

EBD/13/50

July 26, 2013

To: Members of the Executive Board

From: The Secretary

Subject: **Chad—Poverty Reduction Strategy Paper—Joint Staff Advisory Note**

Attached for the **information** of Executive Directors is the advisory note, prepared jointly by the staffs of the Fund and the International Development Association, on the poverty reduction strategy paper for Chad (EBD/13/51, 7/26/13). At the time of circulation of this paper to the Board, the authorities have indicated that they consent to the Fund's publication of this paper. It is intended to post this paper on the Fund's external website after Friday, August 2, 2013.

Questions may be referred to Mr. Villafuerte (ext. 37167) and Mr. Nachega (ext. 35972) in AFR.

Unless the Documents Section (ext. 36760) is otherwise notified, the document will be transmitted, in accordance with the procedures approved by the Executive Board and with the appropriate deletions, to the WTO Secretariat on Monday, August 5, 2013; and to the African Development Bank, the European Commission, the Food and Agriculture Organization, the Islamic Development Bank, and the Organisation for Economic Cooperation and Development, the United Nations Development Programme, and the World Food Programme.

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CHAD

POVERTY REDUCTION STRATEGY PAPER—JOINT STAFF ADVISORY NOTE ON THE NATIONAL DEVELOPMENT PLAN 2013–15

July 23, 2013

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OVERVIEW

- 1. Chad approved its National Development Plan (NDP) for the period 2013–15 in May 2013.** The NDP is considered the third poverty reduction strategy for Chad, following the ones adopted for the periods 2003–06 and 2008–2011. The NDP focuses on a sensible set of priorities, notably on the creation of new productive capacities and opportunities for decent jobs, human capital development and the fight against inequality, poverty and social exclusion, environmental protection and climate change adaptation, and improved governance.
- 2. The NDP builds on the achievements of the PRSP I and II, including poverty reduction, and the restoration of a peaceful and stable security environment.** The NDP includes a candid assessment of the achievements and shortcomings in the implementation of the first two strategies, noting in particular the vulnerability of Chad to exogenous shocks, the difficulty to translate additional oil revenues into social progress, the weak absorptive capacity of investment projects, and the insufficient attention paid to monitoring and evaluation.
- 3. A Priority Action Plan (PAP) is annexed to the NDP.** The PAP identifies, for each policy area, a list of actions and indicators for monitoring their implementation. Each action has been budgeted for each of the three years. The estimated total cost of implementing the PAP is CFAF 3,727 billion (US\$7.4 billion), excluding salaries, goods and services. Accounting for Chad's contribution and already programmed foreign assistance, the financing gap amounts to CFAF 1,577 billion (US\$3.1 billion), which the authorities aim to mobilize through a roundtable

meeting in 2013. The NDP is integrated within a robust macro-economic framework, and offers plausible poverty projections. Recurrent costs (in goods and services for instance) are projected to gradually increase over the NDP period, but the strategy does not explicitly link it with the PAP. It should also be noted that the NDP is not explicit on the need to preserve debt sustainability through securing concessional resources in support of the plan (the authorities are currently renegotiating a large non-concessional agreement with Eximbank China).

4. In staffs view, while the NDP is a comprehensive strategy to accelerate growth and reduce poverty, it could benefit from further elaboration in some important areas. First and foremost, staffs note the weak relationship between the strategy and the PAP, which led to a list of already identified or very general projects. Thus, the presentation of the strategy suffers from a lack of inter sectoral and intra-sectoral prioritization. The NDP could also elaborate on its plans to strengthen the management of the large envisaged public investment program and to monitor its progress. The NDP, as the previous PRSPs, is hampered by a monitoring and evaluation framework that includes a large number of indicators for which baseline numbers are not available, and the absence of plans to address such data gaps. In addition, it does not discuss how to more formally deal with volatile and uncertain oil revenues apart from simulating the potential impact of different oil price paths in alternative macroeconomic scenarios.

5. The authorities consulted extensively with a wide range of stakeholders to ensure the widest possible buy-in for the NDP process. This consultation involved parliamentarians, elected officials from local governments, civil society and the private sector, and technical and financial partners (PTF) in 2012 and early 2013.

POVERTY TRENDS AND DIAGNOSIS

6. The 2011 household survey (ECOSIT 3) provided the basis for the design of the NDP. To monitor living conditions in Chad, the Chad National Institute of Statistics, Economic and Demographic Studies (INSEED) and its partners have been collecting cross-sectional nationally representative household survey data since 1995 through the ECOSIT (Survey on Consumption and Informal Sector in Chad). Since the surveys use similar methodologies, a comparison between the ECOSIT rounds of 2003 and 2011 provides insights on the evolution of poverty between 2003 and 2011.

7. Chad has made some progress towards poverty reduction. Household surveys suggest that poverty headcount declined from 55 percent in 2003 to 47 percent in 2011. The incidence of monetary poverty is more than twice as high in rural areas (52 percent) as in urban areas (21 percent). Rural areas were home to 82 percent of the population and 92 percent of Chad's poor in 2011. Most of the decline in poverty since 2003 can be attributed to economic growth, as inequalities worsened over the period. With a one percentage point drop per year, Chad's performance is broadly in line with that observed for the whole Sub-Saharan Africa. Nevertheless, with an average annual non-oil per capita GDP growth of 3 percent, the contribution of economic growth to poverty reduction was modest by international standards, even if the severity of poverty

significantly dropped over the period. As discussed in the next sections, the NDP aims at rendering economic growth more inclusive and to the benefit of the poorest segments of the population. Under the baseline macro-economic scenario, the poverty rate could decrease to 42 percent by 2015, which is consistent with the observed elasticity of poverty to growth from 2003–2011, growth projections, and the fact that many poor were clustered close to the poverty line in 2011.

8. The decline in the poverty rate was nonetheless not sufficient to significantly reduce the number of poor. Even though the percentage of Chadians living in poverty decreased between 2003 and 2011, the absolute number of poor rose from 4.1 million in 2003 to 4.7 million in 2011. Hence, the rate of poverty reduction has been exceeded by the population growth rate. Given the higher population growth rate in cities, the total number of poor doubled in urban areas, while it only grew by 9 percent in rural areas.

9. Chadians face severe deprivations across a range of basic needs. For instance, in 2011 more than four out of ten Chadians lived in households in which nobody could read and write French or Arabic, and about 93 percent of Chadians lived in households which lacked adequate sanitation. By contrast, there has been some moderate improvement in school attendance and in access to clean drinking water between 2003 and 2011.

10. Staffs agree with the Government's objective to focus on sustained economic growth and on improving the quality of life of the population, especially rural population, women, and young people. Sustainable growth is an essential condition for social progress and the fight against poverty. This requires the diversification of sources of economic growth to provide individuals, companies and the State the means to achieve other basic socio-economic objectives.

SUSTAINABILITY OF THE MACROECONOMIC FRAMEWORK AND FISCAL POLICY

11. The NDP includes three macroeconomic scenarios and their costing, which provide useful frameworks for resource mobilization and expenditure prioritization. Under the baseline scenario, real GDP is expected to grow on average by 8.9 percent annually (7.3 percent for real non-oil GDP), which is attainable should Chad manage to meet its NDP financing gap. Oil GDP is projected to expand substantially over the medium-term with the start of production of new oil fields. Non-oil GDP growth would be broad-based, with continued strength in agricultural and commerce activities driven by a reduction in infrastructure constraints following the recent expansion of transportation, communication, and electricity infrastructure, as well as an increased mechanization of agricultural production and extensive support for farming through subsidized inputs. However, a key issue pertains to the achievement of ambitious cotton production targets given the structural problems in the sector in the context of stagnant international prices. In the optimistic scenario, which is the one the authorities would like to achieve, real GDP growth averages 11.5 percent per year (9.4 percent for real non-oil GDP) and leads to substantial poverty

reduction. In the pessimistic scenario, real GDP growth averages 7.1 percent a year (4.8 percent for real non-oil GDP). The three scenarios differ with respect to assumptions regarding oil prices, exchange rates, climatic conditions, external financing (including the attainment of the HIPC completion point), and progress in implementing public financial management reforms. Even though staffs believe that the optimistic and pessimistic scenarios could both be scaled down somewhat, the three scenarios are useful to assess the magnitude and impact of various risks and will help the authorities adjust their strategies and policies in light of economic developments.

12. Staffs recognize that the improved internal security situation and prospects for additional oil revenues provide the opportunity for Chad to meet its domestic financing needs for the NDP (CFAF 1,577 billion). Taking into account the new oil fields coming on stream and on the basis of relatively optimistic assumptions, the NDP projects fiscal oil revenues over the period 2013–15 of about CFAF 3,200 billion. However, oil revenues will remain volatile and difficult to predict, and, in the absence of stabilization buffers, will continue to exert pressure on Chad's ability to predictably finance and implement the NDP. In the face of it, staffs agree, as underlined in the NDP, on the need to accelerate public finance reforms to diversify the sources of domestic financing and ensure their productive use. Priority should be given to (i) improving non-oil revenue collection (including the elimination of the arbitrary tax and customs duty exemptions, measures to strengthen tax and customs administration, and incentives for private companies to leave the informal sector); (ii) restricting the use of emergency spending procedures (DAO); (iii) transposing CEMAC PFM directives (transparency code, government accounting, charts of accounts) in national legislation following the adoption of the organic budget law; and, (iv) revising the public procurement code. Staffs are of the view that a more selective PAP should also be developed in case lower oil revenues turn lower than projected. This would be a critical mechanism to face the risks derived from a high dependence on volatile oil revenues.

13. Implementing a sustainable fiscal policy could pave the way for debt relief under the HIPC-MDRI initiatives. A sustained reduction in the non-oil primary deficit over the medium-term is a critical requirement to ensure macroeconomic stability and debt sustainability. The NDP envisages a non-oil primary deficit path over 2013–14 that is consistent with the 2012 Article IV consultation recommendations; however, the NDP sees the non-oil primary deficit stabilizing at around 15 percent of non-oil GDP in 2015. Chad reached the Decision Point under the Enhanced HIPC Initiative in May 2001 but has not yet reached the Completion Point. Satisfactory macroeconomic policy performance under a Fund-supported program, accompanied by the achievement of other Completion Point triggers, would lead to debt relief under the Enhanced HIPC and Multilateral Debt Relief Initiatives in an amount of about US\$ 1 billion in nominal terms, potentially freeing up about US\$40 million per year for poverty-reducing expenditures for about 20 years. This possibility is retained in the optimistic scenario for the year 2015. With the resumption of an IMF-staff monitored program in 2013 that, with strong implementation, could be followed by an Extended Credit Facility (ECF) and the implementation of the 2013–15 NDP, staffs estimate that the completion point could be attained in late 2014.

NEW PRODUCTIVE CAPACITIES AND OPPORTUNITIES FOR DECENT JOBS

14. The NDP seeks to develop new productive capacities and opportunities for decent jobs through private sector development and the provision of basic infrastructure. From an economic sectors' perspective, priority is given to agriculture, livestock, fisheries and forestry production, which, besides creating jobs, are also expected to strengthen food security and accelerate poverty reduction.

15. As for agriculture, the emphasis is on modernization, mechanization and distribution of inputs to increase production. However, the NDP could pay more attention to the integration of domestic markets through connective infrastructure, and the development of agricultural industries and value chains. Although agriculture contribution to GDP has significantly dropped due to oil exploitation, it is still the mainstay for job creation in Chad. It would be relevant for the NDP to discuss the sources of growth in the agriculture sector. Furthermore, given its significant potential for job creation and export receipts, the reform of the cotton sector could be given more prominence in the NDP. While farmers have been diversifying toward other promising crops, such as sesame, cowpea, groundnuts, onions and spirula, the implementation of the cotton sector roadmap adopted in 2005 could significantly contribute to rural development and poverty reduction. As for livestock, staffs are of the view that the NDP could better articulate the need for policy coordination and consistency through dialogue between stakeholders, as the ongoing efforts to develop a pastoral platform aim to do. The NDP could also emphasize the regional dimension of Chadian agriculture, especially within the CEMAC (Central Africa Economic and Monetary Community). Finally, Staffs welcome the participation of Chad in the Comprehensive Africa Agriculture Development Program (CAADP) which will support authorities on agriculture sector expenditure programming.

16. Staffs welcome the objective of increasing decent employment opportunities through inclusive growth. The NDP focuses on organizing the informal sector, mitigating rural-urban migration pressures, and skills development. Nonetheless, the NDP remains silent on the definition of decent jobs, and the policy implications of promoting decent job creation could thus usefully be spelled out more clearly. The key constraints for lack of productive jobs (lack of investment in key sectors, issues with the business climate, lack of certain skills, etc) are not clearly or consistently laid out, which then complicates the identification of priority measures. More emphasis would need to be put on constraints to and drivers of job creation in Chad.

17. Staffs are pleased to note that the private sector is recognized as the main engine of growth for the Chadian economy. The strategy is clearly focused on several key areas: regulatory measures, facilitating access to financial services for SMEs, and the development and management of infrastructures supporting trade, industry and services. The authorities are encouraged to further streamline the functioning of the public administration for an effective provision of business-friendly services, as well as to rationalize the tax system and reduce exemptions. Reform efforts to enhance

the contribution of the financial sector are also essential. The publication of the White Book by the National Council of Employers of Chad (CNPT) provides a useful blueprint toward improving Chad's business climate. The authorities are encouraged to work closely with the business community to further the agenda outlined in the White Book, in particular by improving the legal environment for private enterprises, making tax policy more business-friendly, professionalizing tax and customs administrations, and tackling key infrastructure bottlenecks.

18. Staffs support the authorities' focus on infrastructure in developing the NDP. The development of physical infrastructure constitutes an important channel for economic growth and poverty reduction. The NDP clearly focuses on several key areas: transports, energy, housing, and connective infrastructure for regional integration. Thanks to oil revenues, public investment in Chad has sharply increased in recent years, but its effectiveness and impact have been hampered by the Government's difficulties to meet the recurrent spending needs of the increased physical capital stock. In fact, many of the newly constructed structures do not receive adequate budget allocations for their operational needs. Staffs suggest that the enforcement of medium-term expenditure frameworks, the review of public investment management (from project selection, budgeting and procurement to ex-post evaluation), and the development of assets' registries could have a significant impact on public investment effectiveness and efficiency. In addition, a reform of regulatory policies, including on utilities' pricing, and the development of a legal framework (and related public management capacity) for public private partnerships will be critical to attract private funding for infrastructure and also an important channel for establishing competitiveness in the economy. Establishment of a framework for public private partnerships providing open access, combined with pro-competition policy and regulatory frameworks can be helpful to promote investment in the ICT sector.

HUMAN CAPACITY DEVELOPMENT

19. Human capital development is one of the key elements to promote and improve economic performance. Sectoral priorities identified by the government for the mobilization and development of human capital and the fight against inequality, poverty, and social exclusion are: education, health, nutrition, water and sanitation, social protection, promotion of equity and gender equality, population, housing, culture, and sports. Sectoral strategies have been spelled out in the NDP but some of them could be better elaborated.

20. The role of demographic pressures in the achievement of human development objectives, and therefore the need to identify strategies to tackle them, could be better fleshed out in the NDP. While the first phase of the demographic transition has begun in Chad with a decrease in mortality rate, the second phase normally characterized by a reduction in the reproduction rate has not begun yet. In fact, total fertility rate increased in recent years from 6.5 to 7 children per woman. It is clear that achieving sustainable growth and poverty reduction with a population growth rate of 3.5 percent every year will be extremely challenging for Chad, as will be the need for continuous job creation to employ the ever growing youth (this latest aspect is better illustrated in the NDP). Further stressing this dimension will also help make the link with health

sector challenges, including the need for more reproductive health, currently treated in a rather isolated fashion.

21. The purpose of health policy under the NDP is to ensure universal access to quality basic services. The strategy is focused on several key areas: (i) improving the efficiency of the health system; (ii) improving access to services and quality of health care delivery; (iii) reduction of mortality and morbidity related to priority health problems of the overall population and especially those of mothers and children; and, (iv) strengthening interventions against major diseases. Staffs welcome the specific focus on maternal mortality in Chad (the worst in Central Africa), which has even increased over the past 10 years, and therefore requests the urgent need for better reproductive health services. While immunization rates and HIV/AIDS related mitigation measures have significantly improved due to concrete initiatives, which is laudable, access to pre-natal care is still very low and has been decreasing along some dimensions (for instance, deliveries by qualified personnel have been decreasing from 39 percent in 2008 to 22 percent in 2010). To address these critical issues, Staffs advise the Government to take action on key policy priorities by: (1) making operational all newly constructed health care facilities; (2) increasing drug availability; (3) improving human resources; and, (4) encouraging citizen participation. In addition, staffs recommend the Government to increase health spending over the medium-term

22. In the education sector, the NDP aims to grant universal access to basic education and to improve the quality and management of the schooling system, including by strengthening its governance. Nonetheless the NDP is quite silent on the issue of skills mismatches and how to go about them. While the country is on track to achieve one of the MDGs objectives related to the gross enrolment rate, staffs encourage the Government to place a stronger emphasis on other key outcomes that have not been achieved. In particular, more emphasis could be placed on the low primary school completion rate. It is also important to stress the need for higher quality education, which, at the post-basic education level, requires an education and training system which generates skills much more relevant to what the economy needs (in both the formal and informal sector) for both in and out of school youth. Staffs also consider that training and vocational education, evidence-based decision-making, the misalignment between the distribution of resources and sectoral objectives, and the inefficient allocation of funding across schools, are issues that deserve more attention. Benefit incidence analysis conducted by staffs suggest that the poor have equitable access to primary education, but that such access is much lower (disproportionally favoring the non-poor) for secondary and tertiary education. Focusing on out of school will also improve the pro-poor focus of post-basic education spending.

23. The NDP aims to meet the needs of water supply and sanitation services for the entire population. The sectoral strategy for rural and urban water supply is well defined and is based on strengthening the institutional framework and empowering users in the management and maintenance of water points. However, the drinking water sector has to seriously address the management of water supply points in secondary cities and rural areas to ensure sustainable access to improved drinking water sources. The sector faces also challenges regarding consolidating ongoing reforms and the financial viability of the urban water sub-sector.

24. Staffs are pleased to note that the authorities recognize social protection as a key instrument for poverty reduction. Social protection is critical to reduce economic vulnerabilities, and reinforce protection against further shocks (e.g. security and climatic shocks). However, social safety net programs for vulnerable groups are still lacking in Chad. Various ad-hoc activities to address the needs of refugees from the Darfur crisis and the internally displaced persons are undertaken by various partners. Staffs welcome the preparation of the first social protection strategy by the Government in 2012. This strategy should ensure the consolidation and coherent articulation of the various interventions in favor of vulnerable groups.

25. Staffs regret that gender inequality and women's empowerment are confined to the dedicated section on social protection. This does not allow a real analysis of the gender situation or an appreciation of the factors fueling the gender disparities and their consequences on economic and social aspects. The NDP could usefully focus on: (i) the institutional and legal framework for the protection and promotion of women's rights; (ii) basic social services to improve the health, education, access to services; (iii) economic participation to ensure access to inputs, property, financial services and employment; and, (iv) the local decision-making to ensure the full contribution of women to the implementation of inclusive development and democratic governance improvements.

ENVIRONMENTAL PROTECTION AND CLIMATE CHANGE ADAPTATION

26. The NDP environmental protection and climate change pillar is appropriately built on four key elements: (1) protection of Lake Chad and ecosystems; (2) land management in rural and urban areas; (3) prevention and management of risks and natural disasters; and, (4) fight against desertification and biodiversity conservation. Environmental degradation stunts people's capabilities in many ways, going beyond incomes and livelihoods to include impacts on health, education, and other dimensions of well-being.

27. Staffs welcome the focus on Lake Chad. According to NASA climatic forecasts and other similar studies, the lake will disappear in twenty years at the current pace of water utilization for subsistence agriculture and increased silting of its upstream rivers. Several solutions and ambitious projects are under consideration, and should be developed at the regional level. Before being finalized, the feasibility study for the proposed scheme to transfer water from the Ubangi River should be subject to consultation with all riparians of the Ubangi and Lake Chad Basin, as well as independent technical review.

28. Regarding land management, the NDP could consider addressing three key issues more frontally: (i) the typical duality in tenure systems, with a small system based on a Western model (typically with limited effectiveness and scope) and a larger one based on custom (often with

limited but growing formal recognition); (ii) limited resources and capacity for land management in rural and urban areas; and, (iii) strong vested interests fuelling corruption.

29. Staffs welcome the attention paid to natural disasters risks management in the NDP.

The NDP foresees the implementation of an early warning system, as well as the constitution of food buffer stocks for greater food security. Staffs consider that such a strategy could be complemented with: (i) the development of a scalable safety nets system; (ii) investments in transformative water resource infrastructure; (iii) the promotion of soil and water conservation; (iv) resilient agriculture (one of the significant innovations occurring in the Sahel over the last decades has been the development of agro-pastoralism as a strategy adopted by both farmers and shepherds to limit the risks associated with the uncertain climate); and, (v) the reinforcement of zoning regulations.

30. The Government developed a Forestry Law in 2008 that needs to be properly implemented.

The law has been poorly enforced despite the assistance of the army. In 2012, several cases of elephants poaching highlighted the absence of a regional biodiversity conservation strategy. Progress in implementing the National Adaptation Plan on Climate Change published in February 2012 has been slow due to the absence of adequate financial means. The NDP offers a good opportunity to accelerate the implementation of this plan.

GOVERNANCE

31. Strengthening governance will largely determine the success of the entire NDP.

However, staffs regret the absence of a diagnostic or an analysis of the impact of governance reforms undertaken in the first two poverty reduction strategies. Besides, while focus is rightly put on public sector reform, public financial management, decentralization, and human rights, more attention could be paid to security, transparency and accountability, as well as land management.

32. In terms of public financial management, the budget formulation and execution processes remain weak and sectoral budgets are often not linked to the national development strategy.

Staffs are encouraged by the upcoming introduction of a new Organic Budget Law and other CEMAC PFM Directives, which should lead to a more transparent and efficient public financial management system, including for the management of natural resource revenue. Their actual implementation will depend on several prerequisites for which the Government is committed. Along with progress in the implementation of the Extractive Industry Transparency Initiative, the computerization of the public financial management system, the development of sectoral medium-term expenditure frameworks, and the introduction of a national system of monitoring and evaluation of public policies will strongly contribute to improve budget management and its impact on poverty reduction. Regarding procurement, staffs advise the Government to accelerate the revision of the procurement code and to ensure that the complaints resolution committee is created and be made operational. Staffs also suggest accelerating the drafting of laws establishing the country's local institutions and their relationship with the central government.

33. The authorities' intention to reinforce the judiciary system and the respect of human rights is welcome. In the area of justice, the NDP focuses on the fight against corruption, deepening of the judiciary reform, and strengthening the capacity of the civil society to support good governance practices. In recent years, there has been a significant improvement in the material conditions of judges. The government could now aim at accelerating the resolution of judiciary cases and reducing the existing backlog, particularly for commercial cases. However Staffs regret that the NDP seems to markedly understate the extent of the corruption issue in Chad (e.g., Transparency International Corruption Perception Index ranks Chad 165 out of 176). The interactions between corruption, poverty reduction, and growth are critical aspects to Chad's long-term development. Staffs suggest focusing more on corruption issue during the revision of the Good Governance National Strategy.

MONITORING AND EVALUATION

34. The result-oriented approach of the NDP is welcome, but its implementation strategy needs some elaboration. Linking budgets and performance will pave the way for performance budgeting and creates a demand for statistics in the shorter run. However, the NDP is silent on the means and actions needed to meet this demand, including through statistical capacity development. The results' framework comprises over 400 indicators, most of which lack a baseline, and many of which lack a target for 2015. Intermediate indicators for the years 2013 and 2014, which should be central for the planned annual NDP progress reports, are absent. Staffs urge authorities to (i) select the most relevant indicators from a policy-making perspective; and, (ii) clearly identify responsibilities and means to produce reliable indicators in time. To the extent possible, the selection of priority indicators should be aligned to the Statistical Development Strategy.

35. Staffs welcome the establishment of the institutional framework for Monitoring and Evaluation. The NDP lays out a new institutional structure for monitoring and evaluation (M&E), led by the High Inter-Ministerial Steering Committee, and with a central role given to the newly created Directorate for M&E at the Ministry of Economy, Planning and International Cooperation, with support from line ministries. The role and mandate of the Statistical Institute (INSEED) is nonetheless not discussed, and staffs suggest that more clarity be given in the NDP on the responsibilities for data collection, centralization, validation, dissemination and storage. Staffs encourage authorities to make quickly operational the Directorate for M&E which needs to rapidly establish a core set of credible result indicators. Performance towards the achievement of a core set of results framework indicators is one of the criteria that Staffs will use in the joint IDA/IMF staff advisory note on the NDP annual progress report.

36. The timely production of annual NDP progress reports will be essential toward reaching the HIPC completion point. The attainment of the HIPC completion point requires the satisfactory execution of the PRSP (here NDP) over at least one year, as evidenced by a joint IDA/IMF staff advisory note on the PRSP annual progress report. Staffs suggest that annual progress reports: (i) highlight the contribution of the budget to the NDP execution; and, (ii) put a particular emphasis on progress achieved in the implementation of governance-related programs listed in the PAP, in

terms of reforms and outcomes. Particular attention will have to be placed to the specific governance programs that will have to be met to reach the HIPC completion point, including on procurement, extractive industries' transparency, justice system reform, and development aid coordination. Besides, staffs suggest that attention be paid to the continued monitoring of HIPC indicators in priority sectors (most of which had already been met), with a view to providing updated information and clarifying all sources of data.

CONCLUSIONS, RISKS AND RECOMMENDATIONS

37. Staffs welcome the elaboration of the NDP, which will guide the country's efforts to sustainably reduce poverty. The strategy is both comprehensive and very ambitious. This new strategy focuses on a sensible set of priorities, notably on the creation of productive capacities and job opportunities, on human capital development and the fight against inequality, poverty and social exclusion, on environmental protection and climate change adaptation and on strengthening governance. Staffs welcome the authorities' willingness to learn from the implementation weaknesses of its previous anti-poverty strategies, even though some shortfalls remain to be tackled. Weak institutional capacity represents a critical risk that could prevent an efficient implementation of poverty-related investments.

38. Successful implementation of the NDP hinges critically on the authorities' ownership and commitment to address key shortcomings. Full political support is necessary to ensure that the NDP implementation takes into account the weaknesses in the current document and in the implementation of previous PRSPs. To strengthen the NDP, staffs advise the authorities to (i) use the HIPC process as an instrument to support NDP implementation through its focus on macroeconomic stability, debt sustainability, governance reforms, and monitoring and evaluation; (ii) strengthen public financial management to maximize the effectiveness of the PAP, (iii) enhance the monitoring and evaluation framework; and, (iv) ensure that the recurrent costs associated to the public investment plans are properly accounted for in the medium-term budgetary framework.

39. The authorities need to be mindful of the risks to this strategy. Among these are (i) the need for sustained commitment to implementation; (ii) constraints on institutional and technical capacity to take the necessary actions; (iii) the vulnerabilities related to oil revenue and climate shocks; and, (iv) security concerns given ongoing developments in the Sahel and Chad's neighboring countries. In this regard, the preparation of three alternative macroeconomic scenarios is very useful to understand the magnitude and impact of some of those risks and will help the authorities adjust their strategies and policies in light of economic developments. In any case, staffs consider critical to define a more selective PAP as an explicit mechanism to respond to risks. In addition, debt sustainability needs to be preserved through reliance on concessional financing in support of the NDP.