

AFRICAN DEVELOPMENT FUND



INFORMATION NOTE ON NIGER AND MADAGASCAR PORTFOLIO RESTRUCTURING

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1. BACKGROUND

1.1 As you will recall, I informed the Boards on 22 September 1995, while approving the Proposal for the Restructuring of the Bank Group Portfolio in Rwanda, that Management would discontinue the portfolio restructuring exercise which has been used in the past to facilitate the settlement of arrears. In advising the Boards on the decision to discontinue the portfolio restructuring exercise, I indicated that three exemptions would be made namely, Niger, Madagascar and Equatorial Guinea because of the Bank's commitment to join other donors in supporting the Governments' reform programmes. The support will assist the Governments to sustain their reform efforts. The rating agencies were advised last year of these three exemptions.

1.2 The portfolio restructuring exercises for Niger and Madagascar were expected to be completed by the end of 1996, while the one for Equatorial Guinea was subsequently dropped because it settled its arrears. However, the finalization of the reform programmes of the remaining two countries with the IMF, took longer than envisaged. Consequently, it has not been possible to meet the December 1996 deadline. The Bank therefore granted the two countries an extension up to the end of March, 1997, to finalize their programmes with the IMF. The purpose of this information note is to give an indication of the progress made in the reform programmes and the new schedule of the presentation of the portfolio restructuring proposals to the Boards.

2. STATUS OF REFORM PROGRAMMES IN NIGER AND MADAGASCAR

2.1 **Niger:** The reform programme was launched in April, 1996. The programme is supported by an IMF Enhanced Structural Adjustment Facility (ESAF) amounting to SDR 57.96 million, of which the first tranche (SDR 9.66 million) was released in June 1996. The European Union has also given a budgetary assistance of FCFA 9.00 billion and the agreement was signed on November 9, 1996. The World Bank is also planning to lend to Niger a single-tranche Public Sector Adjustment Credit amounting to US\$ 25.00 million in March 1997. The Bank Group participated in the ESAF mid-term review in November 1996, and confirmed the positive progress of the programme except for the financing gap which has not been filled for the period of April 1996 to March 1997. In addition, the Paris Club agreed on a debt rescheduling and reduction arrangement for Niger on December 19, 1996. We are closely monitoring the financing gap and the release of the second tranche of ESAF before submitting a Portfolio Restructuring proposal to the Board. The document has however been finalized and is ready for distribution to the Boards.

2.2 **Madagascar:** The medium-term programme for Madagascar has also been agreed with the IMF. The programme is supported by an ESAF amounting to SDR 80.4 million approved by the IMF Board of Directors on 27 November, 1996, and the first tranche of SDR 13.0 million was released on 13 December, 1996. The conditions of the IMF programme include the clearance of Madagascar's arrears to the ADE and ADF through the restructuring of the Bank Group portfolio in the country and under the auspices of the Paris Club. An IMF mission visited Madagascar in December, 1996, to launch the programme. The Bank Group Portfolio Restructuring mission was also in the country at the same time to ensure effective coordination with the IMF mission. Madagascar also successfully negotiated a single-tranche Structural Adjustment Credit amounting to US\$ 70 million with the World Bank in October, 1996. The World Bank intends to present the loan proposal to its Board by February, 1997, and the credit is expected to be disbursed before the end of March 1997. Given that the World Bank tranche disbursement is important for the clearance of Madagascar's arrears to the Bank Group, the Portfolio Restructuring proposal will be finalized for Board presentation before end of May 1997.

3. **CONCLUSION**

It is encouraging to note that Niger and Madagascar had made a satisfactory progress in agreeing their reform programmes with the IMF. In view of this progress, Management intends to finalize and present the portfolio restructuring proposals for the two countries to the Boards latest by 31 May, 1997.