consumption (PPP\$)

Source <https://www.cgidd.com/>

iron cost between CFA 2 000 (US\$3.64) and CFA 8 500 (US\$15.48), and CFA 5 000 (US\$9.1) and CFA 20 000 (US\$36.42), respectively. A major development in the housing sector in 2012 was the completion of the only cement manufacturing plant in the country, realised with Indian investment. It was expected that the price of a standard 50kg bag of cement bag could drop to CFA 7 500 (US\$13.66). However, the CAR's energy problems will have to be solved first, and given the recent political crisis, it is not clear when this plant will help meet expectations.

### Housing supply

The recent political and security crisis has particularly damaged the prospects of the development of good standardised towns and cities. A government project is underway to redesign urban/housing development and planning in Bangui, with the main aim of bringing structure to its breakneck urbanisation and establishing a sustainable healthy housing environment. Since the emergence of the crisis, a large portion of CAR's housing stock has been pillaged, burnt or destroyed. The United Nations High Refugee Commissariat estimates that at least 170 houses in Bangui's 8th district and 900 in the 5th district have been partially or completely destroyed since December 2013. In Begoua, just north of Bangui, an estimated 800 houses have been partially or completely destroyed. It is estimated that 100 houses were partially or completely destroyed in Sibut town.

Even though the CAR Ministry of Housing has initiated and/or is implementing several projects, the recurring crises that the country experienced, has seriously inhibited the willingness of many international companies to build housing in CAR. For example, in 2011, the Ministry of Housing received funding from Cotel –Africa, a housing finance structure based in Nairobi, Kenya, to build 300 housing units on two sites, one in the neighbourhood Boy-Rabe (Bangui) and the other in the village on the road Kozobilo Boali. Unfortunately, this last project has not been completed. Additionally, the Morocco kingdom has financed the construction of 100 housing in Sakai locality; however, even if the project is financed at 70 percent, the deadline has passed and the housing is not available.

### Property markets

The 1964 Land Code classifies land as being either within the public or the private domain of the state. The public domain is defined as all natural and artificial resources that, by their very nature, should be publicly managed for the benefit of the population. They are inalienable and cannot be traded commercially, for instance waterways, classified parks, lakes and railways. The private domain of the state is defined as all unregistered land, landholdings acquired by the state and the exercise of eminent domain. Obtaining ownership rights over land in the private domain of the state is possible. This requires, however, that land be registered (and in most cases developed). The process for registering private property, culminating in the attainment of a title deed, is considered costly and time consuming. According to the World Bank's 2018 Doing Business Report, it takes 75 days and 5 procedures, and costs on average 11.1 percent of the property value to register a property, resulting in a ranking of 169<sup>th</sup> out of 190 countries for

registry of property. This, as well as the government's weak land administration and management capacity in most parts of the country, explains the fact that only 0.1 percent of land has been registered. Between 1899, when the title deed was introduced, and July 2012 only 8 579 title deeds had been issued according to the land registry at the Ministry of Finance, the majority of which were for properties in Bangui and other urban areas. Homeowners in rural areas frequently only entered into verbal agreements regarding their ownership, often with involvement of a chief. The inclusion of unregistered land in the private domain of the state is therefore a very significant feature of CAR's land tenure system. Ownership of registered property can be transferred via purchase, inheritance and lease.

The real estate market in the Central African Republic is almost non-existent, as there are no real estate operators in the country. As most houses are self-built, when owners want to sell they advertise in the newspapers or announce their intention informally within their social networks.

### Policy and regulation

CAR's legal system is based on the French civil law system. As with other branches of government in CAR, the judiciary suffered from decades of insecurity and poor governance. Prior to the current crisis, several key legislative documents, such as the Family Law (Code de la Famille) and the 1964 Land Code were under revision. Due to the events of late 2012 and early 2013 until today, these review processes have not been concluded and other housing strategies and plans have been side lined.

The decree explaining the organisation and functioning of the Ministry of Housing stipulates the construction, management and promotion of administrative housing as its main directive. Other officials indicated that the focus on housing provided for civil servants would remain. The Ministry of Urbanism allocates and manages CAR's land. It allocates land, to, for instance, private parties but also to bigger projects such as housing schemes. The Ministry also manages the country's cadastre, provides technical expertise to assess and demarcate land, determines criteria for the development of land and issues construction permits and title deeds.

The technical aspect of the cadastre is complemented by the Ministry of Finance and Budget, which takes care of the financial side of land registration. It also houses the land registration office (known as the Office of Domaines). This means that once the land registration office has issued a title deed, the related files are transferred to and stored at the Ministry of Finance and Budget.

In addition to the existing regulation frameworks governing the housing sector, some recent policies have been implemented including:

- In 2017, the CAR introduced a new conciliation procedure for companies in financial difficulties and a simplified preventive settlement procedure for small companies in order to make resolving insolvency easier.

- Poverty Reduction and Growth Strategy (2011-2015): Over this period the government aims to undertake the following housing interventions: create decent housing for the population, provide the population with marked-out building plots, and implement city planning systems. On this last objective, the country has received strong support from the African Development Bank, which will support Bangui's City Development Strategy (CDS). The CDS was, however, not yet drafted before the crisis engendered by the March 2013 coup d'état, and as a result, the current political situation is very likely to delay the achievement of these goals.

### Opportunities

There is a huge need for cost-effective housing in all segments of the market because of the high prices of building materials. Also, with the completion of the new cement plant, which is expected to lower the price of cement, the effective demand for housing should increase over the coming years, while affordability is expected to grow too. The outlook for growth in the current reconstruction period is high. This includes huge housing accumulation, growing middle and upper classes, increased capital inflows from CAR citizens in the diaspora and other international investors, increased local investment and better legislation and reforms. Additionally, the latest economic studies have found that reconstruction after years of conflict which devastated infrastructure is a key determinant of housing finance (Nguena et al., 2016). Other planned structural reinforcements such as the potential housing bank are indicative of a market open for expansion and primed for the introduction of new finance and housing products.

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<sup>2</sup> APA News (July 2017). "CAR to set up housing bank"

<sup>3</sup> Ibid.

<sup>4</sup> Badev, A., T. Beck, L. Vado & S. Walley (2014).