

AFRICAN DEVELOPMENT FUND



AFRICAN DEVELOPMENT BANK



**NIGER : HIPC APPROVAL DOCUMENT - DECISION
POINT UNDER THE ENHANCED FRAMEWORK***

NB : This document contains errata or corrigenda (see Annexes)

**HIPC APPROVAL DOCUMENT FOR NIGER:
Decision Point under the Enhanced Framework**

1. INTRODUCTION

1.1 The Boards of Directors approved the Bank Group's participation in the enhanced HIPC Initiative, on July 6, 2000. During this meeting, Management's proposal for the delivery modalities and financing arrangements were also approved. Accordingly, the Bank Group would provide its debt relief by releasing eligible countries from up to 80 percent of their annual debt service obligations until the total debt relief is delivered. Debt service delivery would commence at the decision point, with no more than 40 percent of HIPC assistance being provided during the interim period, viz., between the decision and completion points. Whenever possible, total debt relief will be provided within 15 years.

1.2 During their deliberations, the Boards of Directors took note of an earlier meeting of the Deputies of the African Development Fund on June 30, 2000 in Paris. At this meeting the Deputies endorsed the Bank Group's proposed delivery modalities and further agreed that the Bank Group has made the maximum effort in generating internal resources for the HIPC Initiative. The Deputies gave assurance to the Bank Group that they would meet the remaining financing gap to cover the full cost of the Bank's participation in the Initiative.

1.3 In December 2000, Niger reached its decision point and the Boards of the IMF and World Bank approved US\$ 520.6 million worth of debt relief in end-1999 net present value (NPV) terms under the enhanced HIPC Framework. This document invites the Boards to note the justifications for Niger's qualification for HIPC assistance, and approve the proposed plan to finance the Bank Group's share of Niger's costs. Section 2 of this document summarises details of Niger's qualification, while the total debt relief is disaggregated in Section 3 to illustrate how the Bank Group's share of the HIPC costs have been derived. The Bank Group's operations are reviewed in Section 4, with particular emphasis on activities related to the Poverty Reduction Strategy Papers (PRSPs). Section 5 presents details of the proposed delivery modality. The proposed financing plan is presented in Section 6. Recommendations for the Boards' consideration are contained in Section 7.

2. HIPC QUALIFICATION

Niger qualified for US\$ 520.6 million worth of debt relief assistance, equivalent to 53.5 percent reduction in the country's outstanding stock of debt at end-1999 after full use of traditional debt relief mechanisms. The country reached its decision point in December, 2000, and is expected to reach its completion point by 2003 by fulfilling the following conditions:

- Preparation and implementation of a full PRSP for at least one year;
- Ensuring full budgeting of poverty-reduction programs financed with HIPC Initiative assistance, and publishing semi-annual reports of the budget execution of these programs; evaluate the impact of public spending on the poor through a pilot beneficiary incidence analysis in the health sector; and submitting budget review laws to the national assembly and the corresponding treasury accounts to the Supreme Court's Accounting Office for fiscal years 1998-2000.

- Maintaining a stable macroeconomic environment as evidenced by satisfactory performance under a program supported by the IMF-supervised Poverty Reduction and Growth Facility (PRGF) arrangement;
- Constructing at least 1000 new classrooms, of which 85 percent will be in the rural areas; and recruiting 1,200 new volunteer primary school teachers, of whom 75 percent will be placed in rural schools; and limiting grade 6 repetition rates to 15 percent or lower;
- Increasing the staffing of rural health centers through the redeployment and/or recruitment of at least 300 multipurpose nurses and auxiliary midwives; adopting a plan to improve the availability of essential drugs in rural health centers; and increasing national immunization rates of children aged 12-24 months for DPT3 to 40 percent from 25 percent in 1998;
- Establishing a baseline of qualitative and quantitative data to serve as a basis for the finalization and adoption of a strategy to fight HIV/AIDS;

A copy of the relevant HIPC decision point document is annexed to this report.

3. HIPC COSTS

Bilateral creditors will account for US\$ 211.3 million (41 percent) Niger's debt relief while multilateral creditors will deliver the remaining US\$ 309.2 million (59 percent) The Bank Group's share of debt relief will amount to US\$ 37.2 million in 1999 NPV terms. Table 1 provides a breakdown of Niger's total debt relief in NPV terms.

Table 1. Breakdown of Niger's HIPC Costs

	US\$ million (End-1999 NPV)
Total HIPC Debt Relief	520.6
Bilateral Creditors	211.3
Multilateral Creditors	309.2
<i>Of which:</i>	
<i>African Development Bank Group</i>	37
<i>World Bank</i>	170
<i>IMF</i>	28

BANK GROUP INVOLVEMENT IN THE PRSP

4.1 The Interim PRSP (I-PRSP) for Niger builds upon an earlier National Action Plan for the Fight Against Poverty elaborated in 1997/98 with UNDP support, and incorporates data from a 1993 household income/expenditure survey and sector-wide surveys, and the findings of the last comprehensive poverty assessment, completed in 1996 with support from IDA. The main determinants of poverty cited in the I-PRSP include: large family size, illiteracy, low access to basic health services, food insecurity, and inadequate access to arable land and water resources. It seeks to address the special challenges of a landlocked country where desertification is a serious threat, and focuses on consolidating macroeconomic stability, promoting human development, improving rural infrastructure, and establishing an environment conducive to

private sector development. Although the Bank Group was not directly involved in the preparation of the I-PRSP, its Country Strategy Paper for Niger takes into account the Government's National Action Plan for the Fight Against Poverty and the I-PRSP.

4.2 The Bank Group's Country Strategy Paper (CSP) for Niger is based on consultations with the government, civil society including NGOs, private and public sector institutions, and major development partners. It also took into account the 1997/98 National Action Plan for the Fight Against Poverty. The Bank Group's medium-term assistance strategy (1999-2001), focuses on poverty reduction through financing projects that would contribute to higher agricultural productivity, including support for out-of-season crops; the establishment of cereal banks; improving rural water supply (e.g. sinking wells and drilling boreholes) and livestock health care in nomadic areas; and, promoting micro-credits for fertilizer and income generating activities, primarily for women. Other areas to be addressed by the Bank Group assistance strategy include: the rehabilitation of existing transport infrastructure, improvement in health care facilities, especially in rural areas, and supporting national programs for HIV/AIDS control; and establishing adult education schools and centers, especially in rural areas focusing on the enrolment of girls and women's literacy education.

4.3 The government of Niger is embarking on the preparation of a full PRSP to fulfil the condition for reaching the completion point under the enhanced HIPC framework. The full PRSP will provide a more detailed estimate of the costs of the government's priority programs and reconcile them with projected domestic and external resources, including those of the enhanced HIPC Initiative. The Bank Group plans to be actively involved in the process and would assist in the development of a co-ordinated approach for economic growth and poverty reduction in Niger.

5. PROPOSED DELIVERY MODALITY

5.1 As Niger has reached its decision point, it is proposed that the Bank Group makes a commitment to provide interim debt relief between the decision and completion points, with effect from December 2000. Interim relief will not exceed 40 percent of the total NPV debt relief, and is expected to be delivered between 2000 and 2003. The Bank Group's debt relief would be provided by releasing Niger from up to 80 percent of its debt service obligations to the Bank Group each year, until the entire amount of US\$ 37.2 million is delivered. The conditions that would trigger Niger's floating completion point are outlined in Section 2. When the completion point is reached, the Bank Group will enter into an irrevocable debt relief commitment.

Legal Aspects of Debt Relief Operation

5.2 Debt relief for Niger is to be provided, under the enhanced framework of the HIPC Debt Initiative, through the mechanism of debt service relief, in accordance with the terms described in the preceding paragraphs. These terms will be implemented by a Debt Relief Agreement between the Bank Group and the government of Niger; a HIPC Trust Fund Grant Agreement between the Bank Group, the International Development Association (IDA) and the government of Niger; and, the Contribution Agreement between the Bank Group and the IDA. The provision

of debt relief, as described, is consistent with the rules of the African Development Bank and the African Development Fund.

6. PROPOSED FINANCING ARRANGEMENTS

The Bank Group's share of debt relief will be financed as follows:

	<i>Million US\$ end-1999 NPV</i>
Internal Resources	7.45
European Commission pledge	14.89
Balance with HIPC Trust Fund	14.89
TOTAL	37.24

7. RECOMMENDATIONS

The Boards are invited to:

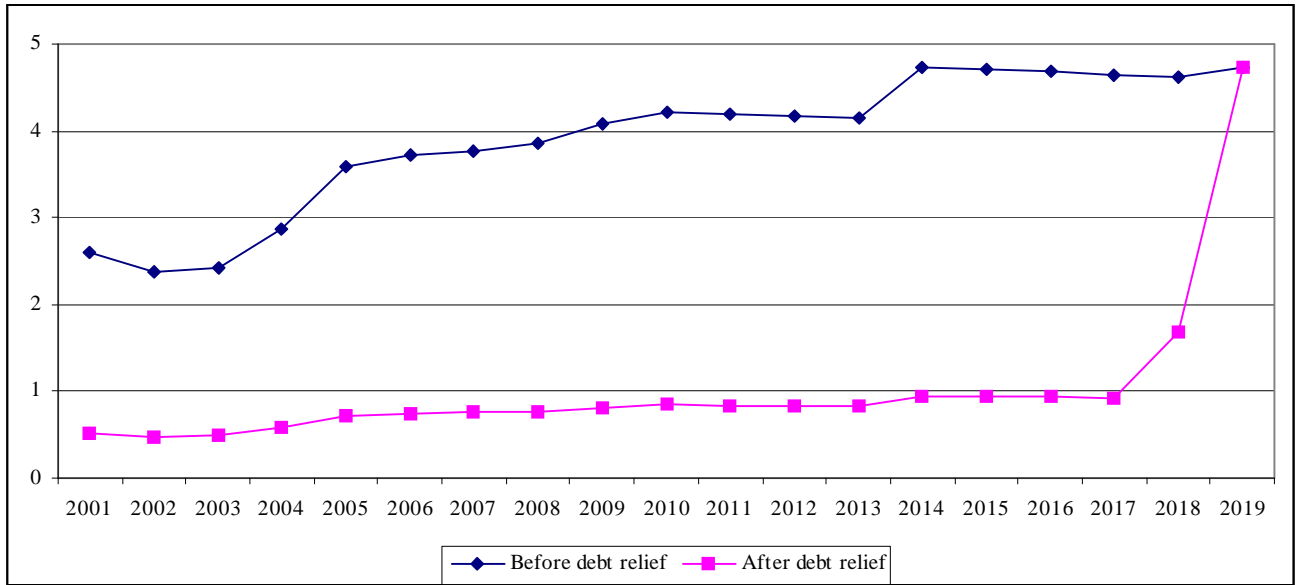
1. Note the justifications for Niger's qualification for HIPC assistance at its decision point, under the enhanced framework; and
2. Approve the plan to finance the Bank Group's share of HIPC debt relief, in accordance with the arrangements presented in Section 6.

**IMF/ World Bank HIPC Document for
NIGER**

Annex

**NIGER - HIPC APPROVAL DOCUMENT: DECISION POINT UNDER THE
ENHANCED FRAMEWORK***

Impact of Debt Relief on Niger's Bank Group Debt Service Profile
(in million US dollars)



**African Development Bank
HIPC Debt Relief Schedule**
(in US dollars)

	TOTAL ADB	TOTAL Debt Relief
2001	0	2,086,025
2002	0	1,900,323
2003	0	1,929,553
2004	0	2,300,008
2005	0	2,867,501
2006	0	2,970,114
2007	0	3,013,605
2008	0	3,085,862
2009	0	3,261,587
2010	0	3,379,411
2011	0	3,359,538
2012	0	3,341,348
2013	0	3,319,793
2014	0	3,788,420
2015	0	3,764,876
2016	0	3,742,773
2017	0	3,717,790
2018	0	2,938,459
	0	54,766,986

Summary

Total Nominal Relief	US\$ 54.77 mn
of which ADB	US\$ 0.00 mn
of which ADF	US\$ 54.77 mn
of which NTF	US\$ 0.00 mn
Total NPV Relief	US\$ 37.20 mn*
Duration	18 years

* There is a marginal change in the total NPV debt relief after reconciliation with the World Bank

**African Development Fund
HIPC Debt Relief Schedule
(in US dollars)**

	TOTAL ADF	TOTAL Debt Relief
2001	2,086,025	2,086,025
2002	1,900,323	1,900,323
2003	1,929,553	1,929,553
2004	2,300,008	2,300,008
2005	2,867,501	2,867,501
2006	2,970,114	2,970,114
2007	3,013,605	3,013,605
2008	3,085,862	3,085,862
2009	3,261,587	3,261,587
2010	3,379,411	3,379,411
2011	3,359,538	3,359,538
2012	3,341,348	3,341,348
2013	3,319,793	3,319,793
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of which NTF	US\$ 0.00 mn
Total NPV Relief	US\$ 37.20 mn*
Duration	18 years

* There is a marginal change in the total NPV debt relief after reconciliation with the World Bank

**Nigeria Trust Fund
HIPC Debt Relief Schedule
(in US dollars)**

	TOTAL NTF	TOTAL Debt Relief
2001	0	2,086,025
2002	0	1,900,323
2003	0	1,929,553
2004	0	2,300,008
2005	0	2,867,501
2006	0	2,970,114
2007	0	3,013,605
2008	0	3,085,862
2009	0	3,261,587
2010	0	3,379,411
2011	0	3,359,538
2012	0	3,341,348
2013	0	3,319,793
2014	0	3,788,420
2015	0	3,764,876
2016	0	3,742,773
2017	0	3,717,790
2018	0	2,938,459
	0	54,766,986

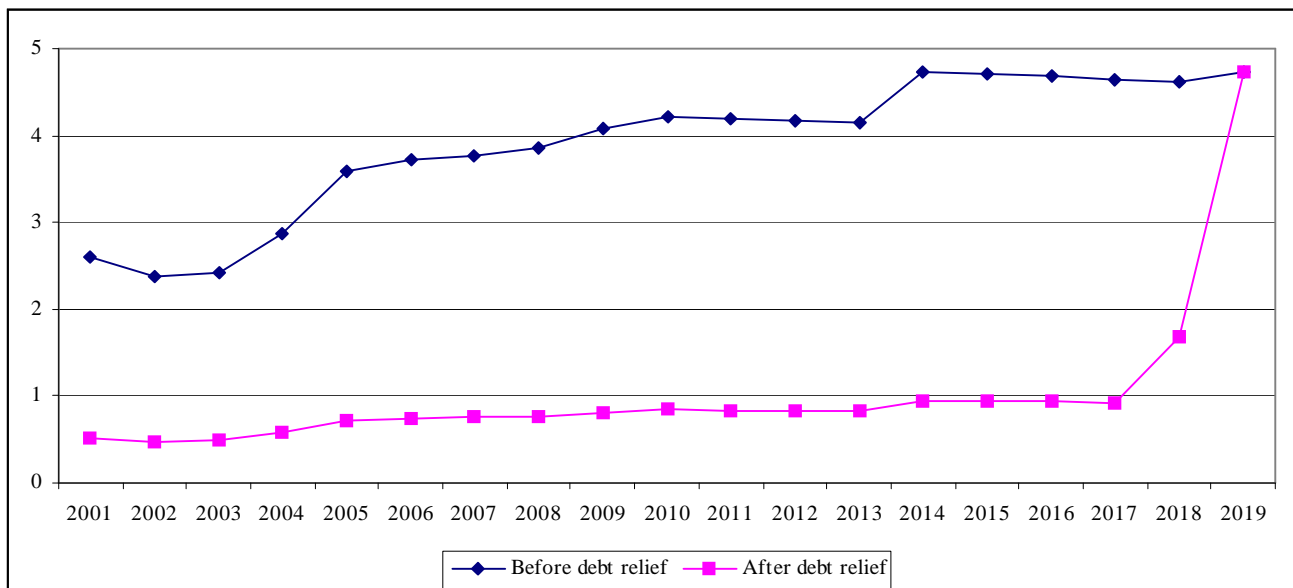
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Impact of Debt Relief on Niger's Bank Group Debt Service Profile (in million US dollars)



**African Development Bank
HIPC Debt Relief Schedule
(in US\$ millions)**

Niger

	TOTAL ADB	TOTAL ADB and ADF
2001	0	2.0860
2002	0	1.9003
2003	0	1.9296
2004	0	2.3000
2005	0	2.8675
2006	0	2.9701
2007	0	3.0136
2008	0	3.0859
2009	0	3.2616
2010	0	3.3794
2011	0	3.3595
2012	0	3.3413
2013	0	3.3198
2014	0	3.7884
2015	0	3.7649
2016	0	3.7428
2017	0	3.7178
2018	0	2.9385
	0	54.7670

Summary

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of which ADF	US\$ 54.77 mn
Total NPV Relief	US\$ 37.20 mn*
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**African Development Fund
HIPC Debt Relief Schedule
(in US\$ millions)**

Niger

	TOTAL ADF	TOTAL ADB and ADF
2001	2.0860	2.0860
2002	1.9003	1.9003
2003	1.9296	1.9296
2004	2.3000	2.3000
2005	2.8675	2.8675
2006	2.9701	2.9701
2007	3.0136	3.0136
2008	3.0859	3.0859
2009	3.2616	3.2616
2010	3.3794	3.3794
2011	3.3595	3.3595
2012	3.3413	3.3413
2013	3.3198	3.3198
2014	3.7884	3.7884
2015	3.7649	3.7649
2016	3.7428	3.7428
2017	3.7178	3.7178
2018	2.9385	2.9385
	54.7670	54.7670

Summary

Total Nominal Relief	US\$ 54.77 mn
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