REPORT NO.: RES39692

DOCUMENT OF THE WORLD BANK

RESTRUCTURING PAPER
ON A
PROPOSED PROJECT RESTRUCTURING
OF
CHAD VALUE CHAIN SUPPORT PROJECT
APPROVED ON MAY 22, 2014
TO
MINISTRY OF ECONOMY AND DEVELOPMENT PLANNING
FINANCE, COMPETITIVENESS AND INNOVATION
AFRICA

Regional Vice President: Hafez M. H. Ghanem
Country Director: Soukeyna Kane
Regional Director: Elisabeth Huybens
Practice Manager/Manager: Consolate K. Rusagara
Task Team Leader(s): Mahaman Sani, Inoussa Ouedraogo
I. BASIC DATA

Product Information

<table>
<thead>
<tr>
<th>Project ID</th>
<th>Financing Instrument</th>
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<tr>
<td>P133021</td>
<td>Investment Project Financing</td>
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<table>
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<th>Approval Date</th>
<th>Current Closing Date</th>
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<td>22-May-2014</td>
<td>29-Nov-2019</td>
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Organizations

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<th>Borrower</th>
<th>Responsible Agency</th>
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<td>Ministry of Economy and Development Planning</td>
<td>Ministry of Livestock</td>
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Project Development Objective (PDO)

Original PDO

The proposed project development objective is to improve: (i) targeted aspects of the business environment; and (ii) the performance of agro-pastoral value chains in the Republic of Chad.

Summary Status of Financing

<table>
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<th>Closing</th>
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Policy Waiver(s)

Does this restructuring trigger the need for any policy waiver(s)?

No

I. SUMMARY OF PROJECT STATUS AND PROPOSED CHANGES
1. The Chad Value Chain Support project (US$10.2 million) was approved on May 22, 2014 and became effective on September 18, 2014. The original project closing date was September 30, 2019 and the current closing date is November 29, 2019. The project MTR was conducted on November 13, 2017. Project implementation recorded continued progress since last ISR. Even though disbursement growth rate has been slower than expected during the first two-year, disbursement stands at 97 percent as of November 27, 2019. There is no overdue audit report.

Component 1: Business environment improving

2. This component is subdivided into two sub-components: (a) support for Investment climate reforms and (b) support for improvement in commercial logistics.

3. Under sub-component 1.1, the project supported the capacity building of the One stop shop of the National Agency for Investments and Exports which is now fully operational and has started showing good results. In January 2019, the Project provided materials (hardware and software) for the deployment of the integrated software solution for the management of the Commerce and Credit Registry, a framework for OHADA reforms. In March 2019, the Technical Committee validated the draft law, incentives and the action plan related to the status of entrepreneur (Statut de l’entrepreneur) in Chad, which is one of the most important OHADA reforms.

4. These results consolidate the actions already carried out, namely the refurbishment of the One Stop Shop, the supply of computer and office equipment, communication tools, training, the development of computer applications and the renovation of the website of the National Agency of Investments and Exports. This website not only improves the agency’s ability to attract investors, but also publishes online legal announcements, two (2) major innovations in the business environment.

5. In terms of results, the following has been achieved through component 1:
   - 7,074 Limited Companies and Limited Liability Companies newly created and registered due to the simplified procedures of the One Stop Shop, that is 118 percent of the objective (6,000). A total of more than 20,000 companies were created and registered through simplified procedures;
   - 30 staff of the One Stop Shop trained including five women, that is 150 percent of the target which is 20 by the end of the Project.
   - The One Stop Shop communication plan developed and adopted is operational.

6. In terms of effects / impacts: Time to start business (Indicator 1) has been reduced from 62 to 58 days according to the Doing Business 2019 Report, which is 50 percent of the target. The project focused only on this indicator.

7. As part of the improvement of commercial logistics, the Project has: (a) purchased computer equipment for the Customs administration; and (b) trained 18 Inspectors and 21 Controllers and other agents, which is 100 percent of the target.

8. In addition, two studies were carried out: (a) The meat and milk sector constraints analysis; and (b) Business licenses and exports taxation in the meat sector. Through these studies, the Project has contributed to the discussion on export licensing, taxation of meat exports, as well as, the constraints of the logistics inherent in all technical, operational, organizational concerns, which hinder the fluidity of operations between the different phases of production, processing, delivery and marketing of meat, milk and slaughter byproducts.

2. Component 2: Support to selected value Chains
9. Project interventions are aimed at: (a) modernizing existing infrastructure; and (b) supporting business development in the meat and milk value chains.

Sub-component 2.1: Modernization of existing infrastructures

10. As part of the modernization of existing infrastructure, the Project financed the supply of essential equipment to the Farcha Slaughterhouse, the rehabilitation and equipment of a slaughter slab at Diguel Nord and the construction and equipment of three (3) milk collection and marketing centers as well as support for dairy farmers and traders.

11. Regarding the infrastructure modernization/rehabilitation works, the rehabilitation of the Diguel Nord slaughter area, started on February 15, 2019 and has been completed as per the contractor declaration. Recent field visits by the Bank team and discussions with the beneficiaries revealed issues with the quality and safety of the work which present high safety risks for the users of the facility. While most of the construction of the three (3) milk collection and marketing centers has also been completed, there are pending equipment installations needing to be carried out and operational processes to be developed.

12. The Farcha Slaughterhouse’s main equipment has been delivered in N’Djamena on August 2019. However, the Government brought to the ongoing Bank mission’s attention that, based on the contractor’s assessment, the equipment cannot be safely installed with improvements to the plumbing and wiring, which require additional equipment to be purchased. This additional equipment will be financed by the Government and a contract to that effect has been signed by all parties. Equipment installation will be accompanied by staff training, a set of services embedded in the contract. The Bank will play an advisory role until the completion of the ICR in June 2020.

13. With regard to the equipment of Diguel slaughter slab, some equipment (compressor) has not yet been delivered and installed. Other equipment were delivered but not yet installed because of deficiencies in the construction work performed by the contractor which still need fixing. As regards the three milk for the collection and marketing centers, the full equipment delivery was expected by end September 2019, but the shipment will only arrive in Ndjamaen end November 2019 and their installation is expected to be completed by January 31.

Sub-component 2.2: Support to structures and SMEs in selected value chains

14. The subcomponent related to enterprise development in meat and milk value chains includes: (a) support to quality and hygiene control structures; and (b) financial support through matching grant.

15. Under the first segment, significant progress has been made in terms of capacity building of the Food Quality Control Center and the Veterinary Services Directorate, which are two beneficiary structures of the Ministry of Livestock.

16. Regarding the Food Quality Control Center, the Project provided small equipment, reagents and laboratory consumables in Q1 2019 in addition to previous achievements. In March 2019, the Veterinary Services Department validated two guides on good butcher and milk practices, a manual on the inspection of slaughter structures and a secure stamp of meat carcasses. The remaining activities are training on the new tools for inspectors and the selected value chain actors.

Matching grants.
17. The direct support through matching grant is intended to support SMEs in selected value chains. 85 microprojects were approved for a total amount of XAF 798,272,581 including XAF 496,830,049 as the project contribution. These projects are divided into 58 micro-projects for enterprise development for an amount of XAF 178.665 million, of which XAF 125 million as project contribution for Window 1 and 27 micro-projects for an amount of XAF 619.608 million, of which XAF 371.765 million from the project.

18. Sixty-seven micro-projects were fully executed as of May 31, 2019, representing 79 percent of the 85 approved microprojects. The overall volume of disbursements amounted to XAF 647,242,768 for the two windows as of 31 May 2019, i.e. 81 percent. The project contribution is XAF 427,846,834 FCFA. The remaining XAF 219,395,934 is promoter’s contribution.

B. Rationale for the request

19. The Value Chain project support has made significant progress on one of the components and significant progress is being made on the second component which is related to two targeted value chains (meat and milk).

20. Since the project first level 2 restructuring in April 2018, the WB team and the PIU did their best to expedite implementation by undertaking the following measures: (a) hiring additional experts (meat and milk expert; M&E) to support the PIU; (b) organizing every two-week meeting via videoconferences (VC) to review all the project activities to anticipate any issue and solution and (c) regular follow up meetings with companies in charge of meat and milk value chains infrastructures construction and equipment.

21. Progress on the investment climate component includes the One Stop Shop which is now operational and starting to show good results. This achievement facilitated formalization and registration of more than 20,000 companies as of June 30, 2019 in line with the project results framework. For this component, the remaining activity is the installation and training of users in the integrated software management of the Trade and Credit Register. This activity is planned for the first half of December 2019.

22. Regarding the meat and milk value chains, in addition to providing essential equipment for the Farcha slaughterhouses, the project rehabilitated a slaughter slab in Diguel and built three milk collection and marketing centers. As previously mentioned, there are still important issues related to the safety and quality of the constructions. There is an urgent need to review and fix these issues to guaranty the security of the users of the facility. The need adjustments will be launched early December and should be completed by January 15, 2020. In the meantime, the remaining equipment should have been delivered and installed.

23. The construction of the milk collection centers has been fully completed. The requested extension period will allow the completion of electrical wiring, the installation of the equipment and the development of a management system.

24. Regarding Farcha Slaughterhouses, the extension period will allow the purchase, on government funds, of the additional equipment and its arrival to N’Djamena. During this period the project will hire a consultant to check (third-party expertise) and eventually confirm the need of the additional investment to safeguard and secure the installation of these equipment. The Bank will from its side accompany the government and make sure that the safety requirements are known by all parties.
25. The Government is requesting an extension to allow orderly completion of the installations which are critical for achieving the project objectives and results. In addition to have a full completion of the remaining activities this additional period will also be used to capture and assess project impacts that can be documented in the Implementation Completions and Results Report (ICR).

II. DESCRIPTION OF PROPOSED CHANGES

2.1 Change in closing date

26. Following an ongoing mission the proposed change is to extend the closing date of the project from November 29, 2019 to January 31, 2020 which will result in an additional two month of the project life and it will allow the Project to fully achieve its development objectives and realize the desired impact on the business environment and the two main targeted agro-pastoral value chains.

II. DETAILED CHANGES

**LOAN CLOSING DATE(S)**

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