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INTERNATIONAL DEVELOPMENT ASSOCIATION

PROGRAM DOCUMENT

FOR A

PROPOSED FIFTH STRUCTURAL ADJUSTMENT CREDIT (SAC V)

IN THE AMOUNT OF SDR 29.6 MILLION

(US\$40 MILLION EQUIVALENT)

TO THE REPUBLIC OF CHAD

February 13, 2003

**Poverty Reduction and Economic Management 3
Africa Region**

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CURRENCY EQUIVALENTS

Currency Unit	=	CFA Franc (CFAF)
US\$ 1.00	=	CFAF 625.12 (December 31 st , 2002)
SDR 1.00	=	US\$ 1.35143 (December 31 st , 2002)

FISCAL YEAR

January 1 – December 31

WEIGHTS AND MEASURES

Metric System

ABBREVIATIONS AND ACRONYMS

AfDB	African Development Bank
CCL	<i>Comité de Coordination Local</i>
CNR	<i>Comité National de Réinsertion</i>
CCSRP	<i>Collège de Contrôle et de Surveillance des Ressources Pétrolières</i>
CESRAP	<i>Cellule technique chargée de la Réforme de l'Administration Publique</i>
DGMP	<i>Direction Générale des Marchés Publics</i>
DHS	<i>Division Huilerie Savonnerie</i>
DPR	Development Policy Review
ESAF	Enhanced Structural Adjustment Facility
EU	European Union
FENAPET	<i>Fédération Nationale des Associations des Parents d'Elèves du Tchad</i>
FER	<i>Fonds d'Entretien Routier</i>
GDP	Gross Domestic Product
HCI	<i>Haut Comité Interministériel</i>
HIPC Initiative	Initiative for Heavily Indebted Poor Countries
HS	<i>Huilerie Savonnerie</i>
IDA	International Development Association
IFMIS	Integrated Financial Management Information System
IGF	<i>Inspection Générale des Finances</i>
IMF	International Monetary Fund
I-PRS	Interim Poverty Reduction Strategy
MDD	Ministry Delegate of Decentralization
MDJT	<i>Mouvement pour la Démocratie et la Justice au Tchad</i>
NGO	Non Governmental Organization
NGS	National Governance Strategy
NIF	<i>Numéro d'Identification Fiscale</i>
PER	Public Expenditure Review
PRGF	Poverty Reduction and Growth Facility
PRSC	Poverty Reduction Support Credit
PRSP	Poverty Reduction Strategy Paper
PRS	Poverty Reduction Strategy
PSIA	Poverty and Social Impact Analysis
SAC	Structural Adjustment Credit
SAP	<i>Système d'Appréciation des Performances</i>
SIG	<i>Système Intégré de Gestion du personnel de l'Etat</i>
SNER	<i>Société Nationale d'Entretien Routier</i>
SONASUT	<i>Société Nationale Sucrière du Tchad</i>
STEE	<i>Société Tchadienne d'Eau et d'Electricité</i>

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THE REPUBLIC OF CHAD
FIFTH STRUCTURAL ADJUSTMENT CREDIT (SAC V)

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**THE REPUBLIC OF CHAD
PROGRAM DOCUMENT FOR THE
FIFTH STRUCTURAL ADJUSTMENT CREDIT (SAC V)**

Credit and Program Summary

Borrower	The Republic of Chad
Amount	SDR 29.6 million (US\$40 million equivalent)
Terms	Standard IDA terms (40-year maturity and 10-year grace period)
Program Objectives	SAC V supports a medium-term reform program focusing on two of the five strategic axes identified in Chad's full PRSP: (i) promote good governance; and (ii) ensure strong and sustained growth. Like its predecessor, SAC IV, it focuses on strengthening (i) governance and public resource management as necessary conditions for improved service delivery to the poor, especially in view of the advent of first oil revenues expected in the second semester of 2003 and (ii) eliminating constraints to growth and poverty reduction in the rural sector.
Credit Description	The reforms supported by SAC V aim to achieve poverty reduction by (i) enhanced transparency, accountability and adherence to the rule of law through the adoption and implementation of a governance strategy and action plan; (ii) more transparent, accountable and efficient use of public resources for poverty reduction through the reform of (a) the budget cycle, (b) public procurement and (c) the civil service; and (iii) sustainable growth in rural areas through a profound reform of the cotton sector and improved access to micro-finance. In each of these reform areas, particular attention is given to empowering the independent institutions that are destined to provide the checks and balances for the efficient management of resources for poverty reduction – the executive, the legislative, the judiciary, the press, and civil society, including farmers' associations.
Benefits	Successful implementation of the reform program will result in better governance including improved security, stricter adherence to the rule of law and more transparent and accountable use of public resources. It will improve the Government's efficiency and poverty reduction focus in delivering services in the priority sectors, including health, education, basic infrastructure, justice and rural development. It will lead to an increase in farmers' bargaining power in the cotton sector. Finally, it will complement and enhance the impact of other Bank interventions, especially the Petroleum Development and Pipeline Project, and its associated petroleum revenue management program, ongoing and future operations in the health, education, transport and agriculture sectors, and a proposed community development project.

Risks

There are substantial risks to the proposed operation.

- The implementation of the proposed program and related budget depends on reduction of tensions in the sub-region and rebel activities in some areas of the country. However, ongoing peace efforts should contribute to mitigate this risk.
- Commitment to improving governance has strengthened but remains fragile. To address this risk, both the current operation, the program supported under the PRGF, and the HIPC Completion Point triggers continue to focus squarely on governance and improved public resource management for poverty reduction. SAC V seeks to strengthen considerably the regulatory framework and procedures associated with good governance. In addition it emphasizes the empowerment of the independent institutions that are destined to provide the checks and balances on the use of public resources. The combination of better procedures and empowered institutions of restraint will contribute to curtailing the opportunities for politically motivated diversion of public resources.
- The cotton reform program touches about 350,000 poor families and its primary goal is to improve their livelihoods. Given the complexity of the reform program which is being introduced in a context of depressed world cotton prices and hardly functioning rural markets, it will be a challenge to ensure the program's consistency with the stated objective. To overcome this risk, a study has been launched to identify the most appropriate scenario for State's divestiture from Cotontchad, taking into account the difficult context of the reform. Moreover, an extensive ex-ante and ex-post poverty and social impact analysis is being completed, the results of which will feed into the design of the reform program and allow for ex-post adjustments if necessary. However, the continuing decline in world cotton prices, notably as a result of subsidies in Part I countries, may affect the viability of Chad's cotton sector altogether and thus jeopardize the proposed reform program.

Disbursements

The proposed credit will be disbursed in one tranche upon effectiveness of the Development Credit Agreement.

Report

Not applicable.

Project ID Number

P077781

**INTERNATIONAL DEVELOPMENT ASSOCIATION
PROGRAM DOCUMENT
FOR A PROPOSED
FIFTH STRUCTURAL ADJUSTMENT CREDIT (SAC V)
TO THE REPUBLIC OF CHAD**

1. INTRODUCTION

1. The following Program Document proposes a Fifth Structural Adjustment Credit (SAC V) to the Republic of Chad for SDR 29.6 million, the equivalent of US\$ 40 million. The credit would be on standard IDA terms with 40 years maturity and a 10-year grace period. Chad's adjustment efforts are also supported by a three year program under the Poverty Reduction and Growth Facility (PRGF), for which the fourth review was concluded simultaneously with the approval of the third annual arrangement in October 2002, as well as by an Adjustment Credit by the African Development Bank.

2. The proposed SAC V would provide fast disbursing support to address Chad's external financing needs and support a medium-term reform program reflecting the country's full Poverty Reduction Strategy (PRS). The proposed credit focuses on strengthening governance and public resource management as necessary conditions for improved service delivery to the poor. It further supports sustainable growth in the rural areas through a profound reform of the cotton sector, and policy changes to improve access to micro-finance. The program supported by SAC V is laid out in the Government's Letter of Development Policy (Annex 1). The proposed credit is a key element of the CAS dated May 1999, and its Addendum discussed at the Board in April 2000, which identified the following objectives for Bank assistance: (i) building capacity for improved governance; (ii) establishing the foundations for improved delivery of basic social services; and (iii) removing constraints to growth.

3. At the time of Board presentation of SAC IV, it was anticipated that future balance of payments support could be provided under a Poverty Reduction Support Credit (PRSC). The Chad PRSP has not been completed yet, partly because (i) following a donors' conference in Brussels in May 2002, the PRSP Steering Committee decided to improve the prioritization and costing of the strategy, and (ii) discussions at the government level have led to revisions of the document, which is now almost finalized and expected to be completed by end March 2003. In addition, despite significant progress, weaknesses still remain in the area of budget preparation and execution, notably in priority sectors; in this context, the efficiency of broad programmatic support in these sectors would not be maximized. Hence it is proposed to support Chad's full PRSP by a SAC, focused on governance and public resource management with a view to building the environment in which it will be possible to provide broader programmatic support for the PRSP agenda in the future. Support for additional capacity building, institutional strengthening, and reforms will also be provided to strengthen Chad's fiduciary arrangements in preparation for broader programmatic support. In the context of the proposed operation, efforts will also be made to advance core diagnostic work, including a CFAA and a Development Policy Review.

4. The remainder of this paper is organized as follows. Section 2 discusses the country background, including recent political, economic and social developments. Section 3 presents Chad's PRS and areas of World Bank support. Section 4 describes the proposed credit detailing

actions taken prior to Negotiations, implementation and monitoring and credit administration, as well as benefits and risks. Section 5 discusses coordination with other donors and Section 6 assesses compliance with Bank policies.

2. RECENT POLITICAL, ECONOMIC AND SOCIAL DEVELOPMENTS

A. Political Developments

5. After 30 years of civil strife, Chad has maintained relative peace and stability since 1993. A new constitution was adopted in 1996, and a Constitutional Council was established in 1996 and made fully operational in 1999. On May 20, 2001 Chad held its second democratic presidential elections with the incumbent, President Deby, winning in the first round. The opposition parties challenged the results in court, alleging irregularities during the electoral census as well as on the day of the vote. The Constitutional Council - after having declared an important fraction of the votes ineligible - concluded that President Deby won the elections with 63 percent of the vote. Legislative elections were subsequently held on April 21, 2002. The ruling *Mouvement Patriotique du Salut* (MPS) won 112 out of 155 seats, more than a two third majority. Participation rates were particularly low, however, at 53 percent nationwide and only 28 percent in the capital. A new Government was nominated on June 12, 2002.

6. In January 2002, the Government signed a peace agreement with the MDJT (*Mouvement pour la Démocratie et la Justice au Tchad*), a rebel group that had been active in the extreme Northern part of the country, causing casualties over the past few years and resulting momentarily in the economic isolation of the Saharan Region of Tibesti. As a result of the peace discussions, former President Felix Malloum returned to Chad after 23 years of exile. However, the overall situation is still fragile.

B. Economic Progress¹

7. Since 1994, Chad has established a **satisfactory macroeconomic track record** with the support of an IMF enhanced Structural Adjustment Facility and a Poverty Reduction and Growth Facility, and four World Bank Structural Adjustment Credits – the last of which was fully disbursed in January 2002. The country's real GDP growth rate has averaged 4.3 percent per year between 1994 and 1999, or about 2 percent per capita. In 2000, growth slowed to 0.6 percent due to a sharp decline in agricultural production following a severe drought. Real GDP growth resumed briskly in 2001, driven by oil-related investments and its spillover effects, as well as a return to normal agricultural production, reaching 8.5 percent, and accelerated further in 2002 (10.9 percent). Construction of the Chad-Cameroon pipeline is advancing as planned and Chad is expected to collect oil revenues starting in December 2003.

8. Except for a brief period in 2001, Chad has stayed current in its debt payment to all external creditors and Chad's HIPC Decision Point was approved by the Bank and Fund Executive Boards in May 2001. Since 1994, current expenditures have been kept under tight control, averaging about 9 percent of GDP. At the same time, the allocation of expenditure

¹ Source of data: World Bank and International Monetary Fund estimates and projections, 2003.

shifted in favor of education, health, social affairs, transport, public works, and justice. Starting in the last quarter of 2001, considerable progress was made in domestic revenue collection, but at a projected 8 percent of GDP in 2002, Chad's revenue to GDP ratio remains among the lowest in the world. Until 2001, Chad had preserved much of its gains in external competitiveness following the devaluation of the CFAF in 1994. Following a 12.5 percent increase in consumer prices in 2001, due to food crops shortages, consumer prices are estimated to have increased by 4.5 percent in 2002.

9. Since the beginning of its adjustment efforts in 1994, Chad has made **good progress in structural reforms**, with particularly strong achievements in 2000-2002, as documented in Box 1. The most prominent recent accomplishment is an improvement in revenue collection. For the first time in several years, Chad outperformed its March 2002 revenue target under the PRGF supported program by about 7 percent. This was the result of a concerted effort to reinforce tax and customs administration, including an anti-fraud campaign. Tax administration has improved considerably with the extension of the unique Tax Identification Number (*Numéro d'Identification Fiscale*) from 1,772 firms in June 2001 to 4,010 in May 2002. Over the same period, the number of firms identified as "large" and subject to a special tax regime has increased from 369 to 440. Several measures were taken to reduce tax and customs fraud and corruption: (i) improved flows of information between the procurement authority and the tax administration unit has contributed to reducing under-reporting of companies' turnover; (ii) control of customs officers has been reinforced and disciplinary action has been taken against about 200 corrupt customs agents; and (iii) a considerable effort has been made to mobilize customs duties from small-scale traders. As a result of all these efforts, revenue mobilization is projected to have increased from 7.8 percent of GDP in 2001 to 8.0 percent in 2002.²

10. Chad's record on governance and transparency remains uneven, but important efforts have been made since the Board presentation of SAC IV. Over the past year, the governance dialogue with the Government of Chad has evolved considerably, resulting in a frank and shared assessment of the major issues. Consequently, considerable achievements were made since the Board presentation of SAC IV (see Box 1). Apart from the revenue measures presented in paragraph 9, these include (i) the adoption of a National Governance Strategy by the Government ; (ii) the publication of the audit of the off-budget use of the petroleum signing bonus (<http://www.igf.mef.gouv.td/>); (iii) the adoption of the rules of procedures (*règlement intérieur*) of the *Collège de Contrôle et de Surveillance des Ressources Pétrolières* and the publication of its first annual report and quarterly reports (<http://www.ccsrp.td>) ; (iv) the completion of an action plan for the definition of a public information disclosure policy; (v) the finalization of a financial and operational audit of customs services and the launching of a users' perception survey; (vi) the finalization and publication of an audit of public procurement contracts awarded in 2001 and of the public procurement system (<http://www.coursupreme.td>) ;

² As a percentage of non-oil GDP, revenue mobilization is projected to have increased from 8.3 percent in 2001 to 9.0 percent in 2002. Because investment in the oil sector is largely duty-exempt, this is arguably a better measure of the results of the ongoing efforts to improve revenue administration.

Box 1. Structural reforms September 2000 – December 2002

Revenue and expenditure management

- Introduced monthly treasury cash-flow plan and extended its horizon to 12 months.
- Introduced functional budget classification, presented current and investment expenditures jointly for each ministry starting with 2001 Budget Law.
- Simplified expenditure circuit from 97 steps to 22. Computerized first three steps of expenditure circuit. Obtained approval to use Burkina software to develop full-fledged Integrated Financial Management Information System (IFMIS) and signed Memorandum of Understanding for transfer of the software.
- Completed first annual PER in health and education sectors, launched second annual PER in health, education, basic infrastructure and justice sectors.
- Completed expenditure tracking study for health and education.
- Adopted new education policy, emphasizing the government's support to community initiatives in basic education.
- Launched work on medium-term expenditure framework (MTEF) and program-budgets in health and education for introduction in the budget documents which were presented to Parliament with the 2003 Budget Law
- Launched work on monthly report on budget execution for each of the phases of budget execution (commitment, order to pay, charge taking (*prise en charge*) and payment by Ministry.
- Reviewed all Government accounts and extended definition of net credit to Government from 19 to 76 accounts.
- Installed SYGADE debt management software and trained personnel in its use.
- Finalized the first draft of a new Public Procurement Code.
- Improved tax and customs administration through a concerted effort to reduce corruption and fraud

Transparency

- Finalized and adopted National Governance Strategy.
- Discontinued all off-budget operations.
- Published four issues of a quarterly bulletin on public procurement and completed first draft of new procurement code.
- Installed SYDONIA software in N'Djaména customs offices and launched installation in 8 regional offices.
- Made Road Maintenance Fund (FER) fully operational.

Accountability

- Completed audit of off-budget use of the oil signing bonus and published it widely, including on the web at <http://www.igf.mef.gouv.td/>.
- Completed audit of customs administration and launched users' perception survey for customs services.
- Completed and published ex-post audit of five largest procurement contracts in 2001. <http://www.coursupreme.td>.
- Nominated Petroleum Oversight and Control Board (CCSRP) members, issued operational decree, stipulating CCSRPs' right to publish its reports independently; CCSRPs prepared first draft of procedural manual, and first annual report and two quarterly reports <http://www.ccsrptd>.
- General Finance Inspection issued and published report on irregularities in 2001 budget execution.
- Auditor General's office audited 2000 budget execution and published report widely including on the web at <http://www.coursupreme.td>.
- Government presented 2002 Budget Law to Parliament together with 2000 Budget Settlement Law.
- Government presented 2003 Budget Law to Parliament, together with report on 2001 Budget Settlement Law.
- Prepared audit of use of HIPC funds and took measures to address irregularities (<http://www.coursupreme.td>).

Civil service reform

- Parliament adopted new civil service status Law introducing competitive recruitment and merit-based advancement. Implementation decrees on competitive recruitment, remuneration, travel, indemnities and allocations and status of special professions were prepared for issuance
- Completed civil service census and provided full listing of the payroll by ministry.
- Recruited consulting firm for operational audit of 9 ministries.

Incentive and trade policies

- Removed all price controls for petroleum products

Privatization

- Privatized the national sugar company (SONASUT), initiated the privatization of the water and electricity company (STEE) by awarding a private management contract, and privatized the road maintenance company (SNER).
- Introduced two private cellular phone operators.

Cotton sector reform

- Adopted cotton sector reform strategy, recruited Controller General for implementation of Cotontchad's restructuring plan.
- Separated Oil and Soap Division (DHS) from Cotontchad and launched bidding process for selection of strategic investor for independent HS
- Completed a study by consulting firm to elaborate alternative scenarios for privatization of Cotontchad and liberalization of cotton industry
- Launched Poverty and Social Impact Analysis of the cotton sector reform and completed first stage of the ex-ante qualitative analysis.
- Created committee, consisting of farmers and Cotontchad, to annually establish cotton producer prices on basis of world cotton prices
- Launched capacity building program for cotton farmers' associations.

(vii) the completion and publication of an audit of all contracts financed with HIPC funds (<http://www.coursupreme.td>) ; (viii) the completion of a first draft of a new public procurement code followed by the organization of a seminar to discuss the draft with all stakeholders; and (ix) the regular publication of a public procurement bulletin including on the Internet (<http://www.dgmp.gouv.td/>).

11. Despite this progress, governance issues have surfaced. Most prominently, the Ministry of Finance's investigation into two public procurement contracts in the health sector for a combined value of about FCFA 400 million (US\$ 0.55 million) and financed by HIPC interim assistance resources revealed irregularities, particularly with regard to contract pricing. The two contracts were canceled and the monies involved were reimbursed to the HIPC account. A subsequent audit of all HIPC financed contracts conducted by the Auditor General's Office was launched. The audit report confirmed irregularities for the procurement of expenditures financed by HIPC monies, resulting in over-billing from 20 to 30 percent. Public procurement has repeatedly been identified as an area of weak governance in Chad, as emphasized again in the audit of the largest contracts signed in 2001, which was conducted by independent consultants.

12. Because the ongoing comprehensive procurement reform – including new procurement legislation – will become effective only in mid-2003, the Government has taken a set of actions with a view to reducing irregularities in the short term. These include: (i) the completion and publication of the audit of all contracts financed with HIPC interim assistance, and the launching of administrative procedures against public personnel involved in the irregularities exposed in the audit and the reimbursement of the monies involved to the HIPC account; (ii) the nomination of representatives of the Ministry of Finance on the public procurement bid evaluation boards, with a view to a stricter control of prices; (iii) the launching of the recruitment of independent observers for the public procurement bid evaluation boards in the health and education sectors; (iv) the modification of the approval procedure for public contracts to include approval by the Minister of Finance for all contracts with a value above FCFA 500 million. This decree however was modified again in December 2002 : the Minister of Finance signs all contracts between FCFA 10 and 50 millions, and the President signs all contracts above this threshold; and (v) the modification of the articles of the public procurement code referring to the procedure of limited bidding³ with a view to eliminating abuse of this procedure.

C. Progress in Poverty Reduction

13. Chad's real per capita GDP is estimated to have increased by about 5.5 percent in 2001, and is projected to have increased by an additional 7.9 percent in 2002 and to rise by 7 percent in 2003. In the absence of data on the evolution of household incomes,⁴ it is difficult to assess the poverty reduction and distributional impact of this average growth. However, it is reasonable to assume the recent spur in national income, which is driven by oil-investment and related spillover effects in the construction and services sectors, is primarily benefiting the urban populations of N'Djaména and the southern secondary cities. At the same time the southern rural population is facing the consequences of the sharp drop in world cotton prices, which is expected to translate in a cumulative decrease in farm gate prices of at least 25 percent between

³ This procedure provides for bidding by direct invitation without open advertisement.

⁴ The first National Household Survey has been fielded in January 2003 and the first analytical results are expected to be available at the end of 2003.

the 2000-2001 and the 2002-2003 cotton campaigns. The urban-rural income gap is thus expected to increase.

14. With respect to human development, Chad ranked 155th out of 162 countries listed in the 2001 United Nations Human Development Index. Yet certain social indicators have improved considerably since 1994 (Box 2), indicating substantial progress in the delivery of social services. Most impressively, the gross school enrollment rate for girls has increased from 31 percent in 1994-95 to 55 percent in 1999-2000⁵, and the DPT vaccination rate has increased from 18 percent in 1994 to 43 percent in 2000. The quality of education has deteriorated, however. The authorities' objective is to achieve universal completion of primary school by 2015, consistently with the Millennium Development Goals. Social indicators remain well below the average for sub-Saharan Africa. Moreover, there are large regional differences for health and education indicators. The gross primary enrollment rate varies between 26 percent in the Salamat, and 111 percent in the Logone Occidental. The DPT3 vaccination rate is 20 percent in the Lac but reaches 106 percent in the Logone Occidental. Poverty has a strong gender dimension, as indicated by the high female illiteracy and maternal mortality rates.

	1994		2000	
	Chad	SSA	Chad	SSA
Human Development Index (scale: 0 to 1)	0.334		0.359	
Life expectancy at birth (years)	46	51	50	47
Maternal mortality ratio (per 100,000 live births)	...	...	827	...
Infant mortality rate (per 1,000 live births)	132	...	103	91
Child malnutrition prevalence (percent)	...	...	28	32
Vaccination DPT (percent)	18	51	43	46 ³
Aids prevalence among sexually active			5-7	8
Female adult illiteracy (percent)	76	54	66	47
Male adult illiteracy (percent)	58	36	48	31
Female gross primary school enrollment (percent)	31	71	55 ²	72 ⁴
Male gross primary school enrollment (percent)	62	85	88 ²	85 ⁴

Sources: World Development Indicators, Human Development Report Health Country Status Report 2002 and Government statistics,² 1999-2000 school year, ³ 1999 data; ⁴ 1998 data.

D. Medium-Term Prospects and Financing Requirements

15. Chad's medium-term growth prospects continue to be good as oil exploitation – currently scheduled to begin in the second half of 2003 – will profoundly change Chad's economic environment. Oil related investment and its spillovers are expected to result in continued average real growth rates of about 11 percent in 2001-2003, and first oil in 2003 will be accompanied by a jump in growth in 2004, which may be as high as 51.5 percent (Box 3). As a share of GDP, investment is projected to increase from 41.7 percent in 2001 to 52.3 percent in 2002 and 51.9 percent in 2003, with 80 percent of this representing private investment (of which

⁵ The 2001 figures are not available. The Ministry of Education faces significant difficulties in the production of statistics and wishes increased support from development partners in that respect.

investment in the oil sector will amount to 32.7 percent of GDP in 2002 and 30.5 percent in 2003). Consumer prices are projected to have increased by an average of 4.5 percent in 2002 and to increase by 4.0 percent in 2003 following an average rainy season and thus a return to normal levels of food production in 2001-02.

Box 3 – Medium term prospects – selected indicators					
	2001	2002	2003	2004	2005
GDP at constant price, annual growth rate	8.5	10.9	13.6	51.5	6.0
Non oil	2.5	5.0	9.0	3.7	6.4
Oil (including investment) ¹		112.3	52.9	1115.5	5.3
Gross investment in percent of GDP	41.7	52.3	51.9	15.8	12.4
Government revenue in percent of GDP	7.8	8.0	7.8	9.7	10.2
Of which Oil revenue				4.1	4.0
Government expenditure in percent of GDP	18.8	24.5	19.0	13.0	13.3
Overall fiscal balance ²	-11.0	-16.5	-11.2	-3.3	-3.1
Consumer price index (average)	12.4	4.5	4.0	4.0	3.0

1. Based on an assumption of a world oil price of USD 21 per barrel in 2004 and 2005

2. On a commitment basis and excluding grants.

16. As for fiscal policies, the overall deficit, on a commitment basis and excluding grants, is expected to have widened from 11 percent of GDP in 2001 to 16.5 percent of GDP in 2002, reflecting a significant increase in foreign-financed public investment. The overall deficit is then expected to decline to 11.2 percent in 2003. At the same time, the primary current deficit excluding grants has also risen slightly from 0.8 percent of GDP in 2001 to 2 percent of GDP in 2002, reflecting the impact of higher transfers to the cotton sector in the wake of the drop in the world market price for cotton. The primary current deficit would then be eliminated in 2003. Total Government revenue, excluding grants, is targeted to have increased slightly from 7.8 percent of GDP in 2001 to 8.0 percent of GDP in 2002 and is expected to return to 7.8 percent in 2003. As a share of non-oil GDP, the ratio has risen by 0.7 percentage point in 2002 and will increase by 0.1 percentage point in 2003 reflecting significant efforts to strengthen tax and customs administration. On the expenditure side, in nominal terms, the total nonmilitary wage bill is projected to have risen by 17 percent in 2002 and to increase by 6 percent in 2003, on account of an increase in employment in the priority sectors and an increase in salaries for health workers, while maintaining a recruitment freeze in non-priority sectors. The military wage bill has risen by about 0.8 percent in 2002 and will rise by 12 percent in 2003, reflecting an inflation-related cost adjustment and the regularization of military personnel. Non-salary current expenditures will increase by about 20 percent for the ministries of health, education, social affairs, public works and justice, and remain unchanged in all other parts of the public sector. Public sector investment will concentrate in priority areas.

Box 4. Financing Requirements until the Onset of Oil Revenues		
<i>(in millions of dollars)</i>	2002	2003
Current account deficit	-957.1	-1,075.6
Financing sources	957.1	1,075.6
Direct foreign investment ^{1/}	683.2	796.1
Of which Doba oil project-related	644.0	750.0
Official grants (current and capital transfers)	108.1	98.6
Short term capital	-29.1	-28.4
Public long term borrowing (net)	82.1	92.0
Expected exceptional financing	89.5	96.3
World Bank ^{2/}	41.8	60.0
European Union	21.1	19.9
IMF (net)	10.6	3.9
African Development Bank	5.9	11.5
Other	10.1	1.0
Debt relief (debt rescheduling and HIPC Initiative)	23.5	21.1
Financing gap	0.0	0.0
Memorandum items:		
Exceptional transfers to cotton sector	14.8	7.6
Cost of implementation of the peace accord	4.2	4.7

Note 1/: including other private investment; 2/ in 2003, US\$40 millions is accounted for by the proposed SAC V.

17. The current account deficit, excluding official current transfers, reached 38.8 percent of GDP in 2001 and is projected to have increased to 49.4 percent in 2002 and to rise by 44.5 percent in 2003, reflecting both an increase in imports associated with the acceleration of the pipeline construction and lower exports due to a decline in the world market price for cotton. The 2003 deficit is expected to be covered by foreign direct investment (32.9 percent of GDP), official transfers (4.1 percent of GDP), short term capital (-1.2 percent of GDP), public net long term borrowing (3.8 percent of GDP), expected balance of payment support (4 percent of GDP) of which financing provided under SAC V would account for 1.7 of GDP, and debt relief (0.9 percent of GDP) as indicated in Box 4.

E. The Difference Oil Can Make

18. Oil exports are expected to come on stream in the second half of 2003. With the advent of oil revenue, annual real GDP growth is projected to reach over 50 percent in 2004, then stabilize at about 6 percent in subsequent years. Preliminary estimates indicate that in the medium and long-term, through enhanced formation of human and physical capital made possible by oil revenues, Chad's non-oil GDP will grow by over 2 percent over its baseline rate. This would imply doubling of per-capita income every 17 years, rather than every 35 years under

the baseline scenario. Over the most probable range of future oil prices, oil revenues accruing to Government would be quite significant. Preliminary estimates indicate that net nominal oil revenues could average about US\$ 384 million a year with a world price of US\$ 25 per barrel over the first 10 years of oil production (2003-2012).

19. Oil provides a major opportunity for Chad to break free from poverty and very limited resources, to diversify its economy and increase its fiscal revenues. If well managed, additional revenues from oil can translate into significant poverty alleviation, through greater availability of resources for priority sectors, improved basic infrastructure and enhanced delivery of social services. The coming year, leading up to the materialization of oil revenues, will constitute a crucial period, during which the government should take advantage to complete its structural reforms, including fiduciary arrangements, and strengthen the macroeconomic environment. Additional revenues can be allocated to lifting the bottlenecks that prevent growth and specifically affect the poor. By investing in education, the human resources capital can be increased, thereby providing the new generations of Chadians with better tools to face economic challenges. In conjunction with measures already taken, but which need to be fully implemented, and aim at strengthening institutions, more resources can be assigned to alleviate the bottlenecks that hinder both private sector activity and public sector delivery of services.

20. Nonetheless, in view of what is sometimes called the “paradox of abundance” and the experience of other oil-producing countries in Africa, it is clear that petroleum resources may also create new risks⁶. Inability to control aggregate demand could lead to inflation, an appreciation of the real exchange rate, a shrinkage of tradable sectors (including the cotton sector) and large external imbalances. This risk is mitigated by Chad’s membership in the BEAC, a supranational Central Bank which independently implements a prudent monetary policy. There is also the risk that large oil revenues weaken the incentives for reforms and the leverage of external assistance. This risk will be limited though, as the PRSP process, SAC IV, and the proposed operation have been helping to develop local constituencies for reform. Moreover, while oil revenue will be significant, they will remain moderate enough to require continued external assistance. To ensure that future petroleum revenues do not compromise the country’s recovery, Chad is in the process of setting up a regulatory and institutional framework for checks and balances on the use of petroleum revenue. Thus, the National Assembly adopted on December 30, 1998, a law on the management of government petroleum revenue (Law no. 001/PR/99). This law calls for the establishment of an oversight committee to monitor the use of petroleum revenues. This committee, *Collège de Contrôle et de Surveillance des Ressources Pétrolières* (CCSRP), includes representatives of the Government, Parliament, and civil society. Revenue will be deposited in an offshore account. The bulk of revenue will be allocated to priority expenditure for poverty reduction. In addition, 10 percent of these resources will be deposited in an offshore account for future generation. The allocation of petroleum revenue in Chad is summarized in Box 5.

⁶ Powerful economic forces are put in motion by the emergence of sudden wealth. If not appropriately managed, it can lead to emergence of Dutch Disease, and the attendant volatility in government revenues in the face of high variability of oil prices

Box 5 – Allocation of petroleum revenue in Chad

Petroleum revenues comprise direct and indirect resources. Indirect resources, which include taxes and customs duties generated by oil exploitation, will be deposited in the ordinary accounts of the Treasury. Hence, they will feed directly into the government budget. Direct resources, which include dividends and royalties, will be first deposited in an offshore account opened with an international financial institution. Then these resources will be allocated broadly as follows:

- 90 percent will be deposited in Treasury special accounts opened in one or more primary banks in Chad after entering the BEAC zone.
- 10 percent will be deposited in an offshore account opened with an international financial institution for future generations.

Funds deposited in special accounts will be allocated as follows :

- 80 percent of royalties and 85 percent of dividends will be allocated to expenditures in priority sectors.
- 15 percent of dividends and royalties will finance other current and investment expenditures of the government, then priority expenditures after December 31, 2007.
- 5 percent of royalties will be granted to decentralized institutions of the producing region, (over and above the share of national spending normally attributed to this region) in accordance with Article 212 of the Constitution.

3. CHAD'S POVERTY REDUCTION STRATEGY AND AREAS OF WORLD BANK SUPPORT

A. The Fully Participatory PRSP

21. Chad's full-fledged participatory Poverty Reduction Strategy Paper (PRSP) is almost completed. The PRSP focuses on five strategic axes and sixteen national objectives as presented in Box 6. Relatively to the Interim PRSP and as the direct result of the participatory process involving the population and civil society, governance and sound macro-economic management figure very prominently in the full-fledged participatory PRSP. Like the Interim PRSP, the full-fledged participatory PRSP underlines the need for strong and sustained growth in the non-oil sector, improved human capital, improved living conditions for vulnerable groups, and the preservation of the environment.

Box 6. PRSP Strategic Axes and National Objectives

Strategic Axis 1: Promote good governance

- National Objective 1.1: strengthen transparency, accountability, the rule of law and participation
- National Objective 1.2: define the role of the State, the private sector and the civil society in the PRSP implementation
- National Objective 1.3: ensure efficient and transparent public resource management with a view to poverty reduction

Strategic Axis 2: Ensure strong and sustained growth

- National Objective 2.1: promote private sector growth
- National Objective 2.2: ensure macroeconomic stabilization
- National Objective 2.3: develop basic infrastructure
- National Objective 2.4: create conditions for dynamic sustained development

Strategic Axis 3: Improve human capital

- National Objective 3.1: promote and guarantee access to basic education, professional training and literacy programs for the poor
- National Objective 3.2: promote and guarantee access to basic health services for the poor
- National Objective 3.3: strengthen HIV/AIDS prevention programs

Strategic Axis 4: Improve the living conditions for vulnerable groups and for the victims of HIV/AIDS and other ISTs

- National Objective 4.1: promote integrated rural development
- National Objective 4.2: promote integrated urban development
- National Objective 4.3: support small and medium enterprises and employment
- National Objective 4.4: ensure a better social protection of vulnerable groups

Strategic Axis 5: Restore and safeguard the ecological equilibriums and ecosystems

- National Objective 5.1: strengthen the regulatory framework and the natural resource management capacity
- National Objective 5.2: improve management of domestic energy

B. Progress under SAC IV

22. Over the past year, good progress has been made toward implementing the medium-term program presented in the President's Report for SAC IV. The triggers for further program lending identified under SAC IV were nearly all completed as indicated in Box 7. Progress was particularly strong in the area of public expenditure reform. At the same time, however, recent reports have underlined the serious weaknesses in the budget cycle and public procurement areas, which call for the continuation of a vigorous program of reforms in this area. In the areas of civil service and cotton sector, reform progress was slower than expected, mainly because the time needed for completing the proposed reforms had been underestimated when defining SAC IV. With respect to civil service, delays occurred notably with respect to the launching of the audit of major ministries. In the cotton sector, the reform program has also seriously been affected by the continued drop in world cotton prices as a result of subsidies in Part I countries. On balance, progress has nevertheless been satisfactory. A detailed presentation of achievements

under SAC IV is presented in sections C, D, E and F below. Overall, progress has been sufficient, and the balance of the SAC V package remains as strong as anticipated a year ago.

Box 7. Progress on the Triggers for further Program-lending Identified in SAC IV	
Governance	
• adoption, publication and discussion during a forum for a broad set of stakeholders, of NGS and action plan to diminish third parties in customs operations (<i>bogobogo</i>)	♥
• satisfactory progress in the implementation of the NGS and the action plan to diminish bogobogo, including	
- the publication of the audit of the signing bonus	♥
- the publication by the Auditor General's Office of the audit of public procurement in 2001	♦
- the completion and publication of an operational and financial audit of customs services	♦
- the completion of a users' perception survey of customs' services	♣
- the development of an action plan for the definition of a policy on public disclosure of information	♥
- the development of an action plan for institutional reform of the security services	o
• full functionality of the Petroleum Oversight and Control Board (CCSRP) as witnessed by	
- the adoption of its rules of procedures (<i>règlement intérieur</i>)	♥
- the wide availability of its reports on the control of the expenditures financed by the remainder of the signing bonus	♥
• organization of a stakeholder seminar to discuss the implementation of SAC IV	♥
Reform of the budgetary cycle	
• execution of non-salary operational budget for the Ministries of Education, Health, Public Works and Justice at 95 percent on commitment basis at end fiscal year 2001 (excluding expenditures financed by HIPC and remainder of bonus)	♦
• execution of the non-salary operational budget for the Ministries of Education, Health, Public Works and Justice at 50 percent on a commitment basis at end June 2002	♦
• completion under the stewardship of the health and education public expenditure committees of the study to track expenditures from the central level to the basic health and education facilities and the adoption of an associated action plan to improve the arrival of expenditures	♦
• adoption by the Government of the Budget Settlement Law for fiscal year 2000	♥
• transmission of the Government's accounts for fiscal year 2001 to the Auditor General's Office	♥
Procurement reform	
• adoption by the HCI of a new procurement code and independent appeals system	♦
• regular publication of the quarterly procurement bulletin	♥
• adoption of a permanent scheme for the ex-post audit of public procurement contracts and the functioning of the procurement system	♥
Civil service reform	
• completion of the audit of seven pilot ministries to review organizational, procedural and human resources aspects	♣
Cotton sector reform	
• completion of the bidding process for the privatization of the oil and soap company HS	♦
• completion of the ex-ante qualitative poverty and social impact analysis	♥
Legend: ♥: action completed	
♦: action nearly completed	
♣: action launched	
o: action remaining to be launched	

C. The Strategic Context of SAC V

23. The proposed Credit would assist Chad in launching the implementation of two strategic PRSP axes: (i) promote good governance; and (ii) ensure strong and sustained growth. SAC V will thus address Chad's principal development challenges: (i) translating future petroleum revenues into expenditures for poverty reduction; and (ii) promoting growth in the non-oil sector, especially in rural areas. More precisely SAC V would seek to: (i) improve governance and transparency; (ii) increase the poverty reduction impact of public expenditures; and (iii) promote growth in rural areas. The specific objectives sought in each of these three areas are presented in Box 8. The program supported by SAC V is laid out in the Government's Letter of Development Policy presented in Annex 1. A detailed policy measure and action matrix can be found in Annex 2. The program is consistent with the three-year medium-term program presented in SAC IV. The medium-term program is a rolling three-year program initially based on the I-PRSP and the results of PRSP consultations. SAC V, which supports two of the pillars of the PRSP, is a further step to the convergence between the three-year medium term program and the three-year PRSP program. The support to the PRSP will be broadened under subsequent Bank operations, possibly in the form of PRSCs, and the contributions of other donors.

24. SAC V also draws on recent analytical work, most prominently the Public Expenditure Review (see Box 9). It is a key element of the CAS, dated May 1999, and its Addendum discussed at the Board in April 2000, which identified the following objectives for Bank assistance: (i) building capacity for improved governance; (ii) establishing the foundations for improved delivery of basic social services; and (iii) removing constraints to growth.

25. At the time of Board presentation of SAC IV, it was anticipated that future balance of payments support could be provided under a Poverty Reduction Support Credit (PRSC). The Chad PRSP has not been completed yet, partly because (i) following a donors' conference in Brussels in May 2002, the PRSP Steering Committee decided to improve the prioritization and costing of the strategy, and (ii) discussions at the government level have led to revisions of the document, which is now almost finalized and expected to be completed by end March 2003. In addition, despite significant progress, weaknesses still remain in the area of budget preparation and execution, notably in priority sectors; in this context, the efficiency of broad programmatic support in these sectors would not be maximized. Hence it is proposed to support Chad's full PRSP by a SAC, focused on governance and public resource management with a view to building the environment in which it will be possible to provide broader programmatic support for the PRSP agenda in the future. Support for additional capacity building, institutional strengthening, and reforms will also be provided to strengthen Chad's fiduciary arrangements in preparation for broader programmatic support. In the context of the proposed operation, efforts will also be made to advance core diagnostic work, including a CFAA and a Development Policy Review.⁷

⁷ A Country Procurement Assessment Review (CPAR) and a Public Expenditure Review (PER) were completed; preliminary work has been completed towards a Country Financial Accountability Assessment (CFAA), but further work, including the preparation of a formal report, is still needed.

Box 8. SAC V assisted reform program in support of the PRSP Strategic PRSP Axes: Promote good governance Ensure strong and sustained growth		
Overall Objective	Specific Objective	Actions
Strengthen transparency, accountability, the rule of law and participation	<ul style="list-style-type: none"> • Implement national governance strategy • Design the legal and institutional framework for decentralization • Provide independent oversight and control of petroleum revenues 	<ul style="list-style-type: none"> • Implement action plan to improve customs services • Organize "Etats Généraux de la Justice" • Publish audit reports, Budget Law, Budget Settlement Law, Auditor General's reports • Complete studies on the legal and institutional framework for decentralization • Publish CCSRP quarterly and annual reports • Adopt procedures manual for CCSRP
Ensure efficient and transparent public resource management with a view to poverty reduction	<ul style="list-style-type: none"> • Improve preparation, execution and ex-post monitoring, control and audit of the budget • Make public procurement more efficient and transparent • Strengthen transparency and accountability of the civil service 	<ul style="list-style-type: none"> • Present medium term expenditure programs in health and education in 2003 Budget Law, extend to justice, public works, housing and rural development sectors for 2004 Budget Law • Improve preparation and monitoring of investment budget • Complete phase I of computerized expenditure circuit, disseminate monthly budget execution report • Improve efficiency in budget execution in priority sectors • Disseminate monthly procurement plans in priority sectors • Launch the Integrated Financial Management Information System • Issue and publish Auditor General's report on execution of the budget and Budget Settlement Law • Strengthen role of the General Finance Inspection and Auditor General's Office • Complete second annual Public Expenditure Review and launch third one • Trace expenditures from the center to facilities in basic services, implement action plan to improve the level of resources reaching the facilities. • Adopt mechanism to pay community teachers • Adopt new legal and regulatory framework, including a mechanism for dispute settlement • Publish a quarterly public procurement bulletin • Publish annual audit public procurement contracts • Independent observers in procurement commissions for health and education • The public procurement system is more effective • Complete new legal and regulatory framework by issuing all implementation decrees • Implement effective competitive recruitment and merit-based promotion • Reorganize priority ministries, reinforce poverty reduction objective • Computerize civil service file and payroll

Box 8. SAC V assisted reform program in support of the PRSP (continued)		
Overall Objective	Specific Objective	Actions
Promote sustained growth in the rural sector	• Strengthen the role of farmers' associations	<ul style="list-style-type: none"> • Develop institutional and organizational capacities of cotton farmers' associations • Improve farmers' access to information • Improve farmers' access to inputs and management services
	• Disengage state from cotton production and review the industrial structure of cotton sector	<ul style="list-style-type: none"> • Privatize Cotontchad's oil and soap division • Launch privatization of Cotontchad and review the industrial structure of the cotton sector • Conduct ex-ante and ex-post poverty and social impact analysis of the reform of the sector
	• Improve access to micro-finance	<ul style="list-style-type: none"> • Adopt micro-finance regulatory framework

D. Strengthen Transparency, Accountability, the Rule of Law and Participation

Adopt and implement a national governance strategy

26. **Issues.** Over the past year, the governance dialogue with the Government of Chad has evolved considerably, resulting in a frank and shared assessment of the major issues. Three factors contributed to this enhanced openness in the dialogue: (i) the discussions surrounding the use of the petroleum signing bonus, both internally and with the Bretton Woods Institutions; (ii) the identification of governance as a major concern for poverty reduction by the population and civil society during the PRSP consultations – as duly reflected in the full PRSP; and (iii) the creation and systematic functioning of a joint civil society and government committee for the drafting of the National Governance Strategy (NGS). As a consequence of this improved dialogue, considerable achievements were made under SAC IV. Nevertheless, governance problems remain important and deep-rooted as witnessed by the confirmation of major issues in public procurement.

27. **Reform strategy.** To make the commitment to good governance concrete, the authorities have decided to:

- define good governance and elaborate a NGS;
- implement and annually update the NGS.

28. **Results achieved with the support of SAC IV.** By the end of SAC IV, the following actions had been completed:

- the adoption by the HCI and the publication of the NGS ;
- significant progress in the implementation of the NGS including : (i) the publication of critical reports by the Auditor General's Office, such as the audit of the signing bonus and the audit of the public procurement system; (ii) the completion of the operational and financial audit of the customs services, the adoption of the action plan to diminish the involvement of third parties in customs operations and the launching of a survey on users' perception of customs services; the survey was initially scheduled to be completed by the end of SAC IV, but the necessity to reach a

consensus on the terms of reference (notably on the scope of the survey and the extent to which the informal sector should be covered) took more time than expected; delays also occurred because of a change in the staffing and management of the Customs Directorate during the process; (iii) and the development of an action plan for public disclosure of information.

29. ***Expected results by the end of SAC V.*** By the end of SAC V, the following results are expected:

- further progress in the implementation of the NGS as witnessed by (i) a progress report; (ii) completion of a survey on the users' perception of customs services, the adoption of an action plan for the further improvement of customs services and the launching of the implementation of this action plan; (iii) publication and wide dissemination of the Government's Budget Law for fiscal year 2003; (iv) publication on its website of critical reports by the Auditor General's Office such as its report on the execution of the Budget Law for fiscal year 2002; (v) preparation of a first draft of the policy for public disclosure of information and review of this draft by the Government; and (vi) good progress on the organization of the "*Etats Généraux de la Justice*", using in particular the analysis provided by the first Public Expenditure Review carried out in the Justice sector.

30. ***Expected results by the end of the three-year reform program.*** By the end of the medium term reform program, the following results are expected:

- significant progress in the implementation of all areas of the NGS as witnessed by the annual progress reports and by independent evaluations of the implementation of the NGS's subcomponents.

Design the legal and institutional framework for decentralization

31. ***Issues.*** The decentralization process which has been undertaken in Chad is expected to contribute to a more balanced and participative development process across regions with increased participation of local communities. This process would be supported by the World Bank through SAC V and the Local Development Project (PRODEL).

32. ***Reform Strategy.*** The priority will be to design and set up the legal and institutional framework for decentralization. Overall, the objectives are the following:

- actual transfer of responsibilities and resources to future local governments;
- "deconcentration" of line ministries operations and resources to support the decentralization process and the strengthening of their technical support capacity to the local level;
- fiscal decentralization;
- organization of local elections to implement the organic Law regarding the creation of rural communes.

33. **Past progress and results achieved.** Over the past 18 months, two major steps forward were made by the Government: (i) adoption by the Assembly of the Organic Law regarding the creation of rural communities in December 2001; (ii) validation by technical ministries of two equally important draft laws regarding both the transfer of responsibilities and resources to local governments. The latter draft laws are expected to be submitted to the Parliament in 2003. Furthermore, the Government, with the assistance of the EU and UNDP, is actively engaged in the preparation of the local elections to be held in 2003.

34. **Expected results by the end of SAC V.** It is expected that by the end of SAC V, four important studies relating to the design of the legal and regulatory framework for effective implementation of the reform will be launched by the Ministry Delegate of Decentralization (MDD) in the context of a decentralization support program designed in the context of preparation of the PRODEL.

35. **Expected results at the end of the medium-term program.** At the end of the three-year program, it is expected that the legal and institutional framework for decentralization will be put in place after finalization of the studies.

Provide independent oversight and control of petroleum revenues

36. **Issues.** In 1998, the Government adopted the Petroleum Management Law, stipulating that all Government revenues from the Doba oil fields will be integrated in the annual Government budget and that royalties and dividends will be spent on development expenditures mainly for health, education, basic infrastructure, and rural development, as well as on the development of the oil-producing region. In addition to the normal oversight and control procedures for Government expenditures, the Law foresees the creation of an independent Petroleum Revenue Oversight and Control Board (CCSRP). The CCSRP consists of nine members who are the Director of the Central Bank, the Director of the Treasury, a member of the Supreme Court, two parliamentarians, and one representative of each of the following group of stakeholders: human rights associations, local NGOs, the religious communities, and trade unions. The CCSRP was originally scheduled to become operational by 2004, ahead of first oil expected in 2005. However, following the problems surrounding the use of a first part of the petroleum agreement signing bonus, the Government decided that the CCSRP would provide oversight and control for the expenditures to be made with the remainder of the bonus.⁸ Moreover, the expected early onset of oil revenues in end 2003 adds to the urgency of making the CCSRP fully operational in the short term.

37. **Reform strategy.** With a view to ensuring the independent control and oversight of the use of oil revenues as well as the remainder of the signing bonus, the Government has decided to:

- Establish CCSRP by appointing its members, promulgating the CCSRP implementation decree and adopting its rules of procedures (*règlement intérieur*);

⁸ The detailed allocation of the remainder of the bonus, exclusively to expenditures in health, education, basic infrastructure, rural development and governance, has been integrated in the Revised 2001 Budget Law adopted by Parliament on May 9, 2001 and in the 2002 Budget Law adopted by Parliament on December 23, 2001.

- define its operational rules, paying particular attention to the CCSRP's independence;
- make sure the CCSRP becomes fully operational in the context of the use of the remainder of the signing bonus and ahead of the advent of oil revenues.

38. ***Results achieved with the support of SAC IV.*** By the end of SAC IV, the following actions had been completed:

- the CCSRP has become almost fully operational as witnessed by the adoption of its rules of procedures (*règlement intérieur*) and the wide availability of its reports on the control of the expenditures financed by the remainder of the signing bonus (<http://www.ccsrp.td>).
- the CCSRP has started to establish its independence by refusing to approve bonus account expenditures that were not clearly allotted in the Budget Law, as well as expenditures for which procurement procedures were not properly applied.
- The CCSRP has prepared a first draft of its manual of procedures.

39. ***Expected results by the end of SAC V.*** By the end of SAC V, the following results are expected:

- the CCSRP has perfected its interventions as witnessed by the finalization and publication of a detailed manual of procedures and the hiring of two analysts to help it carry out its mission
- the CCSRP has continued to publish its quarterly and annual reports on its website.
- the CCSRP has confirmed that the remainder of the Petroleum Agreement Signing Bonus has been used in a satisfactory manner.

40. ***Expected results by the end of the three-year reform program.*** By the end of the medium term reform program, it is expected that:

- the CCSRP would have fully established itself as the independent oversight and control board for petroleum revenues as witnessed by its reports on the use of first oil revenues.

E. Ensure Efficient and Transparent Public Resource Management with a View to Poverty Reduction

Improve the preparation, execution and ex-post monitoring, control and audit of the budget

41. ***Issues.*** Since 1994, and in a context of overall budgetary restraint, the Government has systematically increased budget allocations for non-salary operational expenditures for the ministries of health, education, social action and public works. Moreover, since there are important shortages of human resources in the education and health sectors, recruitment of staff for basic education and health facilities continued, despite a freeze on overall hiring. Together with policy changes in the education and health sectors, this has allowed Chad to make impressive progress in some health and education outcomes. However, public services are still

of low quality, lack a focus on equity – as evidenced by the large regional differences in health and education indicators.

42. In 2002, the Government completed a Public Expenditure Review as well as an Expenditure Tracking Survey in the Education and Health sectors. These analytical instruments show that progress has been made but significant improvements are still necessary in budget preparation, execution and monitoring, and control and ex-post evaluation to ensure a more efficient and transparent use of public resources for poverty reduction. In view of the advent of oil revenues expected in end 2003, it is crucial that this be accomplished in the short term. The most important insights gained from this recent analytical work are presented in Box 9.

Box 9. Insights from the PER and the Expenditure Tracking Surveys

The 2001-2002 public expenditure review (PER) is the first stage of an annual public expenditure review process which was launched in Chad in June 2001. It has included two sectoral reviews led by the Chadian authorities in the health and education sectors, which represent two key priority sectors. The purpose of the review was to present a diagnosis and make recommendations on how to improve budgetary allocations and procedures for budget preparation, execution, monitoring and reporting. The objective is to allow the budget to become a key tool for the implementation of the National Poverty Reduction Strategy (NPRS) which is currently being finalized. Overall, the PER indicates that, in priority sectors, an annual increase by 20 percent of the recurrent budget (excluding personnel expenditures), although necessary, is not sufficient. It is also essential to ensure that public resources are actually spent according to the plan and that spending actually reach the beneficiaries, which, according to the results of the Public Expenditure Tracking Surveys (PETS) carried out in the health and education sectors, is not the case.

More specifically, *the health PER* highlights the inequities in the regional breakdown of resources allocated to the health sector, the need to improve the actual distribution of health facilities by making them operational, and the need to improve the regional programming of expenditures. The insufficient availability of human resources, in terms of both quantity and quality, also impedes efforts to expand health coverage. Furthermore, the PER concludes that the cost recovery policy should be strengthened. *In the education sector*, the erratic nature of the breakdown of resources by region indicates the need to strengthen expenditure programming and, in particular, improve the distribution of schools. In addition, community teachers represent a resource that should be turned to an advantage, and the existing dichotomy between public schools and community schools should be eliminated. The government is willing to move in that direction and the Bank plans to support this effort through an Education Sector Reform Project (PARSET). In parallel, decentralization of budget procedures by allocating credit directly to regional departments, including those related to centralized purchasing, would improve the effectiveness of the expenditure, while bringing beneficiaries closer to the expenditure decision-making process. Furthermore, given their relative weight, the costs of higher education need to be reduced. The review also concluded to the lack of centralized financial information on investments. Promoting school enrollment of girls is also a strategic priority of government policy in the education sector. A higher proportion of women teachers would have a definite impact on school enrollment of girls. Overall, an analysis of the determinants of the demand for education (especially in the Northern part of the country and for girls), is necessary.

Box 9 (Continued). Insights from the PER and the Expenditure Tracking Surveys

Overall, the *current budget preparation process* does not induce sector-based ministries to establish priorities and engage in arbitration between their programs and projects. In a number of ministries, preparation of budget requests consists solely of taking inventory of the “needs” and wishes of the various departments within the ministry. Progress has nevertheless been made in budget presentation. A functional nomenclature and an economic nomenclature were set up in 2001 and analytical tables presenting expenditures according to the functional nomenclature were prepared in 2002. Despite these improvements, one of the most worrisome issues is the lack of human resources allocated to the preparation of the budget. *Placing the budget in a multi-year perspective* will ensure that budget policies can be maintained in the medium term, without creating a financial imbalance, and will permit planning and monitoring of changes in budget policy, which often require a sustained effort over a number of years.

With respect to budget execution, monitoring and evaluation, significant progress has been made. Nevertheless, *execution of the non-personnel operating budgets* of the Ministry of Health and the Ministry of Education is very slow. The PER indicates that priority sectors do not receive the same priority as other sectors with respect to cash management, as invoices are paid only as and when budgetary aid is secured (in particular, aid received from the European Union). As a result, some private suppliers are reluctant to respond to requests for bids in the health and education sectors because of the delays of payment. A situation of this sort tends to distort significantly the implementation of priorities during budget execution. Thus, measures need to be taken to avoid such distortions, and the monitoring system of budget execution needs to be improved so as to identify distortions in a timely manner. This situation not only affects current expenditures, but also counterpart funds of projects financed by donors. Significant efforts would need to be made to improve monitoring of the execution of capital expenditure.

Overall, Chad has undertaken important reforms and has already accomplished significant progress in the area of budget management. Nevertheless, there are still important challenges ahead in preparation for the petroleum era. In particular, it will be essential to continue ongoing efforts to improve transparency in the use of public resources. In the medium term, Chad will also need to decentralize progressively decision-making and mechanisms for public spending. This will make the government closer to the beneficiaries, and it will contribute to a better adequacy of the use of public resources to the needs of the population, especially the poor. In this context, capacity building in the area of public expenditure management will be key to the success of the reform. Overall, this evolution is beginning to take place in Chad, and the next annual public expenditure review process pursues the analysis in this direction.

The Public Expenditure Tracking Survey (PETS) completed in 2002 in the health and education sectors was the first step of a two-stage process which aims at identifying and estimating the volume and nature of expenditure which do not reach their intended beneficiaries. The second step will be the completion of a health facility survey in 2003. These exercises are all the more important in Chad where the public expenditure system is heavily centralized. The results of the PETS highlight major deficiencies in the expenditure channel, both quantitatively (a significant proportion of public funds or purchased items do not reach their beneficiaries) and qualitatively (deliveries are made with excess delays or differ from the orders). As an illustration, in the education sector, the survey indicates that on average about 28 percent of expenditures reach their intended beneficiaries. These deficiencies have a significant detrimental impact on the efficiency and equity of public spending in the health and education sectors. With the support of its partners, the government has already taken steps to improve the follow up of deliveries of goods, notably in the health sector. Moreover, with the support of SAC V, the government intends to finalize and implement a comprehensive action plan in order to address these weaknesses.

43. **Reform strategy.** The Government has embarked on an ambitious plan to improve budget preparation, execution, ex-post control and evaluation with a view to improving the impact of public expenditures on poverty reduction. This plan includes:

- Capacity building in the area of budget preparation and monitoring and in public procurement, identification of the needs in terms of qualified personnel and appropriate staffing and training in the Ministry of Finance and line Ministries;
- the refinement of the budget classification, both with respect to type and geographical zone, in order to improve monitoring of the budget from a poverty reduction perspective;
- the annual preparation of a medium-term macro-economic and expenditure framework and sector expenditure plans for the implementation of the PRS;
- the continued recruitment of staff for basic health facilities and the generalization of community teachers (recruited at the village level by the local parents' association);
- the implementation of a mechanism to subsidize community teachers;
- the early preparation of procurement in the priority sectors and the monitoring of procurement plans;
- the simplification of the expenditure circuit to 22 steps, and its computerization;
- the improved in-year monitoring of budget execution;
- the use of bank wires and checks for the execution of budget operations;
- the annual auditing of accounts by the Auditor General's Office;
- the strengthening of the role of the General Finance Inspection body (IGF) and the enhanced accountability of all personnel involved in budget execution;
- the completion of an annual PER in priority sectors to evaluate ex-post the impact of public expenditures on poverty reduction and thus on the implementation of the PRS;
- the creation of a mechanism to track expenditures from the central levels to basic education and health facilities and to identify bottlenecks and leakages.

44. **Results achieved with the support of SAC IV.** By the end of SAC IV, considerable progress was made on this reform plan which also emerges clearly from the Expenditure Accountability Assessment Update presented in Annex 4. More precisely, the following actions had been completed:

- a refinement of the budget classification, both with respect to the type and geographical zone, for the education and health sectors;
- the preparation of the first medium-term macro-framework and its presentation in the Budget Circular in 2002;
- launching of the preparation of sector medium-term expenditure plans for health and education and their inclusion in the 2003 Budget documents presented to Parliament;
- continued recruitment of staff for basic health facilities;

- adoption of a new education policy recognizing the statute of community teachers as the main statute for teaching in primary education;
- creation of a mechanism to subsidize community teachers;
- computerization of the first three phases of the expenditure circuit;
- publication of a monthly report on the execution of the budget distinguishing between commitment, order to pay and payment of expenditures;
- execution of the non-salary operational budget for education, health and public works at more than 95 percent on a commitment basis at the end of fiscal year 2001; furthermore, the report on budget execution indicates that the target of 50 percent on a commitment basis at mid fiscal year 2002, which was a trigger for SAC V preparation identified in the SAC IV document, was reached in education, health and public works but not in the justice sector, where the objective was achieved in July 2002;
- publication of the Auditor General's Report on the execution of the 2000 Budget Law;
- submission to Parliament of the 2000 Budget Settlement Law;⁹
- the submission to the Auditor General of the government's accounts of the execution of the 2001 Budget Law ("*comptes administratifs*" and "*comptes de gestion*") and preparation of the 2001 Budget Settlement Law for submission to Parliament;
- publication of the first annual report by IGF on irregularities in budget execution;
- publication and discussion with a wide set of stakeholders of the first public expenditure review with a focus on the health and education sectors; launching of the second PER with a focus on health, education, housing, transport and justice;
- completion of a study tracking expenditures between the central level and basic facilities for health and education and preparation of a draft action plan to improve the level of resources reaching basic facilities. The measure initially identified as a trigger for preparation of SAC V in the SAC IV document (adoption of the action plan) could not be reached because the authorities have decided to further discuss and refine the drafts in early 2003, using the results of the study and other evidence, in order to make sure that the action plans are comprehensive and well-targeted.

45. ***Expected results by the end of SAC V.*** By the end of SAC V, Chad expects to achieve the following:

- significant progress has been made towards building the required capacities in the area of budget preparation and execution in ministries and other public institutions (procurement directorate, Auditor General's Office), as witnessed by (i) the effective launching of the training program for all agents in charge of budget preparation and execution, (ii) the hiring of the required number of qualified staff in the Budget

⁹ The Parliament refused to approve the 2000 Budget Settlement Law due to inconsistencies between the "*comptes administratifs*" and "*comptes de gestion*".

Directorate, (iii) the identification of the needs in terms of qualified staff in the area of budget preparation and procurement in the Ministries of health, education, higher education, housing, public works, justice, agriculture, livestock and water and environment, and the hiring of required staff or sub-contracting of activities if necessary;

- inclusion of sector expenditure plans for health and education in the 2003 Budget documents, including the provision for the continued recruitment of health staff and the payment to community teachers of a government subsidy;
- further refinement of the budget classification both with respect to the type and geographical zone;
- further improvement of the Budget Circular for the 2004 budget with the presentation of a medium-term macro-framework and medium-term expenditure framework including sector expenditure ceilings;
- launching of preparation of medium term expenditure plans in health, education, housing, public works and justice for their inclusion in the 2004 Budget Law; launching of the preparation of public expenditure reviews and medium term expenditure plans in the rural development sector (agriculture, livestock, water and environment) for their inclusion in the 2004 Budget Law;
- effective implementation of the mechanism to subsidize community teachers;
- completion of the first phase of the installation of the IFMIS, based on the Burkina Faso IFMIS; launching of users' training;
- continued monthly publication of a report on the execution of the budget distinguishing between commitment, order to pay and payment of expenditures, and distribution to priority ministries (health, education, higher education, housing, public works, justice); monthly review of budget execution in priority ministries and publication of minutes; monitoring of indicators set out in the sector expenditure plans;
- improved monitoring of the investment budget;
- execution of the non-salary operational budget for education, health, public works and justice at more than 95 percent on a payment basis at the end of fiscal year 2002, and at more than 50 percent on a commitment basis at mid fiscal year 2003; priority ministries prepare monthly procurement plans and updates and review them along with budget execution;
- the Budget Settlement Law for 2001 has been submitted to Parliament before the adoption of the Budget Law of 2003; the 2002 accounts for fiscal year 2002 ("*compte administratif*" and "*compte de gestion*") have been reconciled and submitted to the Auditor General ;
- publication of the second annual report by IGF on irregularities in budget execution and the adoption and implementation of administrative sanctions for irregularities;
- publication of the second public expenditure review with a focus on the health, education, public works, housing and justice sectors;

- finalization and launching of implementation of an action plan to improve the arrival of expenditures at the level of basic facilities including the public posting of expenditure allocations in all basic health and education facilities;
- launching of the health facility survey to analyze the compatibility between the allocation of expenditures and the demand for health services.

46. *Expected results by the end of the three-year reform program.* By the end of the medium-term reform program, Chad expects to achieve the following:

- adequate number of staff with required skills are in charge of budget preparation and execution in ministries, Procurement Directorate and Auditor General's Office;
- the presentation in each Budget Law of a medium-term macro-framework, a medium term expenditure framework and sector expenditure plans for priority sectors drawn from the PRS;
- a refined budget classification both with respect to the type and geographical zone; allowing the monitoring of the budget from a poverty reduction perspective;
- annual execution of the operational budgets in the priority sectors at more than 95 percent on a payment basis;
- a fully operational IFMIS;
- a fully effective in-year budget execution monitoring system with effective monitoring of performance indicators and execution of the investment budget;
- a budget executed predominantly through the banking sector;
- the Budget Settlement Law for the preceding year is submitted to Parliament, then adopted before the adoption of the Budget Law for the subsequent year;
- annual publication of a public expenditure review with a view to evaluating the impact of expenditures on poverty reduction and the implementation of the PRS for further improvement of the medium term expenditure plans;
- annual publication by IGF of a report on irregularities in budget execution and the continuous implementation of administrative sanctions for irregularities;
- annual adoption of a performance contract for basic health and education facilities between Government, managers and users.

Make public procurement more efficient and transparent

47. *Issues.* In the context of the Country Procurement Assessment Report (CPAR), the Government and World Bank staff have jointly concluded that Chad's public procurement procedures are ill-defined and poorly implemented. The definition of the respective roles of various institutions involved in the system is unclear; consequently, conflict of interest problems arise. Both civil servants and private sector representatives lack training in procurement methods. The approval circuit is unwieldy and involves the highest authorities for fairly small procurement contracts. Hence, procurement procedures are unnecessarily long which hinders the execution of the budget, notably in priority sectors. The public is not systematically informed regarding

standard bidding documents, invitations to tender for bids, reference prices, outcomes of bidding procedures, appeals to awards or blacklisted firms. There is no transparent appeals and dispute resolution system; no systematic auditing of procurement contracts and the functioning of the procurement system. The impact of these weaknesses became particularly clear during the review of the use of HIPC funds between May 2001 and May 2002, as described in paragraph 11.

48. **Reform strategy.** To remedy these problems, the Government has launched a public procurement reform program. This program provides for:

- simplification of the procurement approval circuit;
- clarification of the roles of the various institutions involved in the public procurement system in the context of a new Public Procurement Code;
- design and implementation of an independent procurement appeals system;
- training of public personnel and the private sector with respect to procurement procedures; hiring of independent observers in public procurement commissions for priority sectors;
- preparation and dissemination of standard bidding documents;
- wide publication of information regarding public procurement;
- accreditation of procurement specialists;
- annual auditing of public procurement contracts and the public procurement system.

49. **Results achieved with the support of SAC IV.** By the end of SAC IV, the following actions had been completed:

- a draft new Public Procurement Code including an independent procurement appeals system;
- organization of a stakeholder seminar to discuss the new draft Public Procurement Code including an independent procurement appeals system; comments received will be incorporated into the Code before finalization and adoption by the HCI in the first semester of 2003; the final Code is also expected to take into account the results of the audit of the five largest procurement contracts in 2001;
- regular publication of a quarterly procurement bulletin;
- creation, in the national school of public administration, of a specific curriculum for public procurement;
- completion of an audit of the expenditures financed by the HIPC resources between May 2001 and May 2002;
- completion of an audit of the five biggest procurement contracts for 2001 and the adoption of a methodology for the annual audit of procurement contracts, as well as the procurement system.

50. In addition, a number of measures were introduced to address in the short term, problems revealed by the audit of the expenditures financed with HIPC resources. These are:

- launching of administrative procedures against public personnel involved in the irregularities exposed in the audit;
- nomination of representatives of the Ministry of Finance on the public procurement bid evaluation boards, with a view to stricter control of prices;
- launching of the recruitment of independent observers for the public procurement bid evaluation boards in the health and education sectors;
- modification of the articles of the public procurement code, referring to the procedure of limited bidding¹⁰ with a view to eliminating abuse of this procedure;
- modification of the approval procedure for public contracts to include approval by the Minister of Finance for all contracts with a value above FCFA 500 million. This decree however was modified again in December 2002 : the Minister of Finance signs all contracts between FCFA 10 and 50 millions, and the President signs all contracts above this threshold, which is likely to generate significant bottlenecks in the approval circuit.

51. *Expected results by the end of SAC V.* By the end of SAC V, Chad expects to achieve the following:

- finalization of a new Public Procurement Code, using the outcomes of the discussion of the first draft and the results of the audit of the five largest procurement contracts ;
- submission of the Code to Parliament including the independent procurement appeals system; and preparation of the draft implementation decrees;
- preparation, publication and dissemination of the accompanying standard bidding documents;
- improvement - notably by publishing invitations to tender for bids, reference prices, outcomes of bidding procedures, outcomes of appeals and blacklisted firms -, and regular publication of the quarterly procurement bulletin with incorporation of the minutes of the monthly meetings on budget execution;
- launching of the design and implementation of a computerized monitoring system for follow up of procurement contracts;
- nomination and effective functioning of independent observers in the procurement bid evaluation boards in the health and education sectors, as evidenced by their reports;
- effective launching of the curriculum for public procurement in the school for public administration;
- launching of the audit of the public procurement contracts and system for 2002 which will include proposals, if needed, of measures to improve the methodology for auditing the procurement contracts and system.

52. *Expected results by the end of the three-year reform program.* By the end of the medium-term reform program, Chad expects to achieve the following results:

¹⁰ This procedure provides for bidding by direct invitation without open advertisement.

- full application of the new Public Procurement Code and its associated decrees;
- a fully operational and independent procurement appeals system;
- systematic use of standard bidding documents following their wide dissemination, including through the internet;
- effective and timely monitoring of procurement contracts through a computerized system;
- effective functioning of independent observers in the procurement bid evaluation boards in the health and education sectors;
- quarterly publication, in hardcopy and on the internet of a procurement bulletin containing invitations to bids, outcomes of bids, outcomes of appeals, reference price lists, and blacklisted firms, and minutes of the meetings on budget execution in priority ministries;
- graduation of the first batch of public procurement specialists from the school for public administration;
- an operational system for accrediting procurement specialists;
- annual publication of an audit of procurement contracts and the functioning of the procurement system.

Strengthen the transparency and accountability of the civil service

53. **Issues.** With about 34,000 public employees (excluding defense), Chad's civil service is of moderate size. However, the organization and staffing of several key ministries is not focused on their poverty reduction mission. Skill levels are ill matched with job requirements and the incentive system does not promote results-oriented service delivery. Staff are unduly concentrated in urban areas. All these factors seriously affect the quality and poverty-orientation of basic public services. Moreover, human resource management suffers from the absence of clear rules for recruitment and promotion and from inconsistencies between the civil service files and the payroll, both maintained manually.

54. **Reform strategy.** The Government adopted a civil service reform program in 1998, aimed at improving the quality of human resources in priority sectors, providing adequate incentives and a productive working environment, increasing the accountability of staff to beneficiaries, and putting in place transparent staff rules, regulations, and records. This reform program was extensively discussed with all stakeholders and its implementation has been launched. A census of public sector workers was finalized in November 2000 and its results will provide the basis for the creation of harmonized and computerized payroll and civil service records. A new civil service status Law introducing competitive recruitment and merit-based advancement has been adopted by Parliament and the first implementation decrees have been prepared. The medium-term program supported by SAC IV and SAC V provides for the continued implementation of the Government's civil service reform program including:

- review of organization charts and staffing plans for key ministries¹¹, taking into account their respective sector development strategies and including, if deemed necessary, a voluntary departure program;
- update of the regulatory framework to introduce competitive recruitment and merit-based advancement;
- improvement of the transparency of civil service and payroll records.

55. ***Results achieved with the support of SAC IV.*** By the end of SAC IV, the following actions had been completed:

- adoption by Parliament of the new civil service status law introducing competitive recruitment and merit-based advancement;
- preparation of the first implementation decrees accompanying the new law;
- recruitment of the firm which will carry out the audit of 9 pilot ministries covering organizational, procedural and human resources aspects; the audit was initially expected to be completed by the end of SAC IV and this action represented a trigger for further program-lending; significant delays occurred in the preparation of the terms of reference of the study; in addition, two ministries were added to the first round of the audit and a revised timetable for the audit was defined taking into account the need to design and adopt a methodology for the audit before launching the work itself; hence the audit could not be completed as scheduled and is now scheduled to take place in calendar year 2003;
- continuation of the update of the payroll based on the 2000 census of public sector workers and production of the list of people included in the payroll by ministry.

56. ***Expected results by the end of SAC V.*** By the end of SAC V, it is expected that:

- implementation decrees relating to the new civil service status Law will be issued (except the decree on allocations which will follow the audit of the ministries);
- the methodology for the audit will be defined and adopted and basic data and documents will be collected for the audit of nine pilot ministries covering organizational, procedural and human resources aspects;
- the 2000 census of civil servants will be updated; and harmonized and computerized payroll and civil service files will be completed with quarterly production of the list of people included in the payroll files by ministry.

57. ***Expected results by the end of the three-year reform program.*** By the end of the three-year reform program it is expected that:

- audit will be completed for the 9 pilot ministries and action plans will be implemented to address their deficiencies;

¹¹ The Ministries of Finance; Planning, Development and Cooperation; Education; Higher Education; Health; Social Action and Welfare; Agriculture; Livestock ; and Justice.

- key ministries will be reorganized to focus on their poverty reduction mission and staffed with higher quality staff;
- competitive recruitment and merit-based advancement mechanisms will be fully operational in key ministries, including a performance based evaluation system;
- harmonized and computerized civil service and payroll files will be fully operational and regularly updated.

F. Promote Sustained Growth in the Rural Sector

58. *Issues.* The vast majority of Chad's rural population lives on less than one dollar per person per day. Cotton is the most important cash-earner for about 350,000 rural farm families residing in the south of Chad. Cotton is produced on small family farms, and the industry exhibits a structure of vertical integration, dominated by Cotontchad, the only cotton processing company, which is majority Government-owned. Cotontchad (i) provides farm inputs to farmers on credit and manages the distribution of such inputs; (ii) purchases, collects and transports seed cotton from the villages to its 9 cotton ginneries; (iii) gins the seed cotton, and commercializes the lint; and (iv) produces oil from the cotton seeds, and soap. The producer price for seed cotton is uniform throughout the country.

59. Despite cotton's importance for a large number of poor farm families, cotton revenues are low. The average yield of seed cotton is about 650 kg/ha in Chad compared to 1,100 kg/ha in Mali. Cotton farmers receive a low producer price, reaching about 49 percent of the lint equivalent world price for cotton in 1999/2000 compared to an average of 80 percent in Zimbabwe over the period 1994-97. This is due to several factors, including: (i) low productivity associated to degradation of soil; (ii) the absence of private markets for agricultural inputs; (iii) high transactions costs related to insufficient transport infrastructure; (iv) the inadequacy of research and extension services; and (v) an industrial structure for the marketing and processing of cotton in which farmers have little bargaining power. Recently, cotton activities have also suffered from the continuous decline of international cotton prices as a result of subsidies in OECD countries. This has created an additional financing need of US\$ 24 million¹² in 2002. In view of these constraints and complementary to ongoing programs in the areas of transport and research and extension, SAC IV and SAC V support a profound reform of the industrial structure of the cotton sector with a view to improving farmers' bargaining power.

60. *Reform strategy.* In December 1999, after consultation with a wide set of stakeholders, the Government adopted a cotton sector reform strategy - the primary objective of which is to improve the incomes of cotton farmers. The strategy consists of a process of institutional change to enhance farmers' bargaining power by (i) strengthening the role of farmers' associations; and (ii) disengaging the state from cotton production and reviewing the industrial structure of the cotton sector. Learning from the difficulties in the implementation of other cotton reform programs, especially Benin and Mali, Chad has decided to pay particular attention to consensus building among all stakeholders all along the reform path.

¹² Source: IMF. Chad – Letter of Intent, Memorandum of Economic and Financial Policies.

Strengthen the role of cotton farmers' organizations

61. Since 1999, the authorities have launched an extensive program to support cotton farmers' associations, the structure of which is described in Box 10.

62. ***Reform strategy.*** The role of cotton farmers' organizations will further be strengthened by :

- strengthening the institutional and organizational capacities of farmers' associations;
- improving farmers' access to information and knowledge of the economic environment, notably on cotton;
- improving farmers' access to inputs and management services;
- ensuring farmers' participation in the design and monitoring of the state's divestiture from the cotton industry, and its institutional reform.

63. ***Results achieved with the support of SAC IV***

- to achieve these goals, 9 CCLs have been created through a system of elections in the 5,000 cotton producing villages, and these CCL have obtained legal recognition. The transparent elections of members of the CCLs have been held;
- the state has withdrawn from price-setting in the sector, and the producers' prices are henceforth determined by the *Comité paritaire* in which the CCLs and Cotontchad are represented equally. Prices are determined on the basis of a scheme that links the producer price to the fiber-equivalent world cotton price;
- A diagnostic of the institutional capacities of the CCL has been reviewed and approved;
- a baseline survey on the status of knowledge of market conditions among cotton farmers has been completed;
- an information structure for farmers on cotton market conditions is operational and has started to disseminate information to cotton farmers;
- farmers have contributed to the ex-ante qualitative poverty and social impact analysis of the cotton sector reform program.

64. ***Expected results at the end of SAC V.*** At the end of SAC V, the following results are expected:

- action plan to strengthen the institutional capacities of the CCL will be adopted and implemented; village and cantons representatives will be elected;
- action plan to increase access to agricultural inputs and services, in partnership with private entrepreneurs, will be implemented;
- status of knowledge of cotton farmers on cotton market conditions will be regularly monitored through follow-up surveys;
- market information campaign will continue;

- study on how to promote private management service providers will be completed and the strategy implemented;
- farmers will continue to participate in the ex-ante poverty and social impact analysis of the cotton sector reform program, notably through the baseline survey which will be carried out as part of the ex-ante quantitative analysis;
- farmers' associations will participate in the design of the program to divest the state from Cotontchad through the preparation of a farmers' forum on alternative options for privatization.

65. ***Expected results at the end of the medium-term program.*** At the end of the three year period, Chad hopes to achieve:

- strengthened cotton farmers' associations;
- improved knowledge among farmers regarding market conditions for cotton;
- improved access to agricultural inputs and services for cotton farmers and increase in the number of private management service providers;
- continued contribution of farmers' associations to the monitoring of the cotton sector reform program through their participation in the ex-post poverty and social impact analysis.

Disengage the state from cotton production and review the industrial structure of the cotton sector

66. ***Reform strategy.*** The disengagement of the state from Cotontchad and the reorganization of the sector's industrial structure is planned to proceed in two stages with the privatization of its oil and soap activities preceding the privatization of its other commercial activities, including the ginning facilities.

Box 10. Insights from the Ex-ante Qualitative Poverty and Social Impact Analysis

The Poverty and Social Impact Analysis (PSIA) of the Chad Cotton Sector Reform consists in ex-ante and ex-post qualitative and quantitative analyses of intended and unintended, positive and negative, short-term and long term, consequences of the sector reform on the welfare and livelihood of different categories of stakeholders. The final objective of the PSIA is to assist the Government of Chad in the choice between alternative scenarios of privatization of the parastatal Cotontchad by taking into consideration the heterogeneity of social and poverty impacts of each scenario. The first phase of the ex ante qualitative analysis was launched in May 2002, for two months. It consisted of a *Social Impact Assessment* covering 27 villages of the cotton-producing area. Its aim is to provide the Government of Chad with a sense of the social and economic context and main constraints affecting cotton production and commercialization. In parallel, an *Institutional Analysis* focused on formal and informal constraints in the transmission channels of key resources (information, money, cotton, inputs). The second phase consisting of a *Social Risk Analysis* and *Equity of Opportunity Analysis* will restrict the focus to some best-case scenarios as identified by the Government in the meantime. In March 2003, the ex ante quantitative analysis is scheduled to be launched. It will consist of a household survey based on and informed by the results of the qualitative analysis. Ex post analyses will start after one scenario of privatization is adopted and implementation launched.

Cotton constitutes the only source of revenue for farmers living in Southern Chad. In the words of producers themselves, cotton represents 'the only way out of poverty'. Nonetheless, the PSIA has identified a number of constraints, which prevent producers from enjoying the results of their hard work. Among others, the reduction of their income due to unfair evaluation of the quality of cotton; the Cotontchad-introduced notion of collective responsibility on deficit in cotton production leading to social conflicts within villages and households; long delays in payments to cotton farmers; bad quality, high costs and insufficient quantity for agricultural inputs; devastation of cotton fields by certain categories of cattle-herders; lack of information and training about cotton production and commercialization; the absence of rural and other roads linking farmers to markets and so on. In addition, lack of transparency in the workings of newly-introduced institutions (*Comité de Coordination Locale, CCL*), of village-level intermediaries of Cotontchad and in commercialization procedures (*Marché auto-géré*) has led to systematic corruption, further reducing farmers' gains on cotton, their access to critical resources and their bargaining power.

Nonetheless, there exists no real alternative to cotton production. Hence the need to introduce solutions to the above-mentioned problems through a restructuring of the sector. At present, only recommendations of a preliminary nature can be put forward. These regard: (1) the active participation of men and women cotton producers in all stages of cotton commercialization; (2) the setting up of all preconditions necessary for a competitive cotton market to exist.

67. This two-staged process proceeds as follows:

- legal separation between Cotontchad and its oil and soap division (DHS) followed by the privatization of the autonomous HS;
- completion of a study to identify and analyze the alternative scenarios for privatizing Cotontchad's activities;¹³
- completion of an *ex-ante* qualitative and quantitative poverty and social impact study with respect to the privatization scenarios;
- organization of a farmers' forum and an investors' forum to ensure that their views are fully taken into account;
- adoption and implementation of the final privatization scenario;
- launching of an *ex-post* monitoring of the impact of the reform program.

68. ***Results achieved with the support of SAC IV***

- to attain these objectives, a technical and financial audit of Cotontchad was completed. On the basis of this audit, an action plan was adopted and a Controller General was recruited to assist Cotontchad, until its privatization, in implementing this plan;
- legal separation between DHS and Cotontchad in preparation of the privatization of the autonomous HS has been completed and the bidding process for the privatization of HS has been launched; technical and financial bids were opened in the second semester 2002 and the bidding process is scheduled to be fully finalized early 2003 with the signature of the convention;
- the treasury situation of Cotontchad was audited; an action plan identifying cost-cutting measures for the operation of Cotontchad was prepared for implementation during the 2002/2003 season, coupled with an assessment of the Controller General's mandate and a proposal to revise his terms of reference to accompany the implementation of the action plan;
- a draft of the study identifying alternative scenarios for the state's divestiture has been completed in December 2002;
- the first stage of the qualitative and the institutional *ex-ante* poverty analyses of the alternative scenarios has been completed.

¹³ The alternative scenarios may include, for example: (i) the privatization of Cotontchad as currently structured, preserving the vertically integrated structure of the industry as well as its *de facto* monopsony position in seed cotton marketing and a monopoly on fiber marketing; (ii) the break-up and sale of Cotontchad into a few entities comprising several ginning factories, preserving the vertically integrated structure, but allowing for some competition in prices or services; (iii) the sale of each of the 9 ginning factories separately, allowing for even more competition in prices or services; or (iv) the privatization of the various functions of Cotontchad separately (distribution of inputs, transport, ginning, commercialization), essentially abandoning the structure of vertical integration.

69. ***Expected results at the end of SAC V.*** By the end of SAC V it is expected that:

- the oil and soap factory will be sold to a strategic private investor;
- baseline survey of the ex-ante quantitative analysis will be completed;
- cost-reducing measures will have been implemented during the cotton production and marketing season;
- after the finalization of the scenario study, a farmers' forum and a private investors' forum will be prepared, which will be informed by the results of the ex-ante poverty and social impact analysis.

70. ***Expected results by the end of the medium-term program.*** By the end of the three year period, it is expected that Chad will achieve the following:

- selection of a divestiture scenario for the ginning activities of Cotontchad made by taking into account (i) the ex-ante poverty and social impact analysis; (ii) the views of producers' associations as presented during the farmers' forum; and (iii) the views of private investors as presented during the investors' forum;
- complete divestiture of the state from the commercial activities of Cotontchad;
- implementation of regulatory measures accompanying the privatization of Cotontchad;
- ex-post monitoring of the impact of the reform program on a regular basis and the adoption of adjustments to the program if necessary.

4. THE PROPOSED CREDIT

71. The proposed credit is a core operation to implement two of the five strategic axes of Chad's full PRSP and to implement the World Bank CAS. It is also essential for establishing the financial safeguards for future program-lending ahead of the advent of petroleum revenues in end 2003. As detailed below, Chad completed, prior to Negotiations, several key prior actions in the areas of governance, public resource management and cotton sector reform. The Government has also agreed to benchmarks that would form the basis for assessing progress in the implementation of the reform program and triggers for the preparation of subsequent program-lending. In Annex 2, which presents the Government's action matrix, both the actions satisfied prior to negotiations and the triggers for the preparation of subsequent program-lending have been highlighted [the former in **bold** and the latter by (*)]. Most prior actions derive from the triggers for further program lending identified in the President's Report of SAC IV and displayed in Box 7 of the present document. Most triggers have been completed. As highlighted in Section III-B, C, D, E and F, some triggers, however, have been refined during the course of SAC IV, partly because the initial timetable was too ambitious. Some delays also occurred in implementing the program. This is the case, notably, of the action relating to the audit of seven ministries. During program implementation, it was decided that the audit would cover 9 ministries instead of 7. In addition the launching of the recruitment process for the audit company was delayed for several months. Conversely, compared to the triggers identified in the President's Report for SAC IV, some additional prior actions were agreed upon during program

implementation on the basis of recent analysis such as the PER, the audit of the expenditures funded with HIPC resources and recent developments in the cotton sector.

72. The selected actions and triggers for subsequent lending will assist the authorities to be better prepared to manage the petroleum revenue and to cope with the challenge of reforming the cotton sector in a difficult external environment. All prior actions and triggers for the preparation of subsequent program-lending have been defined to satisfy one or several of the following criteria: (i) they are a critical step in a process of reforms launched over the past 2 years and to be continued in the medium-term; (ii) they engage the independent institutions that are destined to provide the checks and balances on the use of public resources; and (iii) they contribute to the curtailing of opportunities for abuse of public resources. The engagement of independent agents of restraint is discussed in Box 11.

A. Reform Measures, Actions Taken Prior to Negotiations

The Government has implemented the following prior actions:

73. Improving Governance

- adoption of the National Governance Strategy (including measures with regard to the judiciary, decentralization, the ethics of public service, public disclosure of information, and audit and control of public expenditures) by the HCI and organization of a seminar with a wide set of stakeholders to discuss the NGS;
- satisfactory implementation of the NGS as witnessed by (i) publication of critical reports by the Auditor General's Office in particular the audit of the signing bonus (www.igf.mef.gouv.td/) (ii) completion of the operational and financial audit of the customs services and the launching of a survey on users' perception of customs services ; and (iii) development of an action plan for the definition of a policy on the public disclosure of information;
- the Petroleum Revenue Oversight and Control Board (CCSRP) has adopted its rules of procedures (*règlement intérieur*) and published its annual report for 2001 as well as its first 2 quarterly reports for 2002 (<http://ccsrp.td>). It has also prepared a first draft of its manual of procedures;
- preparation of a stakeholder seminar to discuss the implementation of SAC IV, particularly in the areas of governance. The seminar assessed what worked well, what went wrong, and how lessons could be used in future programs to enhance transparency, participation , accountability and adherence to the rule of law.

74. Improving Public Resource Management

- submission to Parliament of the Budget Settlement Law for fiscal year 2000 and the transmission of the Government's accounts for fiscal year 2001 to the Auditor General's Office;

- completion under the direction of the health and education public expenditure committees of the tracking expenditure study from the central level to the basic health and education facilities, and the preparation of a draft associated action plan to improve the level of resources reaching the health and education facilities ;
- introduction of a monthly progress report on the execution of the budget distinguishing between commitment, order to pay and payment of expenditures, and distinguishing specifically the Ministries of Education, Health, Public Works, and Justice; the distribution of this report to the four ministries;
- execution of the non-salary operational budget for the Ministries of Education, Health, and Public Works at 95 percent on a commitment basis at the end of fiscal year 2001;
- submission to Parliament of the draft law establishing a mechanism for subsidizing community teachers.

75. Improving the Efficiency and Transparency of Public Procurement

- modification of the articles of the public procurement code referring to the procedure of limited bidding¹⁴ with a view to eliminating abuse of this procedure;
- finalization of a draft new Public Procurement Code including independent procurement appeals system; and the organization of a stakeholder seminar to discuss the draft;
- completion of an audit of the five biggest procurement contracts for 2001 and the adoption of a methodology for the annual audit of procurement contracts as well as the procurement system;
- launching of the recruitment of independent observers for the public procurement bid evaluation boards in the health and education sectors;
- regular publication of a quarterly procurement bulletin.

76. Strengthening the Transparency and Accountability of the Civil Service

- promulgation of the new civil service status Law introducing competitive recruitment and merit-based advancement;
- signature of contract with the auditor who will carry out the audit for 9 pilot ministries covering operational, procedural and human resources aspects;
- preparation by the Payroll Department of the Ministry of Economy and Finance of a quantitative overview of the salaries and staffing by Ministry.

¹⁴ This procedure provides for bidding by direct invitation without open advertisement.

77. Strengthening cotton farmers organizations, and disengaging the state from cotton production:

- launching of the ex-ante poverty and social impact analysis;
- launching of the bidding process for the privatization of the Oil and Soap Company;
- preparation of an action plan identifying cost-cutting measures for the operation of Cotontchad for implementation during the 2002-2003 cotton season, coupled with an assessment of the Controller General's past mandate and a proposal to revise his terms of reference to accompany the implementation of the action plan.

B. Triggers for Subsequent Operations

78. To enhance transparency, accountability, adherence to the rule of law and participation; improve the preparation, execution and ex-post monitoring, control and audit of the budget; make public procurement more efficient and transparent; strengthen the transparency and accountability of the civil service; strengthen the cotton farmers' organizations, and disengage the state from cotton production, the Government has agreed to the following triggers for subsequent program-lending:

79. Improving Governance

- satisfactory progress in the implementation of the NGS on the basis of progress report, as evidenced by (i) the review by the Government (*Haut Comité Interministériel*) of the first draft of a policy for the public disclosure of information; (ii) the publication and wide availability of the Government's 2003 Budget Law; (iii) publication on the Auditor General's Office's website of its report on the audit of the use of HIPC funds between May 2001 and May 2002, and (iv) publication on the Auditor General's Office's website of its report on the execution of the 2002 Budget Law;
- finalization of a survey on the users' perception of customs services after validation in a seminar; adoption and publication of an action plan to further improve customs services, including the reduction of the involvement of third parties in customs operations;
- launching of the studies relating to the legal and institutional framework of the decentralization process :
 - Study on the modalities for creating rural communities
 - Study on the training policy for elected representatives and for staff in charge of the decentralization process
 - Study on land ownership issues;
- finalization and publication of the procedural manual of CCSRP, recruitment of two analysts; and ;
- satisfactory use of the remainder of the Petroleum Agreement Signing Bonus as confirmed by the College.

80. Improving Public Resource Management:

- presentation in the 2003 Budget documents submitted to Parliament of a medium-term macro-economic and expenditure framework and medium-term expenditure plans for the health and education sectors;
- launching of the preparation of medium term expenditure plans for the health, education, justice, housing and public works sectors which will be submitted to Parliament with the 2004 Budget Law; launching of the preparation of public expenditure reviews and medium term expenditure plans in the rural development sector (agriculture, livestock, water and environment) for submission to Parliament with the 2004 Budget Law;
- continued monthly publication of the report on the execution of the budget, distinguishing between commitment, order to pay and payment and distinguishing specifically the Ministries of Education, Health, Public Works, Housing and Justice;
- review of budget execution in priority ministries (including Title V) every two months, with the Ministry of Finance, the Procurement Directorate, the Procurement Commission, and donors if necessary, and preparation of minutes for publication;
- production of public procurement plans in priority ministries every two months; review during the meetings on budget execution and preparation of minutes for publication;
- effective launching of the training program for all agents in charge of budget preparation and execution;
- hiring of the required number of qualified staff in the Budget Directorate, including macroeconomists for the economic forecasting sub-directorate (*sous-direction de la prévision*) and qualified executives for the investment sub-directorate (*sous-direction de l'investissement*);
- identification of the needs in terms of qualified staff in the area of budget preparation and procurement in the Ministries of Health, Education, Higher Education, Housing, Public Works, Justice, Agriculture, Livestock and Water and Environment; hiring of required staff or sub-contracting of some activities if necessary;
- completion of the first phase of the implementation of the Integrated Financial Management Information System (design of the work program, installation of the computerized platform for the development of the software and of a training room with about fifteen computers, definition of technical requirements and main changes needed to adapt the Burkina software and launching of the preparation of the budget for a few Ministries with training of the agents involved); launching of users' training at the Ministry of Finance and the Treasury;
- submission to Parliament of the 2001 Budget Settlement Law before the adoption of the 2003 Budget Law, and submission to the Auditor General's Office of the accounts for fiscal year 2002 after reconciliation of the accounts;
- finalization and launching of implementation of the action plan to improve the arrival of public expenditures to health and education facilities.

81. Improving the Efficiency and Transparency of Public Procurement

- submission to Parliament of the new procurement code, including the texts creating an independent appeals system, and preparation of draft implementation decrees;
- improvement and continued regular publication of the quarterly procurement bulletin, with incorporation of the minutes of the monthly meetings on budget execution;
- launching of an audit for the 2002 procurement contracts and system.

82. Strengthening the transparency and accountability of the civil service

- issuance of the implementation decrees relating to the new civil service status law, including the status for special professions, remuneration and missions and the implementation decrees for performance evaluation, training and recruitment;
- adoption of methodology for the audit of the nine pilot ministries covering organizational, procedural and human aspects, and collection of basic data and documentation;
- final update of the payroll based on the update of the 2000 census of civil servants and the list of all personnel included in the payroll; monthly update and quarterly review of this list by Ministry (December 2002, March 2003, June 2003).

83. Strengthening the cotton farmers organizations, and disengage the state from cotton production:

- adoption of an action plan for the institutional strengthening of cotton farmers organizations (CCL);
- full implementation of the cost-cutting measures for the operation of Cotontchad;
- preparation of the investors' forum and farmers' forum to discuss the scenarios for the privatization of Cotontchad and the poverty and social impact of the reforms in the cotton sector.

Box 11. Engaging Independent Agents of Restraint – The Case of the Auditor General’s Office and the Quarterly Public Procurement Bulletin

To improve governance, especially in the context of the advent of petroleum revenues in end 2003, it is critical that the independent institutions that are destined to provide the checks and balances on the use of public resources – including the executive, the legislative, the judiciary, the press and civil society – be strengthened in their role, especially given the youth of most of these institutions in Chad. In view of this, SAC V and the medium-term program that it supports, seek to engage these agents of restraint in implementing the program as witnessed by the prior actions and triggers for subsequent program lending. Over the past 9 months two of these institutions have made good progress in confirming their independent role in providing checks and balances: the Auditor General’s Office, and the Public Procurement Directorate by way of the regular publication of its Public Procurement Bulletin.

The Auditor General’s Office

The Auditor General’s Office, which is part of Chad’s Supreme Court, was created in 1999 and made operational in 2000. The Office is staffed by an Auditor General and five counsels. Despite its youth and limited human resources, the Office has already established itself as an effective institution. In 2001 it launched an annual audit of the Government accounts, starting with the submission to Parliament in November 2001 of its report on the execution of the 2000 Budget Law. This has permitted the Government to submit the 2000 Budget Settlement Law to Parliament within 12 months following the closing of the budget exercise – an exception for francophone African countries - , an accomplishment that was achieved again with the 2001 Budget Settlement Law. The Auditor General’s Office has also recently completed audits of the off-budget use of the Petroleum Agreement Signing Bonus and the use of the HIPC funds between May 2001 and May 2002. These audits are publicly available at <http://www.igf.mef.td/>. While there is room for improvement of the Office’s auditing methodology, these reports focus on the right issues and the Auditor General’s Office has shown a remarkable capacity to improve the quality of its work with every output. The staff of the Auditor General’s Office benefit from an intensive training program financed by the Management of the Petroleum Economy Project. To gradually improve their auditing methodology the Office has entered into a particularly fruitful twinning arrangement with France’s Auditor General’s Office.

The Public Procurement Bulletin

In September 2001, the Directorate of Public Procurement published the first issue of its quarterly Public Procurement Bulletin and by now, four issues have been published. The Bulletin publishes calls for tenders for bids, information on bid awards, and blacklists of firms excluded from bidding for public procurement contracts either because of earlier irregularities or because of a failure to comply with all tax liabilities. The Bulletin has led to a very fruitful collaboration between the Directorate of Public Procurement and the Directorate of Taxes. The Directorate of Public Procurement provides information on the amounts of bids awarded to firms, which the Directorate of Taxes uses as a check against firms’ declaration of earnings. Upon the identification of underreporting of tax liabilities, the Directorate of Taxes establishes a list of firms which have incurred tax arrears and are thus prohibited from further bidding on public contracts. This list is subsequently published in the Public Procurement Bulletin. This collaboration has led to a modest increase in Government revenues since its establishment. Over the next year the Procurement Directorate intends to improve the Bulletin. Among other things it plans to increase the frequency of the publication so as to make it a more effective tool for the announcement of calls for bids. It also wants to improve the comprehensiveness and quality of information provided regarding the awarding of bids. The use of Internet technology has also been decided upon.

C. Implementation and Monitoring

84. As for the previous four adjustment operations, the HCI, an inter-ministerial task force chaired by the Prime Minister and including the Ministries of Finance, Plan and Development, as well as the line Ministries representing priority sectors, will oversee the implementation of the proposed operation. The day-to-day monitoring of the program will be the responsibility of the *Cellule Economique* in the Ministry of Plan and Development in coordination with the PRSP Steering Committee. The basic monitoring tool will be the policy and action matrix presented in Annex 2. IDA will regularly discuss progress on the implementation of this matrix with the *Cellule Economique* and the PRSP Steering Committee, as well as with the *Comité Technique de Suivi*, a committee consisting of the Director Generals of all Ministries associated with the program and chaired by the Deputy Secretary General of the Presidency. Such setting has proved successful in the implementation of SAC IV. Monitoring will be coordinated with other donors, especially with the IMF, the African Development Bank, the European Union and the French Development Agency.

85. Monitoring of SAC V relies mainly on process-related outputs as presented in Annex 2. Nevertheless, as specified in the Letter of Development Policy, the Government expects SAC V to contribute to reaching the quantitative HIPC completion point triggers for the priority sectors which are laid out in Annex 3. The 2002 and 2003 Government budgets have been formulated with the objective of reaching these triggers. Given that the full PRS will be available in end March 2003, it will provide guidance on the identification of quantitative outcome-related indicators. Such indicators will be integrated in the medium term reform program in the context of subsequent program-lending.

D. Credit Administration

86. ***Borrower and credit amount.*** The Borrower is the Republic of Chad. A single-tranche credit of SDR 29.6 million would be made available upon effectiveness of the Development Credit Agreement, anticipated for April 2003. The closing date of the credit would be August 31, 2003.

87. ***Disbursement, Reporting and Auditing Arrangements.*** The credit will follow the simplified procedures for structural adjustment operations as set out in OD 8.60. Disbursements will not be linked to specific imports and there will be no procurement requirements. Once the credit is approved by the Board, the Borrower will open and maintain a dedicated deposit account at the Central Bank. As the single tranche is released on effectiveness of the Development Credit Agreement, IDA will disburse the proceeds of the credit into the deposit account. If after deposit in the deposit account the proceeds of the credit or any part thereof are used for ineligible purposes, as defined in the Development Credit Agreement, IDA will require the borrower to either: (i) return that amount to the deposit account for use of eligible purposes, or (ii) refund the amount directly to IDA. Although an audit of the use of credit funds will not be required, IDA reserves the right to require audits at any time. The credit's administration will be the responsibility of the Ministry of Plan and Development.

88. ***Fiduciary Safeguards.*** As documented in the Country Procurement Assessment Report, as well as earlier sections of this document, numerous weaknesses exist in accounting, auditing and financial management of public funds. Nevertheless, some progress in financial management

has been accomplished as part of SAC IV and the preparation of SAC V as well as in the context of the PRGF-supported program. A full-scale Country Financial Accountability Assessment will be completed in 2003 and its recommendations will be taken into account in further program-lending.

89. ***Environmental Assessment Requirements.*** The proposed credit is subject to OD 8.60 and hence no environmental categorization applies. Implementation of the cotton sector reform program may have environmental implications due to the environmental liabilities associated with Cotontchad's factories, as well as a potential increase in cotton production and attendant fertilizer and pesticide use. Hence, an environmental audit of the DHS and Cotontchad plants has been launched and will be conducted ahead of the completion of the respective privatization processes. The bidding process for recruiting the auditor has been launched. In addition, issues regarding the use of fertilizers and especially pesticides will be addressed in the context of the implementation of an Agricultural Services Project under preparation.

90. ***Poverty and Social Impact Analysis.*** Both the governance and public resource management components of the proposed credit are expected to have a significant positive impact on poverty reduction. The careful analysis of public expenditures and the elaboration of sector-medium term expenditure plans will improve the poverty focus of public expenditures and will steer the effective use of petroleum revenues for poverty reduction. The improved management of public resources will enhance the efficiency, transparency and quality of public spending. An engagement of the independent institutions providing checks and balances on the use of public monies, the strengthened control and audit, the stricter adherence to the rule of law and the fight against the abuse of power will all contribute to ensuring a better alignment between budget allocations and actual public spending in the field. Together these factors will allow for expanding basic services as well as for enhancing their quality and increasing their focus on poverty reduction. This will be especially important for women and girls who currently suffer most from poor access to quality services in education and health.

91. The cotton sector component of the proposed credit touches so many poor people in a direct way that it is deemed necessary to conduct an in depth ex-ante and ex-post poverty and social impact analysis. The first stage of an initial qualitative ex-ante poverty and social impact analysis has been completed and after the identification of the alternative scenarios for the state's divestiture from Cotontchad it will be updated to analyze scenario-specific PSIA issues before the adoption of the final scenario. This will allow the Government and other stakeholders to take the results of the ex-ante analysis into account when making a final decision on the privatization scenario for Cotontchad. Following the state's divestiture from Cotontchad, the cotton reform program will be monitored by regularly surveying a sub-sample of cotton producing households interviewed in the context of the National Household Survey. The results of the ex-post analysis will serve to realign the reform program if necessary.

92. ***Borrower involvement and commitment.*** The proposed program is based on the PRSP which has been developed in a consultative process involving both the Government, civil society and the population at large. The specific elements of the proposed program were prepared by the Government in full coordination with the PRSP Steering Committee. In addition, most of the individual components of the proposed agenda, including civil service and cotton sector reform, have been widely discussed with all stakeholders. Over the past year, ownership of the governance agenda – which was very tentative during SAC IV preparation – has evolved

considerably. This is mainly due to three factors. First, civil society and the population at large have squarely identified improved governance as one of the highest priorities for poverty reduction in the context of the PRSP consultations – as adequately reflected in the PRSP. Second, the intense dialogue around the misuse of the petroleum agreement signing bonus and irregularities in public procurement – both with the Bretton Woods institutions and in the local press – has created a climate of frank discussion of governance issues. Third, in the context of defining the NGS, a broad set of stakeholders has reflected on the concept of good governance; the constraints to improved security, justice for all and better public service delivery; and the actions needed to tackle these impediments. In sum, better governance has become a broadly discussed theme and a widely cited pre-condition for development. Nevertheless, given vested interests, pockets of resistance against the governance agenda continue to exist. To conclude, ownership of the proposed program is broad for most elements of the program and growing for its governance dimension.

E. Benefits and Risks

93. **Benefits.** Successful implementation of the reform program will result in better governance including stricter adherence to the rule of law and more transparent and accountable use of public resources. It will improve the Government's efficiency and poverty reduction focus in delivering services in the priority sectors, including health, education, basic infrastructure, and justice. It will contribute to the efficient and transparent use of oil revenues for poverty reduction. It will lead to increased bargaining power for cotton farmers. Finally, it will complement and enhance the impact of other Bank interventions, especially the Petroleum Development and Pipeline Project, and its associated petroleum revenue management program, ongoing and future operations in the health, education, transport and agriculture sectors, and a proposed community development project.

94. **Risks.** There are substantial risks to the proposed operation. First, the implementation of the government's program and the related budget depends on the reduction of tensions in the sub-region and rebel activities in some areas of the country. However, ongoing peace efforts should contribute to mitigate this risk. Second, consistent implementation of the proposed agenda will depend on continued strengthening of the commitment to improved governance. While this commitment has clearly grown stronger in the recent past, it remains fragile. To address this risk, SAC V remains heavily focused on better governance and improved public resource management. Third, the cotton sector reform program, which affects about 350,000 poor farm families, is inherently complex as it is being implemented in an environment of depressed world cotton prices and barely functional rural markets. As a result of subsidies in part I countries, the continuing decline in world cotton prices may affect the viability of Chad's cotton sector altogether and thus jeopardize the proposed reform program. To mitigate the risks involved, a study has been launched to identify the most appropriate scenario for State's divestiture from Cotontchad, taking into account the difficult context of the reform. Moreover, a comprehensive ex-ante and ex-post Poverty and Social Impact Analysis (see Box 10) is being conducted. The PSIA will assist the Government of Chad in assessing the impact of alternative reform scenarios on the welfare of various stakeholders, integrating the possible decline in cotton world prices. The results of the PSIA will feed into the design of the reform program and will allow for ex-post adjustments as needed.

5. COORDINATION WITH THE IMF, THE AFDB AND OTHER DONORS

95. A three-year PRGF supported program was approved in January 2000 and its fourth review was approved by the IMF Executive Board together with the third annual program in October 2002. The design of SAC V was very carefully coordinated with the IMF. The Fund's program focuses on revenue-related measures while the proposed credit focuses on expenditure management. Both programs focus on improved governance, and governance-related measures supported under the IMF program are spelled out in the policy and action matrix presented in Annex 2.

96. The African Development Bank is also providing financing for the proposed government program through budgetary support. The European Commission is providing technical assistance in support of the budget cycle reform program. Work in support of the PRSP was coordinated between the Bank, the IMF and a host of donors, especially the European Commission.

6. COMPLIANCE WITH BANK POLICIES

97. The proposed Credit complies with all Bank policies.

Chad Fifth Structural Adjustment Credit

Annexes

- Annex 1: Letter of Development Policy
- Annex 2: SAC V Policy and Action Matrix
- Annex 3: Chad – Progress toward Achieving the HIPC Initiative Completion Point Triggers
- Annex 4: Chad – Expenditure Accountability Assessment Update
- Annex 5: Chad – Relations with the International Monetary Fund
- Annex 6: Chad – At a Glance
- Annex 7: Chad – Social Indicators
- Annex 8: Chad – Key Economic Indicators
- Annex 9: Chad – Status of Bank Group Operations
- Annex 10: Timetable for Key Processing Events and Task Team Members
- Annex 11: Chad Country Map

**REPUBLIC OF CHAD
MINISTRY OF PLANNING, DEVELOPMENT
AND COOPERATION**

UNITY-WORK-PROGRESS

LETTER OF DEVELOPMENT POLICY

**FIFTH STRUCTURAL ADJUSTMENT CREDIT (SAC V)
(IDA)**

N'Djamena, January 24, 2003

1. Introduction

1. In the context of the Three-Year Program financed under the Poverty Reduction and Growth Facility (PRGF), Chad made great progress in terms of macroeconomic and financial stabilization over the 2000-2002 period, with the help of a fourth structural adjustment credit from IDA, the European Union's structural adjustment support program, a structural adjustment subsidy from France and a credit from the African Development Fund (ADF). Structural reforms were introduced in order to remove obstacles hampering economic growth and limiting access to economic opportunity for most of the population. The National Poverty Reduction Strategy and the National Strategy for Good Governance, which are policy framework papers for the medium- and long-term assistance provided by Chad's development partners, were drawn up and approved by the Government. In order to pursue the reform program so as to be able to implement both national strategies simultaneously, the authorities wish to strengthen it by introducing IDA's 5th Structural Adjustment Credit (SAC V). Based on a global strategy of poverty reduction, this program will integrate the Government's economic, financial and social policies.

2. The development, finalization and implementation of the National Poverty Reduction Strategy, which is generally in keeping with the conclusions of the Geneva Round Table donors' meeting (October 1998), were participatory and labor-intensive in that they involved various levels of reflection contributed by a broad sampling of stakeholders in Chadian society and among the development partners. The interim Poverty Reduction Strategy Paper (I-PRSP) drawn up by the Chadian authorities and discussed by the partners in 2000 was the basic element that enabled the country to arrive at the decision point under the Heavily Indebted Poor Countries (HIPC) Initiative. It also served as a basis for coordinating the Government's economic, financial and social policies and for obtaining interim assistance from Chad's external partners. Indeed, the essential goal of the PRSP, which is in the final preparation phase, is to reduce poverty by accelerating sustainable economic growth and enhancing the State's capacity to carry out its essential functions with regard to service provision in the priority sectors (i.e., education, health, social welfare, basic infrastructure and rural development) and the institutions involved in good governance (i.e., the Auditor General's Office, Government auditors, the Ministry of Justice, the Commission on Monitoring and Oversight of Petroleum Revenues (*Collège de Contrôle et de Surveillance des Revenus Pétroliers*, CCSRP), and the Directorate General for Procurement). The 5th Structural Adjustment Credit (SAC V), the primary goal of which is to support the priorities set out in the PRSP, therefore has the following objectives: (i) strengthening good governance and transparency by supporting the institutions of the Republic and of civil society; (ii) improving the management of public resources with a view to increasing the poverty-reducing impact of public expenditures (e.g., by improving the budget process, reorganizing public procurement and reforming the civil service; and (iii) eliminating barriers to growth, especially in rural areas.

3. On this basis, the Government has already prepared, in collaboration with the International Monetary Fund, a Three-Year Program (2000-2002) backed by the Poverty Reduction and Growth Facility (PRGF) and supported by the World Bank, the African Development Bank (AfDB), the European Union, the UNDP and other multilateral and bilateral partners. The Government wishes to receive support, beginning now, from IDA and the AfDB for implementation of the next structural adjustment program (SAP).

2. Poverty reduction strategy

4. The National Poverty Reduction Strategy now being finalized is a coherent and comprehensive merging of all sectoral strategies to be implemented in Chad over the next few years in order to reduce poverty by half by the year 2015. It has emerged at a relatively auspicious time in terms of the international climate, given the willingness of the wealthy countries and international institutions to assist the poor countries in combating poverty. The national context also promises to be propitious due to the great strides made in introducing democracy, the structural reforms initiated and the additional revenues that will result from the exploitation of the oil fields of Miandum, Komé and Bolóbo in 2004. The Strategy is in five parts: (i) presentation of the status of poverty; (ii) constraints and opportunities; (iii) strategy themes and priority interventions; (iv) macroeconomic cadrage; and (v) implementation and monitoring mechanisms.

5. Despite the dearth of available statistics, quantitative analyses of poverty done on the basis of the 1995 household survey of consumption, incomes and informal activities (*Enquête sur la Consommation et le Secteur Informel au Tchad*, ECOSIT) have made it possible to estimate the thresholds for food poverty and overall poverty at 194F /day/capita and 253F/day/capita, respectively, and their respective incidence at 41.6 percent and 43.4 percent. It emerges from this presentation that the phenomenon of poverty, although present throughout the national territory, is variable depending on the milieu (it is more common in rural than in urban areas), the region, the household, and the level of education and gender of the head of household. It should be emphasized that these data will be updated with the second ECOSIT survey, which was just begun in January 2003. In addition, qualitative surveys carried out during the diagnostic portion of the process indicate that, in urban areas, access to education, health services, jobs and income-generating activity are among the main determinants of greater well-being. In rural areas, on the other hand, the population attaches more importance to access to production inputs and the development of road networks. Indeed, the participatory consultation indicated that the main determinants of the population's poverty include: poor governance, the physical inaccessibility of certain regions, inadequate infrastructure and insufficient qualified personnel in the health and education sectors, the scarcity of safe water, lack of access to credit and climatic vagaries that influence agricultural production.

6. In general, the poverty described in the PRSP is symptomatic of the low level of growth and its uneven distribution. The explanatory factors are tied in with various constraints, including:

- i). low productivity in the primary sector, and particularly in agriculture;
- ii). the fragility of the country's industrial structure, which consists of only six enterprises;
- iii). the inadequacy of human resources, in quantitative and qualitative terms, due to insufficient investment in human capital;
- iv). poor governance, which manifests itself in the State's inability to ensure the security of people and property and in its weak capacity for planning and macroeconomic management;
- v). the weight of socio-cultural traditions that affect women, who make up 52 percent of the population, and prevent them from participating in economic decision-making;
- vi). the weakness of basic socioeconomic infrastructure: of 40,000 km of highways and roads, for example, only 552 km are paved; less than 2 percent of the population has access to electricity, which is made available at some of the

world's highest prices; and there are only 9,000 telephone lines for a population that in 2000 was estimated to number 7.3 million;

vii). a banking system consisting of only five banks in the country's five cities.

7. Despite these constraints, the country possesses enormous potential, such as: 39 million ha of cultivable land, of which only 2.2 million ha are exploited annually; 5.6 million ha of irrigable land, of which barely 7,000 ha are exploited; large underground aquifers; countless mineral resources, including gold, diamonds, uranium and limestone; and petroleum.

8. Out of the preceding issues, five strategy themes and priority interventions have been selected by the Government for the purpose of implementing this national poverty reduction strategy. They are: (i) improving the social, legal, political and economic environment; (ii) ensuring strong and sustained growth; (iii) improving human capital; (iv) improving living conditions of vulnerable population groups and victims of HIV/AIDS; (v) restoring and preserving the ecosystem.

2.1. Macroeconomic and financial objectives

9. Prior to the devaluation of the CFAF, the Chadian economy was in recession, with a growth rate of -7 percent in 1993. With the January 1994 devaluation, the country renewed its relationships with the Bretton Woods Institutions. The three-year Enhanced Structural Adjustment Facility (ESAF) program signed in 1995 brought about average real GDP growth of 4.7 percent over the 1995-1998 period, compared to the goal of 5 percent. The years 1999 and 2000 saw weak growth rates of -0.1 percent and -0.4 percent, respectively, due to poor rainfall and the combined impacts of the Asian crisis, the drop in world cotton prices, and increased oil prices.

10. In order to consolidate the progress made under the first program, the medium-term growth objectives for the 2000-2002 period were set at a minimum of 5 percent of real GDP per annum. However, due to several exogenous factors, and particularly the acceleration of construction work on the Chad-Cameroon oil pipeline, which is slated for completion in late July 2003, and the exploitation of petroleum from Doba in the spring of 2004, the Chadian economy actually grew more rapidly than projected (8.5 percent in 2001 and 10.9 percent in 2002) and real GDP growth rates for 2003 and 2004 are projected to be 13.6 percent and 51.5 percent, respectively. Gross investment is believed to have grown from 41.7 percent of GDP in 2001 to 52.3 percent of GDP in 2002, and is expected to reach 51.9 percent in 2003, reflecting the massive escalation in private investment in the petroleum sector and in public works. However, the downward trend in cotton prices observed since 1999 could have major repercussions in 2002 on GDP growth in the primary sector and on cotton growers' incomes in 2003.

11. Inflation averaged 12.4 percent during the year 2001 due to the cereals deficit and the famine that plagued Chad following the drought in 2000. Average inflation is thought to have fallen to 4.5 percent in 2002, and is expected to be 4.0 percent in 2003 and 2004, thus confirming that the effects of price hikes caused by the 1994 devaluation are now completely under control.

12. Motivated by a desire to find a definitive solution to the energy crisis, the Government signed a general management contract pertaining to the Chadian Water and Electricity Company (*Société Tchadienne d'Eau et d'Électricité*, STEE) with a private group in September 2000. In October 2002, the Government also received an IDA credit in the amount of US\$ 50.8 million for the construction of a new electric power plant in N'djamena, the rehabilitation of power plants in the country's main cities, etc.

13. The Government also plans to pursue its efforts to reorganize public finances. These efforts are centered around: (i) continuation of the policy of broadening the tax base through the introduction of measures expanding the tax base to include the informal sector (e.g., requiring an advance deposit of 4 percent on the personal income tax, imposition of a synthetic tax (*impôt général libérateur*) on informal sector businesses; (ii) imposition of the 18 percent, flat-rate value added tax, introduced in 2000 as a replacement for the turnover tax; (iii) intensification of efforts to combat fraud and tax evasion, particularly in the area of import taxes; and (iv) better preparation, execution and monitoring of the budget and of public procurement. Despite the efforts made, revenue mobilization is still low (as indicated by an 8 percent ratio of local revenues to GDP in 2002). The Government wishes to achieve a local revenue/GDP ratio of 9.0 percent in 2003. The Government will also continue to get public expenditures under control and to increase non-salary operating budgets by 20 percent in the priority sectors. The Government is aiming in particular in 2003 at a current primary surplus equivalent to 0.4 percent of GDP.

14. As a result of discussions with the joint IMF/World Bank/AfDB missions, the Government has set itself a certain number of sectoral objectives, and the 2003 budget has been designed to achieve them.

2.2. Sectoral objectives

15. Education. In 1990, Chad adopted a ten-year education and training strategy linked to employment (*education et formation en liaison avec l'emploi*, EFE). This strategy, which is rooted in the general policy plan, includes objectives and action plans implemented in 1993 and strengthened at the January 2000 sectoral meetings that followed the Fourth Geneva Round Table at which the main focus of education sector strategy for the 2000-2004 period was defined. These strategy options can be summed up as "the three threes", namely: (i) three objectives: wider access, greater equity, better performance; (ii) three means: school infrastructure, programs and teaching resources and materials; (iii) three main concerns: feasibility, sustainability and efficacy.

16. Public Health. Chad's national policy on health sector development is based on the concept of primary health care approved at the 1978 Alma-Ata Conference. The strategy here is aimed at resolving the country's main problems, namely: infant and child mortality (103 and 136 per 1,000, respectively) on the one hand, and the high rate of maternal mortality (827 per 100,000 births, according to the 1997 Demographic and Health Survey) on the other.

17. Indeed, the health policy adopted in 1993 and revised in 1999 has overall objectives pertaining to the population's access to quality health services. Thus, the Government has chosen to address twelve themes in this strategy in order to accelerate the provision of primary health care. The main strategic themes are: (i) the development of quality basic health care services for the populace; (ii) the urgent need for high-quality human resources; (iii) improved management of the health care system; and (iv) continued efforts to combat endemic and epidemic diseases.

18. Rural development. The sectoral meeting on rural development held in June 1999 following the 1998 Geneva Round Table geared its strategy to the following principles: (i) rationalizing public intervention in order to respond to priority needs; (ii) State disengagement; (iii) private sector promotion; (iv) promotion of equitable access to public services; and (v) involving operators and users in sectoral management. An updated sectoral policy has been prepared and is a condition of negotiations for the Agricultural Services and Producers Organizations Program (*Projet des Services Agricoles et d'Appui aux Organisations Professionnelles*, PSAOP) and for the Local Development Support

Project (*Projet d'Appui au Développement Local*, PROADEL). This commitment is confirmed in the Letter of Rural Development Policy.

19. The steps taken include the identification of the Action Plan for Rural Development (*Plan d'Intervention pour le Développement Rural*, PIDR) for implementation of the rural sector strategy. The PIDR is made up of two programs:

- i). PROADEL, which deals with local development and aims to foster the emergence of local communities that assume responsibility for their own development; and
- ii). The Sector Capacity Reinforcement Program (*Programme de Renforcement Sectoriel*, PROSE), aimed at boosting sectoral capacities (e.g., by supporting professional organizations, the private sector, and services in the rural public sector and, finally, by providing institutional support to ministerial departments).

These two programs are complementary and their implementation relies upon the initiatives of the populace and entrepreneurs, and upon their assumption of responsibility within the new framework for State intervention.

20. The rural sector has numerous problems that pose substantial obstacles: safe water is accessible to only 19 to 30 percent of the population and the school enrollment rate in rural areas is 26.4 percent (compared to 80 percent in urban areas.) The health care situation in rural areas is also precarious, with only one physician for every 40,000 people. Transportation expenses represent 70-80 percent of marketing costs. In order to deal with all of these rural sector problems, the Government pledges to: (i) bring about sustained growth in agricultural production; (ii) protect the natural environment; and (iii) enhance human capital.

21. The actions entailed in these strategy options are: (i) increasing productivity, managing natural resources in a sustainable manner and restoring production potential; (ii) supporting rural organizations; (iii) making the public sector more efficient; and (iv) improving the provision of basic services.

22. Transportation. Following the fourth Geneva Round Table in 1998, a National Transportation Strategy for the 1999 - 2009 period was drawn up, approved by the Government and presented at a sectoral Round Table on Transportation and Housing in November 1999. The Government, through the specific objectives for the transportation sector, is committed to:

- i). making the country accessible, from the inside as well as from the outside;
- ii). reducing transportation costs, both within the country and in connection with international trade;
- iii). maintaining a minimum level of accessibility for all regions of the country, particularly during the rainy season;
- iv). achieving an amount of paved, all-weather roadway sufficient to link all the country's main cities;
- v). further sector liberalization and administrative modernization;
- vi). helping the population to develop rural transportation infrastructure and local modes of transportation.

The Government intends to evaluate these actions while fulfilling the conditions of arrival at the completion point.

3. Reform Program, 2002-2003, under SAC V

23. The Interim Poverty Reduction Strategy Paper (I-PRSP) discussed by the Boards of Directors of IDA and the IMF on July 25, 2000 emphasized the main points of poverty reduction, which requires an improvement in the living conditions of the Chadian population. These objectives, which are being pursued by the Government, were already expressed at the October 1998 Round Table in Geneva. The Government's primary goal is to achieve a high and sustained level of growth that will create jobs and increase incomes. The PRSP, which is in its approval phase, has identified four priority sectors for poverty reduction efforts, namely: health, education, basic infrastructure and rural development, in addition to the area of good governance.

24. Once petroleum revenues begin to arrive in 2003, Chad will face two main challenges, namely: the efficient and transparent management of those revenues for purposes of poverty reduction, and the promotion of growth in non-petroleum sectors, and especially in the rural sector, which generates the income of most of the country's poor.

25. In view of these two challenges, which have been confirmed through the process of drawing up the PRSP, the Government has initiated a three-year program aimed at: (i) strengthening good governance and transparency; (ii) improving the management of State resources through (a) reform of the budget process, (b) reform of public procurement, and (c) reform of the civil service; et (iii) the promotion of sustainable growth in rural areas through the reform of the cotton sector and the development of micro-finance. SAC V is the follow-on program to SAC IV, which closed on August 31, 2002, and will support the second year of program implementation.

3.1. *Strengthening of good governance and transparency*

26. Good governance and transparency are basic democratic principles. The goal in strengthening them is to consolidate the progress Chad has made with democratic institutions since the 1993 National Sovereign Conference (*Conférence Nationale Souveraine*, CNS). Implementation of the recommendations emerging from the CNS has enabled the Government to do the following:

- adopt the new constitution in 1996 by means of a referendum;
- organize the first and second presidential elections in 1996 and 1997, and then multiparty legislative elections in 2001 and 2002;
- establish the Government Auditor's Office in 1995;
- establish the Ministry of Communications in order to guarantee freedom of the press;
- establish the Constitutional Court (*Cour Constitutionnelle*) in order to ensure adherence to the Constitution;
- create the Supreme Court which incorporates the Auditor General's Office charged with ensuring proper management of public finances;
- create a Supreme Council of Justice;
- enact, in 1999, a law concerning oil revenues that grants civil society a major role in overseeing and utilizing petroleum resources;
- create the Committee for the Oversight and Control of Oil Revenue (*Collège de Contrôle et de Surveillance des Revenus Pétroliers*, CCSRP) charged with enforcing the aforementioned law;
- enact, in January 2000, the law aimed at combating corruption.

27. Within the framework of the program, the second year of which will be supported by SAC V in the area of strengthening good governance, the following actions have already occurred:

- i). adoption of the bylaws of the Committee for the Oversight and Control of Oil Revenue (CCSRP); publication of its 2001 annual report, in addition to its first two quarterly reports, which are available online at www.ccsrpd.td; and preparation of the first draft of a procedures manual;
- ii). adoption by the High Interministerial Committee (*Haut Comité Interministériel*, HCI) of the National Strategy for Good Governance and the organization of a forum involving all segments of society;
- iii). development of an action plan for the development of a public information policy;
- iv). submission to the HCI of an action plan for reducing outside interference in customs operations;
- v). publication (online at www.coursupreme.td) of the audit of the petroleum bonus by the Auditor General's Office of the Ministry of Finance;
- vi). finalization of the financial and organizational audit of the customs service and launching of the survey of users' perceptions of the customs service;
- vii). organization of a workshop to assess SAC IV implementation.

28. For the year 2003, and by the end of June, the Government pledges:

- i). to implement, in a satisfactory manner, the National Strategy for Good Governance and to evaluate it on the basis of a summary report emerging from the preparation of, and HCI's examination of, a draft version of the public information policy; to publish and widely disseminate the Government's 2003 budget law; to publish, on an Internet website, the audit pertaining to the utilization of HIPC funds; and to publish, on an Internet website, the report on the execution of the 2002 budget law;
- ii). to finalize the survey on users' perceptions of the customs service, once it has been validated at a workshop; to approve and publish an action plan for further improving customs services and for reducing illegal outside involvement in customs activities;
- iii). to finalize and publish the procedures manual for the CCSR, and recruit two analysts to provide support to the Committee;
- iv). to have the CCSR verify that the remainder of the petroleum bonus has been utilized properly;
- v). to initiate studies pertaining to the legal and institutional framework for decentralization (e.g., modalities of creating rural communities, policy on training elected officials and staff in charge of decentralization, and land tenure issues).

3.2. Reform of the budget process

29. Through the reform of the budget process, the Government is pursuing the following objectives: (i) improved preparation of a budget focused on poverty reduction goals, particularly in the priority sectors; (ii) greater efficiency and transparency in budget execution and evaluation; and (iii) improved ex-post monitoring and oversight.

30. The following actions have already been taken:

- i). Establishment -- in the sectors of health, education, public works and transportation, and justice -- of public expenditure review committees charged with defining,

evaluating and monitoring public expenditures in said sectors; and the conduct of said expenditure reviews;

- ii). preparation of a medium-term expenditure framework and of program budgets for the sectors of education and health, and introduction of those budgets into budget documents submitted to the Parliament;
- iii). execution of the non-salary operating budget at a level of at least 95 percent based on commitments as of end December 2001, and 50 percent on the basis of commitments as of end June 2002, for the Ministries of Education, Public Health and Public Works and, for the Ministry of Justice, catching up to this level by July 2002;
- iv). introduction of a monthly budget execution report that distinguishes commitments, payment orders, settlement, and payment of expenditures and that specifically differentiates the Ministries of Education, Public Works, Health and Justice; and distribution of this report to the four ministries;
- v). completion of the public expenditure tracking survey; and development of a draft action plan to improve the tracking of expenditures in health and education;
- vi). regular scheduling of collaborative meetings on budget execution in the education and health sectors;
- vii). promulgation of the decree mandating implementation of the simplified expenditure circuit, and dissemination of the new procedures manual;
- viii). training of credit administrators in the use of the simplified expenditure circuit;
- ix). information campaign aimed at suppliers, concerning the ban on interference in expenditure procedures;
- x). choice of a software program for the automation of expenditures;
- xi). creation of a collaborative commission on increasing bank involvement in State expenditure operations;
- xii). transmittal to the Auditor General's Office of administrative and management accounts for 2000 and 2001;
- xiii). submission to the Parliament of the budget reconciliation law for 2000;
- xiv). transmittal to Parliament of the opinion of the Auditor General's Office on the 2001 budget exercise; submission to the Parliament of the budget reconciliation law for 2001;
- xv). transmittal to the World Bank of the final reports of public expenditure reviews in the sectors of education and health;
- xvi). submission to the Parliament of the draft law mandating the creation of a mechanism for subsidizing teachers in community schools.

31. For the year 2003 (by the end of June), in addition to the reforms accomplished in the context of the preceding programs (particularly the SAC IV), and which are to continue to be implemented and continuously improved, the Government pledges:

- i). to begin preparation of medium-term expenditure programs for the sectors of health, education, justice, basic infrastructure (i.e., housing and public works) and rural development; and to incorporate them into the 2004 budget law submitted to the Parliament;
- ii). to prepare, on a monthly basis, the four-phase table and distribute it to the Ministries of Health, Education, Public Works, Urban Planning and Justice;

- iii). to organize a bimonthly meeting of representatives of the priority ministries, the Ministry of Economy and Finance (Directorate for Budget, Payment Orders, Financial Oversight and Treasury), the Competitive Bidding Commission, the Directorate General for Procurement, and the donors if necessary, on the subject of budget execution and planned procurement in the priority sectors, followed by publication of the minutes of that meeting;
- iv). to finalize and implement an action plan to improve the tracking of expenditures in the health and education sectors;
- v). to determine the need for skilled personnel within the Budget Directorate, and to proceed with the necessary recruitment and training, including that of macro-economists within the Economic Forecasting Division, and that of managers in the Investment Division;
- vi). to determine the need for skilled personnel in the areas of budget preparation and procurement within the Ministries of Health, Education, Higher Education, Urban Planning, Public Works, Agriculture, Livestock, Justice, and Water and Environment; and to proceed with the necessary recruitment or sub-contracting;
- vii). to finalize the first phase of implementation of the integrated system;
- viii). to transmit administrative and management accounts for 2002 to the Auditor General's Office;
- ix). to launch the training program for all agents responsible for budget preparation and implementation.

3.3. Reform of public procurement

32. The Government seeks, by means of this reform, to ensure efficient and transparent management of public resources with a view to poverty reduction. To that end, it seeks to strengthen the regulatory framework governing public procurement and to enhance the transparency and *ex-post* oversight of public procurement contracts.

33. Within the context of the program, the second year of which will be supported by SAC V in the area of public procurement reform, the following measures have already been taken:

- i). publication of the decree mandating simplification of the document-approval circuit and harmonization of procurement thresholds (Presidential Decree 357/PR/PM/2001);
- ii). publication of the first four issues of the Procurement Bulletin;
- i). development of a plan for staff training in the principles of public procurement;
- ii). publication of an administrative circular directing that bids be opened on the same day (date and time) as the deadline for submission of bids;
- iii). completion of a final draft version of the new Public Procurement Code, including independent mechanisms of legal recourse; and the organization of a workshop for stakeholders to discuss the preliminary document;
- iv). modification of articles contained in the Public Procurement Code relative to limited competitive bidding, with a view to eliminating the misuse of this procurement option;
- v). launching of the recruitment of independent observers for the bidding commissions in the sectors of health and education;

- vi). completion of an audit of the five largest procurement contracts of 2001 (published online at the Directorate General for Procurement's website, www.dgmp.gouv.td) and adoption of a methodology for annual audits of procurement contracts as well as of the procurement system;
- vii). publication, on an Internet website, of the audit of the use of HIPC funds between May 2001 and May 2002.

34. By the end of June 2003, the Government will: (i) continue its quarterly publication of the Procurement Bulletin and shall improve it; (ii) submit to the Parliament the New Code of Public Procurement including independent mechanisms for legal recourse, and shall draft the relevant enabling legislation; (iii) implement a training program on the principles of public procurement; (iv) (Translator's note: text missing?); and (v) initiate the audit of public procurement which is to be carried out in 2002 by the Auditor General's Office.

3.4. Reform of the civil service

35. With regard to the civil service, the Government's objectives are: the reform of the statutory, regulatory and organizational framework of the civil service, greater transparency, and better management of Government employees.

36. Measures already taken include the following:

- i). promulgation of the law modifying the status of the civil service and introducing principles of competitive recruitment and merit-based promotion;
- ii). completion of the tally of civil service staff numbers and the first update of salary files based on the results of this enumeration;
- iii). a quantitative assessment, by the Directorate for Salaries and Allowances (*Direction de la solde*), of staff numbers and compensation in each ministry;
- iv). development and approval of the new wage scale.
- v). recruitment of the firm to be charged with auditing the nine pilot ministries.

37. For the year 2003, in addition to the reforms already accomplished under the preceding programs (particularly under SAC IV) and which are to be pursued and continuously improved, the Government pledges that by the end of June it will:

- i). enact enabling legislation pertaining to the compensation, mandate and special status of the corps of civil servants;
- ii). draw up and enact enabling legislation pertaining to the system of staff evaluation, training and recruitment;
- iii). adopt an auditing methodology and gather the basic data and documentation relevant to the nine pilot ministries;
- iv). finish updating the salary file on the basis of the 2000 staff tally, as well as the roster of staff drawing a civil service salary; produce a monthly update of the roster of staff drawing a civil service salary; and conduct quarterly reviews thereof (in December, March and June).

3.5. Reform of the cotton sector

38. Cotton is of major economic and social importance for Chad and its population. It has a direct impact on most inhabitants of the Sudanian zone in terms of incomes and

services. Cotton production is carried out in the southern part of the country by about 350,000 farmers and is the primary source of monetary income. Cotton also plays a preponderant role in Chad's economy in that it is the primary source of export revenues (until the arrival of oil revenues), the largest borrower from the banking and financial system, the primary provider of sub-contracting and supply contracts, etc.

39. In reforming this sector, the Government's objectives are the following:

- i). Government disengagement from cotton-producing activities and liberalization of the cotton sector through the privatization of Cotontchad's oil-mill and soap factories (*Division Huilerie et Savonnerie*, DHS) and of Cotontchad itself;
- ii). integration of cotton growers into the cotton industry and recognition of them as equal partners, through the strengthening of the institutional framework of grassroots organizations, improvement of their knowledge of economic management and their access to management services and agricultural inputs;
- iii). promotion of micro-financing services and access for the poor to such services through the strengthening of the Institutional framework for Micro-Financing Institutions (MFIs) within the Central African Economic and Monetary Community (CEMAC).

40. The following measures were already taken in 2001 and 2002:

- i). recruitment of a Controller General for Cotontchad and the publication in the local press of the planned partial asset transfer from Cotontchad to the oil-mill and soap factory division (*Huilerie et Savonnerie*, HS, S.A.);
- ii). attainment of legal recognition of the nine local coordinating committees (LCCs);
- iii). Issuance of the bidding invitation seeking a reference partner for HS, S.A., and bid analysis;
- iv). production of quarterly reports by the Controller General;
- v). audit of Cotonchad's financial situation and discussion thereof by the IMF and World Bank;
- vi). development of an action plan for cost reduction in Cotonchad's operations during the 2002/2003 season, and the evaluation and revision of the Controller General's mandate to allow his participation in implementing this plan;
- vii). start-up of the study of the disengagement scenario;
- viii). start-up of the *ex-ante* analysis of the social and poverty-reducing impact of the scenarios identified (i.e., the 'qualitative analysis');
- ix). publication of the report on funds amassed by the LCCs and start of the baseline study of the level of information possessed by cotton growers;
- x). start-up of a program of economic information on cotton;
- xi). adoption of the regulatory framework for micro-finance in the CEMAC zone.

41. Under SAC V, the Government pledges to carry out the following measures and actions by the end of June 2003:

- i). complete implementation of the action plan (i.e., actions scheduled for completion as of end-June) for Cotontchad's 2002-2003 cropping season;

- ii). finalization of the study of privatization scenarios for Cotontchad, including accompanying measures;
- iii). organization of a forum for investors, as well as a forum for cotton producers, in order to gather their opinions on the various privatization scenarios and on the social and poverty-reducing impact of each scenario;
- iv). adoption of an action plan for institutional strengthening of the local coordination committees (LCCs).

4. Program monitoring

42. SAC V, like the Poverty Reduction and Growth Facility (PRGF) Program, will continue to be implemented under the supervision of the High Interministerial Commission, with help from the Technical Committee on Structural Adjustment and the Economic Unit. The latter will continue to handle preparation of quarterly progress reports on the Program, in collaboration with the Poverty Reduction Strategy Steering Committee and the various sectors concerned, and will make every effort to gather all pertinent information in the interest of better program monitoring.

43. All entities involved in the program will endeavor to improve coordination among the various programs in order to ensure their success. The Economic Unit also serves as a clearing house from which all development partners can obtain complete details on programs under implementation.

**MINISTER OF PLANNING, DEVELOPMENT
AND COOPERATION**

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REPUBLIQUE DU TCHAD
MINISTRE DU PLAN, DU DEVELOPPEMENT
ET DE LA COOPERATION

UNITE-TRAVAIL-PROGRES

**LETTRE DE POLITIQUE DE DEVELOPPEMENT
DU GOUVERNEMENT**

**V^{ème} CREDIT D'AJUSTEMENT STRUCTUREL (CAS V)
(IDA)**

N'Djaména, le 24 janvier 2003



1. Préambule

1. Dans le cadre du Programme triennal au titre de la Facilité pour la Réduction de la Pauvreté et pour la Croissance, le Tchad a réalisé des progrès importants dans la stabilisation macroéconomique et financière avec l'appui du 4^{ème} crédit d'ajustement structurel de l'IDA, du programme d'appui à l'ajustement structurel de l'Union Européenne, de la subvention à l'ajustement structurel de la France et du crédit du Fonds Africain de Développement (FAD) pendant la période 2000-2002. Des réformes structurelles ont été mises en place qui visent à lever les obstacles entravant la croissance économique et limitant l'accès de la majorité de la population aux opportunités économiques. Les Stratégies Nationales de la Réduction de la Pauvreté (SNRP) et de Bonne Gouvernance (SNBG), documents cadres de référence pour l'assistance à moyen et long termes des partenaires en développement du Tchad ont été élaborées et adoptées par le gouvernement. Pour poursuivre le programme de réformes afin de mettre concomitamment en œuvre les deux stratégies nationales, les Autorités souhaitent renforcer ce programme par la mise en place du 5^{ème} Crédit d'Ajustement Structurel (CAS V) de l'IDA. Ce programme fondé sur une stratégie globale de réduction de la pauvreté intégrera les politiques économiques, financières et sociales du Gouvernement.

2. L'élaboration, la finalisation et la mise en œuvre d'une Stratégie Nationale de Réduction de la Pauvreté qui entre en adéquation avec les conclusions de la Table Ronde de Genève IV (octobre 1998) en général, a été participative et laborieuse en ce qu'elle a bénéficié, à différents niveaux de réflexion, d'une large contribution de tous les partenaires sociaux de la société tchadienne et de ceux en développement. Le Document Intérimaire de la Stratégie de Réduction de la Pauvreté (DSRP) élaboré par les Autorités tchadiennes et discuté par les partenaires en 2000 fut l'élément fondamental ayant permis au pays d'accéder au point de décision de l'Initiative en faveur des Pays Pauvres Très Endettés (IPTE). Il a également servi de base pour coordonner les politiques économiques, financières et sociales du Gouvernement et de bénéficier de l'assistance Intérimaire des partenaires extérieurs du Tchad. En effet le DSRP en phase de finalisation a pour objectif essentiel la réduction de la pauvreté par l'accélération de la croissance économique sur une base durable et le renforcement de la capacité de l'Etat à remplir ses fonctions essentielles en matière de prestations de services dans les secteurs prioritaires (Education, Santé, Affaires Sociales, les infrastructures de base et le développement rural) et les Institutions de bonne gouvernance (Chambre des Comptes, Inspection Générale des Finances, Justice, Collège de Contrôle et de Surveillance des Revenus Pétroliers -CCSRP- et de la Direction Générale des Marchés Publics). Le 5^{ème} Crédit d'Ajustement Structurel (CAS V) dont le but principal est d'appuyer les priorités identifiées dans le DSRP vise donc les objectifs suivants : (i) renforcer la bonne gouvernance et la transparence en appuyant les institutions de la République et la société civile ; (ii) améliorer la gestion des ressources publiques en vue d'une augmentation de l'impact des dépenses publiques sur la réduction de la pauvreté (amélioration du cycle budgétaire, réforme des marchés publics, réforme de la fonction publique; et (iii) éliminer les contraintes à la croissance surtout en milieu rural.

3. Sur cette base, le Gouvernement a déjà préparé avec le Fonds Monétaire International un programme triennal (2000-2002) appuyé par la Facilité pour la Réduction de la Pauvreté et la Croissance (FRPC) et soutenu par la Banque Mondiale et la Banque Africaine de Développement, l'Union Européenne, le PNUD et les autres partenaires multilatéraux et bilatéraux. Le Gouvernement souhaite d'ores et déjà bénéficier de l'appui de l'IDA et de la Banque Africaine de Développement pour la mise en œuvre du prochain PAS.

2. Stratégie de lutte contre la pauvreté

4. La Stratégie Nationale de Réduction de la Pauvreté (SNRP) en phase de finalisation est la fédération cohérente et globale de l'ensemble des stratégies sectorielles à mettre en œuvre dans les prochaines années pour réduire de moitié la pauvreté au Tchad à l'horizon 2015. Elle s'inscrit dans un contexte international relativement favorable du fait de la disponibilité des pays riches et des institutions internationales à accompagner les pays pauvres dans la lutte contre la pauvreté. Le contexte national s'annonce également propice du fait des avancées significatives sur le plan démocratique, des réformes structurelles engagées et des revenus additionnels qui seront générés par l'exploitation des champs pétroliers de Miandum, Komé et Bolobo en 2004. La SNRP comporte cinq parties : (i) présentation de l'état de pauvreté, (ii) les contraintes et les opportunités, (iii) les axes stratégiques et les actions prioritaires, (iv) le cadrage macroéconomique et (v) le mécanisme de la mise en œuvre et du monitoring.

5. Malgré la faiblesse des statistiques existantes, les analyses quantitatives de la pauvreté faites à partir des données de l'Enquête sur la Consommation et le Secteur Informel au Tchad (ECOSIT) de 1995, ont permis d'estimer les seuils de la pauvreté alimentaire et de la pauvreté globale, respectivement à 194F/jour/tête et 253F/jour/tête et leur incidence à 41,6% et 43,4%. Il est ressorti de cette présentation que le phénomène de la pauvreté, bien que vécu sur l'ensemble du territoire, présente des disparités entre milieu urbain et milieu rural où il est plus accentué, entre les différentes régions du pays et entre les ménages selon le niveau d'instruction du chef de ménage et de son sexe. Il convient de souligner que ces données seront à jour avec la deuxième enquête (ECOSIT II) qui vient d'être lancée en janvier 2003. D'autre part, les enquêtes qualitatives réalisées dans la phase diagnostique du processus indiquent qu'en milieu urbain, l'accès à l'éducation, aux services de santé, à l'emploi et aux activités génératrices de revenus figurent parmi les principales dimensions d'amélioration du bien-être. Par contre en milieu rural, l'importance est accordée par la population à l'accès aux facteurs de production et au développement des réseaux routiers. En effet, il ressort de la consultation participative que les facteurs déterminants de la pauvreté de la population sont entre autres : la mauvaise gouvernance, l'enclavement de certaines régions, l'insuffisance des infrastructures et du personnel qualifié dans les secteurs de santé et de l'éducation, le manque d'eau potable, le manque d'accès au crédit et les aléas climatiques qui influent sur la production agricole.

6. D'une manière générale, la pauvreté telle que décrite dans le Document Stratégique de Réduction de la Pauvreté fait ressortir la faible croissance et sa mauvaise répartition. Les facteurs explicatifs découlent des différentes contraintes qui sont :

- i). la faible productivité dans le secteur primaire en particulier celle de l'agriculture ;
- ii). la faiblesse du tissu industriel réduit à six sociétés;
- iii). la faiblesse quantitative et qualitative des ressources humaines due à l'insuffisance d'investissement en capital humain ;
- iv). la mauvaise gouvernance qui se manifeste dans l'incapacité de l'Etat à assurer la sécurité des biens et des personnes et la faiblesse de sa capacité de planification et de gestion macroéconomique
- v). les pesanteurs socioculturelles qui affectent les femmes qui constituent 52% de la population et qui les empêchent de participer à la prise de décisions économiques ;

- vi). la faiblesse des infrastructures socioéconomiques de base (40000km de routes et pistes dont seulement 552 km revêtus) et moins de 2% de la population a accès à l'électricité qui est l'une des plus chère au monde et 9.000 lignes téléphoniques seulement pour une population estimée en 2000 à 7.300.000 habitants ;
- vii). le système bancaire est réduit à cinq banques dans les cinq villes.

7. En dépit de ces contraintes, le pays dispose de potentialités énormes notamment : 39.000.000 ha de terres cultivables dont 2,2 millions sont annuellement exploités ; 5,6 millions d'hectares de terres irrigables dont à peine 7.000 ha exploités ; et le sous-sol dispose de nappes phréatiques importantes en eau, d'innombrables ressources minières notamment l'or, le diamant, l'uranium, le calcaire et le pétrole.

8. De ce qui précède, cinq axes stratégiques et actions prioritaires sont retenus par le gouvernement pour la mise en œuvre de cette stratégie nationale de réduction de la pauvreté et qui sont : (i) améliorer l'environnement social, juridique, politique et économique ; (ii) assurer une croissance forte et soutenue ; (iii) améliorer le capital humain ; (iv) améliorer les conditions de vie des groupes vulnérables et victimes du VIH/SIDA ; (v) restaurer et sauvegarder l'écosystème.

2.1. Les objectifs macroéconomiques et financiers

9. Avant la dévaluation du FCFA, l'économie tchadienne était dans une situation de récession avec un taux de croissance de -7% en 1993. En janvier 1994, grâce à la dévaluation, le pays a renoué avec les Institutions de Bretton Woods. Le programme triennal de FASR signé en 1995 a permis de réaliser de 1995 à 1998 un taux moyen de croissance réel du PIB de 4,7% sur la période contre l'objectif de 5%. Les années 1999 et 2000 ont connu des faibles taux de croissance de -0,1% et -0,4% dû à la faible pluviométrie et l'effet conjugué de la crise asiatique, de la baisse du cours mondial du prix de coton et l'augmentation du prix du pétrole.

10. Pour renforcer les acquis du 1^{er} programme, les objectifs de croissance à moyen terme pour la période 2000-2002 avaient été fixés à au moins 5 % du PIB réel par an. Cependant, il s'avère qu'à la suite de plusieurs facteurs exogènes notamment l'accélération de la construction de l'oléoduc Tchad-Cameroun dont la fin des travaux est fixée à fin juillet 2003 et l'exploitation du pétrole de Doba au printemps 2004, l'économie tchadienne a cru plus vite que prévu (8,5 % en 2001 et 10,9% en 2002) et la croissance du PIB réel en 2003 et 2004 serait de 13,6% en 2003 et 51,5% en 2004. L'investissement brut passerait de 41,7% du PIB en 2001 à 52,3 % du PIB en 2002 puis à 51,9% en 2003 reflétant l'accroissement massif de l'investissement privé dans le secteur pétrolier et dans les travaux publics. Cependant, la chute tendancielle du prix du coton observée depuis 1999 et accentuée pourrait avoir en 2002 des répercussions importantes sur la croissance du PIB du secteur primaire et sur le revenu des cotonculteurs en 2003.

11. Le niveau de l'inflation a atteint une moyenne de 12,4% au cours de l'année 2001 à cause du déficit céréalier et de la famine qui a sévi au Tchad suite à la sécheresse de l'année 2000. Son niveau moyen serait revenu à 4,5% en 2002, et atteindrait 4,0 en 2003 et 2004, confirmant ainsi la maîtrise complète des effets de hausse de prix qu'avait entraînés la dévaluation de 1994.

12. Dans le souci de régler définitivement la question de la crise énergétique, le Gouvernement a signé en septembre 2000 avec un groupe privé un contrat de gestion

globale en ce qui concerne la Société Tchadienne d'Eau et d'Électricité (STEE). De même, il vient de bénéficier en octobre 2002 d'un crédit de l'IDA d'un montant de 50,8 millions de dollars US pour la construction d'une nouvelle centrale électrique à N'Djamena, la réhabilitation des centrales dans les principales villes du pays, etc.

13. Le Gouvernement envisage d'autre part la poursuite de la mise en œuvre des efforts d'assainissement des finances publiques centrés sur: (i) la poursuite de la politique d'élargissement de l'assiette fiscale en direction du secteur informel par l'introduction de mesures visant à fiscaliser ce secteur (acompte de 4 % sur IRPP, impôt général libérateur); (ii) la mise en œuvre de la taxe sur la valeur ajoutée (TVA) au taux unique de 18 % introduit en 2000 en remplacement de la TCA; (iii) le renforcement des efforts de lutte contre la fraude et l'évasion fiscale, notamment en matière de fiscalité des importations et (iv) l'amélioration de la préparation, l'exécution et le suivi du budget et de la passation des marchés publics. En dépit des efforts fournis, la mobilisation des recettes reste encore faible (ratio recettes locales sur PIB de 8 % en 2002) Le Gouvernement souhaite atteindre un ratio recettes locales sur PIB de 9,0% en 2003. Le Gouvernement va aussi continuer à maîtriser les dépenses publiques et augmenter les budgets de fonctionnement hors salaires de 20 % dans les secteurs prioritaires. En particulier, le Gouvernement vise un solde primaire courant équivalent à 0,4% du PIB en 2003.

14. A l'issue des discussions avec les missions tripartites du FMI, de la Banque Mondiale et de la Banque Africaine de Développement, le Gouvernement s'est fixé un certain nombre d'objectifs sectoriels et le budget de l'année 2003 a été conçu afin de pouvoir les atteindre.

2.2. Les objectifs sectoriels

15. Éducation. Le Tchad a adopté en 1990 une stratégie décennale d'éducation et de formation en liaison avec l'emploi « EFE ». Cette stratégie qui tire ses fondements dans le plan d'orientation a des objectifs et plans d'actions mis en œuvre en 1993 et renforcés lors des réunions sectorielles de janvier 2000 consécutives à la table ronde de Genève IV qui définit les orientations stratégiques du secteur éducation pour la période 2000-2004. Ces options stratégiques obéissent à une démarche dotée d'une « triple trilogie » (i) trois objectifs qui sont : accès plus large ; plus d'équité ; plus de performance ; (ii) trois moyens : infrastructure scolaires ; programmes, moyens et matériels pédagogiques ; (iii) trois préoccupations : faisabilité, durabilité et efficacité.

16. Santé Publique. La politique nationale de développement sanitaire au Tchad est basée sur le concept de soins de santé primaire adopté par la conférence d'ALMA-ATA en 1978. Cette stratégie a pour objectif de résoudre les principaux problèmes du pays à savoir la mortalité infantile et infanto juvénile (103 et 136 pour 1000) d'une part et d'autre part la forte mortalité maternelle (827 pour 100.000 naissances, Enquête Démographique et de Santé, 1997).

17. En effet la politique de santé adoptée en 1993 et révisée en 1999 vise des objectifs globaux portant sur l'accès de la population aux services de santé de qualité. C'est ainsi que le gouvernement a retenu dans cette stratégie douze orientations pour permettre d'accélérer la mise en œuvre des soins de santé primaires. Les principaux axes stratégiques sont : (i) le développement des services de santé de base de qualité pour la population ; (ii) l'urgence de disposer de ressources humaines de qualité ; (iii) l'amélioration de la gestion du système de santé ; et (iv) la poursuite de la lutte contre les maladies endémiques et épidémiques.

18. Développement rural. La réunion sectorielle sur le développement rural tenue en juin 1999 après la table Ronde de Genève en 1998 a axé sa stratégie sur les principes qui sont : (i) rationaliser l'intervention publique pour répondre aux besoins prioritaires, (ii) désengager

l'État, (iii) promouvoir le développement du secteur privé, (iv) favoriser un accès équitable aux services publics, et (v) associer les opérateurs et les usagers à la gestion des secteurs. Une mise à jour de la politique dans le secteur a été préparée et constitue une condition pour les négociations du Projet des Services Agricoles et d'Appui aux Organisations Professionnelles (PSAOP) et du Projet d'Appui au Développement Local (PROADEL). Cette volonté se trouve confirmée dans la "Lettre de Politique de Développement Rural"

19. Parmi les actions entreprises on note l'identification d'un Plan d'Intervention pour le Développement Rural (PIDR) pour la mise en œuvre de la stratégie du secteur rural. Le PIDR est composé de deux programmes :

- i). Le PROADEL, axé sur le développement local vise l'émergence et la responsabilisation des communautés locales sur leur propre développement.
- ii). Le Programme de Renforcement Sectoriel (PROSE), centré sur le renforcement des capacités sectorielles (appui aux organisations professionnelles et au secteur privé, appui aux services du secteur rural public et enfin appui institutionnel aux départements ministériels).

Ces deux programmes sont complémentaires et s'appuient pour leur mise en œuvre sur l'initiative et la responsabilisation des populations et des entrepreneurs dans le cadre réformé de l'intervention de l'État.

20. De nombreux problèmes existent dans le secteur rural et constituent des contraintes non négligeables tels que l'accès à l'eau potable qui ne concerne que 19 à 30% de la population et le taux de scolarisation en milieu rural qui est de 26.4% (contre 80% en milieu urbain). La situation sanitaire en milieu rural est également précaire : 1 médecin pour 40 000 habitants). Sur le plan de transport les coûts de transports représentent 70 à 80% des coûts de commercialisation. Pour faire face à tous ces problèmes du secteur rural, le gouvernement s'engage à : (i) accroître durablement la production agricole ; (ii) avoir un environnement naturel protégé ; et (iii) avoir un capital humain renforcé.

21. Les actions de ce choix stratégiques sont : (i) accroître la productivité, gérer les ressources naturelles de façon durable et restaurer le potentiel de production ; (ii) soutenir les organisations rurales ; (iii) rendre le secteur public plus efficace ; et (iv) améliorer les prestations de service de base.

22. Transports. Suite à la réunion de Genève IV en 1998, une Stratégie Nationale des Transports 1999 - 2009 a été élaborée, adoptée par le Gouvernement et présentée lors d'une Table Ronde sectorielle pour les secteurs Transport / Habitat en novembre 1999.. Le gouvernement par les objectifs spécifiques du secteur transport s'engage à :

- i). désenclaver le pays à l'intérieur comme à l'extérieur ;
- ii). réduire les coûts de transport tant à l'intérieur du pays que sur les échanges internationaux ;
- iii). conserver une accessibilité minimum à l'ensemble des régions du pays, en particulier en saison des pluies ;
- iv). obtenir un linéaire suffisant de routes circulables toute l'année et permettant de relier les principales villes du pays ;
- v). poursuivre le processus de libéralisation du secteur et de modernisation de l'administration ;
- vi). soutenir les populations pour le développement des infrastructures rurales de transport et des modes de transport locaux.

Le gouvernement entend évaluer ces actions à travers la réalisation des conditions d'accès au point d'achèvement.

3. Programme de Réformes 2002-2003 dans le cadre du CAS V

23. Le Document de la Stratégie de Réduction de Pauvreté Intérimaire (DSRP-I) qui a été discuté par les conseils d'administration de l'IDA et du FMI le 25 juillet 2000, a mis l'accent sur les points saillants de la lutte contre la pauvreté qui passe par l'amélioration des conditions de vie de la population tchadienne. Ces objectifs poursuivis par le Gouvernement ont été déjà exprimés lors de la Table de Ronde des bailleurs de fonds tenue à Genève en octobre 1998. L'objectif principal recherché par le Gouvernement est de réaliser un niveau de croissance élevé et soutenu permettant la création d'emplois et l'augmentation des revenus des populations. Le DSRP en phase d'adoption a identifié quatre secteurs prioritaires pour la réduction de la pauvreté qui sont: la santé, l'éducation, les infrastructures de base et le développement rural, ainsi que le domaine de la bonne gouvernance.

24. Avec l'arrivée des revenus pétroliers en 2003, le Tchad aura deux défis principaux qui sont la gestion efficace et transparente des revenus pour la réduction de la pauvreté et la promotion de la croissance dans les secteurs non pétroliers, surtout dans le secteur rural qui est la source de revenus pour la plupart des populations pauvres.

25. Au vu de ces deux défis qui ont été confirmés par le processus d'élaboration du DSRP, le Gouvernement a lancé un programme de trois ans axé sur (i) le renforcement de la bonne gouvernance et de la transparence; (ii) l'amélioration de la gestion des ressources de l'Etat à travers (a) la réforme du cycle budgétaire, (b) la réforme des marchés publics, et (c) la réforme de l'Administration Publique; et (iii) la promotion de la croissance durable en milieu rural à travers la réforme du secteur coton et le développement de la micro-finance. Le CAS V fait suite au CAS IV clôturé le 31 août 2002 et soutiendra la deuxième année de la mise en œuvre de ce programme.

3.1. Renforcement de la bonne gouvernance et de la transparence

26. La bonne gouvernance et la transparence font partie des principes démocratiques. Leur renforcement est destiné à consolider les acquis de la démocratie instaurée au Tchad depuis 1993 avec la tenue de la Conférence Nationale Souveraine (CNS). L'application des recommandations de cette CNS a permis au Gouvernement de:

- adopter en 1996 par voie référendaire la nouvelle constitution;
- organiser respectivement en 1996 et 1997 puis en 2001 et 2002 les 1^{ère} et 2^{ème} élections présidentielles et législatives multipartites;
- créer en 1995 l'Inspection Générale des Finances;
- créer le Haut Conseil de la Communication afin de garantir la liberté de la presse;
- créer la Cour Constitutionnelle afin de veiller au respect de la Constitution;
- créer la Cour Suprême ayant en son sein la Chambre des Comptes afin de veiller à la bonne gestion des ressources financières publiques;
- créer un Conseil Supérieur de la Magistrature;
- adopter en 1999 une loi sur les revenus pétroliers qui accorde une place importante à la Société Civile en matière de suivi et de l'utilisation des ressources pétrolières;
- créer le Collège de Contrôle et de Surveillance des Revenus Pétroliers (CCSRP) afin

de veiller à l'observation de cette loi ;

- adopter en janvier 2000, la loi visant la lutte contre la corruption.

27. Dans le cadre du programme dont la deuxième année sera soutenue par le CAS V en matière de renforcement de la bonne gouvernance, les actions suivantes ont déjà été réalisées :

- i). adoption du règlement intérieur du Collège de Contrôle et de Surveillance des Revenus Pétroliers (CCSRP) et publication du rapport annuel 2001 ainsi que les deux premiers rapports trimestriels sur site Internet (www.ccsrptd); et préparation d'une première version du manuel de procédures ;
- ii). adoption par le Haut Comité Interministériel (HCI) de la Stratégie Nationale de Bonne Gouvernance (SNBG) et organisation d'un forum de tous les composantes de la société ;
- iii). développement d'un plan d'action pour la définition d'une politique d'information publique
- iv). soumission au HCI du plan d'action pour réduire les ingérences de tiers dans les opérations de douanes;
- v). publication de l'audit du Bonus pétrolier par la Chambre des Comptes au Ministère des Finances sur Site Internet (www.coursupreme.td);
- vi). finalisation de l'audit financier organisationnel de la douane et lancement de l'enquête sur les perceptions des usagers des services des douanes.
- vii). organisation d'un séminaire pour évaluer la mise en œuvre du CAS IV ;

28. Pour l'année 2003 et avant la fin du mois de juin, le Gouvernement s'engage à :

- i). mettre en œuvre de manière satisfaisante la SNBG et l'évaluer sur la base d'un compte rendu à travers l'élaboration et l'examen par le HCI d'une première version de la politique d'information publique, la publication et la large diffusion de la loi de finances 2003 du Gouvernement; la publication sur site Internet de l'audit concernant l'utilisation des fonds PPTE, et la publication sur site Internet du rapport sur l'exécution de la loi de finances 2002 ;
- ii). finaliser l'enquête sur les perceptions qu'ont les usagers des services douaniers après validation dans un séminaire, adopter et publier un plan d'action afin d'améliorer davantage les services douaniers et réduire la présence illégale de tiers dans la douane ;
- iii). finaliser et publier le manuel de procédure du CCSRP et recruter deux analystes pour appuyer le Collège ;
- iv). faire confirmer par le CCSRP l'utilisation satisfaisante du reliquat du bonus pétrolier ;
- v). lancer les études relatives au cadre légal et institutionnel de la décentralisation (les modalités de création des communautés rurales, politique de formation des élus et du personnel en charge de la décentralisation, et la problématique foncière).

3.2. La réforme du cycle budgétaire

29. A travers la réforme du cycle budgétaire, le Gouvernement vise les objectifs qui sont : (i) l'amélioration de la préparation du budget orienté vers les objectifs de réduction de la pauvreté notamment dans les secteurs prioritaires, (ii) l'amélioration de l'efficacité et de la

transparence de l'exécution budgétaire et de son évaluation, et (iii) l'amélioration du suivi et du contrôle ex-post.

30. Les actions suivantes ont déjà été réalisées :

- i). constitution des comités de revues des dépenses publiques dans les secteurs de la Santé, de l'Education, des Travaux Publics et Transports, de la Justice chargés de la définition, de l'évaluation et du suivi des dépenses publiques afférentes aux dits secteurs; et réalisation des revues ;
- ii). préparation d'un cadre de dépenses a moyen terme et de budgets de programmes dans les secteurs de l'éducation et de la santé et introduction dans les documents budgétaires soumis au Parlement ;
- iii). budget de fonctionnement hors salaire exécuté à au moins 95% sur base engagement à fin décembre 2001 et à 50% sur base engagement à fin juin 2002 pour les Ministères Education Nationale, Santé Publique et Travaux Publics, et rattrapage pour la Justice en juillet 2002 ;
- iv). introduction d'un rapport mensuel sur l'exécution du budget distinguant l'engagement, l'ordonnancement, la liquidation et le paiement des dépenses et distinguant spécifiquement les ministères de l'Education, des Travaux publics, de la Santé et de la Justice, avec distribution de ce rapport aux quatre ministères ;
- v). achèvement de l'enquête de suivi des dépenses publiques jusqu'à destination ; et élaboration d'un projet de plan d'action pour améliorer l'arrivée des dépenses à leur destination finale dans les domaines de la santé et de l'éducation ;
- vi). organisation régulière des réunions de concertation sur l'exécution des budgets de l'éducation et de la santé;
- vii). promulgation de l'arrêté de la mise en œuvre du circuit simplifié et diffusion du nouveau manuel de procédures;
- viii). formation des administrateurs de crédit pour le circuit simplifié de la dépense;
- ix). campagne d'information aux fournisseurs sur l'interdiction d'immixtion dans la procédure de dépense;
- x). choix d'un logiciel pour l'automatisation de la dépense ;
- xi). création d'une Commission de concertation de bancarisation des opérations de dépenses de l'Etat;
- xii). transmission des comptes administratifs et de gestion 2000 et 2001 à la chambre des comptes;
- xiii). soumission de la Loi de règlement 2000 au Parlement ;
- xiv). transmission de l'avis de la chambre des comptes sur l'exercice budgétaire 2001 au parlement; soumission de la Loi de règlement 2001 au Parlement ;
- xv). transmission à la Banque Mondiale des rapports finaux pour la revue des dépenses publiques dans le secteur de l'éducation et de la santé ;
- xvi). soumission au Parlement du projet de loi créant un mécanisme de subventions pour les maîtres communautaires.

31. Pour l'année 2003 (fin juin), en plus des réformes accomplies dans le cadre des précédents programmes (notamment le CAS IV) et qui doivent se poursuivre en s'améliorant, le Gouvernement s'engage à :

- i). lancer la préparation des programmes de dépenses à moyen terme dans les secteurs de la santé, de l'éducation, de la justice, des infrastructures de base

(habitat et travaux publics) et du développement rural et les introduire dans la loi de finance 2004 soumise au Parlement ;

- ii). préparer mensuellement le tableau de 4 phases et le distribuer aux Ministères de la santé, de l'éducation, des travaux publics, de l'urbanisme et de la justice ;
- iii). organiser tous les deux mois une réunion regroupant les Ministères prioritaires, le Ministère de l'Économie et des Finances (Direction du Budget, de l'Ordonnancement, du Contrôle Financier et du Trésor), la Commission d'Appel à la Concurrence, la Direction Générale des Marchés Publics, et les bailleurs si nécessaire, au sujet de l'exécution du budget et des plans de passation des marchés dans les secteurs prioritaires, avec publication du compte-rendu de la réunion ;
- iv). finaliser et mettre en œuvre un plan d'action pour améliorer l'arrivée des dépenses à destination dans les secteurs de la santé et de l'éducation ;
- v). Identifier les besoins en personnel qualifié à la direction du budget et procéder aux recrutements et aux formations nécessaires, y compris des macro-économistes à la sous-direction de la prévision et des cadres à la sous-direction des investissements ;
- vi). Identification des besoins en termes de personnel qualifié en matière de préparation du budget et de passation des marchés dans les ministères de la santé, de l'éducation, de l'enseignement supérieur, de l'urbanisme, des travaux publics, de l'agriculture, de l'élevage, de la justice et de l'eau et de l'environnement, et recrutement ou sous-traitance si nécessaire ;
- vii). finaliser la première phase de la mise en œuvre du système intégré ;
- viii). Transmission des comptes administratif et de gestion 2002 à la Chambre des Comptes ;
- ix). Lancement effectif du programme de formation pour tous les agents chargés de la préparation et de l'exécution du budget.

3.3. Réforme des marchés publics

32. A travers cette réforme le Gouvernement cherche à assurer une gestion efficace et transparente des ressources publiques en vue de la réduction de la pauvreté. Pour cela, il cherche à renforcer le cadre réglementaire des marchés publics et la transparence et le contrôle ex-post des marchés publics.

33. Dans le cadre du programme dont la deuxième année sera soutenue par le CAS V en matière de réforme des marchés publics, les actions suivantes ont déjà été réalisées :

- i). publication du décret portant simplification du circuit des visas et de l'harmonisation des seuils (Décret Présidentiel 357/PR/PM/2001);
- ii). publication des quatre premiers numéros du Bulletin des Marchés ;
- i). définition du plan de formation en matière des principes pour les marchés publics;
- ii). publication d'une circulaire imposant l'ouverture des plis le jour même (date et heure) de l'échéance de remise des dossiers d'appel d'offres ;
- iii). finalisation de la première version du nouveau Code des Marchés publics y compris des mécanismes indépendants de recours; et organisation d'un séminaire pour les parties prenantes afin de discuter du document préliminaire ;

- iv). modification des articles du code des marchés publics se référant à la procédure de l'appel d'offre restreint dans l'optique d'en éliminer son abus ;
- v). lancement du recrutement d'observateurs indépendants pour les commissions dans les secteurs de la santé et de l'éducation ;
- vi). réalisation d'un audit des cinq plus gros marchés en 2001 (publié sur le site Internet de la DGMP (www.dgmp.gouv.td) et adoption d'une méthodologie pour l'audit annuel des contrats de passation des marchés ainsi que du système de passation des marchés ;
- vii). publication sur site Internet de l'audit sur l'utilisation des fonds PPTTE entre mai 2001 et mai 2002.

34. D'ici la fin du mois juin 2003, le Gouvernement: (i) continuera la publication trimestrielle du Bulletin des marchés publics et l'améliorera; (ii) soumettra au Parlement le nouveau Code de marchés publics y compris des mécanismes indépendants de recours et préparera les projets de décrets d'application; (iii) mettra en œuvre un plan de formation sur les principes de marchés publics; (iv), et (v) lancera l'audit des marchés publics qui sera réalisé en 2002 par la Chambre des Comptes.

3.4. La réforme de la fonction publique

35. Dans le cadre de la Fonction Publique, les objectifs poursuivis par le Gouvernement sont la réforme du cadre statutaire, réglementaire et organisationnel de la fonction publique et le renforcement de la transparence et de la gestion du personnel de l'État.

36. Les mesures déjà prises incluent:

- i). la promulgation de la Loi portant nouveau statut de la fonction publique qui introduit les principes de recrutement par concours et l'avancement sur mérite;
- ii). l'achèvement du recensement des fonctionnaires et la première mise à jour du fichier de la solde sur la base des résultats de ce recensement;
- iii). Production par la direction de la solde d'une évaluation quantitative des effectifs et traitement par Ministère
- iv). l'élaboration et adoption de la nouvelle grille salariale.
- v). Recrutement du cabinet chargé de l'audit de neuf ministères pilotes ;

37. Pour l'année 2003 et à la fin du mois juin, en plus des réformes déjà accomplies dans le cadre des précédents programmes (notamment dans le CAS IV) et qui doivent se poursuivre en s'améliorant, le Gouvernement s'engage à :

- i). publier les décrets d'application sur les rémunérations, missions, et statuts particuliers de corps ;
- ii). préparer et publier les décrets d'application pour le système d'appréciation du personnel, la formation et le recrutement ;
- iii). adopter une méthodologie d'audit et rassembler les données de base et la documentation pour 9 ministères pilotes ;
- iv). finaliser la mise à jour du fichier de la solde sur la base du recensement 2000 et de la liste des personnels émargeant à la solde ; mettre à jour mensuellement la liste des personnels émargeant à la solde et procéder à une revue trimestrielle (décembre, mars, juin) de celle-ci.

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3.5. Réforme du Secteur Coton

38. Le coton revêt un poids économique et social majeur pour le Tchad et sa population. Il a un impact direct sur la majorité de la population de la zone soudanienne en termes de revenus et de services. La production cotonnière est réalisée dans la partie sud du pays par environ 350.000 producteurs et elle constitue la première source de revenus monétaires. Le coton joue en outre un rôle prépondérant dans l'économie tchadienne en étant la première source de recettes à l'exportation (jusqu'à l'arrivée des recettes pétrolières), le premier emprunteur du système bancaire et financier, le premier pourvoyeur de marché de sous-traitance et de fourniture, etc.

39. Dans le cadre de cette réforme, les objectifs du gouvernement sont :

- i). le désengagement de l'Etat des activités de production cotonnière et la libéralisation du secteur coton à travers la privatisation de l'Huilerie et de la Savonnerie (DHS) et de la Cotontchad;
- ii). l'intégration et la considération des cotonculteurs comme partenaires à poids égal dans l'industrie du coton à travers le renforcement du cadre institutionnel des organisations de base, l'amélioration de leur connaissance dans la gestion économique et leur accès aux services de gestion des intrants agricoles ;
- iii). la promotion et l'accès des pauvres aux services de micro-finance à travers le renforcement du cadre institutionnel des Institutions de Micro-Finance (IMF) au niveau de la CEMAC.

40. Les mesures déjà réalisées en 2001 et 2002 sont :

- i). le recrutement d'un Contrôleur Général de la Cotontchad et la publication dans la presse locale du projet d'apport partiel d'actifs de la Cotontchad à l'Huilerie et Savonnerie (HS SA);
- ii). l'obtention de la reconnaissance juridique des 9 Comités de Coordination Locaux (CCL) ;
- iii). le lancement de l'appel d'offres pour la recherche de partenaire de référence pour l'HS S.A et le dépouillement des offres ;
- iv). la production de rapports trimestriels par le contrôleur général ;
- v). l'audit sur la situation de trésorerie de la Cotontchad et discussion sur cette situation par le FMI et la Banque Mondiale ;
- vi). La définition d'un plan d'action en vue de la mise en œuvre de mesures de réduction des coûts pour les opérations de la Cotontchad pendant la campagne 2002/2003 et l'évaluation et la révision du mandat du Contrôleur général pour accompagner la mise en œuvre de ce plan ;
- vii). le démarrage de l'étude sur le scénario de désengagement ;
- viii). le lancement de l'analyse ex ante de l'impact social et sur la pauvreté et des scénarios identifiés (réalisation de l'analyse qualitative);
- ix). la publication du rapport sur les fonds épargnés par les CCL et le lancement de l'enquête de référence sur le niveau de l'information de cotonculteurs ;
- x). le démarrage d'un programme d'informations économiques sur le coton ;
- xi). adoption du cadre réglementaire de la Micro-finance en zone CEMAC.

41. Le Gouvernement s'engage dans le cadre du CAS V à réaliser, d'ici fin juin 2003, les mesures et actions suivantes :

- i). mise en oeuvre complète du plan d'actions (actions à fin juin) de la Cotontchad pour la campagne 2002-2003
- ii). finalisation de l'étude des scénarios de privatisation de la Cotontchad, y compris des mesures d'accompagnement;
- iii). organisation d'un forum des investisseurs, et un forum des producteurs de coton en vue de recueillir leurs points de vue sur les scénarios alternatifs de privatisation, et sur l'impact social et sur la pauvreté de chaque scénario;
- iv). adoption d'un plan d'action pour le renforcement institutionnel des Comités de Coordination Locaux (CCL).

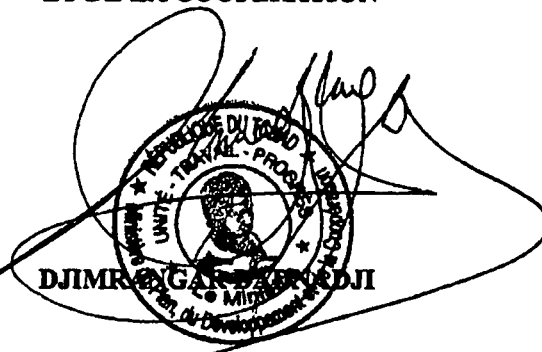
4. Suivi du programme

42. Le CAS V tout comme le Programme de Facilité pour la Réduction de la Pauvreté et pour la Croissance (FRPC) continuera d'être mis en oeuvre sous la supervision du Haut Comité Interministériel assisté par le Comité Technique à l'Ajustement Structurel et la Cellule Économique. Cette dernière continuera à assurer la préparation de rapports trimestriels d'avancement du Programme en collaboration avec le Comité de Pilotage pour la SNRP et les différents secteurs concernés et s'efforcera de rassembler toute information pertinente pour un meilleur suivi du programme.

43. Toutes les structures concernées par le programme s'activeront pour assurer une meilleure coordination entre les différents programmes afin de garantir leurs succès. La Cellule Économique est également le lieu privilégié où tous les partenaires en développement peuvent obtenir toutes les informations sur les programmes engagés.

MINISTRE DU PLAN, DU DEVELOPPEMENT ET DE LA COOPERATION

DJIMRANGANBERI DJI



SAC V Policy and Action Matrix

Bold: Measure selected as a prior action for SAC V

Italics: Action covered under the PRGF program

(*): Trigger for the preparation of subsequent program-lending

Governance				
<i>Strategic PRSP axis: Promote good governance</i>				
Overall objective: Strengthen the rule of law, transparency and accountability				
Objective: Adopt and implement a national governance strategy				
Specific objective (primary responsible)	Before end December 2002	Before end June 2003	Before end June 2004	Monitorable output
<p>Adopt a National Governance Strategy (NGS) and update it annually (government-civil society committee)</p>	<p>Adopt the National Governance Strategy, organize a forum, and publish the NGS; Implement NGS in a satisfactory manner, including (i) publication of critical reports by the Auditor General, notably the audit of the signing bonus; (ii) development of an action plan for the definition of a public disclosure information</p>	<p>Maintain satisfactory implementation of NGS and evaluate it through a progress report including notably (i) the preparation and review by the Government (<i>HCI</i>) of the first draft of a policy for the public disclosure of information; (ii) the publication and wide availability of the Government's 2003 Budget Law; (iii) <i>the publication on its website of the audit of the use of HIPC funds</i>; and (iv) publication on its website of the report on the execution of the 2002 Budget Law (*)</p> <p>Update NGS</p> <p>Satisfactory progress in the organization of the Justice general assembly ("<i>Etats Généraux de la Justice</i>")</p>	<p>Maintain satisfactory implementation of NGS, evaluate implementation of the NGS and update it</p>	<p>NGS evaluated and updated annually</p>

SAC V Policy and Action Matrix

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Italics: Action covered under the PRGF program

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(*): Trigger for the preparation of subsequent program-lending

Governance <i>Strategic PRSP axis: Promote good governance</i> Overall objective: Strengthen the rule of law, transparency and accountability				
Objective: Adopt and implement a national governance strategy				
Specific objective (primary responsible)	Before end December 2002	Before end June 2003	Before end June 2004	Monitorable output
Adopt and implement an action plan to diminish the illegal interference of third parties in customs operations. (bogobogo) and improve customs services (Ministry of Finance, CNR)	Complete the organizational and financial audit of customs; Launch a survey on users' perception of customs services	Complete survey on the users' perception of customs services after validation in a seminar (*) <i>Adopt and publish the action plan to further improve customs services and diminish illegal interference of third parties in customs operations (*)</i> Launch the implementation of the action plan	Evaluate the implementation of the action plans to improve customs services and to diminish bogobogo and update them; define and implement measures to further improve customs services following the users' perception survey results	Action plans to improve customs services and diminish bogobogo evaluated and updated annually
Objective: Set up the legal and institutional framework for decentralization				
Design the legal and institutional framework for decentralization and define the legal texts (Ministry Delegate of Decentralization)		Launch the studies relating to the legal and institutional framework of decentralization : -study on the modalities for creating rural communities - study on the training policy for elected representatives and for staff in charge of the decentralization process - Study on land ownership issues (*)	Completion of the studies and progress in the implementation of the legal and institutional framework for decentralization	Legal and institutional framework defined on the basis of the studies and implemented

SAC V Policy and Action Matrix

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Italics: Action covered under the PRGF program

(*): Trigger for the preparation of subsequent program-lending

Governance <i>Strategic PRSP axis: Promote good governance</i> Overall objective: Strengthen the rule of law, transparency and accountability				
Objective : Provide adequate oversight and control of petroleum revenues				
Specific objective (primary responsible)	Before end December 2002	Before end June 2003	Before end June 2004	Monitorable output
Make the Petroleum Revenue Oversight and Control Board (CCSRP) fully operational (CCSRP, government)	Adopt CCSR rules of procedures ("reglement interieur), draft a procedural manual	Finalization and publication of the procedural manual of CCSR and recruitment of two analysts (*)	Satisfactory implementation of the procedural manual	CCSR fully operational
	Publish the 2001 annual report of CCSR and the first two quarterly reports and post them on the CCSR website	Publish the CCSR annual and quarterly reports and post them on the CCSR website Confirmation by the CCSR of the satisfactory use of the remainder of the petroleum Agreement Signing Bonus(*)	Publish the CCSR annual and quarterly reports and post them on the CCSR website	Publication of the CCSR annual and quarterly reports and reports posted on the CCSR website
Evaluate implementation of the governance measures			Independent evaluation and adoption of action plan for adjustment	Evaluation report and action plan .

SAC V Policy and Action Matrix

Bold: Measure selected as a prior action for SAC V

Italics: Action covered under the PRGF program

(*): Trigger for the preparation of subsequent program-lending

Reform of the budget cycle				
<i>PRSP Axis: Promote good governance</i>				
Overall objective: Ensure efficient and transparent public resource management with a view to poverty reduction				
Objective : Improve budget preparation such that the budget serve the objective of poverty reduction				
Specific objective (primary responsible)	Before end December 2002	Before end June 2003	Before end June 2004	Monitorable output
Improve the presentation of the budget (Ministry of Finance, Sector Ministries, PRSP Steering Committee)	Pursue the refinement of budget classification for the 2003 budget (by nature, function and geographic area) so as to clearly distinguish poverty reduction expenditures in the education, health and basic infrastructure sectors	Pursue the refinement of budget classification for the 2003 budget (by nature, function and geographic area) so as to clearly distinguish poverty reduction expenditures in the education, health, basic infrastructure and justice sectors	Pursue the refinement of budget classification for the 2004 budget (by nature, function and geographic area) so as to clearly distinguish poverty reduction expenditures in the education, health, basic infrastructure, justice and rural development sectors	Budget classification allows for monitoring poverty reduction expenditures
	Introduce a distinction between recurrent and capital expenditures in the investment budget of ministries	Refine and generalize distinction between recurrent and capital expenditures in the investment budgets		Current and investment budgets consolidated per ministry
Strengthen the programming of expenditures in priority sectors in view of achieving quantitative poverty reduction objectives and consistent with the macroeconomic framework (Ministry of Finance, Sector Ministries, PRSP Steering Committee)	Create macro-economic framework committee; develop medium-term macroeconomic framework, preliminary 2003 sectoral expenditure ceilings and indicative 2003-2005 expenditure ceilings in the health and education sectors in preparation of the 2003 Budget Law	Refinement of medium-term macroeconomic framework and sectoral ceilings in preparation of 2004 Budget Law	Refinement of medium-term macroeconomic framework and sectoral ceilings in preparation of 2005 Budget Law	Budget Law based on improved medium-term macroeconomic and expenditure framework

SAC V Policy and Action Matrix

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Italics: Action covered under the PRGF program
(*): Trigger for the preparation of subsequent program-lending

Reform of the budget cycle <i>PRSP Axis: Promote good governance</i> Overall objective: Ensure efficient and transparent public resource management with a view to poverty reduction				
Objective : Improve budget preparation such that the budget serve the objective of poverty reduction				
Specific objective	Before end December 2002	Before end June 2003	Before end June 2004	Monitorable output
	Issue improved Budget Circular on the basis of medium-term macroeconomic framework	Issue improved Budget Circular on the basis of medium-term macroeconomic framework and broad sector allocations	Issue improved Budget Circular on the basis of medium-term macroeconomic framework and broad sector allocations	Medium-term expenditure programs presented annually in the Budget Law for all priority sectors (health, education, basic infrastructure, rural development and justice)
	Estimate future costs for 2003-2005 of Title V (domestic and foreign-financed investment budget) 2003 projects in the health and education sectors; include them in budget requests	Estimate future costs for 2004-2006 of Title V (domestic and foreign-financed investment budget) 2004 projects in the health, education, justice and basic infrastructure sectors; include them in budget requests	Estimate future costs for 2005-2007 of Title V (domestic foreign-financed investment budget) 2005 projects in the health, education, justice, basic infrastructure and rural development sectors; include them in budget requests	
		Elaborate medium-term expenditure programs in the health and education sectors to be introduced in the 2003 Budget Documents submitted to Parliament (*)		
		Launch the preparation of medium-term expenditure programs in the health, education, justice, basic infrastructure (housing and public works) and rural development sectors (*) and introduce them in the 2004 Budget Law submitted to Parliament	Refine and revise medium-term expenditure programs in the health, education, justice, basic infrastructure and rural development sectors to be introduced in the 2005 Budget Law submitted to Parliament	
Improve predictability of resources and expenditures, and thus performance, of deconcentrated services	Prepare an expenditure plan by region for deconcentrated services in the health sector (including staff costs)	Include in Budget Documents expenditure plans by region for deconcentrated services in the health, education, justice and basic infrastructure sectors (including staff costs)	Include in Budget Documents expenditure plans by region for deconcentrated services in the health, education, justice, basic infrastructure and rural development sectors (including staff costs)	Better performance of deconcentrated services and monitoring of expenditures at the regional level

SAC V Policy and Action Matrix

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Reform of the budget cycle				
<i>PRSP Axis: Promote good governance</i>				
Overall objective: Ensure efficient and transparent public resource management with a view to poverty reduction				
Objective : Improve budget preparation such that the budget serve the objective of poverty reduction				
Specific objective (primary responsible)	Before end December 2002	Before end June 2003	Before end June 2004	Monitorable output
Improve transparency and Parliament's ability to review the fiscal policy through an improvement in Budget Documents	Finalize, for submission to Parliament, the 2003 Budget Law and a Budget Framework Document including: <ul style="list-style-type: none"> - The provisional Table of Government Financial Operations for 2003-2005 - An aggregated MTEF 2003-2005 - Medium-term expenditure plans 2003-2005 in the health and education sectors - Estimates of annual costs for 2003-2005 of investment projects in 2003 	Improve Budget Documents which will be submitted to Parliament in October for the vote of the 2004 Budget Law: <ul style="list-style-type: none"> - Medium-term expenditure plans 2004-2006 cover the health, education, justice, basic infrastructure and rural development sectors - Outcomes of the monitoring of performance indicators in the health and education sector are displayed 	Improve Budget Documents which will be submitted to Parliament in October for the vote of the 2005 Budget Law: <ul style="list-style-type: none"> - Medium-term expenditure plans 2005-2007 cover the health, education, justice, basic infrastructure and rural development sectors - Outcomes of the monitoring of performance indicators in the health , education, justice, basic infrastructure and rural development sectors are displayed 	Budget Documents are comprehensive and broadly disseminated
	Introduce in Budget Documents tables describing expenditures by function and economic type	Introduce in Budget Documents tables describing expenditures by function and economic type	Introduce in Budget Documents tables describing expenditures by function and economic type	
	Widely disseminate Budget Documents	Widely disseminate Budget Documents	Widely disseminate Budget Documents	

SAC V Policy and Action Matrix

Bold: Measure selected as a prior action for SAC V
Italics: Action covered under the PRGF program
 (*): Trigger for the preparation of subsequent program-lending

Reform of the budget cycle <i>PRSP Axis: Promote good governance</i> Overall objective: Ensure efficient and transparent public resource management with a view to poverty reduction				
Objective: Improve the efficiency and transparency of budget execution				
Specific objective (Primary responsible)	Before end Decembre 2002	Before end June 2003	Before end June 2004	Monitorable output
Improve the efficiency of budget execution for the priority sectors (Ministry of Finance, Sector Ministries, PRSP Steering Committee)	Monthly preparation of a table (T4P) presenting budget execution at the stages of commitment, order to pay and payment; Distribution to the Ministries of Health, Education, Public Works and Justice	Monthly preparation of the T4P table; Distribution to the Ministries of Health, Education, Public Works, Urbanism and Justice (*) Review of budget execution in priority ministries every two months, with the Ministry of Finance (Budget Directorate, Order to Pay Directorate, Financial Control Directorate, Treasury), the Procurement Directorate, the Procurement Commission, and donors if necessary, and publication of the minutes of the meeting (*)	Monthly preparation of a table presenting budget execution at the stages of commitment, order to pay and payment; Distribution to the Ministries of Health, Education, Public Works, Urbanism, Justice and Rural Development; Review every two months of budget execution in priority ministries and publication of the minutes of the meeting.	Monthly tables are produced and distributed
		Preparation of a monthly table presenting all expenditures by budget lines at all stages; distribution to priority Ministries	Continuation of actions to improve the financial monitoring of budget execution	
		Production of public procurement plans in priority ministries and review every two months at the meetings on budget execution (*)	Production of public procurement plans in priority ministries and review every two months at the meetings on budget execution	

SAC V Policy and Action Matrix

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Italics: Action covered under the PRGF program

(*): Trigger for the preparation of subsequent program-lending

Reform of the budget cycle				
<i>PRSP Axis: Promote good governance</i>				
Overall objective: Ensure efficient and transparent public resource management with a view to poverty reduction				
Objective: Improve the efficiency and transparency of budget execution				
Specific objective (Primary responsible)	Before end December 2002	Before end June 2003	Before end June 2004	Monitorable output
	At least 95 percent at end FY 2001 of the non-salary operational budget executed on a commitment basis for the Ministries of Education, Health and Public Works	At least 95 percent at end FY2002 on a payment basis and 50 percent at end June 2003 on a commitment basis of the non-salary operational budget executed for the Ministries of Education, Health, Public Works, Urbanism, and Justice	100 percent at end FY2002 on a payment basis and 50 percent at end June 2003 on a commitment basis of the non-salary operational budget executed for the Ministries of Education, Health, Public Works, Urbanism, Justice, Livestock, Agriculture and Water/Environment	Non-salary operational budget executed at 95 percent and then at 100 percent at the end of each fiscal year on a payment basis
	At least 95 percent at end June 2002 of the non-salary operational budget executed on a commitment basis for the Ministries of Education, Health and Public Works	Tenders for bids in priority sectors ready before end 2002 and submitted early 2003 for approval to Procurement Directorate	Tenders for bids in priority sectors ready before end 2003 and submitted early 2004 for approval to Procurement Directorate	
	Give priority to payments in priority sectors	Give priority to payments in priority sectors	Give priority to payments in priority sectors	
Create a mechanism to subsidy community teachers in the education sector	Submission to Parliament of the draft law establishing a mechanism ("Agency") for paying a subsidy to community teachers	Effective implementation of the mechanism to subsidize community teachers, as witnessed by the creation of the Board and the management team for the Agency and by the disbursement of subsidies to community teachers		Agency fully operational, subsidies disbursed

SAC V Policy and Action Matrix

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Reform of the budget cycle				
<i>PRSP Axis: Promote good governance</i>				
Overall objective: Ensure efficient and transparent public resource management with a view to poverty reduction				
Objective: Improve the efficiency and transparency of budget execution				
Specific objective (Primary responsible)	Before end December 2002	Before end June 2003	Before end June 2004	Monitorable output
Simplify and computerize the expenditure circuit (Ministry of Finance)	Make fully operational the computerized expenditure circuit for the stages of commitment, liquidation, order to pay; incorporate the payment stage; and put the system in network	Launch and complete the first phase of the implementation of the Integrated Financial Management Information System (*): - Installation of the computerized platform for development of the software and of a training room with about fifteen computers. - definition of technical requirements and main changes needed to adapt the Burkina software to the Chadian regulations - Launching of the preparation of the 2004 budget for a few ministries with the software and training of staff in the ministries involved and in the Budget Directorate	Launch and complete the second phase of the IFMIS (before end-December 2003); - Fully adapt the Burkina software to Chadian specifications - Testing - Training of users	Simplified and computerized expenditure circuit fully operational Integrated system fully operational
	Train staff at the Ministry of Finance and the Treasury to the use of the computerized expenditure circuit	Launch training of all staff at the Ministry of Finance and the Treasury to the first phase of the use of the integrated system (*)	Complete the training of all users at the Ministry of Finance, the Treasury and in priority ministries to the use of the integrated system (before end-December 2003)	
		Develop a new regulatory legislation concerning "Régime financier de l'Etat"	Adopt new regulatory legislation concerning "Régime financier de l'Etat"	

SAC V Policy and Action Matrix

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Reform of the budget cycle				
<i>PRSP Axis: Promote good governance</i>				
Overall objective: Ensure efficient and transparent public resource management with a view to poverty reduction				
Objective: Improve the efficiency and transparency of budget execution				
Specific objective (Primary responsible)	Before end December 2002	Before end June 2003	Before end June 2004	Monitorable output
Continue to strengthen the capacity of staff in charge of budget preparation, execution (including public procurement) and monitoring in the Ministry of Finance, line Ministries, Procurement Directorate (DGMP) and Auditor General's Office.		Effective launching of the training program for all agents in charge of budget preparation and execution (*)	Continue to strengthen capacity in the area of budget management	Adequate number of qualified staff in charge of budget preparation, execution and monitoring in the ministries, DGMP and Auditor General's Office.
		Hiring of required number of qualified staff in the budget directorate, including macroeconomists for the economic forecasting sub-directorate and qualified executives for the investment sub-directorate (*)		
		Identification of the needs in terms of qualified staff in the area of budget preparation and procurement in the priority Ministries, and hiring of required staff or sub-contracting of some activities if necessary (*)		
Improve transparency of public expenditure operations (Ministry of Finance, Commercial banks and Micro-finance institutions)	Finalize report and action plan to increase payment of expenditures by bank wire	Adopt and implement action plan to increase payment of expenditures by bank wire	Implement action plan to increase payment of expenditures by bank wire	Increased part of expenditures paid by bank wire
		Strengthen accounting procedures in the Health and Education Ministries	Strengthen accounting procedures in the Health and Education Ministries	Improved accounting and monitoring of expenditures
		Review existing public accounting procedures		

SAC V Policy and Action Matrix

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Reform of the budget cycle <i>PRSP Axis: Promote good governance</i> Overall objective: Ensure efficient and transparent public resource management with a view to poverty reduction				
Objective: Improve ex-post monitoring, audit and control in order to evaluate the correct execution of the budget and to measure the impact of public expenditures on poverty reduction				
Specific objective (Primary responsible)	Before end December 2002	Before end June 2003	Before end June 2004	Monitorable output
Reintroduce the adoption of the Budget Settlement Law (Ministry of Finance, Auditor General's Office, Parliament)	Submission to Parliament of the Budget Settlement Law 2000 before the adoption of the Budget Law for 2002	Submission to Parliament of the Budget Settlement Law 2001 before the adoption of the Budget Law for 2003 (*)	Submission to Parliament of the Budget Settlement Law 2002 before the adoption of the Budget Law for 2004	Annual adoption of the Budget Settlement Law for year n before the vote on the Budget Law for year n+2
	Transmission of "comptes administratifs et de gestion" for the 2001 budget to the Auditor General's Office	Transmission of "comptes administratifs et de gestion" for the 2002 budget to the Auditor General's Office (*)	Transmission of "comptes administratifs et de gestion" for the 2003 budget to the Auditor General's Office	
Reinforce the role of the Auditor General's Office	Prepare an action plan to strengthen the Auditor General's Office	Implementation of the plan and audit of the performance of the management control systems of the Office	Audit of the performance of the management control systems of the Office	Improved quality and timeliness of the Auditor General's Office' reports
Strengthen the role of the "Inspection Générale des Finances" (IGF) (General Finance Inspection Service)	Publish a report on irregularities in the execution of the 2001 budget	Publish a report on irregularities in the execution of the 2002 budget	Publish a report on irregularities in the execution of the 2003 budget	Annual publication of a report on irregularities in budget execution.
Enhance the accountability of personnel involved in budget execution		Adopt a set of administrative sanctions for irregularities in budget execution	Implementation of the administrative sanctions for irregularities in budget execution	Administrative sanctions for irregularities in budget execution fully operational

SAC V Policy and Action Matrix

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(*): Trigger for the preparation of subsequent program-lending

Reform of the budget cycle <i>PRSP Axis: Promote good governance</i> Overall objective: Ensure efficient and transparent public resource management with a view to poverty reduction				
Objective: Improve evaluation, monitoring and control to establish the correct execution of the budget and measure the impact of expenditures on poverty reduction				
Specific objective (Primary responsible)	Before end December 2002	Before end June 2003	Before end June 2004	Monitorable output
Evaluate the impact of government expenditure programs on poverty reduction (Ministry of Finance, line Ministries, PRSP Steering Committee)	Creation of Committees for the definition, evaluation and monitoring of public expenditures for justice and basic infrastructure	Creation of Committees for the definition, evaluation and monitoring of public expenditures for justice, basic infrastructure and rural development	Completion of public expenditure reviews in the health, education, justice, basic infrastructure and rural development sectors	Annual publication of a public expenditure review, assessing the poverty impact of public expenditures in priority sectors and proposing recommendations for further improvement of budgetary allocations and procedures within the framework of the medium term expenditure plans; Implementation of these recommendations in the Budget
	Launching of the public expenditure reviews (for year 2001) in the health, education, justice and basic infrastructure sectors	Launching of the preparation of public expenditure reviews (for year 2002) in the health, education, justice, basic infrastructure and rural development sectors	Launching of preparation of the public expenditure reviews (for year 2003) in the health, education, justice, basic infrastructure and rural development sectors	
	Monitoring of performance indicators included in the medium term expenditure plans of the health and education ministries	Monitoring of performance indicators included in the medium term expenditure plans of the health and education ministries	Monitoring of performance indicators included in the medium term expenditure plans of the health, education, justice, basic infrastructure and rural development ministries	

SAC V Policy and Action Matrix

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(*): Trigger for the preparation of subsequent program-lending

Reform of the budget cycle				
<i>PRSP Axis: Promote good governance</i>				
Overall objective: Ensure efficient and transparent public resource management with a view to poverty reduction				
Objective: Improve evaluation, monitoring and control to establish the correct execution of the budget and measure the impact of expenditures on poverty reduction				
Specific objective (Primary responsible)	Before end December 2002	Before end June 2003	Before end June 2004	Monitorable output
Improve the arrival of public expenditures at their ultimate destination (Ministry of Finance, Sector Ministries, PRSP Steering Committee)	Completion of the public expenditure tracking survey; Preparation of a draft action plan to improve the arrival of expenditures at their ultimate destination for health and education	Completion and implementation of an action plan to improve the arrival of expenditures to health and education facilities (*) Launching of a facility survey in the health sector Completion of a facility survey in the health sector, update of the action plan and continued implementation	Completion of a facility survey in the education sector, update of the action plan and continued implementation	Annual tracing of expenditures in health and education and implementation of related action plans Health facility survey completed and analyzed, action plan adopted
		Posting of allocated public expenditures in all health and education facilities	Posting of allocated public expenditures in all health and education facilities	
	Computerization of the Division of material resources (DMV) in the Ministry of Health	Computerization of the DMV from the center to the Department and to the district in the Health sector Computerization of the DMV in the Ministry of Education	Computerization of the DMV from the center to the Department and to the municipality in the Education sector; Adoption and posting of performance contracts for basic health and education facilities between government, managers and users	Annual adoption of performance contracts for basic health and education facilities between government, managers and users
Evaluate the budget cycle reform program and adjust if necessary			Independent evaluation and adoption of action plan for adjustment	Evaluation report and action plan

SAC V Policy and Action Matrix

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Public procurement reform				
<i>PRSP Axis: Promote good governance</i>				
Overall objective: Ensure efficient and transparent public resource management with a view to poverty reduction				
Objective: Strengthen the regulatory framework for public procurement				
Specific objective (Primary responsible)	Before end December 2002	Before end June 2003	Before end June 2004	Monitorable output
Clarify the role of the various institutions intervening in the regulation, attribution, audit and conflict resolution for public procurement (DGMP)	Finalization of a first draft of the new Public Procurement Code including an independent procurement appeals system; and organization of a stakeholder seminar to discuss the draft	Submission to Parliament of the new Procurement Code including an independent procurement appeals system, and preparation of draft implementation decrees (*)	Promulgation of the new Procurement Code including an independent procurement appeals system, and of its implementation decrees Training for all institutions involved in public procurement – including regional authorities - regarding new Procurement Code and appeals procedures Design and implement an accreditation system for people responsible for public procurement	Clear definition of the role of the various institutions intervening in the public procurement process A new Public Procurement Code and its implementation decrees adopted, published and implemented New and independent appeals procedures fully operational
	Modification of the articles of the public procurement code referring to the procedure of limited bidding with a view to eliminating abuse of this procedure			Restricted use of limited bidding procedures
	Launching of the recruitment of independent observers for the public procurement bid evaluation boards in the health and education sectors			More transparency in public procurement as witnessed by regular reports of observers

SAC V Policy and Action Matrix

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Public procurement reform				
<i>PRSP Axis: Promote good governance</i>				
Overall objective: Ensure efficient and transparent public resource management with a view to poverty reduction				
Objective: Strengthen the regulatory framework for public procurement				
Specific objective (Primary responsible)	Before end December 2002	Before end June 2003	Before end June 2004	Monitorable output
	<i>Modification of article 2 of decree 357/PM/PR/2001 in order to require the Minister of Finance's approval for the attribution of any public contract of an amount exceeding CFAF 500 millions, in addition to the approval by the President of the competitive bidding commission (CAC)</i>			
	<i>Nomination by the Minister of Finance of the Commitment and Financial Control Directorate's representatives in all the public procurement commissions</i>			
		Preparation of standard bidding documents	Publication and dissemination of standard bidding documents Training to the use of standard bidding documents	Standard bidding documents used systematically
	Implement a training plan on the principles of public procurement	Select staff in charge of public procurement according to their competencies Continue training plan on the principles of public procurement	Continue training plan on the principles of public procurement	
	Create curriculum in public procurement at ENAM	Launching of curriculum in public procurement at ENAM		

SAC V Policy and Action Matrix

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(*): Trigger for the preparation of subsequent program-lending

Public procurement reform				
<i>PRSP Axis: Promote good governance</i>				
Overall objective: Ensure efficient and transparent public resource management with a view to poverty reduction				
Objective: Strengthen transparency and ex-post control of public procurement				
Specific objective (Primary responsible)	Before end December 2002	Before end June 2003	Before end June 2004	Monitorable output
Improve the transparency of public procurement (DGMP)	Publish a quarterly public procurement bulletin ; Launch a website and post the quarterly bulletin (Jan, Apr, Jul, Oct)	Improve bulletin ; Continue the publication on hardcopy and on a website of the quarterly procurement bulletin (*)	Continue the publication on hardcopy and on a website of the quarterly procurement bulletin and post standard bidding documents	Quarterly publication of a public procurement bulletin
	Launch the design of a computerized monitoring system for procurement	Implement computerized system for procurement and issue a report	Extend the computerized monitoring system for procurement to line ministries and regional delegations	Computerized monitoring system fully operational
Strengthen ex-post control of public procurement (Auditor General's Office)	Completion of an audit of the five biggest procurement contracts for 2001 and the adoption of a methodology for the annual audit of procurement contracts as well as the procurement system	<i>Publication of the audit of the five biggest contracts for 2001</i> Launching of an audit of 2002 procurement contracts and procurement system (*)	Completion of the audit of 2002 procurement contracts and procurement system ; Identification and adoption of measures to improve the auditing methodology if needed; Publication of the 2002 audit Launching of the audit for 2003	Annual completion and website publication of the audit of public procurement contracts and the functioning of the procurement system
	Website publication of 2001 annual activity report of the Auditor General's Office	Website publication of 2002 annual activity report of the Auditor General's Office	Website publication of 2003 annual activity report of the Auditor General's Office	Annual website publication of the report of the Auditor General's Office

SAC V Policy and Action Matrix

Bold: Measure selected as a prior action for SAC V
Italics: Action covered under the PRGF program
 (*): Trigger for the preparation of subsequent program-lending

Public procurement reform <i>PRSP Axis: Promote good governance</i> Overall objective: Ensure efficient and transparent public resource management with a view to poverty reduction				
Objective: Strengthen transparency and ex-post control of public procurement				
Specific objective (Primary responsible)	Before end December 2002	Before end June 2003	Before end June 2004	Monitorable output
	<i>Completion by the General Auditor Office of the audit of all contracts financed by HIPC interim assistance resource, and if necessary, launching of disciplinary actions and reimbursement of the virtual poverty fund</i> <i>Reimbursement to the virtual poverty fund of the amounts already paid with regard to the two contracts cancelled</i>	<i>Website publication of the audit of the use of HIPC funds between May 2001 and May 2002 (*)</i>		
Evaluate public procurement reform and adjust reform program if necessary		Independent evaluation of procurement reform and adoption of action plan for adjustment	Independent evaluation of procurement reform and adoption of action plan for adjustment	Evaluation report and action plan for adjustment

SAC V Policy and Action Matrix

Bold: Measure selected as a prior action for SAC V

Italics: Action covered under the PRGF program

(*): Trigger for the preparation of subsequent program-lending

Civil service reform <i>PRSP Axis: Promote good governance</i> Overall objective: Ensure efficient and transparent public resource management with a view to poverty reduction				
Objective: Update the legislative, regulatory and organizational framework for the civil service				
Specific objective (Primary responsible)	Before end December 2002	Before end June 2003	Before end June 2004	Monitorable output
Update the legislative and regulatory framework to introduce the principles of competitive recruitment and merit based advancement (CESRAP)	Promulgation of the new civil service status Law introducing competitive recruitment and merit-based advancement	Issue the implementation decrees for remuneration, travel, and the statutes for special professions	Issue the implementation decrees for allocations	New civil service status Law and associated 29 implementation decrees fully operational
	Issue decree fixing new salary scale as well as the modalities of transition between the old and the new scale	Prepare and issue the implementation decrees for performance evaluation, training and recruitment	Prepare and issue the 20 remaining implementation decrees	
	Prepare the implementation decrees for remuneration, travel, and allocations		Prepare and issue decrees of the indemnity system following the audit of ministries	
	Prepare the statutes for special professions		Prepare and issue decree for organizational framework following the audit of ministries	

SAC V Policy and Action Matrix

Bold: Measure selected as a prior action for SAC V

Italics: Action covered under the PRGF program

(*): Trigger for the preparation of subsequent program-lending

Civil service reform				
<i>PRSP Axis: Promote good governance</i>				
Overall objective: Ensure efficient and transparent public resource management with a view to poverty reduction				
Objective: Update the legislative, regulatory and organizational framework for the civil service				
Specific objective (Primary responsible)	Before end December 2002	Before end June 2003	Before end June 2004	Monitorable output
Reorganize the structures and human resources of 9 pilot ministries, of a second and (if necessary) a third group(s) of ministries, in order to realign their organization with their poverty reduction objective (CESRAP and line ministries)	Recruitment of the audit company for the audit for 9 pilot ministries covering operational, procedural and human resources aspects	Adoption of methodology for the audit of the nine pilot ministries covering organizational, procedural and human aspects, and collection of basic data and documentation (*)	Completion of the audit of the 9 ministries and identification of surplus personnel /staffing needs Launching and completion of the audit of the 2 nd group of ministries and identification of surplus personnel/staffing needs	Ministries audited
		Launching of the request for proposals for the audit of 2 nd group of ministries covering operational, procedural and human resources aspects	Launching, if necessary, of the request for proposals for the audit of 3 rd group of ministries covering operational, procedural and human resources aspects	
			Definition of employment framework, priority posts and identification of the profile for each post in the audited pilot ministries Adoption of the employment framework, priority posts and profile for each post for the 9 pilot ministries Definition of employment framework, priority posts and identification of the profile for each post in the 2 nd group of audited ministries	Employment framework reflecting poverty reduction mission implemented in 9 pilot ministries Priority posts and their profiles defined for 9 pilot ministries

SAC V Policy and Action Matrix

Bold: Measure selected as a prior action for SAC V
Italics: Action covered under the PRGF program
 (*): Trigger for the preparation of subsequent program-lending

Civil service reform				
<i>PRSP Axis: Promote good governance</i>				
Overall objective: Ensure efficient and transparent public resource management with a view to poverty reduction				
Objective: Update the legislative, regulatory and organizational framework for the civil service				
Specific objective (Primary responsible)	Before end December 2002	Before end June 2003	Before end June 2004	Monitorable output
			Evaluation of the need for a voluntary departure program in the 9 audited pilot ministries Adoption of the modalities of a voluntary departure program, if needed, in the 9 pilot ministries; Implementation of the voluntary departure program Evaluation of the need for a voluntary departure program in the 2 nd group of ministries	Voluntary departure program completed if deemed necessary
Objective: Improve the transparency of human resource management and the accountability of public personnel				
Specific objective (Primary responsible)	Before end December 2002	Before end June 2003	Before end June 2004	Monitorable output
Manage human resources according to the principles of competitive recruitment and merit-based advancement (CESRAP and line ministries)	Adopt terms of reference for the adoption of the performance based evaluation system (SAP)		Finalize SAP, organize training and test SAP in the 9 audited pilot ministries; Adopt SAP in the 9 audited pilot ministries	SAP fully operational in 9 pilot ministries
	Draft proposal for competitive recruitment and harmonization of the regulatory framework	Finalize proposal for competitive recruitment and harmonization of the regulatory framework ; Launch recruitment and professional test exams (*)		Recruitment and professional tests systematically used

SAC V Policy and Action Matrix

Bold: Measure selected as a prior action for SAC V

Italics: Action covered under the PRGF program

(*): Trigger for the preparation of subsequent program-lending

Civil service reform <i>PRSP Axis: Promote good governance</i>				
Overall objective: Ensure efficient and transparent public resource management with a view to poverty reduction				
Objective: Improve the transparency of human resource management and the accountability of public personnel				
Specific objective (Primary responsible)	Before end December 2002	Before end June 2003	Before end June 2004	Monitorable output
Strengthen the efficiency and transparency of public personnel management (CESRAP and line ministries)	Identification of all persons included in the payroll by Ministry and of corresponding amounts in view of the finalization of the update of the payroll on the basis of the results of the census	Final update of the payroll based on the update of the 2000 census of civil servants and on the list of all personnel included in the payroll (*) Monthly update of the list of all personnel included in the payroll; quarterly review of the list (December, March, June) (*) Implement management of posts and skills		SIG fully operational SIG integrated in computerized expenditure circuit
	Design an integrated and computerized personnel management system covering a harmonized payroll and civil service file (SIG)	Install and launch the computerized SIG Integrate the SIG with the computerized expenditure system and with the merit-based advancement system linked to the SAP		Merit-based advancement lined to SAP integrated in SIG
Evaluate the civil service reform program and adjust if necessary		Independent evaluation and adoption of action plan for adjustment	Independent evaluation and adoption of action plan for adjustment	Evaluation report and action plan

SAC V Policy and Action Matrix

Bold: Measure selected as a prior action for SAC V

Italics: Action covered under the PRGF program

(*): Trigger for the preparation of subsequent program-lending

Cotton sector reform				
<i>PRSP Axis: Ensure strong and sustained economic growth</i>				
General objective: Enhance efficiency in the production of the cotton fiber				
Objective: Disengage the state from cotton production and improve technical and financial performance of Cotontchad				
Specific objective (Primary responsible)	Before end December 2002	Before end June 2003	Before end June 2004	Monitorable output
Disengage the state from Cotontchad's oil and soap production activities (CTRC)	Transfer activities of DHS to the newly created HS, legally separated from Cotontchad.		Privatize HS	Autonomous HS legally created
	Launch the bidding process of HS; open bids	Complete the tender for bids for a strategic investor for HS		HS privatized
	Launch the bidding process for an environmental audit of Cotontchad and HS Complete the environmental audit of Cotontchad and HS	Finalize the environmental audit of Cotontchad and HS		
Improve the financial management of Cotontchad during the transition period prior to its privatization	Audit the cash-flow situation of Cotontchad			See performance indicators of the action plan for Cotontchad.
	Preparation of an action plan identifying cost-cutting measures for the operation of Cotontchad, for implementation during the 2002-2003 cotton season	Full implementation of the cost-cutting measures (measures as of end-June) for the operation of Cotontchad during the 2002-2003 season (*)		
	Assessment of the Controller General's past mandate and revision of his terms of reference to accompany the implementation of the Cotontchad's action plan			

SAC V Policy and Action Matrix

Bold: Measure selected as a prior action for SAC V

Italics: Action covered under the PRGF program

(*): Trigger for the preparation of subsequent program-lending

Cotton sector reform				
<i>PRSP Axis: Ensure strong and sustained economic growth</i>				
General objective: Increase cotton farmers' incomes				
Objective: Make cotton farmers full partners in the cotton industry				
Specific Objective (Primary responsible)	Before end December 2002	Before end June 2003	Before end June 2004	Monitorable output
Develop the institutional and organizational capacities of cotton farmers' associations (CCL) (CTRC, Ministry of Agriculture)	Report on the funds saved by CCL and cotton producer	Adopt an action plan for institutional strengthening of the CCL (*)		
	Launch the institutional diagnostic of the CCL	Implement the action plan for institutional strengthening of the CCL	Continue the implementation of the action plan for institutional strengthening of the CCL	Implementation reports for the action plan for institutional strengthening of the CCL
	Hold the elections for the members of the CCL boards	Hold the elections for village and canton representatives		Elections reports ("procès verbaux »)
	Launch the baseline survey on the institutional and organizational capacity of the CCL; and on the farmers' access to economic and financial information and to management services			Results of the surveys to be conducted every six months with cotton producers to assess progress made compared to the baseline
Improve farmers' access to information regarding market conditions for cotton, and to management services (CTRC)	Launch a market information campaign regarding world market conditions for cotton and for agricultural inputs	Continue market information campaign with cotton producers	Use the results of the surveys to update the market information campaign	Results of the surveys
		Continue regular surveys with cotton producers	Continue market information campaign	Farmers' situation has improved compared to the baseline survey's results
	Launch a study on the creation of management services centers	Finalize a study on the creation of the management services centers; and adopt an action plan for their establishment.	Creation of the first management services centers	

SAC V Policy and Action Matrix

Bold: Measure selected as a prior action for SAC V
Italics: Action covered under the PRGF program
 (*): Trigger for the preparation of subsequent program-lending

Promote Rural Development through Microfinance <i>PRSP Axis: Ensure strong and sustained economic growth</i> General objective: Improve Access to Microfinance				
Objective: Adopt and implement a microfinance strategy targeting the poor				
Specific Objective (Primary responsible)	Before end December 2002	Before end June 2003	Before end June 2004	Monitorable output
Strengthen the legal and institutional framework for microfinance services (Ministry of Finance, Ministry of Trade, COBAC, CNC/MFI)	Organize a seminar to validate the national microfinance policy	Adoption by HCI of the national microfinance policy		
	Adoption by CEMAC countries of a regulatory framework for MFI	Publish implementation decrees of the new regulatory framework, including prudential ratios Prepare a study on information and training policy for MFI, and set up a national training institute	Carry out an information campaign and training of MFI on the new regulatory framework	National microfinance policy adopted Regulatory framework implemented Relationship between banks and MFI facilitated
	Propose a Program to strengthen the External Finance Directorate in view of the registration and supervision of MFI		Design and implement an action plan to promote leasing services	Increase in the use of leasing services
Improve access of the poor (especially women) to microfinance services (CNC, MFI)	Prepare terms of Reference for a study on the creation of a risk centralization agency for MFI	Completion of the study and workshop; Creation of the risk centralization agency	Strengthening of the risk centralization agency	Increase in the amount of savings and credits in MFI
		Launch a review of the determinants of access to microfinance services for the poor	Design and implement action plan to improve access of the poor to microfinance activities	Higher proportion of women in MFI's members/clients

CHAD – Progress toward Achieving HIPC Initiative Completion Point Triggers

PRSP

- Ensure that a fully participatory PRSP has been prepared and satisfactorily implemented for at least one year, as evidenced by the joint staff assessment of the country's annual progress report.

PRSP expected to be completed by end March 2003.

Macroeconomic stability

- Continue maintenance of macroeconomic stability and satisfactory implementation of PRGF-supported program.

Ongoing.

Governance

- Make satisfactory progress in strengthening 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; complete audits by internationally reputed firms for the five largest public procurement contracts granted in 2001, adopt the Budget Settlement Law for year 2000 before the adoption of the Budget Law for year 2002, and, similarly, adopt the Budget Settlement Law for year 2001 before the adoption of the Budget Law for year 2003; and nominate the judges for the commercial courts in the five largest cities.
- Adopt a governance strategy and action plan in consultation with IDA and the IMF and implement it for at least one year.

Simplified expenditure circuit and its limited computerization introduced in January 2002. Preparation of implementation of integrated system launched. First expenditure tracking exercise in education completed in May 2002. Action plan to be adopted in early 2003

Four issues of quarterly bulletin published. Preparation of new procurement code launched in April 2002. Draft code prepared and discussed in September 2002 and January 2003. Ex-post audit of 2001 public procurement published. Budget Settlement Law for 2000 and 2001 transmitted to Parliament.

Governance strategy and action plan completed and adopted in August 2002

Priority sectors

Health

- Ensure that at least 75 percent of all health district structures 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 an assisted delivery rate of at least 20 percent, up from 15 percent in 1998

79 percent of all health district structures and 64 percent of all health centers operational in 2001. DPT3 vaccination rate 43 percent in 2000, and projected to have declined to 39 percent in 2001. Assisted delivery rate in public health centers increased from 9.4 percent in 1998 to 12.1 percent in 2000 and an estimated 21.3 percent in 2001

HIV/AIDS and sexually transmitted infections

- Increase the sale of condoms through the social marketing project MASOCOT by at least 25 percent over the 2 239 million condoms sold in 2000.
- Increase the 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. Decrease the prevalence of syphilis among pregnant women from 6 percent in 1998 to at most 4 percent.

A total of 2.425 million condoms were sold by MASOCOT in 2001 (8 percent increase) and an estimated 3.7 million in the first 9 months of 2002. Treated cases of genital ulcers declined to 8,225 in 2000 and treated cases of purulent urethritis declined to 14,770 in 2000. Prevalence of syphilis among pregnant women 5.7 percent in 2000.

Education

- Increase the gross primary enrollment rate to at least 61 percent for girls and 89 percent for boys, up from 50 percent and 85 percent, respectively, in 1998–99
- Reduce the repeater rate from 26 percent in 1998-99 to at most 22 percent.

1999–2000 gross primary enrollment rate is 55 percent for girls and 88 percent for boys. No progress made on repeater rate in 1999-2000.

Basic infrastructure

- Ensure that at least 50 percent of the all-year road network can be used throughout the year (80 percent of the network can not be used for three to five months during the rainy season).

43.5 percent of all-year road network can be used throughout the year in December 2001

Rural development

- Increase access to potable water to at least 32 percent, up from 27 percent in 2000.
- Increase the share of agricultural families equipped with plows from 24 percent in 2000 to at least 26.
- For livestock holders increase the number of water points by at least 10 percent, relative to 1138 water points in 2000.

29 percent in May 2002. 11,000 plows ordered, need to define distribution programs with microfinance institutions. 96 water points completed by May 2002 and 146 more under construction.

Chad: Expenditure Accountability Assessment Update

Indicator and <i>Benchmark Description</i> (Same for all)	Actions to Strengthen – From Agreed Action Plans	S/ M*	Progress to Date on Action Plans and Indicated Improvements (Outcomes)
Budget Formulation			
1	Composition of budget entity – <i>meets GFS definition of general government</i>	Further improve budget classification	M Ongoing – Technical assistance from the World Bank and the European Union.
2	Limitations to use of off-budget transactions – <i>extra-budget expenditures are not substantial</i>	N/A - meets benchmark	-
3	Reliability of budget as guide to outturn-level - <i>composition of outturn is quite close to budget</i>	N/A - meets benchmark	- N/A N/A
4	Data on donor financing – <i>Both capital and current donor funded expenditures included</i>	N/A - meets benchmark	-
5	Classification of budget transactions – <i>functional or program information provided</i>	N/A - meets benchmark	-
6	Identification of poverty reducing expenditures – <i>identification through use of classification system</i>	N/A - meets benchmark	-
7	Quality of multi-year expenditure projections – <i>projections are integrated into budget formulation</i>	Introduce an MTEF into budget and program budgeting in health and education by 2003	S The MTEF and program budgets have been prepared and submitted to the parliament with the Budget Law. They will be further improved and refined in 2003.
Budget execution			
8	Level of payment arrears- <i>low level of arrears accumulated.</i>	Improve the use of 12-month cash flow plans; payment priority to be given to priority sectors	S Progress on the use of cash flow plans slowed down during the past year but resumed in June 2002. This action is supported by the IMF. Recommendations were made in the PER to further improve budget execution in priority sectors and included in the SAC V matrix.
9	Quality of internal audit – <i>effective internal audit function</i>	Report to be published by IGF on anomalies in budget execution	S Report published on budget execution in 2001.

Indicator and Benchmark Description (Same for all)		Actions to Strengthen – From Agreed Action Plans	S/ M*	Progress to Date on Action Plans and Indicated Improvements (Outcomes)
10	Use of tracking surveys – <i>tracking used on a regular basis</i>	Introduce tracking surveys in health and education ministries; support computerization of division of materiel resources in health and education	S	Well advanced- Tracking surveys completed and action plan about to be finalized and adopted; computerization achieved in the health ministry at the central level.
11	Quality of fiscal/banking data reconciliation – <i>reconciliation of fiscal and monetary data carried out on a routine basis</i>	Ensure timely reconciliation	S	Supported by the IMF. Delays still exist but significant progress has been made.
Budget Reporting				
12	Timeliness of internal budget reports – <i>monthly expenditure reports provided within four weeks of end of month</i>	Simplify the expenditure circuit ; Support computerization	S	Simplification achieved ; Monthly tables issued on budget execution by Ministry at the four stages of the chain, but still manually as far as the payment stage is concerned. Computerization should take place in early 2003.
		Improve monitoring of investment budget execution	M	Ongoing
13	Classification used for budget tracking – <i>timely functional reporting derived from classification system</i>	Implement monitoring at the four stages of the circuit on a functional basis	S	Monthly report on budget execution issued by Ministry.
14	Timeliness of accounts closure – <i>accounts closed within two months of year end</i>	Improve timeliness of accounts closure	S	Ongoing
15	Timeliness of final audited accounts – <i>audited accounts presented to legislature within one year</i>	N/A - meets benchmark	-	N/A

- Benchmark descriptions reflect Board Paper of February 21, 2002.
- Action plans were agreed between the Government, the IMF, and World Bank.
- S = short term, i.e. action that is expected to be completed in one year. M = medium term, i.e action that is expected to be completed in 2-3 years.
- Progress to date should include short description of progress and improvements, and should note degree of implementation, i.e. whether implementation has started, is underway, or is complete.

Chad – Relations with the International Monetary Fund

On October 18, 2002, the Executive Board of the International Monetary Fund (IMF) completed the fourth review of Chad's performance under the Poverty Reduction and Growth Facility (PRGF) arrangement, and approved requests for extension of the commitment period and waiver for the nonobservance of one performance criterion. As a result, Chad was able to draw up to SDR 5.4 million (about US\$7 million).

Chad's three-year arrangement was approved on January 7, 2000 for SDR 36.4 million (about US\$48 million). This amount was augmented to SDR 47.6 million (about US\$62 million). So far, Chad has drawn SDR 37.2 million (about US\$42 million) under the arrangement.

After the Executive Board discussion on Chad, Anne Krueger, First Deputy Managing Director and Acting Chair, said:

"Chad's economic performance has been good so far in 2002. Economic growth has been very strong, aided by the implementation of the oil pipeline project; inflation has declined as food production has normalized; and foreign reserves have risen despite low cotton prices. The large fiscal and current account deficits do not represent a risk as they reflect the acceleration of antipoverty spending and the construction of the pipeline. Moreover, these deficits are expected to narrow sharply in 2004 with the commencement of oil revenues.

"The fiscal stance will need to be significantly tightened in 2003 given the anticipated decline in external financing. Therefore, the program puts strong emphasis on domestic revenue mobilization. Total expenditure will need to decrease, but the program allows for an increase in expenditure in priority sectors for poverty reduction.

"Further efforts are needed to improve governance. To this end, there needs to be a consistent political commitment to implement the recommendations of the Supreme Court's audit of the contracts financed with the savings from the HIPC Initiative interim assistance, to accelerate the preparation and implementation of a new procurement code, to enhance transparency and accountability by systematically publishing all audits, and to implement the measures identified to improve budget preparation, monitoring, and control.

"With oil production expected to come on stream in early 2004, the challenge facing Chad is to put all necessary arrangements in place on time to ensure an efficient and transparent use of oil revenue for poverty reduction. It will be important that the authorities take action early in 2003 to define the modalities that will ensure the transparent use of oil revenue in accordance with the absorptive capacity of priority sectors. With a view to avoiding a real appreciation arising from large foreign exchange

inflows, the government will review the role of fiscal policy over the medium term and develop sterilization instruments with the assistance of the BEAC.

"Progress in achieving the HIPC Initiative completion point has been satisfactory overall, despite delays in improving some health indicators and in finalizing the PRSP. Chad could reach the completion point in early 2004.

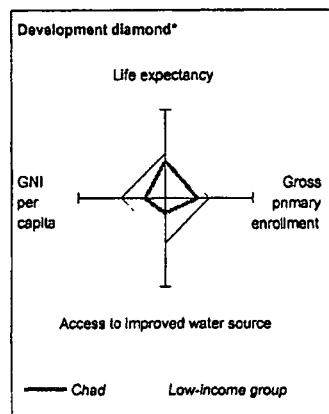
"In view of the overall performance under the program, and taking into consideration the renewed commitment of the authorities to strengthen further transparency in public resource management, Executive Directors granted a waiver for the nonobservance of one quantitative performance criterion; completed the fourth review under the PRGF arrangement; and approved the requested extension of the commitment period of the current arrangement to December 6, 2003," Ms. Krueger said.

Chad at a glance

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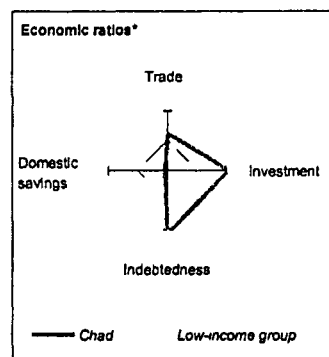
POVERTY and SOCIAL

	Chad	Sub-Saharan Africa	Low-income
2001			
Population, mid-year (millions)	7.9	674	2,511
GNI per capita (Atlas method, US\$)	200	470	430
GNI (Atlas method, US\$ billions)	1.6	317	1,069
Average annual growth, 1995-01			
Population (%)	2.8	2.5	1.9
Labor force (%)	2.9	2.6	2.3
Most recent estimate (latest year available, 1995-01)			
Poverty (% of population below national poverty line)	84	.	.
Urban population (% of total population)	24	32	31
Life expectancy at birth (years)	50	47	59
Infant mortality (per 1,000 live births)	103	91	76
Child malnutrition (% of children under 5)	28	32	.
Access to an improved water source (% of population)	27	55	76
Illiteracy (% of population age 15+)	67	37	37
Gross primary enrollment (% of school-age population)	72	78	96
Male	88	85	103
Female	55	72	88



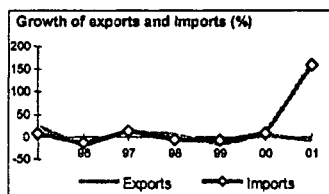
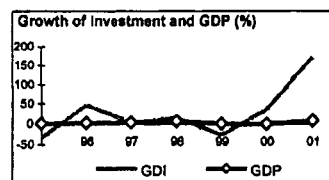
KEY ECONOMIC RATIOS and LONG-TERM TRENDS

	1981	1991	2000	2001	
GDP (US\$ billions)	0.88	1.9	1.4	1.6	
Gross domestic investment/GDP		6.5	17.0	41.7	
Exports of goods and services/GDP	15.1	12.0	16.6	14.3	
Gross domestic savings/GDP		-5.9	1.5	1.7	
Gross national savings/GDP	..	-1.1	3.2	2.9	
Current account balance/GDP	-2.4	-7.6	-13.9	-38.8	
Interest payments/GDP	0.0	0.2	0.6	0.7	
Total debt/GDP	29.6	33.5	79.4	67.5	
Total debt service/exports	8.7	4.5	11.1	18.3	
Present value of debt/GDP	..	.	41.8	.	
Present value of debt/exports	..	.	247.2	.	
	1981-91	1991-01	2000	2001	2001-03
(average annual growth)					
GDP	5.8	2.5	0.6	8.5	21.6
GDP per capita	3.2	-0.5	-2.1	5.4	18.1
Exports of goods and services	8.6	0.7	4.9	-7.4	69.8



STRUCTURE of the ECONOMY

	1981	1991	2000	2001
(% of GDP)				
Agriculture	39.7	38.5	39.2	38.6
Industry	11.7	13.3	13.8	13.7
Manufacturing	.	10.6	11.2	10.2
Services	48.5	50.2	47.0	47.7
Private consumption		97.0	90.7	90.5
General government consumption		8.9	7.8	7.8
Imports of goods and services	22.7	24.4	32.0	54.3
	1981-91	1991-01	2000	2001
(average annual growth)				
Agriculture	3.5	2.9	-3.5	4.1
Industry	5.9	4.2	0.5	12.4
Manufacturing		3.6	-1.9	0.2
Services	6.2	1.7	3.6	10.4
Private consumption	3.8	1.8	-3.0	29.3
General government consumption	13.0	0.0	3.0	8.0
Gross domestic investment	18.0	6.8	36.0	172.0
Imports of goods and services	9.3	1.2	8.4	158.6



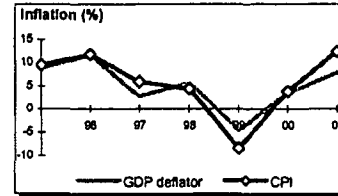
Note: 2001 data are preliminary estimates

* The diamonds show four key indicators in the country (in bold) compared with its income-group average. If data are missing, the diamond will be incomplete

Chad

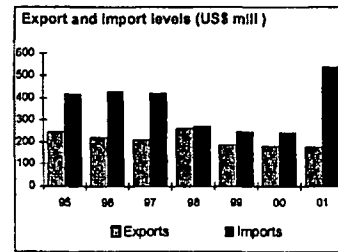
PRICES and GOVERNMENT FINANCE

	1981	1991	2000	2001
Domestic prices				
<i>(% change)</i>				
Consumer prices		4.1	3.8	12.4
Implicit GDP deflator	8.1	3.1	3.4	7.9
Government finance				
<i>(% of GDP, includes current grants)</i>				
Current revenue		9.0	8.0	7.8
Current budget balance		-1.3	-2.0	-1.5
Overall surplus/deficit		-8.2	-6.8	-5.1



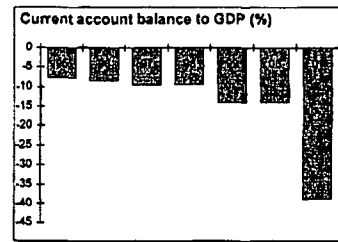
TRADE

	1981	1991	2000	2001
<i>(US\$ millions)</i>				
Total exports (fob)		194	181	178
Commodity 1		95	71	67
Commodity 2		57	68	69
Manufactures		0		
Total imports (cif)		343	243	539
Food		7		
Fuel and energy		11	28	26
Capital goods		100		
Export price index (1995=100)		138	107	116
Import price index (1995=100)		135	91	92
Terms of trade (1995=100)		101	117	126



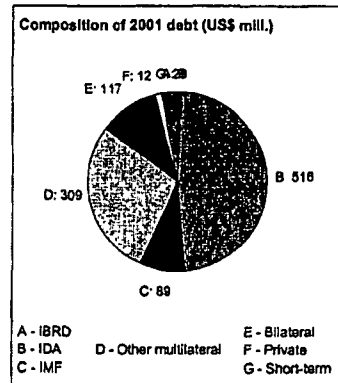
BALANCE of PAYMENTS

	1981	1991	2000	2001
<i>(US\$ millions)</i>				
Exports of goods and services	88	224	233	228
Imports of goods and services	107	458	450	859
Resource balance	-19	-233	-217	-641
Net income	-1	-3	-10	-14
Net current transfers	-1	93	49	18
Current account balance	-21	-143	-195	-621
Financing items (net)	19	135	187	626
Changes in net reserves	2	8	8	-5
Memo:				
Reserves including gold (US\$ millions)			110	129
Conversion rate (DEC, local/US\$)	271.7	282.1	713.0	732.4



EXTERNAL DEBT and RESOURCE FLOWS

	1981	1991	2000	2001
<i>(US\$ millions)</i>				
Total debt outstanding and disbursed	259	629	1,116	1,081
IBRD	0	0	0	9
IDA	38	235	515	516
Total debt service	8	11	26	43
IBRD	0	0	0	1
IDA	0	2	8	11
Composition of net resource flows				
Official grants				
Official creditors	3	88	18	24
Private creditors	6	-1	-1	-1
Foreign direct investment	0	4	15	0
Portfolio equity	0	0	0	0
World Bank program				
Commitments	0	0	150	104
Disbursements	0	46	18	35
Principal repayments	0	1	4	7
Net flows	0	46	13	28
Interest payments	0	1	3	5
Net transfers	0	44	10	24



Chad Social Indicators

	Latest single year			Same region/Income group	
	1970-75	1980-85	1994-00	Sub-Saharan Africa	Low-Income
POPULATION					
Total population, mid-year (millions)	4.0	5.1	7.7	858.9	2,459.8
Growth rate (% annual average for period)	2.0	2.7	2.9	2.6	2.0
Urban population (% of population)	15.8	19.9	23.8	34.4	31.9
Total fertility rate (births per woman)	6.3	7.2	6.4	5.2	3.6
POVERTY (% of population)					
National headcount index			84.0		
Urban headcount index			83.0		
Rural headcount index			87.0		
INCOME					
GNI per capita (US\$)	230	210	200	470	410
Consumer price index (1995=100)		77	129	133	140
Food price index (1995=100)		0	121		
INCOME/CONSUMPTION DISTRIBUTION					
Gini index					
Lowest quintile (% of income or consumption)					
Highest quintile (% of income or consumption)					
SOCIAL INDICATORS					
Public expenditure					
Health (% of GDP)			2.3	2.4	1.2
Education (% of GDP)			1.7	3.6	3.4
Social security and welfare (% of GDP)	0.2				
Net primary school enrollment rate (% of age group)					
Total			55		
Male			68		
Female			42		
Access to an improved water source (% of population)					
Total			27	55	78
Urban			31	82	88
Rural			28	41	70
Immunization rate (% under 12 months)					
Measles		7	49	53	57
DPT		3	43	46	57
Child malnutrition (% under 5 years)		35	28	32	
Life expectancy at birth (years)					
Total	40	44	50	47	59
Male	39	43		46	58
Female	42	46		47	60
Mortality					
Infant (per 1,000 live births)	159	118	103	91	76
Under 5 (per 1,000 live births)	252	219	188	182	115
Adult (15-59)					
Male (per 1,000 population)	554	556	433	504	294
Female (per 1,000 population)	492	449	383	459	261
Maternal (per 100,000 live births)			827		
Births attended by skilled health staff (%)		24	11		

Note: 0 or 0.0 means zero or less than half the unit shown. Net enrollment ratios exceeding 100 indicate discrepancies between the estimates of school-age population and reported enrollment data.

Chad - Key Economic Indicators

Indicator	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
National accounts (as % GDP at current market prices)										
Gross domestic product	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Agriculture ^a	31.5	30.9	38.4	36.8	37.9	37.4	35.7	32.9	22.3	22.5
Industry ^a	12.2	12.6	14.4	13.9	13.4	13.3	13.4	13.0	9.2	9.7
Services ^a	43.0	40.8	44.6	46.2	45.5	46.2	48.0	47.4	34.4	37.3
Total Consumption	96.7	97.7	95.9	102.2	98.5	98.3	96.1	91.9	62.3	64.2
Gross domestic fixed investment	9.4	12.6	14.3	16.2	17.0	41.7	52.3	52.0	15.8	12.5
Government investment	3.5	5.6	7.8	9.4	10.3	9.4	13.5	10.5	7.1	6.9
Private investment (includes increase in stocks)	11.4	9.2	9.6	3.1	6.7	32.3	38.8	41.5	8.7	5.6
Exports (GNFS) ^b	17.5	19.0	18.8	15.5	16.6	14.3	12.1	11.2	43.1	41.3
Imports (GNFS)	29.1	31.5	32.1	30.2	32.0	54.3	60.5	55.1	21.2	18.0
Gross domestic savings	3.3	2.3	4.1	-2.2	1.5	1.7	3.9	8.1	37.7	35.8
Gross national savings ^c	6.6	5.3	5.4	-1.5	3.2	2.9	2.8	7.5	7.3	9.0
<i>Memorandum items</i>										
Gross domestic product (US\$ million at current prices)	1605	1508	1693	1566	1405	1602	1938	2418	3914	4226
Gross national product per capita (US\$, Atlas method)	210.0	220.0	230.0	210.0	210.0	210.0	220.0	260.0	300.0	300.0
Real annual growth rates (% calculated from 1995 prices)										
Gross domestic product at market prices	2.4%	4.3%	7.3%	1.0%	0.6%	8.5%	10.9%	13.6%	51.5%	6.0%
Gross Domestic Income	2.4%	4.3%	4.8%	0.7%	1.1%	14.3%	9.0%	14.3%	63.0%	0.9%
Real annual per capita growth rates (% calculated from 1995 prices)										
Gross domestic product at market prices	-0.4%	1.5%	4.4%	-1.8%	-2.1%	5.4%	7.8%	10.4%	47.2%	3.0%
Total consumption	-5.2%	2.5%	-0.4%	3.2%	-4.9%	22.9%	8.1%	8.3%	-36.0%	-14.5%
Private consumption	-7.5%	4.3%	0.8%	0.8%	-5.7%	25.8%	9.1%	10.2%	-38.9%	-16.0%

Indicator	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Balance of Payments										
(US\$m)										
Exports (GNFS) ^b	282.0	286.3	313.8	241.7	233.1	228.3	235.5	272.7	1678.5	1739.8
Merchandise FOB	238.3	236.7	261.2	188.2	181.4	177.9	180.0	210.5	1600.5	1656.5
Imports (GNFS) ^b	467.2	475.4	510.5	473.9	450.3	868.8	1172.0	1333.8	820.7	752.9
Merchandise FOB	243.3	246.4	272.1	243.9	243.1	538.7	718.5	846.7	498.5	436.4
Resource balance	-185.2	-189.1	-196.7	-232.2	-217.2	-640.5	-936.5	-1061.1	857.8	986.9
Net current transfers	61.3	63.0	52.9	27.7	49.0	18.1	13.8	17.5	17.5	17.5
(including official current transfers)										
Current account balance (after official capital grants)	-85.5	-90.1	-87.4	-169.8	-128.0	-548.2	-836.9	-962.4	-215.0	-29.0
Net private foreign direct investment	43.2	37.3	45.6	45.6	71.8	458.0	679.6	792.5	236.2	89.4
Long-term loans (net)										
Official	103.9	125.4	98.1	94.1	43.3	55.4	171.5	188.3	83.5	79.9
Private										
Other capital (net, including errors and omissions)										
Change in reserves ^d	13.2	14.2	19.6	33.3	8.3	-4.5	-21.8	-21.7	-111.0	-120.0
<i>Memorandum items</i>										
Resource balance (% of GDP at current market prices)										
Real annual growth rates (YR95 prices)										
Merchandise exports (FOB)	14.3%	5.0%	12.9%	-5.3%	4.9%	-7.4%	6.2%	5.9%	412.0%	5.3%
Primary	11.9%	4.5%	11.4%	-5.5%						
Manufactures	14.0%	0.0%	5.0%	6.1%						
Merchandise imports (CIF)	13.7%	3.3%	7.5%	12.1%	8.4%	158.6%	24.7%	9.8%	-45.4%	-16.2%
Public finance										
(as % of GDP at current market prices)^e										
Current revenues	9.2	8.5	8.9	8.2	8.0	7.8	8.0	7.8	5.6	6.2
Current expenditures	9.4	8.4	7.5	9.1	10.0	9.4	11.0	8.5	5.9	6.4

Indicator	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Current account surplus (+) or deficit (-)	-0.2	0.2	1.4	-0.9	-2.0	-1.5	-3.0	-0.7	-0.3	-0.2
Capital expenditure	9.1	9.7	7.8	9.4	10.3	9.4	13.6	10.5	7.1	7.2
Foreign financing	10.8	11.3	6.5	9.8	8.1	8.3	10.9	8.4	5.1	4.7
Monetary indicators										
M2/GDP (at current market prices)	15.8	13.3	11.0	10.6	12.3	12.9	14.2	13.7	..	..
Growth of M2 (%)	20.2	-9.3	-6.2	-7.7	21.3	22.9	26.2	14.2		
Private sector credit growth total credit growth (%)	55.1	-182.8	-119.2	17.2	101.9	47.1	71.8	130.1		
Price indices(YR95 =100)										
Merchandise export price index	117.0	106.3	116.5	88.6	81.4	86.3	82.0	90.7	134.8	132.5
Merchandise import price index	174.7	165.8	99.2	80.1	72.9	62.5	66.8	71.7	77.4	80.8
Merchandise terms of trade index	67.0	64.1	117.5	110.7	111.7	138.0	122.7	126.5	174.2	163.9
Real exchange rate (US\$/LCU) ^f	65.3	65.4	65.4	62.5	64.6	..	.	.	.	.
Real interest rates										
Consumer price index (% growth rate)	11.8%	5.9%	4.4%	-8.4%	3.8%	12.4%	4.5%	4.0%	4.0%	3.0%
GDP deflator (% growth rate)	11.7%	2.8%	5.8%	-4.5%	3.4%	7.9%	3.7%	4.2%	6.6%	1.6%

- a. GDP at factor cost.
b. "GNFS" denotes "goods and nonfactor services."
c. Includes net unrequited transfers excluding official capital grants.
d. Includes use of IMF resources.
e. Consolidated Central Government.
f. "LCU" denotes "local currency units." An increase in US\$/LCU denotes appreciation.

Chad - Status of Bank Group Operations (Operations Portfolio) as of February 13, 2003

Project ID	Project Name	Last PSR		Fiscal Year	Original Amount in US\$			Cancel.	Undisbursed
		Supervision			IBRD	Millions			
		DO	IP			IDA	GRANT		
P077240	Critical elec & water services	#	#	2003		54.8		54.8	
P055122	Health sector support project	S	S	2000		41.51		31.0	
P062840	Management of the petroleum economy	S	S	2000		17.5		11.5	
P035672	Nat.transp.program support project	S	S	2001		67		53.0	
P072226	Second Population and AIDS Project	S	S	2002		24.56		24.5	
P048202	Td cap.bldg. Petroleum	S	S	2000		23.7		14.7	
P000532	Td household energy	S	S	1998		5.27		1.7	
P044305	Td/cm pipeline	S	S	2000	39.5			30.2	
TOTAL					39.5	234.34		221.4	

Closed Projects 35

IBRD/IDA *

Total Disbursed (Active)	48.83
of which has been repaid	0.00
Total Disbursed (Closed)	630.84
of which has been repaid	42.70
Total Disbursed (Active + Closed)	679.68
of which has been repaid	42.70
Total Undisbursed (Active)	221.4
Total Undisbursed (Closed)	0.03
Total Undisbursed (Active + Closed)	221.4

Chad – Fifth Structural Adjustment Credit

Timetable for Key Processing Events

Identification/Pre-appraisal:	February, 2002
Concept Review Meeting:	June 20, 2002
ROC Meeting:	August 26, 2002
Appraisal:	January 13, 2003
Negotiations	January 30, 2003
Board Presentation	March 18, 2003
Effectiveness	April 2003

Task Team Members

The Task Team for the preparation of the Fifth Structural Adjustment Credit included: Christine Richaud (Task Team Leader), AFTP3, Elisabeth Huybens (Task Team Leader, up to July 2003), EACDF, Alassane Sow, AFTR2, Amadou Tidiane Toure, AFTPC, Achille Toto Same, AFTP3, Barbara Verardo, YPP, Charles Donang Ningayo, AFTEG, Gregor Binkert, Country Office Manager, AFMTD, Guenter Heidenhof, AFTPR, Jean-Charles de Daruvar, LEGAF, Jérôme Chevallier, AFTPI, Joel Tokindang, AFTP3, Kene Ezemenari, AFTP3, Lucia Chuo, AFTP3, Luc Lapointe, AFTQK, Mahamat Louani, AFTH3, Melissa Thomas, Consultant, Michele Liroy, AFTH3, Mourad Ezzine, AFTH2, Philippe De Naurois, Consultant, Salvatore Pedulla, Consultant.

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