Economic recovery credit

Report No: ; Type: Report/Evaluation Memorandum ; Country: Chad; Region: Africa; Sector: Macro/Non-Trade; Major Sector: Economic Policy; ProjectID: P035594

Chad - Economic Recovery Credit (Credit 2589-CD)

The Implementation Completion Report (ICR) for the Chad Economic Recovery Credit (Credit 2589-CD for US$ 20 million, approved in FY94 and closed in FY95) was prepared by the Africa Regional Office, with Part II contributed by the Borrower.

This project was designed to support a fiscal reform program following the January 1994 devaluation of the CFA Franc. The main structural objectives were to ensure that the benefits of the devaluation were passed on to rural export producers, to take specific actions to dampen the devaluation induced price increases of necessities for the poor, and to preserve social sector expenditures. The main macroeconomic objectives included implementing trade reforms, reducing overall government expenditures, and limiting growth in the money supply.

The project met most of its objectives. The project achieved the structural goals of supporting the devaluation by ensuring that increases in export prices were passed on to producers, short-term price reductions on necessities were implemented, and social expenditures for education, health and transportation were maintained or increased. On the macroeconomic side, growth and inflation targets were achieved but revenue collection was unsatisfactory due to insufficient initial commitment to reforms by the Government. The Government's increased commitment to reforms, later in the program, led to progress on revenue collection as well as other administrative improvements. This progress was aided by favorable weather conditions for export crops which enhanced government revenues.

The ICR rates the project outcome as satisfactory, sustainability as likely and institutional development impact as substantial. The Operations Evaluation Department (OED) agrees with the ICR rating on project outcome and sustainability. However, OED rates institutional development impact as moderate because of the limited scope of the institutional reforms. OED agrees with the ICR ratings for Bank performance as satisfactory.

The experience of this project confirms lessons previously drawn by OED_successful implementation of reform programs requires government ownership, especially commitment from the top, appropriate institutions and mechanisms to implement and monitor reforms, and a broad national consensus on reform.

The ICR is of satisfactory quality but it does not contain an Aide-Memoire from a completion mission and has a limited discussion of the impact of favorable exogenous factors (e.g., a good agricultural crop) on project success. No audit is planned.