

**AFRICAN DEVELOPMENT BANK**



**AFRICAN DEVELOPMENT FUND**



**CHAD : HIPC APPROVAL DOCUMENT**  
**DECISION POINT UNDER THE ENHANCED FRAMEWORK\***

**HIPC APPROVAL DOCUMENT FOR CHAD:  
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 On 22 May 2001, Chad reached its decision point and the Boards of the IMF and World Bank approved US\$ 170.1 million worth of debt relief in end-2000 net present value (NPV) terms under the enhanced HIPC Framework. This document invites the Boards to note the justifications for Chad's qualification for HIPC assistance, and approve the proposed plan to finance the Bank Group's share of Chad's costs. Section 2 of this document summarises details of Chad'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**

Chad qualified for US\$ 170.1 million (NPV terms) worth of debt relief assistance, equivalent to 30 percent reduction in the country's outstanding stock of debt at end-2000, after full use of traditional debt relief mechanisms. The country reached its decision point in May 2001, and is expected to reach its completion point by end-2002 by fulfilling the following conditions:

- Preparation and implementation of a fully participatory PRSP for at least one year;
- Maintaining macroeconomic stability and satisfactory implementation of the IMF-supervised Poverty Reduction and Growth Facility (PRGF) program;
- Ensure that at least 75 percent of all health districts and health centers across the country are operational, up from 68 percent in 1999.
- Achieve a DPT3 vaccination rate of at least 40 percent, up from 35 percent in 1999, and assisted delivery rate of at least 20 percent, up from 15 percent in 1998.
- In the case of HIV/AIDS and sexually transmitted infections:

- (i) Increase the sale of condoms through the social marketing project, MASCOBOT, by at least 25 percent relative to 2.239 million condoms sold in 2000;
  - (ii) Increase treated cases of genital ulcers to at least 30,000 per year, up from 12,000 in 1998, and the treated cases of purulent urethritis to at least 40,000 per year, up from 21,000 in 1998; and decrease the prevalence of syphilis among pregnant women from 6 percent in 1998 to not more than 4 percent.
- In the case of education:
    - (i) Increase the gross enrollment rate to at least 61 percent for girls and 89 percent for boys, up from 50 and 85 percent respectively in 1998-99;
    - (ii) Reduce the repeater rate from 26 percent in 1998-99 to at most 22 percent.
  - Ensure that at least 50 percent of all the all-year road network can be used throughout the year (at present 80 percent of the network cannot be used three to five months during the rainy season).
  - Increase access to potable water to at least 32 percent, up from 27 percent in 2000.
  - Increase the number of agricultural families equipped with plows from 24 percent in 2000 to at least 26 percent; and for livestock holders increase the number of water points by at least 10 percent, relative to 1138 water points in 2000.
  - Make satisfactory progress in improving public expenditure management to facilitate the identification and tracking of poverty-related spending, as evidenced by the implementation for at least six months of the simplified and computerized expenditure circuit, and a functional expenditure tracing system for primary education services.
  - Adopt a new law on public procurement and its application decrees, publish a quarterly bulletin on public procurement and complete audits by internationally reputed firms for the five largest public procurement contracts granted in 2000, and nominate the judges for the commercial courts in the five largest cities, among others.

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

### **3. HIPC COSTS**

Bilateral creditors will account for US\$ 35 million ( 20.6 percent) of Chad's debt relief, commercial banks US\$ 1 million (0.6 percent), while multilateral creditors will deliver the remaining US\$ 134.1 million ( 78.8 percent). The Bank Group's share of debt relief will amount to US\$ 36.9 million in 2000 NPV terms. In nominal terms, Bank Group assistance to Chad under the enhanced HIPC Initiative amounts to US\$ 49.38 million. Table 1 provides a breakdown of Chad's total debt relief in NPV terms.

**Table 1. Breakdown of Chad's HIPC Costs**

	US\$ million (End-2000 NPV)
<b>Total HIPC Debt Relief</b>	170
Bilateral Creditors	35
Multilateral Creditors	134
<i>Of which:</i>	
<b><i>African Development Bank Group</i></b>	<b>37</b>
<i>World Bank</i>	68
<i>IMF</i>	18
Commercial Bank Creditors	1

## **BANK GROUP INVOLVEMENT IN THE PRSP**

Chad's Interim PRSP (I-PRSP) underlines the importance of combating poverty and improving the living standards of its citizens. It identifies four priority sectors for poverty alleviation and growth: health, education, basic infrastructure and rural development. In this regard, the government seeks to achieve a high level of sustained growth, in order to achieve rising incomes and job creation. In addition, it seeks to consolidate the democratization process which would guarantee security, good governance, the establishment of the rule of law, economic and financial management, and the participation of citizens in the decision making process. The Bank Group participated in the elaboration of the I-PRSP through its contribution to the PRSP review seminar held in May 2001 in Njamena, the outcome of which was published in June 2001. A PRSP follow-up mission is scheduled for July 2001.

4.1 The Bank Group's CSP incorporated the outcome of the seminar on the evaluation of the government's first 1995-1998 macroeconomic recovery program, as well as four sectoral participatory workshops on health, rural development, transport, and housing and town planning. The Bank participated fully in the seminar and workshops. The CSP took into account the country's development constraints as well as the priorities and concerns of the government, the parliament, the private sector, civil society organizations and major development partners. With the above background, the Bank Group's medium-term assistance strategy (1999-2001) has the following objectives: Boosting food security and promoting the diversification of the agricultural sector; supporting human resources' development through increased investment; development of infrastructure to promote rural development, opening up the country-side and reducing transport costs; and promoting private sector development through support for macroeconomic reforms.

4.2 The government of Chad has embarked on the preparation of a full PRSP to fulfil the condition for reaching the completion point under the enhanced HIPC framework. The Bank Group is actively involved in the process and, among other things, intends to finance a few studies as part of its contribution.

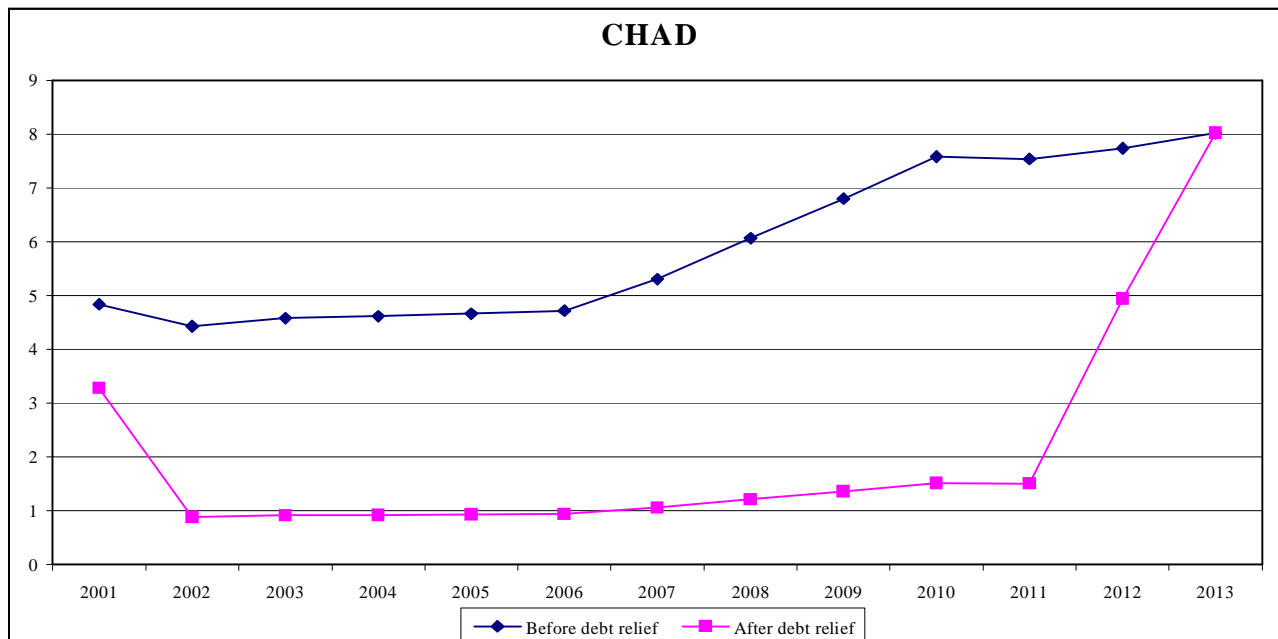
## 5. PROPOSED DELIVERY MODALITY

5.1 As Chad 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 May 2001. Interim relief will not exceed 40 percent of the total NPV debt relief, and is expected to be delivered between 2001 and 2002. The Bank Group's debt relief would be provided by releasing Chad from up to 80 percent of its debt service obligations to the Bank Group each year, until the entire amount of US\$ 36.90 million is delivered. The conditions that would trigger Chad'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 Chad 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 incorporated in a Debt Relief Agreement between the Bank Group and the government of Chad; a HIPC Trust Fund Grant Agreement between the Bank Group, the HIPC Trust Fund and the government of Chad; and, the Contribution Agreement between the Bank Group and the HIPC Trust Fund. The provision of debt relief, as described, is consistent with the rules of the African Development Bank and the African Development Fund.

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



## 6. PROPOSED FINANCING ARRANGEMENTS

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

	<i>Million US\$ end-2000 NPV</i>
Internal Resources	<b>7.38</b>
European Commission pledge	<b>14.76</b>
Balance with HIPC Trust Fund	<b>14.76</b>
<b>TOTAL</b>	<b>36.90</b>

## 7. RECOMMENDATIONS

The Boards are invited to:

1. Note the justifications for Chad'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.

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

<b>Chad</b>			
Decision Point Date		<b>TOTAL ADB</b>	<b>TOTAL Debt Relief</b>
22 May 2001	2001	0	1.557803
	2002	0	3.543973
	2003	0	3.663206
	2004	0	3.691348
	2005	0	3.730520
	2006	0	3.772889
	2007	0	4.241041
	2008	0	4.852082
	2009	0	5.441506
	2010	0	6.065524
	2011	0	6.030285
	2012	0	2.791660
		<b>0</b>	<b>49.381837</b>

**Summary**

Total Nominal Relief	US\$ 49.381837 mn
<b>of which ADB</b>	<b>US\$ 0.000000 mn</b>
of which ADF	US\$ 49.381837 mn
Total NPV Relief	US\$ 36.897000 mn
Duration	12 years

**African Development Fund**  
**HIPC Debt Relief Schedule**  
**(In US\$ millions)**

<b>Chad</b>			
Decision Point Date		<b>TOTAL ADF</b>	<b>TOTAL Debt Relief</b>
22 May 2001	2001	1.557803	1.557803
	2002	3.543973	3.543973
	2003	3.663206	3.663206
	2004	3.691348	3.691348
	2005	3.730520	3.730520
	2006	3.772889	3.772889
	2007	4.241041	4.241041
	2008	4.852082	4.852082
	2009	5.441506	5.441506
	2010	6.065524	6.065524
	2011	6.030285	6.030285
	2012	2.791660	2.791660
		<b>49.381837</b>	<b>49.381837</b>

**Summary**

Total Nominal Relief	US\$ 49.381837 mn
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**IMF/ World Bank HIPC Document for**

**CHAD**