

AFRICAN DEVELOPMENT FUND



AFRICAN DEVELOPMENT BANK



THE GAMBIA - HIPC APPROVAL DOCUMENT
DECISION POINT UNDER THE ENHANCED FRAMEWORK*

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

**HIPC APPROVAL DOCUMENT FOR THE GAMBIA:
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, The Gambia reached its decision point and the Boards of the IMF and World Bank approved US\$ 66.6 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 The Gambia's qualification for HIPC assistance, and approve the proposed plan to finance the Bank Group's share of The Gambia's costs. Section 2 of this document summarises details of The Gambia'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

The Gambia qualified for US\$ 66.6 million worth of debt relief assistance, equivalent to 27.2 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; and improvement of the poverty data base and monitoring capacity, as evidenced by progress in restructuring and capacity building of the Central Statistics Department;
- 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;
- Making progress in strengthening public expenditure management as evidenced by the issuance of annual public reports on the overall budget execution and semi-annual reports on the use of interim HIPC Initiative debt relief;

- Establishing a functional multi-sector regulatory agency, and bringing to the point of sale the two major public groundnut processing plants;
- Making progress in the implementation of sector strategies in education and health in the following areas:
 - (i) increasing by at least 45 percent (from 192 graduates in academic year 2000/01) the number of teachers for Lower Basic Education graduating from the Gambian College;
 - (ii) ensuring appropriate funding of a Trust Fund for girls' scholarships in the poorest regions, and expanding this scholarship to no less than 2000 girls annually in at least three regions;
 - (iii) increasing by at least 5 percent each year (from 44 percent in 1998) the number of births attended by a person trained in antenatal care;
 - (iv) increasing the share of primary and secondary health care within the overall recurrent budget for health.

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

3. HIPC COSTS

Bilateral creditors will account for US\$ 17.4 million (26 percent) Gambia's debt relief while multilateral creditors will deliver the remaining US\$ 49.2 million (74 percent). The Bank Group's share of debt relief will amount to US\$ 15.7 million in 1999 NPV terms. Table 1 provides a breakdown of The Gambia's total debt relief in NPV terms.

Table 1. Breakdown of The Gambia's HIPC Costs

	US\$ million (End-1999 NPV)
Total HIPC Debt Relief	66.6
Bilateral Creditors	17.4
Multilateral Creditors	49.2
<i>Of which:</i>	
<i>African Development Bank Group</i>	<i>15.7</i>
<i>World Bank</i>	<i>22.3</i>
<i>IMF</i>	<i>2.3</i>

4.1 BANK GROUP INVOLVEMENT IN THE PRSP

4.1 The Interim PRSP (I-PRSP) for The Gambia is based on the comprehensive Strategy for Poverty Alleviation (SPA-I) developed by the government in 1992 based on a participatory approach. The key objectives of the I-PRSP are to accelerate real GDP growth by focusing on developing the productive capacity of the poor and improving the targeting of social services within the context of a comprehensive poverty reduction strategy. Specifically, macroeconomic and structural policies will aim at: consolidating government finances; expanding and deepening structural reforms directed at encouraging private sector development, attracting foreign investment, and facilitating economic diversification; and strengthening the institutional capacity of the public administration. Although the Bank Group was not directly involved in the preparation of the I-PRSP, its Country Strategy Paper for The Gambia took into account the Government's SPA-I and the I-PRSP.

4.2 The Bank Group's Country Strategy Paper (CSP) for the country is based on consultations with the government, civil society including NGOs, and private and public sector institutions, and major development partners. The Bank Group's medium-term assistance strategy (1999-2001), focuses on poverty reduction through financing projects that would contribute to improved infrastructure, higher agricultural productivity, private sector development, job creation, environmental sustainability, and good governance. It will also seek to improve social services, mainly education and health, and enhance the access of vulnerable groups to these services. The Bank will collaborate with major development partners in the implementation of these projects.

4.3 The government of The Gambia 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 review the objectives of the SPA-I, link the new strategy to the budget preparation process and the macroeconomic framework, and address new threats to development, such as HIV/AIDS.

5. PROPOSED DELIVERY MODALITY

5.1 As The Gambia 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 The Gambia from up to 80 percent of its debt service obligations to the Bank Group each year, until the entire amount of US\$ 15.75 million is delivered. The conditions that would trigger The Gambia'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 The Gambia 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 The Gambia; a HIPC Trust Fund Grant Agreement between the Bank Group, the International Development Association (IDA) and the government of The Gambia; 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	3.15
European Commission pledge	6.30
Balance with HIPC Trust Fund	6.30
TOTAL	15.75

7. RECOMMENDATIONS

The Boards are invited to:

1. Note the justifications for The Gambia'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.

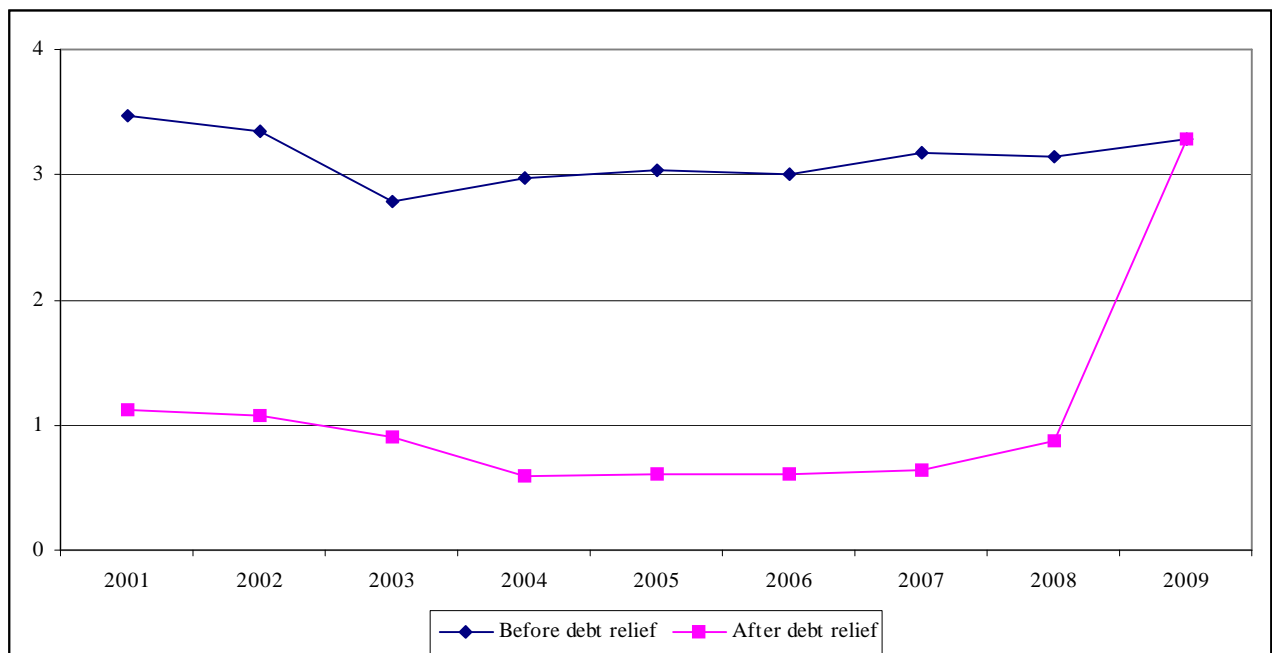
**IMF/ World Bank HIPC Document
for GAMBIA**

Annex

THE GAMBIA - HIPC APPROVAL DOCUMENT
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ADDENDUM

Impact of Debt Relief on Gambia'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	553,385	2,347,016
2002	515,872	2,265,464
2003	0	1,886,341
2004	0	2,373,711
2005	0	2,423,663
2006	0	2,402,366
2007	0	2,541,030
2008	0	2,272,084
	1,069,257	18,511,675

Summary

Total Nominal Relief	US\$ 18.51mn
of which ADB	US\$ 1.07 mn
of which ADF	US\$ 15.53 mn
of which NTF	US\$ 1.92 mn
Total NPV Relief	US\$ 15.80 mn*
Duration	08 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	1,427,379	2,347,016
2002	1,439,199	2,265,464
2003	1,629,254	1,886,341
2004	2,080,226	2,373,711
2005	2,140,481	2,423,663
2006	2,129,388	2,402,366
2007	2,408,336	2,541,030
2008	2,272,084	2,272,084
	15,526,347	18,511,675

Summary

Total Nominal Relief	US\$ 18.51 mn
of which ADB	US\$ 1.07 mn
of which ADF	US\$ 15.53 mn
of which NTF	US\$ 1.92 mn
Total NPV Relief	US\$ 15.80 mn*
Duration	08 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	366,253	2,347,016
2002	310,393	2,265,464
2003	257,087	1,886,341
2004	293,485	2,373,711
2005	283,182	2,423,663
2006	272,978	2,402,366
2007	132,694	2,541,030
2008	0	2,272,084
	1,916,072	18,511,675

Summary

Total Nominal Relief	US\$ 18.51mn
of which ADB	US\$ 1.07 mn
of which ADF	US\$ 15.53 mn
of which NTF	US\$ 1.92 mn
Total NPV Relief	US\$ 15.80 mn*
Duration	08 years

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

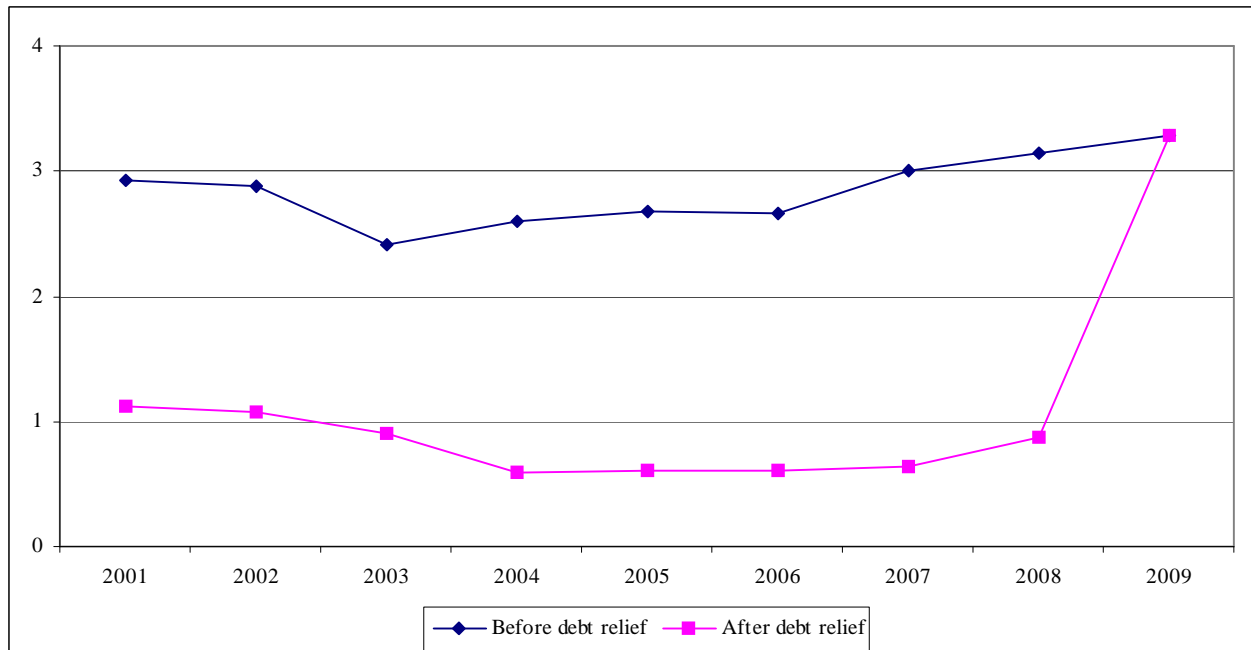
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CORRIGENDUM

5.1 As The Gambia 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 The Gambia from up to 80 percent of its debt service obligations to the Bank Group each year, until the entire amount of US\$ 15.75 million is delivered. **The balance of debt relief will only be provided after Gambia has reached its completion point following Board approval.** The conditions that would trigger The Gambia'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.

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



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

Gambia

	TOTAL ADB	TOTAL ADB and ADF
2001	0.5534	1.9808
2002	0.5159	1.9551
2003	0.0000	1.6293
2004	0.0000	2.0802
2005	0.0000	2.1405
2006	0.0000	2.1294
2007	0.0000	2.4083
2008	0.0000	2.2721
	1.0694	16.5957

Summary

Total Nominal Relief	US\$ 16.60mn
of which ADB	US\$ 1.07 mn
of which ADF	US\$ 15.53 mn
Total NPV Relief	US\$ 15.80 mn*
Duration	08 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\$ millions)**

Gambia

	TOTAL ADF	TOTAL ADB and ADF
2001	1.4274	1.9808
2002	1.4392	1.9551
2003	1.6293	1.6293
2004	2.0802	2.0802
2005	2.1405	2.1405
2006	2.1294	2.1294
2007	2.4083	2.4083
2008	2.2721	2.2721
	15.5264	16.5957

Summary

Total Nominal Relief	US\$ 16.60mn
of which ADB	US\$ 1.07 mn
of which ADF	US\$ 15.53 mn
Total NPV Relief	US\$ 15.80 mn*
Duration	08 years

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