

Central African Republic

RISK & COMPLIANCE REPORT

DATE: March 2018

Executive Summary - Central African Republic	
Sanctions:	Yes - UN and EU have imposed arms embargo, travel ban and asset freeze restrictions
FAFT list of AML Deficient Countries	No
Higher Risk Areas:	Compliance with FATF 40 + 9 Recommendations Not on EU White list equivalent jurisdictions Corruption Index (Transparency International & W.G.I.) World Governance Indicators (Average Score) Failed States Index (Political Issues)(Average Score)
<p>Major Investment Areas:</p> <p>Agriculture - products: cotton, coffee, tobacco, manioc (tapioca), yams, millet, corn, bananas; timber</p> <p>Industries: gold and diamond mining, logging, brewing, sugar refining</p> <p>Exports - commodities: diamonds, timber, cotton, coffee</p> <p>Exports - partners: Belgium 31.5%, China 27.7%, Democratic Republic of the Congo 8.6%, Indonesia 5.2%, France 4.5% (2012)</p> <p>Imports - commodities: food, textiles, petroleum products, machinery, electrical equipment, motor vehicles, chemicals, pharmaceuticals</p> <p>Imports - partners: Netherlands 19.5%, Cameroon 9.7%, France 9.3%, South Korea 8.7% (2012)</p>	
<p>Investment Restrictions: Information unavailable</p>	

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Section 1 - Background

The former French colony of Ubangi-Shari became the Central African Republic upon independence in 1960. After three tumultuous decades of misrule - mostly by military governments - civilian rule was established in 1993 and lasted for one decade. In March, 2003 President Ange-Felix PATASSE was deposed in a military coup led by General Francois BOZIZE, who established a transitional government. Elections held in 2005 affirmed General BOZIZE as president; he was reelected in 2011 in voting widely viewed as flawed. The government still does not fully control the countryside, where pockets of lawlessness persist. The militant group the Lord's Resistance Army continues to destabilize southeastern Central African Republic, and several rebel groups joined together in early December 2012 to launch a series of attacks that left them in control of numerous towns in the northern and central parts of the country. The rebels - who are unhappy with BOZIZE's government - participated in peace talks in early January 2013 which resulted in a coalition government including the rebellion's leadership. In March 2013, the coalition government dissolved, rebels seized the capital, and President BOZIZE fled the country. Rebel leader Michel DJOTODIA assumed the presidency, reappointed Nicolas TIANGAYE as Prime Minister, and established a transitional government on 31 March. On 13 April 2013, the National Transitional Council affirmed DJOTODIA as President.



Section 2 - Anti – Money Laundering / Terrorist Financing

FATF status

Central African Republic is not on the FATF List of Countries that have been identified as having strategic AML deficiencies

Compliance with FATF Recommendations

The Central African Republic has not yet undertaken a Mutual Evaluation Report relating to the implementation of anti-money laundering and counter-terrorist financing standards.

US Department of State Money Laundering assessment (INCSR)

Central African Republic was deemed a 'Monitored' Jurisdiction by the US Department of State 2016 International Narcotics Control Strategy Report (INCSR).

Key Findings from the report are as follows: -

Perceived Risks:

The Central African Republic (CAR) is not a major financial center and has an extremely limited banking sector. The economy is almost entirely cash-based, and enforcement of existing AML laws is weak. The level of violence in the country led to the removal of the former president in early 2013 and a subsequent three-year political transition period. The CAR is a member of the Economic and Monetary Community of Central Africa (CEMAC) and shares a regional central bank, the Bank of Central African States (BEAC), with other members. The lack of a cohesive national security force and porous borders allow cross-border activities to go undetected. Smuggling of contraband, including diamonds and arms, occurs across the unsecured border areas with Chad and Sudan. Undocumented trade across the river with Democratic Republic of Congo, which consists primarily of timber and domestic and agricultural goods, also occurs. The CAR is also a source and transit country for the trafficking of persons. There is little information on the extent of the drug trade or any resulting financial transactions in the CAR. Corruption is endemic throughout all levels of commerce and government.

The UN has issued an arms embargo against the CAR, and the UN, EU, and United States have imposed travel restrictions and asset freezes against former government officials and leaders of rebel groups that undermine the peace, stability, or security of the CAR or threaten or impede the political transition process or the stabilization and reconciliation process, or that promote violence.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: List approach
Are legal persons covered: criminally: YES civilly: YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: NO Domestic: NO
KYC covered entities: Public treasuries, banks, investment companies, insurance companies, microfinance organizations, money exchange and transfer companies, casinos, notary offices, real estate and travel agencies, accounting and auditing offices, and merchants

REPORTING REQUIREMENTS:

Number of STRs received and time frame: Not available
Number of CTRs received and time frame: Not applicable
STR covered entities: Banks, microfinance organizations, merchants, public treasuries, and money exchanges

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available
Convictions: Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: NO Other mechanism: YES
With other governments/jurisdictions: YES

The CAR is a member of the Task Force against Money Laundering in Central Africa (GABAC), a FATF-style regional body.

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Oversight and enforcement of AML laws and regulations are lax in most areas of governance in the CAR. The government lacks the capacity to supervise financial activity and enforce legislation, and the responsibility to do so is ill-defined among the relevant enforcement bodies.

The CAR has taken steps to establish a financial intelligence unit, but it is not operational due to lack of funding and staff. There is little expertise to investigate financial crimes. CAR law enforcement units involved in enforcing existing AML or anti-fraud laws, like CAR law enforcement overall, is very weak and lacks training and resources to conduct even basic law enforcement efforts. The Gendarmerie does have a financial crimes investigation unit, but it is unclear how many cases it processes in a given year.

Insufficient data and transparency make it difficult to assess the effectiveness of the CAR's AML efforts. Given the extremely limited scope of the financial sector, government authorities have expressed confidence in their ability to spot anomalies or significant suspicious banking

transactions. However, the economy is cash based. The Government of the Central African Republic should examine money laundering as it relates to fraud, smuggling, trade, and corruption.

Current Weaknesses in Government Legislation (2013 INCRS Comparative Tables):

According to the US State Department, Central African Republic does not conform with regard to the following government legislation: -

Record Large Transactions - By law or regulation, banks are required to maintain records of large transactions in currency or other monetary instruments.

Egmont Financial Intelligence Units - .The jurisdiction has established an operative central, national agency responsible for receiving (and, as permitted, requesting), analyzing, and disseminating to the competent authorities disclosures of financial information concerning suspected proceeds of crime, or required by national legislation or regulation, in order to counter money laundering. These reflect those jurisdictions that are members of the Egmont Group.

System for Identifying/Forfeiting Assets - The jurisdiction has enacted laws authorizing the tracing, freezing, seizure, and forfeiture of assets identified as relating to or generated by money laundering activities.

Arrangements for Asset Sharing - By law, regulation or bilateral agreement, the jurisdiction permits sharing of seized assets with third party jurisdictions that assisted in the conduct of the underlying investigation.

International Transportation of Currency - By law or regulation, the jurisdiction, in cooperation with banks, controls or monitors the flow of currency and monetary

EU White list of Equivalent Jurisdictions

Central African Republic is not currently on the EU White list of Equivalent Jurisdictions

World Governance indicators

[To view historic Governance Indicators Ctrl + Click here and then select country](#)

Failed States Index

[To view Failed States Index Ctrl + Click here](#)

Offshore Financial Centre

Central African Republic is not considered to be an Offshore Financial Centre

US State Dept Trafficking in Persons Report 2014 (introduction):

The Central African Republic is classified a Tier 3 country - a country whose government does not fully comply with the minimum standards and is not making significant efforts to do so.

The Central African Republic (CAR) is a source, transit, and destination country for children subjected to forced labor and sex trafficking, women subjected to forced prostitution, and adults subjected to forced labor. Observers report most victims appear to be CAR citizens exploited within the country, and a smaller number are transported back and forth between CAR and Cameroon, Chad, Nigeria, Republic of the Congo, Democratic Republic of the Congo (DRC), Sudan, and South Sudan. Traffickers—likely including people from Nigeria, South Sudan, and Chad, as well as transient merchants and herders—subject children to domestic servitude, commercial sexual exploitation, and forced labor in agriculture, artisanal gold and diamond mines, shops, and street vending. Within the country, children are at risk of becoming victims of forced labor, and Ba'aka (pygmy) minorities are at risk of becoming victims of forced agricultural work, especially in the region around the Lobaye rainforest. Girls are at risk of being exploited in commercial sex in urban centers. Girls forced into marriages are often subjected to domestic servitude, sexual slavery, and possibly sex trafficking. Reports indicate the incidence of forced marriages, often perpetrated by members of armed groups, increased during the year.

Surges in violent conflict in recent years resulted in chronic instability and the displacement of nearly one million people, increasing the vulnerability of men, women, and children to forced labor and sex trafficking. In March 2016, more than 420,000 people remained internally displaced and approximately 470,000 sought refuge in neighboring countries. There is limited information about the forms of exploitation believed to have increased as a result of years of conflict. The recruitment and use of children by armed groups, at times through force, particularly among armed groups aligned with the former Seleka government and the organized village self-defense units fighting against it known as the anti-Balaka, has been widely documented. The UN reported between 6,000 and 10,000 children remained under the control of these armed groups during the reporting period. On May 5, 2015, as part of the Bangui Forum for National Reconciliation, 10 armed groups operating in the country agreed to release all children under their control and cease recruitment of child soldiers. Since the beginning of 2015, 1,990 children have been separated from armed groups. The government remained without an effective disarmament, demobilization, and reintegration program. However, all children received reintegration support from an international organization and most were reunited with their families, while others received care from substitute families pending family tracing and reunification. There were 1,015 verified child soldiers amongst the ex-Seleka, anti-Balaka, and the Lord's Resistance Army (LRA), including 12 girls, at the end of the reporting period, a significant decrease following the demobilization agreement and subsequent demobilization programs. Children formerly associated with armed groups remained at risk of re-recruitment. For example, one armed group re-recruited approximately 150 children in January 2016.

Allegations of sexual abuse by peacekeepers within the United Nations Multidimensional Integrated Stabilization Mission in the Central African Republic (MINUSCA) persisted during

the reporting period. MINUSCA peacekeepers raped or sexually abused at least eight women and girls between October and December 2015, some of whom may have been trafficking victims. More than 100 cases have been reported since MINUSCA's inception in September, 2014, and 38 of these cases were reported during the reporting period. Peacekeepers from DRC and Republic of the Congo allegedly perpetrated the majority of these 38 reported cases; however, soldiers from Bangladesh, Morocco, Niger, Senegal, Cameroon, and Egypt were also reportedly involved.

The LRA, a Ugandan rebel group that operates in CAR's eastern regions, continued to enslave Central African, South Sudanese, Congolese, and Ugandan boys and girls for use as cooks, porters, concubines, and combatants. Some of these children may have been taken back and forth across borders into South Sudan or DRC. Between January and March 2016, the LRA abducted 217 people, nearly double the number abducted in 2015. One quarter of the abductions were children, 41 of whom are still missing or in captivity. The LRA also committed abductions, forced girls into marriages, and forced children to commit atrocities such as looting and burning villages, killing village residents, and abducting or killing other children. During the reporting period, UNICEF reported the LRA abducted at least 12 children, who were used as porters and combatants.

The Government of the Central African Republic does not fully meet the minimum standards for the elimination of trafficking and is not making significant efforts to do so. The transitional government, which assumed power in January 2014, continued to govern during the reporting period and was not aligned with any armed groups currently operating in CAR. In May 2015, as part of the Bangui Forum for National Reconciliation, 10 armed groups operating in the country agreed to release all children under their control and cease recruitment of child soldiers. An international organization, in partnership with the government, provided medical care and psychological services for demobilized child soldiers. Although criminal cases were heard during the reporting period for the first time since 2011, the government did not investigate or prosecute any trafficking cases or convict any traffickers. The government did not independently identify, provide protection to, or refer to service providers any trafficking victims.

UN

In December 2013, pursuant to resolution 2127 (2013), the UN imposed an arms embargo, travel ban and asset freeze restrictions against the Central African Republic.

[Read Regulation](#)

EU

12 March 2014 - Council Regulation (EU) No 224/2014 of 10 March 2014 concerning restrictive measures in view of the situation in the Central African Republic

The new EU measures target persons engaging in or supporting acts that undermine the peace, stability or security of the CAR and also imposes a wide range of economic and military restrictions, prohibiting the provision of technical assistance or brokering services in the CAR, in relation to goods and technology listed in the Common Military List of the European Union.

[Read Regulation](#)

Bribery & Corruption

Index	Rating (100-Good / 0-Bad)
Transparency International Corruption Index	23
World Governance Indicator – Control of Corruption -	9

Corruption is a very high risk for companies operating in the Central African Republic (CAR). After a government coup in 2013, political instability and widespread violence significantly undermined the rule of law. Pre-coup corruption was already a problem, but the ongoing insecurity has further exacerbated corruption, which in turn perpetuates the fragility of the state. Investors should be aware that bribery and extortion are pervasive throughout the country, and impunity is a severe problem. CAR has ratified the United Nations Convention Against Corruption, but efforts to curtail corruption are minimal. **Information provided by GAN Integrity.**

Section 3 - Economy

Subsistence agriculture, together with forestry and mining, remains the backbone of the economy of the Central African Republic (CAR), with about 60% of the population living in outlying areas. The agricultural sector generates more than half of GDP. Timber and diamonds account for most export earnings, followed by cotton. Important constraints to economic development include the CAR's landlocked geography, poor transportation system, largely unskilled work force, and legacy of misdirected macroeconomic policies. Factional fighting between the government and its opponents remains a drag on economic revitalization. Distribution of income is extraordinarily unequal. Grants from France and the international community can only partially meet humanitarian needs.

Since 2009, the IMF has worked closely with the government to institute reforms that have resulted in some improvement in budget transparency, but other problems remain. The government's additional spending in the run-up to the 2011 election worsened CAR's fiscal situation. In 2012, the World Bank approved \$125 million in funding for transport infrastructure and regional trade, focused on the route between CAR's capital and the port of Douala in Cameroon. After a two-year lag in donor support, the IMF's first review of CAR's extended credit facility for 2012-15 praised improvements in revenue collection but warned of weak management of spending.

Kimberley Process participants partially lifted the ban on diamond exports from the country in 2015, but persistent insecurity will prevent GDP from recovering to its pre-2013 level.

Agriculture - products:

cotton, coffee, tobacco, cassava (manioc, tapioca), yams, millet, corn, bananas; timber

Industries:

gold and diamond mining, logging, brewing, sugar refining

Exports - commodities:

diamonds, timber, cotton, coffee

Exports - partners:

Norway 52.2%, China 14.1%, Democratic Republic of the Congo 8.3% (2015)

Imports - commodities:

food, textiles, petroleum products, machinery, electrical equipment, motor vehicles, chemicals, pharmaceuticals

Imports - partners:

Norway 39.6%, France 6.8%, US 4.6% (2015)

Stock Exchange

The BVMAC, with a primary market and secondary market, was founded in 2003. It is a regional stock exchange, with headquarters in Libreville, Gabon, and it serves the following central African countries: Cameroon, Central African Republic, Chad, Congo, Equatorial Guinea and Gabon.

Section 4 - Government

Chiefs of State and Cabinet Members:

For the current list of Chiefs of State and Cabinet Members, please access the following - [Central Intelligence Agency online directory of Chiefs of State and Cabinet Members of Foreign Governments](#)

Legal system:

Civil law system based on the French model

International organization participation:

ACP, AfDB, AU, BDEAC, CEMAC, EITI (compliant country), FAO, FZ, G-77, IAEA, IBRD, ICAO, ICRM, IDA, IFAD, IFC, IFRCS, ILO, IMF, Interpol, IOC, IOM, ITSO, ITU, ITUC (NGOs), MIGA, NAM, OIC, OIF, OPCW, UN, UNCTAD, UNESCO, UNIDO, UNWTO, UPU, WCO, WHO, WIPO, WMO, WTO

Section 5 - Tax

Exchange control

Information unavailable

Treaty and non-treaty withholding tax rates

Information unavailable

Methodology and Sources

Section 1 - General Background Report and Map

(Source: [CIA World Factbook](#))

Section 2 - Anti – Money Laundering / Terrorist Financing

	Lower Risk	Medium Risk	Higher Risk
FATF List of Countries identified with strategic AML deficiencies	Not Listed	AML Deficient but Committed	High Risk
Compliance with FATF 40 + 9 recommendations	>69% Compliant or Fully Compliant	35 – 69% Compliant or Fully Compliant	<35% Compliant or Fully Compliant
US Dept of State Money Laundering assessment (INCSR)	Monitored	Concern	Primary Concern
INCSR - Weakness in Government Legislation	<2	2-4	5-20
US Sec of State supporter of / Safe Haven for International Terrorism	No	Safe Haven for Terrorism	State Supporter of Terrorism
EU White list equivalent jurisdictions	Yes		No
International Sanctions UN Sanctions / US Sanctions / EU Sanctions	None	Arab League / Other	UN , EU or US
Corruption Index (Transparency International) Control of corruption (WGI) Global Advice Network	>69%	35 – 69%	<35%
World government Indicators (Average)	>69%	35 – 69%	<35%
Failed States Index (Average)	>69%	35 – 69%	<35%
Offshore Finance Centre	No		Yes

Section 3 - Economy

General Information on the current economic climate in the country and information on imports, exports, main industries and trading partners.

(Source: [CIA World Factbook](#))

Section 4 - Foreign Investment

Information on the openness of foreign investment into the country and the foreign investment markets.

(Source: [US State Department](#))

Section 5 - Government

Names of Government Ministers and general information on political matters.

(Source: [CIA World Factbook](#) / <https://www.cia.gov/library/publications/world-leaders-1/index.html>)

Section 6 - Tax

Information on Tax Information Exchange Agreements entered into, Double Tax Agreements and Exchange Controls.

(Sources: [OECD Global Forum on Transparency and Exchange of Information for Tax Purposes](#) [PKF International](#))

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