THE INTERNATIONAL MONETARY FUND AND
INTERNATIONAL DEVELOPMENT ASSOCIATION

CHAD

Preliminary Document on the Enhanced Initiative for Heavily Indebted Poor Countries

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Chad: List of Acronyms and Abbreviations

Acronyms/ Abbreviation	**Meaning**
AfDB	African Development Bank
BEAC	Bank of Central African States
CAP	Community Action Programs
CAS	Country Assistance Strategy
CAER	Autonomous Road Maintenance Fund
CEMAC	Central African Economic and Monetary Community
COBAC	Commission Bancaire de l'Afrique Centrale
CPA	Central Pharmaceutical Supply
CS-DRMS	Commonwealth Secretariat Debt Recording and Management System
DMFAS	Debt Management and Financial Analysis System
DSA	Debt sustainability analysis
ESAF	Enhanced Structural Adjustment Facility
EIB	European Investment Bank
IsDB	Islamic Development Bank
NPV	Net present value
NTSEP	National Transportation Strategy and Expenditure Program
OHADA	Organization for the Harmonization of Business Law in Africa
ONDR	Office National de Développement Rural
OPEC	Organization of Petroleum-Exporting Countries
PCA	Complementary Packages of Activities
PMA	Minimum Package of Activities
PPA	Prefecture Supply Pharmacies
PRGF	Poverty Reduction and Growth Facility
PRS	Poverty Reduction Strategy
PRSP	Poverty reduction strategy paper
SAC	Structural adjustment credit
SAF	Structural Adjustment Facility
SBA	StandBBy Arrangement
SONASUT	Société Sucrière du Tchad
TCA	Turnover tax
UNDP	United Nations Development Program
VAT	ValueBadded tax

I. Introduction

1. This paper presents a preliminary assessment of Chad's eligibility for assistance under the enhanced Initiative for Heavily Indebted Poor Countries (HIPC Initiative). Section II describes Chad's status regarding access to the resources of the International Monetary Fund under the Poverty Reduction and Growth Facility (PRGF) and the International Development Association. It presents also a background of Chad's recent adjustment performance, including a brief discussion of the strengths and weaknesses of policy implementation. Section III sets out the framework for the development of a poverty reduction strategy in Chad, and gives an overview of the poverty situation and the government's approach to preparing a poverty reduction strategy, including the mobilization of Chad's important petroleum resources.[2] It should be noted that the authorities' strategies and policies will evolve as a result of the process leading to the preparation of the poverty reduction strategy paper (PRSP), and that there will be a need to reexamine the priorities and the specific measures in the context of the PRSP. Section IV presents Chad's medium-term policy framework, including the macroeconomic objectives and policies, the government's sectoral priorities and policies, and key structural reforms underpinning the medium-term framework. Section V presents the preliminary debt sustainability analysis (DSA), as well as a sensitivity and vulnerability analysis.[3] The DSA indicates that Chad's external debt is unsustainable according to the criteria of the enhanced HIPC Initiative. Section VI presents the options for possible assistance under the HIPC Initiative, with the staffs' recommendations on the timing of the decision point and recommended floating conditions for the completion point. It presents also the targets for relief under the HIPC Initiative, as well as the authorities' views. According to the DSA, debt relief would amount to $156 million in net present value (NPV) terms. The decision point is expected in 2000. Proposed conditions for the floating completion point would focus on outcomes in key priority sectors and measures important to reduce poverty. Section VII raises possible issues for discussion by Executive Directors.

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[2] The Petroleum Development and Pipeline Project will be supported by the World Bank Group: on June 6, the Executive Directors of IBRD approved loans in the amount of US$39.5 million to the Republic of Chad and US$53.4 million to the Republic of Cameroon in support of the project. The Executive Directors of the IFC approved loans in amounts of US$100 million in A-loans and up to US$300 million in B-loans to the Chad Oil Transportation Company and the Cameroon Oil Transportation Company.

[3] The debt sustainability analysis was developed with the Chadian authorities during a joint IDA and Fund mission in early March 2000 and completed during another joint mission in May 2000. Considerable contributions have also been made by the resident representatives of the Fund and the Bank in N'Djaména.

II. Assessment of Eligibility

2. Eligibility under the enhanced HIPC Initiative is limited to IDA-only and PRGF-eligible countries that have demonstrated an appropriate track record of adjustment over at least three years and that face an unsustainable debt burden after application of traditional debt-relief mechanisms. The analysis below suggests that Chad satisfies these requirements.

A. IDA and PRGF Category

3. Chad is currently an IDA-only and PRGF-eligible country. With per capita income of US$230 in 1998, and some 80 percent of the population of 7 million living below the international poverty line of US$1 per day, Chad is one of the poorest countries in the world. Most of Chad's main indicators of social development are inferior to the average of the least-developed countries and bear witness to the magnitude of the challenges that must be overcome. The burden of the external debt severely limits the country's ability to meet these challenges through its own efforts. Even with the anticipated advent of the oil revenues projected to begin by 2005, and supposing steady growth in average incomes, Chad will remain an IDA-only country in the foreseeable future.

B. Adjustment Record

4. The long years of civil war, which lasted from 1965 to 1990, have adversely affected poverty and growth. Since 1993, however, the political situation has been stable, although the progress toward enduring peace and democracy remains fragile. The democratization process has culminated in the approval of a new constitution in 1996, and the first multiparty parliamentary and presidential elections were held in 1996 and 1997. Progress is being consolidated through the gradual installation of the constitutionally mandated institutions, including the Supreme Court and the General Accounting Office.

5. Simultaneously to putting in place new institutions, the authorities initiated important economic reforms in the wake of the CFA franc devaluation of January 1994. The IMF and IDA have supported this effort. IMF assistance was first provided in the context of a Stand-By Arrangement in 1994, then under a three-year arrangement under the Enhanced Structural Adjustment Facility (ESAF), which covered the period 1995-98.[4] Chad has also received considerable support from IDA through three structural adjustment credits (SACs). IDA has also been supporting Chad's reforms through a number of sectoral credits, in the

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[4] From 1963 through 1993, Chad's use of Fund resources was limited to a single three-year arrangement under the Structural Adjustment Facility (SAF), covering the period 1987-90. A new three-year arrangement under the Poverty Reduction and Growth Facility was approved by the IMF Executive Board on January 7, 2000.

areas of agriculture, livestock, energy, and transport infrastructure, as well as the social sectors.[5]

6. Under these various programs, Chad has established a **track record of broadly satisfactory adjustment since 1995,** and the results of the adjustment effort have been encouraging. Progress has been made toward achieving macroeconomic and fiscal sustainability through improved domestic resource mobilization and allocation, as well as enhanced efficiency and transparency of public sector management. Through privatization, price and trade liberalization, improved market access, and the streamlining of the regulatory environment, the supply response of the economy has gradually been strengthened. The main macroeconomic objectives and outcomes are summarized in Box 1.

Box 1. Main Macroeconomic Objectives and Outcomes Under the ESAF Program, 1995-98

Objectives	Outcome
Average annual growth rate of real GDP of 5 percent, or 2.5 percent in per capita terms.	Real GDP growth averaged 4.2 percent per year during 1995-98, in large part owing to gains in competitiveness and higher agricultural and agro-industrial production.
Inflation to fall into the 3–5 percent range, after the initial surge in prices following the CFA franc devaluation.	Inflation surged to 41.3 percent in 1994 after the devaluation but declined to 4.4 percent by 1998.
Improvement in the current primary budget balance from a deficit of 3.7 percent of GDP in 1994 to a surplus of 1.7 percent in 1998.	The current primary balance improved to a surplus of 1.1 percent of GDP in 1998.
Reduction in the overall fiscal deficit (on a commitment basis and excluding grants) from 14.2 percent of GDP in 1994 to 8.6 percent in 1998.	The overall fiscal deficit was reduced to 7.9 percent in 1998.
Increase in overall investment from 11.8 percent of GDP in 1994 to 18.5 percent in 1998, along with elimination of gross domestic dissaving.	Gross fixed investment increased to 12.9 percent in 1998. In 1998, a positive rate of gross domestic savings was registered.
Reduction in the external current account deficit (excluding official transfers) from 21 percent of GDP in 1994 to 16.9 percent in 1998.	The external current account deficit (excluding grants) fluctuated between 14.3 percent and 12.5 percent of GDP (and averaged about 8.5 percent of GDP after grants) in 1994-98, owing to unstable terms of trade.

7. **The public finance situation improved significantly during the 1995-98 program,** although it sometimes fell short of program objectives, and the 1999 performance was negatively affected by a recession (see below). The overall fiscal deficit, on a commitment basis and excluding grants, was cut by more than one-third over the program period, from 14.2 percent of GDP in 1994 to 7.6 percent in 1998; including grants, the deficit remained under 5 percent of GDP. The current primary balance also improved continuously over the program period and registered a surplus for the first time in 1997.

[5] A new Country Assistance Strategy (CAS), circulated to the Executive Directors of IDA in May 1999, and an Addendum dated April 19, 2000 were discussed by the Executive Directors on May 23, 2000.

8. The domestic **revenue mobilization** effort strengthened over the period 1995-98. Tax and customs administration was made more efficient, and overall tax revenue rose from the equivalent of 4.7 percent of GDP in 1994 to 7.0 percent in 1998; nevertheless, the thin tax base and the vulnerability of the economy to exogenous shocks have resulted in frequent revenue shortfalls relative to the program and continued to hamper fiscal performance. Throughout the program, the Chadian government has demonstrated its willingness and ability to contain nonpriority expenditure in response to revenue shortfalls while **continuously increasing funding for the priority sectors**. Current expenditures were kept under tight control, falling from 9 percent of GDP in 1995 to 7.7 percent in 1998. The government maintained a prudent wage policy over the period and limited defense spending to about 1 percent of GDP. Domestic arrears were reduced by some CFAF 25 billion (or 2.7 percent of 1999 GDP) over the program period; in particular, government wage arrears have now been eliminated. The mobilization of external financing remained volatile; revenue from grants fluctuated between 3.8 percent and 7.5 percent of GDP, and tended to decline over the course of the program. External borrowing was limited to concessional loans. Chad cleared the remaining external payments arrears at end-1998 and has remained current on its external debt-service obligations since then.

9. **Economic performance in 1999** was critically affected by a severe energy crisis during the first half of the year, as well as by the return to more normal levels of agricultural production following the bumper year in 1998. Real GDP contracted by 0.7 percent in 1999, and both savings and investment ratios declined. Consumer prices fell in 1999, mainly as a result of the abundant inventories of foodstuff following the exceptional 1998 harvest. However, the external current account deficit is estimated to have widened from 9.4 percent of GDP in 1998 to 12.8 percent in 1999, owing mainly to sharply lower export volumes and weak world market prices for cotton, Chad's principal export.

10. Revenue collections suffered from the disruption of economic activity caused by the energy crisis, leading to the accumulation of substantial tax arrears by major enterprises in the first half of the year. In response, the government again compressed current expenditures, maintaining the cautious stance that has characterized fiscal policy throughout the program period. Revenue collection strengthened in the second half of the year. Nevertheless, the current primary fiscal balance fell well short of target—it is estimated to have reached a deficit of CFAF 1.4 billion in 1999 (-0.2 percent of GDP), compared with the targeted surplus of CFAF 8.2 billion (1.0 percent of GDP). Shortfalls in the mobilization of expected external financing were compensated for by a larger-than-expected drawdown of government deposits in the banking system and some additional recourse to statutory advances from the central bank.

11. **Substantial progress was made in the area of structural reforms** (see Appendix II), although some measures were implemented with delays. Most price controls and profit margins were eliminated; the Central African Economic and Monetary Community (CEMAC) provisions for trade liberalization were implemented; and the labor

code was rationalized. Preparations have been made for the launch of a comprehensive reform of the civil service (see below). In the area of legal reform, the Uniform Acts of the Organization for the Harmonization of Business Law in Africa (OHADA) were adopted, and the government has stated its commitment to ensure their application. Key sectoral policies have also been implemented in the areas of cotton pricing, agricultural development, road maintenance, energy, and telecommunications, as well as in the priority sectors of health and education. In the financial sector, following divestiture of some of the government's shares in banks and the transfer of an important share of the banks nonperforming loans to the government, the financial situation of the banking sector improved substantially.

12. The privatization agenda is almost complete. All the banks, but one, are now privately controlled; the loss-making national airline has been closed; the assets of the sugar company (SONASUT) have been sold and a new, private corporation (Compagnie Sucrière du Tchad) has been established; a contract for the privatization of the management of the Electricity and Water Company (STEE) was signed in January 2000; and a large number of smaller state-owned enterprises have been sold or liquidated. Work toward the restructuring of the Post and Telecommunications Office and the International Telecom Corporation has been initiated, in accordance with a strategy that will lead to increased competition and full privatization of the telecommunications sector. The government has also adopted a comprehensive strategy for the politically sensitive liberalization of the cotton sector and undertaken extensive consultations to explain the key elements of the planned reform.

13. The Chadian government has also demonstrated its commitment to policy reform by embarking on a comprehensive program aiming to improve transparency and governance, and strengthen public administration. The government has set a firm timetable for implementing the provisions for the civil service reform that were adopted at end-1998, including the transition to a merit-based advancement and remuneration system. In order to tackle governance problems, the Chadian parliament adopted two anticorruption laws in January 2000. The first law creates a High Court of Justice with jurisdiction over cases of misuse of public funds and corruption, while the second establishes financial and penal sanctions for misuse of public funds, acts of corruption, extortion, and abuse of public office. Parliament has also adopted a Petroleum Revenue Management Law that emphasizes transparency and includes provisions for civil society participation in the oversight of the petroleum revenue management arrangements. The authorities have also embarked on an ambitious capacity- and institution- building program with the assistance of IDA and the United Nations Development Program (UNDP).

C. Strengths and Weaknesses of the Past Adjustment Effort

14. Overall, the economic program during the period 1995-99 has helped to bring about a marked recovery in economic activity, tangible progress toward macroeconomic stability, and an improved economic environment for private sector activity. Nevertheless,

weaknesses in policy implementation at times slowed the pace of reforms; these partly reflected the underdeveloped administrative and institutional capacity of the country. Moreover, the economy is still very vulnerable to exogenous shocks, such as the recurrent energy crises owing to the disruption of supply lines in 1998/99 and 1999/2000, the decline in the terms of trade, and the instability and bottlenecks in neighboring countries.

15. Among the **factors that facilitated program implementation** is the authorities' commitment to policy reform. The establishment of a system of high-level committees facilitated the preparation, implementation, and monitoring of the program, as well as the prompt correction of slippage, while the Ministry of Finance demonstrated its ability to tighten nonpriority spending in response to revenue shortfalls in late 1998. Moreover, Chad's membership in the Bank of Central African States (BEAC) and Central African Economic and Monetary Community (CEMAC) has also contributed to monetary discipline and encouraged the effective application of the regional trade and tax reforms.

16. Among the **weaknesses** are governance problems stemming from institutional inefficiency and insufficient accountability, as well as the very limited administrative and technical capacity to manage complex reforms. The lack of trained civil servants and the high turnover among senior officials has constrained the effectiveness of the public sector and pace of structural reform. Finally, the policy dialogue with the private sector has at times been strained by the tension between the need to improve tax performance (including through the reduction of exemptions) and the objective of fostering an attractive business environment. The recent establishment of the Supreme Court, the planned strengthening of the judiciary, and systematic consultation with the private sector and civil society are expected to alleviate some of these weaknesses over time.

III. Developing a Poverty Reduction Strategy for Chad

A. Overview of the Poverty Situation

17. General social and demographic indicators demonstrate unambiguously the scale of the problem of poverty in Chad: according to an overall assessment of conditions in Chad prepared by the United Nations Coordinator in February 2000 (*Bilan Commun de Pays au Tchad*), the human development index of Chad computed on the basis of local data is 0.360 in 1999, which would rank Chad 166th out of 174 countries (even lower than the 162nd rank in the latest published UN *Human Development Report*). The index of Human Poverty—which takes into account life expectancy, adult illiteracy, access to safe water, access to health services, and the percentage of underweight children under 5 years of age—reaches 68.5 percent, indicating a very high incidence of poverty. Box 2 below presents a few social indicators for Chad and compares them with a sample of other developing countries.

Box 2. Social Indicators in Chad and other Developing Countries

Countries	GNP per capita in US$	Enrollment in Primary Education (percent of age group)		Population with Access to Safe Water	Infant Mortality rate (per 1000	Life Expectancy at birth (years)	
		Female	Male	(in percent)	live births)	Males	Females
	1998	1998	1998	1998	1998	1997	1997
Chad	230	36	74	24	100	50	47
Sub-Saharan Africa	480	69	84	47	91	52	49
Latin America	3,940	...	...	75	32	73	67
South Asia	430	90	109	81	77	63	62

Source: World Bank.

18. All available data show the depth of Chad's poverty, in terms of every social and economic indicator, and in every region. It is also poor relative to sub-Saharan Africa and to other developing countries. GNP per capita is only 48 percent of the average for sub-Saharan Africa, and is far lower than the average of other developing regions, such as Latin America and South Asia.

19. Although poverty is severe all over the country, there are regional differences. Parts of the Sahel suffer from repeated famines, and school enrollment is relatively low. In the Sudan zone, school enrollment is relatively high, but several of the health indicators, and in particular survival, are relatively weak. Moreover, the 1993 census reports a striking shortage of men in the most economically active age groups in parts of the Sahel. This may be linked to the loss of male income-earners due to the prolonged conflict, which derailed Chad's development for most of the postindependence period. As a result, women in particular suffer from poverty, as indicated by extraordinary high illiteracy rates and by the health indicators.

20. A rigorous and systematic analysis of the extent and depth of poverty is hindered by the relative paucity of timely and consistent data information. There is no national survey of household expenditures or a national survey of nutrition. It is therefore difficult to measure differences in poverty across regions and to identify groups that suffer from severe poverty. Nonetheless, several sources of information do exist. The Chad Poverty Assessment of 1997 synthesized information available up to that date, principally the indicators of living conditions, health, education, and family structure from the 1993 Census of the Population;[6] there are annual government data on health and education; data on rural conditions are compiled by the Ministries of Rural Development, Agriculture and Livestock, and the *Office National de Développement Rural (ONDR)*; and a household survey of expenditure and income in four large prefectures was conducted over 1995-96 in collaboration with the UNDP (*ECOSIT*). In addition, a Demographic and Health Survey covering about 40 percent of the population was carried out in 1997.

[6] Report No. 16567-CD of October 1997.

B. The Approach for Preparing a Poverty Reduction Strategy

21. The government of Chad is committed to preparing a Poverty Reduction Strategy (PRS) that will provide a systematic framework to organize its economic and social policies, to coordinate the support from the international community, and to ensure the monitoring of the progress toward the common objective of poverty reduction. Fundamental priorities have already been agreed upon as a result of consultations and the definition of sectoral strategies following the Geneva IV Roundtable of 1998. Identified priorities are transport, to integrate local communities with the rest of the country and to facilitate access to social services and markets; primary health; basic education; and food security and access to safe water, in the context of a rural development strategy.

22. The process of integrating the existing sectoral strategies into a comprehensive PRS will build upon the experience gained over the past two years with the participatory approaches used for the definition of the strategies for the four priority sectors, as well as the extensive consultations carried out in the context of the preparation of the Petroleum Development and Pipeline Project. Political institutions, civil society, and the private sector will be mobilized to prepare this PRS, monitor its implementation, and participate in its evaluation. In a public meeting in March 2000, the government invited civil society to participate in the management of the definition of the PRS. A steering committee composed of stakeholders' representatives was established in April 2000 to guide the process. A national seminar, in which representatives of the various regions of the country and key donors participated, was held at the end of April 2000 to define the methodology for the participatory aspects of the process.[7] The conclusions of the seminar are presented in the interim PRSP, which was drafted by the steering committee and groups of civil society.

23. The authorities expect to complete the first comprehensive poverty reduction strategy paper (PRSP) in mid-2001. In addition, because a comprehensive database of poverty and development indicators is a necessity to guide the strategy and assess its success, the government will undertake a first baseline national household expenditure survey (expected to be completed in 2001), which will be followed at regular intervals by updates. The ultimate objective of this statistical investment is to ensure rigorous monitoring of poverty in Chad.

24. Without prejudging the results of further consultation with its partners in the context of a broad participatory process, the government has already set out some of the principal objectives of its economic and social development program. The government has articulated

[7] The steering committee includes representatives of the National Assembly, the trade unions, women's associations, human rights associations, consumer protection associations and other local nongovernment organizations, the Chamber of Commerce, the National Employers' Association, the press, as well as the key line ministries.

a "Preliminary Framework for a National Poverty Reduction Strategy," which includes some guiding principles and a preliminary timetable for the elaboration of the PRS, as well as the medium-term objectives of the government's program for 2000-02, in the context of its request for a three-year arrangement under the new Poverty Reduction and Growth Facility of the International Monetary Fund. The government has also prepared a memorandum of economic, financial and poverty reduction policies, consistent with this preliminary framework.[8]

25. The government's strategies and policies will evolve as a result of the process leading to the preparation of the PRSP, and the priorities and the specific measures identified in the context of the PRSP will be integrated in the macro-economic framework. Specifically, it is expected that the participatory and consultative processes—as well as further data collection and quantitative analysis—will provide new insights into the most critical constraints that the poor face and what their priorities are (which will have implications for cross-sectoral priorities, as well as the design of specific measures and interventions needed). It is also expected that a more thorough analysis of the dynamics of poverty, combined with the development of a broad-based agreement on the priority poverty reduction objectives for Chad, will allow an identification of the top-priority public actions. The cost of these priority actions would then need to be estimated and integrated in the macroeconomic framework, and both would likely need to be adjusted in an iterative process.

C. Preparing the Transition to the Petroleum Economy Era

26. A major component of the government's strategy for poverty reduction is the mobilization of the country's petroleum resources. Two major projects are scheduled for implementation over the next few years (see Box 3). In this context, the government is already taking steps to ensure that the forthcoming resources are used efficiently to reduce poverty.

27. The development of its oil resources will fundamentally alter Chad's economic environment. The government is aware of the systemic transformation of an economy frequently brought about by injection of substantial petroleum resources, and of the need for a longer-term poverty reduction perspective in determining the use of these resources. Following consultations with numerous local partners, including the civil society, the government has established the guiding principles for the management of the petroleum economy.[9] The policy seeks to reduce poverty by targeting petroleum revenues to the

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[8] The memorandum describes the objectives and policies that it intends to pursue during the program covering the period October 1, 1999 to September 30, 2000. The government's request was approved by the Board of the International Monetary Fund on January 7, 2000.

[9] These were articulated in the Petroleum Revenue Management Law, as well as in the Petroleum Revenue Management Program agreed with the Bank in the context of the

priority poverty sectors in the context of Chad's sector-wide programs and overall government expenditure patterns. The government's strategy enjoys broad political support from the country's leadership and legislature, attempts to address various concerns raised by civil society, and hinges on the support of Chad's external partners.

Box 3. The Two Oil Development Projects: Sedigi and Doba

- The **Sedigi** field, north of Lake Chad, will be developed and linked through a pipeline to a small scale refinery in N'Djaména. Although the production of this field is relatively modest, the crude is of high quality and the production is expected to cover most of the domestic demand, especially for electricity generation.
- The **Doba** fields in the south of Chad will also be developed. The production from three fields, with recoverable reserves estimated at about 900 million barrels, will be exported through a 1,070-kilometer pipeline ending at a maritime terminal on the Cameroon coastline. The cost of this project is estimated at about US$3.5 billion, about half of which will be invested in Chad.
- **Expected benefits** include an increase in government revenue, as well as to some extent the creation of new markets in servicing the petroleum industry and employment opportunities in the sector. Petroleum revenue accruing to the government is projected in real terms at about US$1.7 billion over the 25-year production period (2005-30), that is, about US$68 million a year on average, or almost one-third of the 1999 revenue.[1] Petroleum activities represent, therefore, a significant opportunity to attain a viable fiscal position and support sustainable development. In addition, the development of the small Sedigi field to cover local demand will reduce the uncertainty of fuel supplies, which often disrupts economic activity in landlocked Chad, allow a reduction of the cost of electricity, and save foreign exchange now used for petroleum imports.

[1]The estimated revenues are in constant 1999 prices. Projections based on a price of US$15.25 per barrel.

28. The thrust of the strategy is to target the bulk of oil revenues for incremental poverty alleviation activities in a transparent manner. It relies on several key features:

- A framework guiding the use of oil revenues, which provides, inter alia, for quantitative targets for the allocation of the bulk of oil revenues to priority poverty reduction activities, mandatory long-term savings of a portion of the revenues, explicit commitment and disbursement norms, and oversight and monitoring mechanisms, including nongovernmental mechanisms. This framework is codified in part in the Petroleum Revenue Management Law, adopted by the Chadian parliament in January 1999.

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preparation of the Petroleum Development and Pipeline Project and of the Management of the Petroleum Economy Project (see Annex 11 of the Project Appraisal Document Report No. 19427-CD of December 29, 1999).

- Initiatives to build the government's capacity to use oil revenues effectively within key sectors and to manage their impact on the economy, including the development of sector expenditure programs.

- World Bank support and monitoring throughout the implementation process to promote the allocation of resources to effective development activities, as well as reporting/auditing requirements.

29. As international experience demonstrates, there are also risks and difficulties associated with the development of petroleum resources. If mismanaged, it will be difficult to contain inflation and preserve the competitiveness of traditional sectors, or to ensure the efficient use of the oil revenues to accelerate development. In addition, petroleum revenue is often the object of excessive and competing claims by diverse interest groups, leading to dangerous social and political pressure and tension. Those countries that have been successful in managing their oil revenues are characterized by a steady commitment of political institutions to sound public management, a public expenditure policy favoring education, health and basic infrastructure, a policy of saving part of the petroleum surplus to protect the interests of future generations, and prudent macroeconomic policies.

IV. THE MEDIUM-TERM POLICY FRAMEWORK

30. The medium-term adjustment program adopted by the Chadian authorities (and supported by the Fund through the new three-year arrangement under the PRGF, as well as by the Bank through IDA operations) has four central objectives. The first objective is to develop a global poverty-reduction strategy that will serve as the basis for social policy and into which the entire medium-term policy framework will be fully integrated. The second objective is to maintain macroeconomic stability and create the conditions for accelerated growth. The third is to consolidate the public finance situation and strengthen the effectiveness of the public and financial administrations. The fourth objective is to push forward the unfinished structural reform agenda.

31. To achieve their objectives, the authorities recognize that a broad sense of program ownership must be built up through constant dialogue with civil society.[10] In addition, Chad will continue to require considerable external resources over the next four to five years in order to maintain the adjustment momentum, and still has major requirements of technical assistance in the effort to build capacity. Consequently, there is a need to deepen the policy dialogue with Chad's multilateral and bilateral partners, with a view to strengthening the coordination among donors regarding lending and technical assistance programs.

[10] The orientation of the adjustment strategy was discussed with representatives of business, trade unions, civil society, and donors at a conference held in N'Djaména in June 1999 to evaluate the experience under the first three-year ESAF arrangement.

32. Over the 20 years to 1998, the average rate of growth of GDP was about 2 percent, which falls short of the rate of growth of the population. No effective reduction of poverty in Chad will be possible unless substantially higher growth rates can be achieved and maintained. To this end, increased investment, as well as improved efficiency of the economy as a result of continued structural reforms, is needed. Growth is expected to increase further later in the decade, when the exploitation of Chad's petroleum reserves begins. Simultaneously to the promotion of growth, the authorities will set up ambitious performance targets in the priority social sectors, that is, health, education, transportation and rural development, for which sectoral strategies have already been prepared. This two-pronged approach—acceleration of sustained growth and strengthening of the social sectors—will be at the core of the PRS and will underpin the macroeconomic framework.

A. Macroeconomic Framework for Poverty Reduction

33. While subject to revision pending the articulation of the full Poverty Reduction Strategy, the key macroeconomic and financial objectives of the 2000-02 program period are the following:[11] (i) average real GDP growth of at least 4 percent; (ii) annual inflation of around 3 percent; (iii) an increase in the current primary fiscal surplus balance to 1.5 percent of GDP by 2002; and (iv) a reduction in the non-oil external current account deficit (excluding grants) to 17 percent of GDP by 2002. The current account deficit, estimated at 12.8 percent of GDP in 1999, is expected to increase rapidly in line with the large domestic investment in the oil pipeline project over the next few years. Over the three years 2000-02, public investment is expected to be on average 8.5 percent of GDP, (as opposed to 6.4 percent over the previous three years), and private non-oil investment 7.2 percent of GDP (compared with an average of 6.3 percent of GDP over the previous three years). Non-oil current account, excluding official transfers, is expected to average 18 percent of GDP (compared with 12.2 percent of GDP over the previous three years). In order to achieve the medium-term growth objective, there will need to be a considerable boost to investment, underpinned by the implementation of policies aiming at a better mobilization of domestic (public and private) and external savings.

34. Public finance policies will focus on further improving the tax and customs administration; strengthening the budget preparation process in order to orient it better toward poverty reduction goals; and strengthening public expenditure management. In terms of revenue, the objective is to raise the domestic resources available for development by broadening the tax base through measures to reduce fraud and evasion, as well as by improving taxation of the informal sector through a systematic census of businesses in the main cities. No changes in the tax structure are foreseen, except for the replacement of the turnover tax (TCA) by a single-rate value-added tax (VAT), which was introduced on

[11] These objectives are presented in more detail in the authorities' memorandum of economic and financial policies that accompanied their request for the new PRGF.

January 1, 2000. As for expenditure, the main measures focus on a better allocation of budgetary resources to the priority sectors in the fight against poverty; an increase of public investment by 50 percent between 1999 and 2002; the simplification and rationalization of public expenditure circuits to increase their efficiency; the strengthening of control and audit procedures; and, finally, an increased transparency and broader diffusion of information on budget execution. A comprehensive plan to reduce domestic payments arrears will be prepared, following an inventory and verification of the stock of existing arrears to be completed in 2000. The introduction of a new budget and accounting nomenclature, and the progressive implementation of medium-term expenditure frameworks for programming public expenditures, will allow for an improved consistency of financial, economic, and social policies.

35. Monetary policy will continue to aim at maintaining low inflation, consolidating the country's foreign asset position within the BEAC, and pursuing the ongoing consolidation of the financial and banking system. The Chadian authorities will work with the regional partners to improve the efficiency of BEAC interventions on the monetary market through increased use of indirect monetary policy instruments and the market determination of interest rates, in order to reduce financial intermediation costs. With a view to increasing the domestic resources available for private sector investment, the government will continue to limit its use of domestic bank financing. It will strongly support efforts aimed at reinforcing banking supervision by the regional banking commission (COBAC), as well as any initiative to diversify financial instruments and institutions, and to improve the rural sector's access to credit.

B. Policies in Priority Sectors

36. Sectoral strategies have been prepared by the government, following broad consultations with local stakeholders, in four priority sectors—health, education, transport, and rural development—in accordance with an approach that received the backing of the international community at a round table in Geneva in October 1998. These sectoral strategies and measures must now be prioritized and integrated into a cohesive overall policy framework, with a detailed estimate of their costs. The medium-term macroeconomic framework outlined in the previous section—including the level and composition of government expenditure, and the fiscal and external deficits—will be reviewed as necessary to ensure that this costing is taken into full account.

Health

37. Chad health's indicators are still very poor, and below the average of sub-Saharan Africa (see Box 4). With a persistently high fertility (total fertility rate = 6.6 births per woman), Chad's population is growing at a rapid rate of 2.5 percent annually. Maternal mortality is very high, at about 840 per 100,000 births. Life expectancy is estimated at 50 years, infant mortality at 100 per 1,000 live births, and child mortality at 193 per 1,000.

Main causes of child mortality include measles, respiratory infections, malaria, diarrhea, and malnutrition. Vitamin A deficiency is widespread. Immunization coverage is one of the lowest of sub-Saharan Africa, and child health services are used by less than 30 percent of the population. AIDS is rapidly progressing and is posing a major threat to the Chadian population. The HIV prevalence in the general population has already reached 6.5 percent in Sarh and Moundou. The epidemic is progressing rapidly in some exposed groups. It reaches 14 percent among commercial sex workers and 10 percent among the military.

38. The public health budget has increased regularly over the last few years as a proportion of government expenditures, reaching 6 percent in 1998. Combined government and donors' public health expenditures are at US$5 per capita and per year. These levels are projected to increase further over the next fiscal years, but are still heavily reliant on donor support (60 percent). Yet despite this increasing financial commitment, the performance of the health sector remains poor. Main hurdles include:

- the lack of qualified human resources: the system suffers from a severe shortage of nurses, paramedics, laboratory technicians, midwives, doctors, and sector managers.
- low access to basic services: access to health services is very low, at about 50 percent. The number of health facilities is insufficient, and the existing facilities are generally severely understaffed.

Box 4. Current Health Indicators, 1998

	Chad	Africa
Population growth rate (percent)	2.5	2.7
Life expectancy (years)	50.3	51
Infant mortality (per 1,000 live births)	100	91
Under 5 mortality (per 1,000 live births)	193	163
Child malnutrition (percent)	40	n.a.
Maternal mortality (per 100,000 live births)	840	940
Fertility (births per woman)	6.6	5.6
Immunization DPT3 at 12 months (percent)	11	57

39. To address these issues, policy in the area of health will continue to be guided by the National Health Policy developed in 1999. This policy aims at combating poverty by ensuring access to basic health, family planning, and nutrition services for all. This policy is based on four main objectives: (i) developing quality basic health services accessible to the entire population; (ii) increasing the number of trained health care personnel, particularly in health centers; (iii) improving the management of the health care system; and (iv) stepping

up efforts to eradicate endemic and epidemic diseases. In addition, a National Program against AIDS/HIV has been developed and recognizes the multisectoral dimension of the problem; thus, the education of target groups, as well as mitigating measures in the context of the development of transport and natural resources sectors, is integrated in the strategy to overcome the spread of the virus.

40. In order to provide optimal health coverage, the adopted approach seeks as a priority to consolidate the implementation of the minimum package of activities (PMA), the administration of which will be concentrated at the district level. In order to improve the quality and accessibility of health services, health coverage will gradually be extended to all districts by making sure that all health centers are operational. A three-year program aimed at staffing each health center with at least one qualified nurse will be launched in 2000. Short- and medium-term objectives of the health sector policies in Chad include:

- increased DPT3 coverage;
- increased coverage with Vitamin A supplementation;
- increased coverage with antenatal care, including tetanus toxoid immunization, iron folic acid supplementation, and malaria prophylaxis;
- increased proportion of women delivering with a trained attendant;
- increased use of oral rehydration therapy at the household level;
- increased use of impregnated bed nets; and
- increased use of condoms among military, truck drivers, and commercial sex workers.

Education

41. By end-2000, the government will adopt a Framework Law on Education. The key objectives and major directions of government policy in this sector were presented to donors at a sectoral meeting on education, held in January 2000. Government policy will focus on raising primary school enrollment rates, and improving instruction and conditions for teaching and learning. To that end, the operating expenditure in the education sector has been increased by 12 percent in the 2000 budget and will increase by another 20 percent in 2001. To increase spending effectiveness, a monitoring system allowing commitments to be matched with actual expenditure on a quarterly basis will be implemented in the sector. The share of primary education in the education budget, which had been on a declining trend from 45 percent in 1995 to 37 percent in 1999, has been increased to 43 percent in 2000 and will remain at about this level throughout 2004. An investment program on the order of US$257 million (CFAF 156 billion) over 2000-04 has been proposed to back the action plan of the education sector strategy. As in the past, the Parents' Associations are expected to finance part of the recurrent costs associated with these investments.

42. The main objective in terms of basic education is to increase the gross enrollment rate to 81 percent in 2004, from 67 percent in 1999, primarily through higher retention and improvements in internal efficiency (including the reduction of repeated grades), as well as through an increase in admission rates at the level of the preparatory grade (*CP1*). Improving quality and strengthening equity and access are a priority. Girls' enrollment will be emphasized, especially in the preparatory grade (*CP1*). This enrollment will be achieved by expanding to 30 additional school districts the successful pilot operations implemented since 1995 in 4 districts.

43. The quality of primary education must also be improved: (i) concerning teachers, of whom 54 percent were unqualified in 1997-98, the government will institute new standards for teacher training in 2001 and will develop a training system for its implementation, especially in community schools (*écoles communautaires*) where 96 percent of the teachers are unqualified; (ii) concerning the curriculum, where the programs are obsolete and where there is a lack of textbooks and pedagogical materials, the National Commission in charge of modernizing the programs, the textbooks, and the pedagogical methods will be effectively established, and by 2004 each student in primary schools will be equipped with a textbook in mathematics and reading, and each teacher will have a complete set of textbooks; and (iii) finally, a program for gradually decentralizing the management of schools and teaching staff to the local level will be formulated in 2001, to better meet the needs of the students and their families.

44. Statistical information will be strengthened, with support from external partners, in order to improve the system for monitoring and evaluating the quality of education. The authorities will define a series of preliminary indicators that will provide a basis for specific targets for improving the principal education indicators in the medium term.

Rural development—agriculture

45. The rural population represents 80 percent of the total labor force, whereas agriculture (including livestock) accounts for only 40 percent of GDP. Rural populations are hardest hit by poverty, accounting for 90 percent of the poor. The 1994 devaluation of the CFA franc largely improved the incentive environment, but the supply response for export commodities such as cotton and livestock has not fully met expectations.[12] At the same time,

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[12] The development of livestock exports appear to have slowed after an initial boost subsequent to the devaluation, largely owing to low productivity (high mortality rates of young animals). The privatization of animal health services has yielded good results in terms of a large increase of drugs purchased by pastoralists, but this policy needs to be consolidated, including the more active involvement of producer associations in the distribution of veterinary drugs.

food insecurity has been endemic, and soil erosion and land degradation have been on the rise owing to population pressures and inadequate farming practices. Thus, a rural, development-led growth policy that is fully consistent with the overall macroeconomic framework is critical to any sound national poverty reduction strategy.

46. Chad's rural development strategy is two-pronged, combining both promotion of exports and food security measures at the rural household level. However, the strategy must confront several key constraints, including (i) low farm productivity for virtually all crops, owing to ineffective research and extension services; (ii) low labor productivity, due to limited access to farm inputs and equipment for most producers; (iii) an inefficient marketing system caused by deteriorating road infrastructure, making it difficult to connect major producing zones, such as the Salamat, with food deficit areas; and (iv) vagaries of climate leading to drought-induced transitory food insecurity.

47. Reform programs under way, and action plans to be formulated and/or implemented include the following. First, a comprehensive cotton sector program has been adopted by the government and implementation is under way. The program includes short-term measures to help salvage cotton production in the face of declining world prices, as well as medium-term and structural measures to ensure sustainability of cotton sector activities. The latter aim at (i) improving the efficiency of cotton processing through the privatization of the state-owned cotton company, Cotontchad, and the liberalization of this function; (ii) promoting a more active participation of farmers' representatives in key decisions regarding cotton pricing and production; and (iii) institutional/organizational measures aimed at improving farm level productivity through more effective research and extension activities, implementation of other supporting measures, such as rural credit and involvement of producer associations in farm input distribution. Given the importance of this sector for the livelihood of the rural population in the cotton-producing areas, these measures are expected to have a significant poverty reducing impact.

48. Second, on the food security front, improvements are needed in the marketing system and in the supply response capacity of crops and livestock production activities. On product marketing, needed measures include (i) the implementation of the planned national road transport strategy and expenditure program, together with the involvement of local communities in road maintenance; and (ii) dissemination of regular market price information of key commodities, as well as the effective elimination of illegal taxes on traded products. On the production side, required measures include (i) the enhancement of the effectiveness of the agricultural services project (research and extension) through better training of local technicians, a more active involvement of private sector expertise from the input distribution industry and the NGO community, as well as a more effective participation of the farming communities in the identification and diffusion of research results and extension themes; and (ii) the improvement of the farmers' access to farm equipment and inputs, which is critical to their adoption of improved technologies and the enhancement of labor productivity.

49. Finally, local communities need to take a much more active role in the formulation and management of rural development programs, in order to foster their sustainability in areas such as feeder road maintenance, rural water supply management, decentralized microcredit activities, etc. With assistance from the donor community, including the NGOs, the government will formulate pilot Community Action Programs (CAPs) to better assess constraints and to promote workable mechanisms.

Transportation

50. The high poverty levels in Chad are accentuated by the country's enormous size, its often-harsh environment, and the distribution of its population in poorly connected regional enclaves. Virtually every aspect of social and economic welfare must be viewed within the context of the country's extreme isolation and poor internal integration. Chad has less than 400 kilometers of paved roads, and most unpaved roads are impassable for four-five months during and after the rainy season. From an economic and food security point of view, the nonavailability of reliable year-round transport has created numerous agricultural enclaves, where the high cost of transport hinders the inflow of inputs and consumer goods in rural areas while hampering the outflow of production to food-deficit regions and urban centers.

51. Because of the size of the territory and the low population density, transport policy must be a necessary component of any policy related to health, education, rural development and food security.[13] During the regional participatory workshops for the preparation of the National Transport Strategy, physical isolation was cited as a critical factor limiting access to a wide variety of social services, such as health and education facilities, and water, particularly by women.

52. In November 1999, the government presented a National Transport Strategy and Expenditure Program (NTSEP) that was defined and formulated on the basis of numerous participatory consultations, not only with rural communities but also across sectors, including mainly health, education, and agriculture/rural development. The overall development objective of the program is the reduction of poverty and rural isolation through improved year-round access to markets and services (both social and administrative), especially in the rural areas where more than 90 percent of the poor live. A key element in the program is the creation of a minimal but reliable backbone, year-round road network. The program also aims at improving national food security, a critical issue in Chad, where famines have repeatedly occurred in different parts of the country. Furthermore, reliable access to regional markets within Chad is expected to contribute to a reduction and stabilization of consumer prices for basic consumption goods and more reliable incomes for farmers, most of whom are vulnerable and poor.

[13] The 1997 Chad Poverty Assessment has identified the lack of physical access to, from, and between rural areas as the single most important constraint on poverty alleviation.

53. Transport services and road maintenance work were fully privatized in the early 1990s, and a mechanism for financing road maintenance work through the Autonomous Road Maintenance Account (CAER) was created. In 2001, a new Road Maintenance Fund (*Fonds d'Entretien Routier*, FER) will become operational; it will be financed through a share of taxes on petroleum imports and managed with the participation of road users. Demonstration of the capacity of the government to carry out the agreed reform of road maintenance financing is a prerequisite for the financial support of the international donor community for the NTSEP and the upgrading of the basic road network.

54. In the air transport subsector, as an integral part of the policy to open up the country, the government will launch a process that should lead to private concessions for the management and operation of the five major airport facilities. Having dissolved the former state-owned air carrier, Air Tchad, the government is now seeking a private partner to operate internal and external air transport services.

Other issues

55. Several important components of the PRS will cut across the boundaries of sectors. Among the most important ones in the Chadian context are the fight against AIDS/HIV, the protection of the environment, and access to water. In all cases, the importance of the issue and the need for a multisectoral approach are well recognized, but the pace of progress is constrained by limited capacity.

56. A National Program against **AIDS/HIV** is in place and a communication campaign has been conducted for several years. Mitigating measures are systematically integrated in key projects that can be expected to have significant consequences on the spread of the virus, such as in the transport sector and in the development of natural resources. Concerning the **environment**, a framework law was enacted in 1999 (application texts still need to be issued); preparatory work on a National Environmental Action Plan will be initiated in 2000 and is expected to be adopted in 2002. Issues to be addressed concern desertification; the links between poverty and environmental degradation; and the protection of the environment in the context of the development of infrastructure and natural resources. As for access to **water**, a new water code was enacted in 1998 (application texts need to be issued). The development of the urban water sector will be an important component of the ongoing reforms of the state monopoly for water and electricity (the public enterprise STEE). The strategy needs to be complemented by a rural water component, which will be a part of the rural development strategy.

C. Other Structural Policies

57. Further contributing to growth and poverty alleviation, the structural reform program during the 2000-02 period will also focus on (i) private sector development and (ii) the

strengthening of economic and administrative management. Policies to foster private sector development will include the complete withdrawal of the state from commercial activities; the strengthening of the financial sector, particularly through the rehabilitation of commercial banks and the promotion of microcredit institutions, especially in the rural sector; judicial and legal reform, to ensure the security of private economic activity;[14] increased public-private sector dialogue on all aspects of economic policy; and a special effort to maintain and extend the road network.[15]

58. Improvements in economic and administrative management will help support a broad institutional capacity-building program, supported by IDA through its capacity-building projects. This process will go in step with a far-reaching civil service reform, aimed at improving administrative efficiency through an appropriate staffing and skill mix at every level of the administration, the rationalization of positions, and tight control over the public wage bill, in particular through the replacement of automatic advancement by a merit-based advancement system. A second part of the reform focuses on administrative decentralization, as mandated by the constitution. The government will ensure that the process is based on a precise definition of the attributions and responsibilities of local administrations, and will develop detailed rules and procedures to ensure the integrity of the budgetary operations of the decentralized administrative units. The authorities intend also to strengthen significantly the statistical apparatus to improve the timeliness and reliability of macroeconomic and sociodemographic data, in accordance with the Statistical Law of June 1999.

59. In parallel with this effort to implement the administrative decentralization, the government is committed to strengthening Chad's integration in the subregion through a common trade policy reform in the framework of the CEMAC, and the initiative for the Harmonization of the Business Law in Africa (OHADA).

V. Debt Sustainability Analysis and Assessment of Eligibility

60. The present debt sustainability analysis (DSA), based on macroeconomic projections until 2018, was prepared jointly by the authorities and staffs of the IMF and the World Bank on the basis of loan-by-loan data provided by the authorities and creditors for debt outstanding at end-1999. The debt estimates and the net present value (NPV) calculations

[14] The Commission for Judicial Review was reactivated at the end of 1999 to conduct a general review of the functioning of the judicial system.

[15] These reforms have been described in the memorandum of economic and financial policies for 2000-02 submitted to the International Monetary Fund with the request for the new PRGF arrangement (EBS/99/234, 12/22/99). See also Appendix III.

are preliminary, pending the completion of the debt-reconciliation exercise with multilateral and bilateral creditors.[16] The NPV of the debt-to-export ratio was measured using the backward-looking three-year average of exports of goods and nonfactor services (including the current year), whereas the debt-service ratio was calculated in relation to current-year exports.

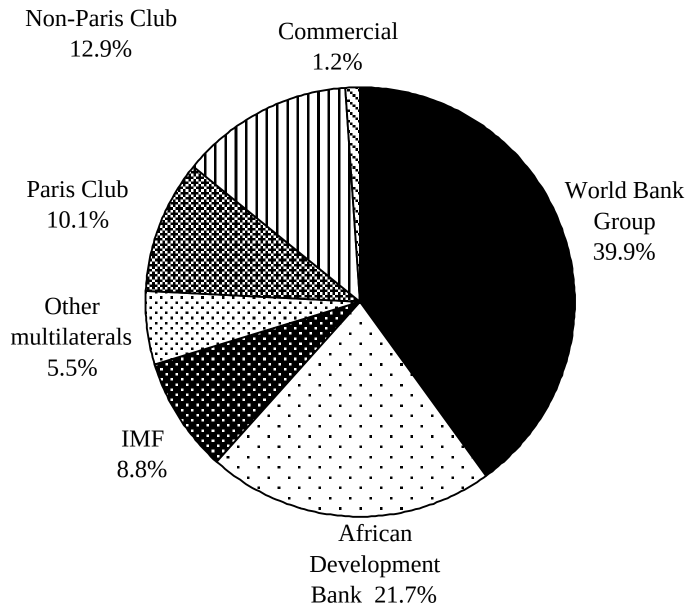
61. Prior to the assumption of a Naples stock-of-debt reduction, publicly held external debt stood at US$1.07 billion, representing 70 percent of GDP at end-December 1999. Given the considerable importance of loans granted on concessional terms, the debt stock in NPV terms amounted to US$0.605 billion, or 39 percent of GDP (Table 4). The composition of external debt before the assumption of full recourse to traditional debt-relief mechanisms is illustrated in Figure 1. Of the public debt outstanding in NPV terms, 76 percent was owed to multilateral institutions and 23 percent to official bilateral creditors (of which about 44 percent was Paris Club debt). Commercial creditors accounted for the remaining 1 percent of the debt. External payments arrears were settled in 1998.

62. Chad has obtained three rescheduling operations from Paris Club creditors. The third Paris Club agreement between Chad and its official bilateral creditors was concluded in 1996. It constituted a flow rescheduling under Naples terms, which gave a NPV reduction of 67 percent of eligible debt and covered a consolidation period from January 1996 to August 1998.

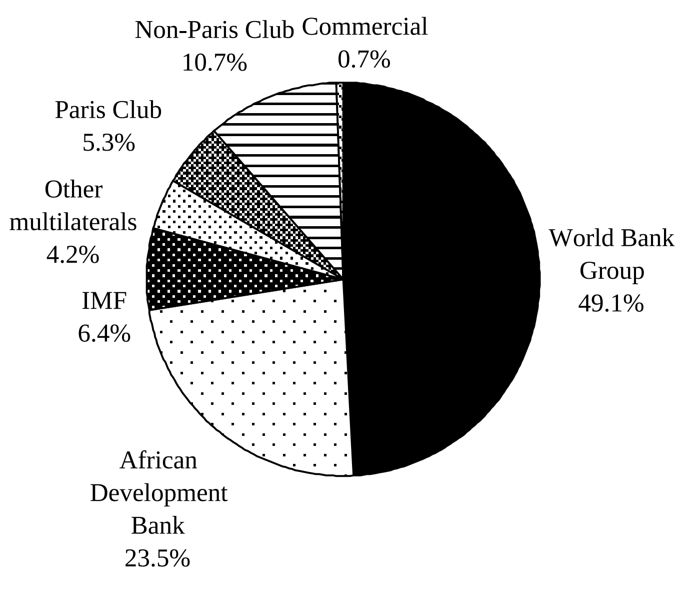
[16] While the multilateral debt data have been largely reconciled with creditors, the bilateral debt data—after having undergone several consistency checks—have been taken as provided by the authorities.

Figure 1. Chad: Stock of External Debt, End-December 1999 1

Present value of debt: US$605



Nominal value of debt: US$1,072



Sources: Chadian authorities; and staff estimates.

1/ Before assumption of Naples stock-of-debt operation.

A. Main Assumptions Under the Baseline Debt-Sustainability Scenario

63. The development of two sectors will essentially define Chad's balance of payments prospects for the period between 2000 and 2018: cotton and, most crucially, oil. At present, the authorities are seeking to design a reform program with which to overcome the institutional weaknesses of the cotton monopsony structure, and have already implemented key measures, such as the participation of representatives of the cotton farmers in the committee setting the purchase price of cotton at the start of the campaign. As for the Doba-based oil project, to be developed by an international oil consortium, the implementation phase is likely to start very soon, following the approval of the Petroleum Development and Pipeline Project by the Executive Directors of IBRD and IFC on June 6, 2000.

64. The magnitude of the pipeline investment and oil extraction dwarfs the developments in the rest of the economy, including the cotton sector, which is currently Chad's main export sector. It is hence expected that, over the course of the next five-year period, Chad's current account will deteriorate sharply, financed in a corresponding amount by the multinational corporations and, to a lesser degree, by multilateral donors. Hence, the capital account will improve dramatically until oil exports (and the corresponding net profit repatriation on the capital account side expected in 2005) reverse these trends. During 2000–04, the average current account deficit, excluding current official transfers, is estimated to represent approximately 34 percent of GDP while, during the period 2005–10, an average surplus on the order of about 29 percent should be recorded. However, given the foreign-financed investments and subsequent profit repatriation movements, the transmission mechanisms to the rest of the domestic economy should be mainly through the government's spending of the revenues stemming from taxes, royalties, and dividends, which will then be invested in the country's social and physical infrastructure.

65. The price of oil after 2005 has been assumed to be in the range of US$18 to US$21.5 per barrel. The financing gaps recorded for the "oil investment" period (until 2004) are expected to be covered by a combination of additional donor assistance, debt relief, and private-sector-led investment financing. During both the "oil extraction" and the "consolidation" phases, Chad is expected to accumulate sizable foreign exchange reserves. It has furthermore been supposed that new gross disbursements of program and project loans will carry a grant element of about 48 percent. Also, Chad is not expected to rely on balance of payments support other than committed debt relief beyond 2004. (For additional details, see Tables 1 and 2 and Box 5.)

B. Debt Sustainability Under the Baseline Scenario

66. The sustainability of Chad's external obligations is examined after taking into account an assumed Naples terms stock-of-debt operation at the end of 1999. Under this assumption, Chad's debt-service obligations would amount to 14.2 percent of exports of

goods and nonfactor services and 24.9 percent of government revenue in 2000, and about 14.9 percent and 20.4 percent, respectively, by 2003 (see Table 4).[17] The NPV of future debt-service obligations is computed to be 205 percent of exports of goods and nonfactor services[18] and 464 percent of government revenues in 1999. The NPV of debt-to-export ratio is thus well above 150 percent, indicating that Chad meets the debt/exports eligibility criterion under the enhanced HIPC initiative.[19] Under the same assumption, the ratio is projected to remain well above the 150 percent threshold until 2004, when large–scale oil exports are expected to begin (see Table 4).

C. Sensitivity Analysis

67. Even assuming debt relief, the sustainability of Chad's debt obligations is considerably influenced by various—mainly exogenous—factors, such as the completion of the oil pipeline project, commodity prices, the degree of concessionality of external financing, weather outcome and domestic growth, the buoyancy of exports, etc. The sensitivity of Chad's debt profile is examined under two alternative scenarios, based upon altered assumptions defining its two key sectors (see also Box 5).

(i) In the "optimistic" scenario, it will be assumed that the production and export of oil start, as originally anticipated, in late 2004. Furthermore, the cotton sector benefits from, inter alia, investments in the transport sector, making peripheral fields accessible and cultivable, allowing an increase in the volume of production of an annual 4 percent, as contrasted to a constant production volume slightly above the average of the years 1997–2000 (which includes the record year 1998) for the baseline scenario. In addition, world market prices are projected to increase by 4 percent per annum, rather than 2 percent as assumed for the baseline scenario. As a result, the US$31 million financing gap, recorded for the baseline scenario in 2004, will disappear.

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[17] The latest IMF mission to Chad (May 2000) undertook a through revision of the balance of payments data, based on the definitive official data through 1997 which were made available to the staff. The estimates for 1998-999 were adjusted on this basis and verified against data from the principal exporters. Nevertheless, in view of the continuing weaknesses of the customs data pertaining to exports other than cotton, these estimates cannot be considered definitive.

[18] Backward-looking, three-year average, including current year.

[19] Although the debt-to-revenue ratio exceeds the 200 percent threshold, Chad is not eligible under this criteria because its revenue-to-GDP ratio falls short of 15 percent and its exports-to-GDP ratio falls short of 30 percent.

Box 5. Main Assumptions in the Debt Sustainability Analysis (DSA)

Output growth

Real GDP is projected to grow at an average of 3.8, 11.4, and 4.0 percent during the subperiods 1999-2004, 2005-10 and 2011-18, respectively. The conceptual division of the twenty-year projection period into the three distinct subperiods, namely, the—oil-project-related—“investment” (1999–2004), “oil extraction” (2005–10), and “consolidation” (2011–18) phases, reflects the current assessment of the pipeline-related investment and oil-originating export streams. Also, these projections are based on the anticipation of a gradually improving transport infrastructure (particularly pronounced during the outer years), normal climatic conditions, and a gradually diversifying production base.

International trade

Chad is projected to be able to reverse its chronic current account deficits, which worsen considerably during the “investment” phase: With continued oil exports, the country should be able to maintain a current account surplus, excluding current official grants, even during the “consolidation” phase, at a level of at least 5 percent of GDP.

Chad’s international trade relations are profoundly influenced by the development of the oil project. However, abstracting from this sector, Chad will continue to exhibit a structural—and, as a share of GDP, relatively constant—trade deficit, which will start to diminish moderately in the outer years, largely as a result of the export diversification expected for this century’s second decade, combined with continued sound macroeconomic management. Hence, despite the continued importance of the cotton sector for Chad’s balance of payment viability, its relative importance will decline from 5 percent of GDP in 1999 in 2004 to 3 percent in 2008, and about 2 percent in 2018. In the baseline and pessimistic scenarios, the volume of cotton exports has been assumed constant, at a level slightly above the 1997–2000 average, with 2 percent per annum price increases.

It is expected that sound macroeconomic management will prevent significant appreciation of the real exchange rate, and that the immediate impact on the domestic economy will be limited to the government’s revenue-financed investments in social and physical infrastructure. The multinational corporations that have taken the lead in exploring the Doba oil basin will, in all likelihood, repatriate essentially all of their profits. Furthermore, as product diversification is expected during the “consolidation” phase, imports will tend to grow more slowly than GDP in the second half of this phase.

Capital flows

The capital account surplus will disappear with the beginning of substantial oil exports in 2005. Whereas the investment activities of multinational corporations and the grants and loans provided by the international donor community will result in a net inflow of capital up until 2004, the repatriation of net oil profits, in particular, will lead to a chronic deficit in the capital account (with a declining trend). While the deficit during the “oil extraction” phase should average almost 17 percent of GDP, it will fall to a mean of about 3 percent in the following eight-year period.

Owing to the government revenues stemming from taxes, royalties, and dividends, and a public import propensity of considerably less than unity, the improvement of the current account during the “oil extraction” and “consolidation” phases will be more pronounced than the deterioration in the capital account. Whereas pressure on official net reserves will continue up until 2004 (crucially depending on the amount of foreign loans and international aid), it is projected that these reserves will increase considerably during the subsequent 14-year period.

External public and publicly guaranteed debt

It is assumed that all bilateral creditors would have granted a Naples stock-of-debt reduction (a 67 percent reduction in NPV terms) on eligible pre-cutoff-date debt at end–December 1999.

New borrowing is justified by the need to continue to build and expand the basic infrastructure and the inability of the government to finance all such requirements from its own resources. Such borrowing would continue to be contracted on concessional terms, with an increasing degree of concessionality expected over time. The share of debt contracted on IDA terms (40 years’ maturity, 10 years’ grace and 0.75 percent interest) is assumed to rise from 35.0 percent in 2000 to 63.8 percent in 2018.

(ii) Under more "pessimistic" conditions, the implementation of the Doba oil project will prove more difficult than originally envisaged, leading to a postponement of oil production until 2007. Subsequently—and despite the assumptions of additional borrowing and baseline conditions for the cotton sector—the balance of payments, in both 2005 and 2006, will exhibit financing gaps of US$174 million and US$234 million, respectively.

The projections made under these alternative scenarios underline the crucial importance of the oil sector in the medium term and the cotton sector in the longer term (see Figure 2).

68. In terms of the alternative scenario's impact on the sustainability of Chad's external debt, the vulnerability analysis reveals the following results (see Table 6): in the "optimistic" scenario, the NPV of debt (after rescheduling) would be 205 percent of exports of goods and nonfactor services by 1999 and 245 percent by 2003—still considerably above the threshold of 150 percent. The debt service (after the assumed rescheduling) would amount to 14.2 percent of exports of goods and nonfactor services and 24.9 percent of government revenue in 2000, increasing to 14.6 percent and declining to 23.5 percent, respectively, by 2003. By contrast, under the more "pessimistic" scenario, the NPV of the debt (after rescheduling) would be 205 percent of exports of goods and nonfactor services by end-1999 and 253 percent by 2003. The debt-service ratio (after rescheduling) would increase from 14.3 percent of exports of goods and nonfactor services in 2000 to 15.0 percent in 2003. Figure 2 illustrates these scenarios, including the large improvement over the longer term due to the oil sector.

VI. Potential Assistance under the HIPC Initiative, Decision Point, and Completion Point

A. Potential Assistance

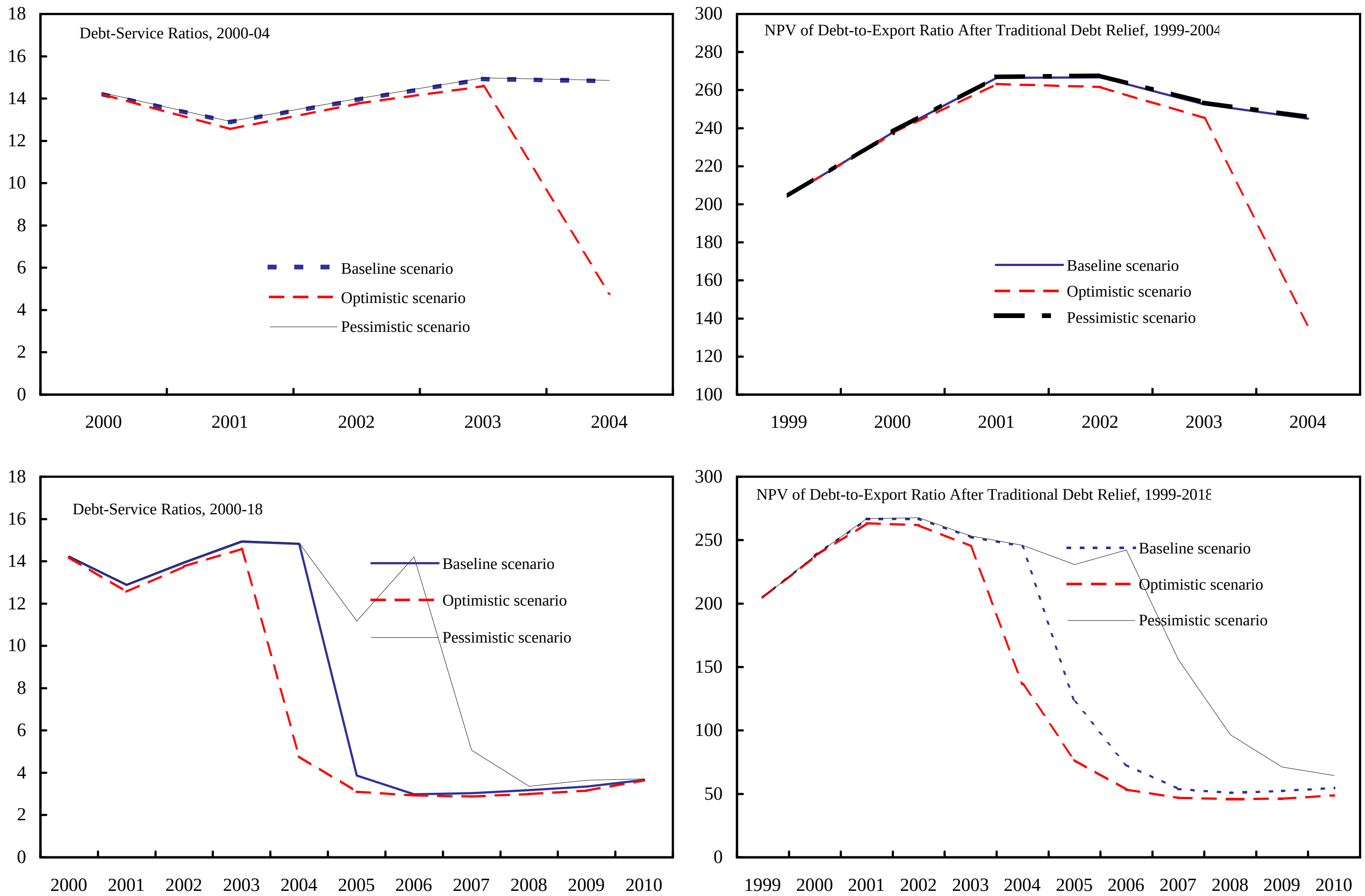
69. The required amount of relief for Chad to reach a target of 150 percent for the NPV of debt-to-export ratio at end-December 1999 would be US$156.6 million in NPV terms. Based on proportional burden sharing, multilateral creditors would provide 78 percent of overall assistance, or US$122.6 million in NPV terms. Bilateral creditors would provide the remaining US$34 million. Preliminary estimates indicate that enhanced HIPC Initiative assistance could translate into an annual debt-service reduction equal to an average of 0.5 percent of GDP for the 2000-09 period (see Box 6).

B. Decision and Completion Points

70. The staffs and managements of the Fund and IDA expect the presentation of the decision point document by the fall of 2000, based on an agreement with the Chadian authorities on the specific reform areas to be monitored to reach the completion point. This

will follow the finalization by the authorities of Chad's interim PRSP and its presentation to the Boards of the Bank and the Fund in July 2000, together with the joint staff assessment of the interim PRSP.

Figure 2. Chad: Baseline Scenario and Sensitivity Analysis, 1999-2018
(In percent)



Sources: Chadian authorities; and Bank and Fund staffs estimates and projections.

Box 6. Potential Assistance Under the Enhanced HIPC Initiative

Assumptions

The following assumptions were made regarding the delivery of assistance to Chad under the enhanced HIPC Initiative:

- **Interim assistance.** It is assumed that **IDA** would deliver interim assistance from the decision point onward, covering 50 percent of debt service due to it from 2000 until the required NPV reduction is achieved. The **IMF** and the **AfDB** are also assumed to deliver interim assistance from 2000 onward. It is expected that the Paris Club bilateral creditors would provide interim assistance in the form of a Cologne flow rescheduling.

- For **Paris Club** bilateral creditors, a stock-of-debt operation under Cologne terms is projected at the completion point. At least comparable treatment to the Paris Club group of creditors is assumed for **non-Paris Club bilateral creditors**.

- The total amount of assistance required from each **multilateral** creditor is calculated based on its proportional share of the total NPV of external debt at December 31, 1999. All remaining multilateral creditors are assumed to provide assistance from the completion point onward through a fixed annual percentage reduction in debt-service payments.

Possible assistance under the enhanced HIPC Initiative

Interim assistance is estimated at approximately US$10.6 million per annum for the period 2000 to mid-2002. From the completion point onward, debt relief would amount to US$12.2 million per annum for the period mid-2002 to 2009.

71. In accordance with the enhanced HIPC Initiative framework, the staffs intend to present in the decision point HIPC document specific recommendations with respect to the conditions to be fulfilled before Chad would reach the completion point. Assuming a decision point before end-2000, the staffs would propose that the completion point could be reached as soon as the following conditions are met:

- A satisfactory poverty reduction strategy paper has been presented to the Boards of the two institutions, and there is a record of satisfactory implementation of the Poverty Reduction Strategy for at least one year.

- There is evidence of progress in the priority sectors, for example in the areas of access to primary health care and basic education, as measured by tangible results with respect to precisely defined intermediate indicators. It is expected that the government will propose the specific conditions that will be selected for that purpose, as they emerge from the PRSP process. The intention is to maintain a clear focus on the link between the resources freed by the alleviation of the debt burden and tangible poverty-reducing benefits from public service delivery.

- An appropriate macroeconomic framework continues to be in place, as evidenced by satisfactory performance under a program supported by the Fund's PRGF.

C. The Authorities' View

72. In the discussions of the debt sustainability analysis, the Chadian authorities stressed that the burden of Chad's external public and publicly guaranteed debt remained extremely high, despite efforts to improve the management of the debt and to limit new borrowing. Moreover, given the very large share of multilateral debt in the overall stock, traditional mechanisms were unlikely to provide adequate relief with regard to the debt service. They were thus eager to benefit from assistance under the enhanced HIPC Initiative as soon as possible. The authorities pointed to Chad's strong adjustment record under difficult circumstances over the past five years. Notwithstanding progress in reducing internal and external imbalances, however, they underscored that Chad's own resource base was woefully inadequate to meet the country's immense development needs. The government stressed that the assistance available under the enhanced HIPC Initiative, while relatively modest compared with that received by some other countries, would free resources that could be used to finance necessary structural reforms and well-targeted poverty reduction. It would thus make a significant contribution to accelerating the improvement of Chad's very weak social indicators. The authorities strongly expressed their view that assistance under the enhanced HIPC Initiative should complement but not substitute for other forms of assistance from Chad's partners.

73. The authorities shared the staffs' analysis of the vulnerability of Chad's external position to exogenous shocks, pointing to the recent experience with low cotton prices, and to the adverse effects on the whole economy of the intermittent interruption in energy supplies to the landlocked country over the last three years. Climatic variations from year to year could also have a profound impact on the entire economy, as was clearly demonstrated in 1998-99. In their view, however, extreme prudence was required in basing the medium-term projections on the assumption of a sustained recovery of world cotton prices. Moreover, Chad's landlocked position made it extremely dependent on conditions in neighboring countries and thus vulnerable to a combination of exogenous shocks that could exacerbate the already unsustainable debt situation.

74. The authorities welcomed the opportunity to determine themselves the specific conditions in the area of poverty reduction indicators that will be proposed as triggers for the completion point. They consider this opportunity an important element of the ownership of the PRSP process.

75. The authorities would welcome an early decision point. With regard to the possible timing of the completion point, the authorities underscored that the consultation of civil society in preparing a national poverty reduction strategy implied that sufficient time must be allowed to complete a PRSP. They noted that they had already begun to implement some of the key elements of the strategy, including the participation of civil society and stakeholders in the definition of poverty-reducing strategies at the sectoral level. The authorities therefore considered that requiring a full year of implementation of the PRSP as of the formal presentation of the final document might be unduly restrictive and delay the delivery of the much-needed assistance. They hoped that the Boards of the Bank and the Fund would agree to an early completion point. In this context, however, they expressed great interest in the possible availability of interim assistance from the multilateral institutions, starting at the decision point. The authorities intend to set out detailed plans for the use of these resources in the priority sectors.

VII. Issues for Discussion

76. **Eligibility.** Do Directors consider Chad eligible for assistance under the enhanced HIPC Initiative?

77. **Decision point.** Taking into account Chad's adjustment record over the past five years, the staff proposes that the **decision point** could be reached before the end of 2000, following consultations with other creditors and consideration of a decision point document, to be prepared in light of the Boards' discussion of this paper. Do Executive Directors agree with this proposal?

78. **Interim assistance.** Do Directors agree with the staff's recommendation of providing interim assistance between the decision and the completion point?

79. **Completion point.** Do Directors have preliminary views on the policies to which a floating completion point should be tied, and on whether the conditions outlined in paragraph 71 are sufficient ?

Table 1. Chad: Main Assumptions on Macroeconomic Framework, 1999-2018

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	Averages 1/ 1999-2004	2005-2010	2011-2018
Economic growth and prices									(Annual percentage change; period average)														
Real GDP	-0.7	1.0	4.0	4.0	6.2	8.3	42.4	11.8	3.7	4.2	3.9	2.3	0.9	1.6	3.0	4.5	5.2	5.5	5.7	5.9	3.8	11.4	4.0
Real GDP per capita	-3.2	-1.5	1.5	1.5	3.7	5.8	39.9	9.3	1.2	1.7	1.4	-0.2	-1.6	-0.9	0.5	2.0	2.7	3.0	3.2	3.4	1.3	8.9	1.5
Consumer prices	-8.0	4.0	4.0	3.2	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	1.2	2.0	2.0
Balance of payments									(In billions of CFA francs, unless otherwise specified)														
Exports of goods and nonfactor services (GNFS)	160	155	189	206	218	231	902	1,159	1,154	1,180	1,198	1,149	1,025	913	836	815	824	849	890	950	193	1,124	888
(in millions of U.S. dollars)	260	234	288	317	343	369	1,471	1,944	1,936	1,979	2,009	1,926	1,719	1,530	1,402	1,368	1,382	1,424	1,492	1,594	302	1,878	1,489
Exports of goods and services (3-year mvg. avg.)	171	167	168	183	204	218	450	764	1,072	1,165	1,178	1,176	1,124	1,029	925	855	825	829	854	896	185	967	917
(in millions of U.S. dollars)	260	247	261	280	316	343	728	1,261	1,784	1,953	1,975	1,972	1,885	1,725	1,551	1,433	1,384	1,391	1,432	1,503	284	1,612	1,538
As a percent of GDP	18.1	17.0	15.8	15.1	15.6	15.1	21.6	32.2	42.7	43.7	41.7	39.9	37.1	32.8	28.1	24.4	21.9	20.5	19.6	19.1	16	37	25
Imports of goods and nonfactors services (GNFS)	286	293	604	760	727	592	502	423	444	468	485	513	543	574	609	645	684	726	771	819	544	472	671
(in millions of U.S. dollars)	465	442	922	1,170	1,142	947	819	709	744	785	813	860	910	963	1,021	1,082	1,147	1,217	1,292	1,373	848	788	1,126
Current account, including grants	-114	-414	-552	-506	-358	426	802	786	798	810	755	598	446	327	267	280	266	259	273	0	-253	758	265
(in millions of U.S. dollars)	-186	-625	-842	-780	-563	682	1,307	1,317	1,338	1,358	1,266	1,003	748	548	448	470	446	434	457	0	-386	1,265	444
Current account, excluding grants	-123	-132	-146	-426	-564	-518	-370	415	790	775	787	799	744	588	436	317	258	271	257	250	-318	533	390
(in millions of U.S. dollars)	-199	-200	-222	-656	-886	-830	-604	696	1,325	1,299	1,320	1,340	1,248	986	731	532	432	455	431	419	-499	896	654
Current account, including grants (in percent of GDP)	-12.1	-42.3	-51.8	-41.8	-27.4	29.5	38.4	33.1	31.8	30.4	26.7	20.3	14.7	10.4	8.1	8.0	7.1	6.4	6.3	0.0	-24.3	30.1	7.6
Overall balance	-20	-3	-44	-57	-49	-12	202	335	333	340	348	345	297	247	207	194	237	247	263	299	-31	317	249
Overall balance (in millions of US dollars)	-33	-4	-67	-88	-77	-19	330	562	558	570	583	579	499	415	348	325	397	415	440	501	-48	530	417
New nongap borrowing	62	44	71	72	70	66	66	68	70	71	73	75	77	79	81	83	85	87	89	91	64	71	84
Project loans	32	36	64	68	70	66	66	68	70	71	73	75	77	79	81	83	85	87	89	91	56	71	84
Program loans	30	9	7	4	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	8	0	0
(in millions of U.S. dollars)	87	64	105	109	110	106	108	114	117	120	123	126	129	132	136	139	142	146	150	153	97	118	141
Overall financing gap	0	7	43	38	60	20	0	0	0	0	0	0	0	0	0	0	0	0	0	0	28	0	0
(in millions of U.S. dollars)	0	11	65	59	94	32	0	0	0	0	0	0	0	0	0	0	0	0	0	0	44	0	0
Gross official reserves (in weeks of GNFS imports)	3.4	5.7	3.2	1.6	2.0	2.4	22.8	67.2	102.4	134.9	167.5	193.4	211.3	222.0	227.3	230.0	234.9	239.1	242.9	247.7	3.0	114.7	231.9
Export volume growth (percentage change) 2/	-12.7	-4.6	-3.1	7.6	1.5	1.8	6.7	33.0	-2.5	-0.1	-1.3	-9.1	-15.6	-15.1	-11.0	-6.4	-5.1	-5.5	-6.5	-7.8	-1.6	4.4	-9.1
Import volume growth (percentage change) 2/	-12.6	-5.4	226.2	28.2	-11.3	-30.2	-28.5	-31.8	0.2	1.1	-2.4	1.6	1.7	1.9	2.1	2.2	2.4	2.6	2.7	2.9	32.5	-10.0	2.3
Terms of trade (percentage change)	3.6	4.2	20.0	-0.1	-0.9	-2.4	-22.2	1.3	1.1	1.2	1.5	1.4	1.1	0.8	0.5	0.5	0.5	0.4	0.3	0.2	4.1	-2.6	0.5
Oil prices (US$ per barrel)	18.1	24.5	19.8	18.6	18.8	19.0	19.2	19.1	19.3	19.5	19.7	19.9	20.1	20.3	20.5	20.7	20.9	21.1	21.3	21.5	19.8	19.4	20.8
Memorandum items:																							
Nominal GDP																							
In billions of CFA francs	942	981	1,065	1,211	1,310	1,444	2,085	2,374	2,509	2,664	2,823	2,944	3,030	3,139	3,296	3,509	3,761	4,042	4,352	4,695	1,159	2,566	3,728
In millions of U.S. dollars	1,533	1,480	1,624	1,865	2,057	2,312	3,402	3,981	4,207	4,468	4,734	4,936	5,081	5,265	5,527	5,885	6,306	6,777	7,298	7,874	1,812	4,288	6,252
Government revenues																							
In billions of CFA francs	78	88	110	127	139	154	221	236	255	275	296	321	347	377	409	445	475	514	557	602	116	267	466
In millions of U.S. dollars	126	133	168	196	218	247	360	396	427	460	497	538	582	631	686	746	796	862	934	1,009	181	446	781
Gross foreign reserves	19	32	38	23	27	27	220	546	874	1,214	1,562	1,908	2,205	2,452	2,660	2,853	3,090	3,338	3,600	3,899	28	1,054	3,012
GDP per capita	104	98	105	118	127	139	200	228	235	243	252	256	257	260	266	276	289	303	318	335	115	236	288
Population growth rate (percentage change)	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5

Sources: Chadian authorities; and staff estimates and projections.

1/ The years between 1999 and 2004 represent the pre-oil "investment period," between 2005 and 2010 the "oil exploitation period," and the ones between 2011 and 2018 the "consolidation" period.
2/ Merchandise exports and imports, respectively (i.e., excluding the trade in nonfactor services).

Table 2. Chad: Balance of Payments (Baseline Scenario), 1997-2018
(In billions of CFA francs)

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Current account, incl. off. curr. transfers	-83.3	-93.1	-119.6	-114.4	-414.4	-552.1	-506.5	-358.4	426.3	801.5	785.5	798.0	809.7	754.7	598.2	445.9	326.5	267.2	280.2	265.7	258.6	272.7
Current account, excl. off. curr. transfers	-117.8	-122.6	-132.4	-145.9	-426.0	-564.3	-518.4	-370.1	414.9	790.3	774.6	787.3	799.2	744.5	588.2	436.2	317.0	257.9	271.1	256.8	249.9	264.2
Trade balance, incl. oil sector	-5.7	-6.5	-22.0	-30.5	-221.9	-309.2	-277.2	-180.6	453.1	680.2	663.3	665.9	665.4	594.2	470.4	354.2	269.2	225.4	202.0	189.9	188.7	202.1
Trade balance, excl. oil sector	-5.5	-6.5	-22.0	-26.2	-30.3	-30.1	-32.6	-36.4	-40.0	-43.0	-47.3	-51.5	-55.5	-59.0	-61.7	-63.1	-62.6	-59.2	-51.9	-39.0	-18.4	12.9
Exports, f.o.b.	138.1	154.1	129.4	122.7	140.2	152.2	159.3	165.4	738.6	911.5	905.8	921.4	928.7	872.4	764.5	665.3	598.4	574.1	571.5	581.5	604.2	643.0
Cotton exports	63.2	78.4	46.8	40.8	54.6	61.9	65.3	67.6	69.8	71.2	72.7	74.1	75.6	77.1	78.7	80.2	81.8	83.5	85.1	86.8	88.6	90.4
Cattle exports	41.8	48.5	56.2	58.3	60.6	62.8	64.9	66.8	69.8	73.0	76.3	79.8	83.4	87.2	91.2	95.3	99.7	104.2	109.0	113.9	119.1	124.5
Oil exports	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	565.6	731.3	717.7	724.5	721.9	654.2	533.1	418.3	332.7	285.6	254.9	229.9	208.1	190.2
Other exports	33.1	27.2	26.4	23.7	24.5	25.4	26.4	27.5	28.5	29.6	30.7	31.8	32.9	34.0	35.1	36.3	37.4	38.6	39.7	40.9	42.1	43.3
Imports, f.o.b.	143.8	160.5	151.4	153.2	362.1	461.4	436.5	346.0	285.4	231.3	242.5	255.5	263.3	278.2	294.1	311.1	329.3	348.7	369.4	391.7	415.4	440.9
Formal imports	116.0	115.3	109.1	109.8	317.1	414.6	387.9	295.8	233.0	176.6	185.5	196.1	201.5	213.9	227.2	241.5	256.9	273.5	291.4	310.6	331.3	353.6
Energy imports	12.7	12.9	14.7	15.2	15.0	16.6	18.0	19.4	21.0	21.0	22.7	24.7	26.8	29.1	31.6	34.3	37.3	40.5	43.9	47.7	51.8	56.2
Pipeline-related imports	0.2	0.0	0.0	4.3	191.6	279.1	244.6	144.1	72.4	8.1	7.1	7.1	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Other imports	103.2	102.5	94.5	90.3	110.4	118.9	125.3	132.2	139.6	147.5	155.6	164.3	173.7	183.8	194.6	206.2	218.6	232.0	246.4	261.9	278.5	296.3
Informal	27.8	45.2	42.3	43.4	45.1	46.8	48.5	50.2	52.4	54.7	57.0	59.4	61.8	64.3	66.9	69.6	72.3	75.2	78.1	81.1	84.2	87.3
BEAC notes	11.1	25.8	19.8	20.1	20.9	21.7	22.6	23.5	24.5	25.5	26.5	27.4	28.4	29.4	30.4	31.5	32.5	33.5	34.5	35.5	36.5	37.5
Other informal imports	16.7	19.4	22.5	23.3	24.2	25.1	25.9	26.7	27.9	29.2	30.5	31.9	33.4	34.9	36.5	38.1	39.9	41.7	43.6	45.6	47.6	49.8
Services, incl. oil sector (net)	-104.7	-109.6	-104.0	-107.1	-193.8	-244.9	-232.0	-180.2	-53.4	56.4	47.1	46.1	48.0	41.8	12.0	-16.1	-41.5	-55.0	-62.2	-66.9	-69.7	-70.4
Services, excl. oil sector (net)	-89.3	-89.4	-102.9	-99.9	-161.6	-198.2	-191.0	-156.1	-117.8	-92.0	-94.5	-97.0	-97.4	-101.3	-106.3	-110.7	-113.9	-115.4	-115.7	-115.0	-113.1	-109.9
Credit	28.9	31.1	30.4	32.3	48.6	53.7	58.9	65.4	163.0	247.9	248.6	258.9	269.6	276.4	260.5	247.3	237.8	241.4	252.4	267.4	285.6	307.3
Of which : pipeline-related	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	76.5	149.8	142.8	144.3	145.5	143.2	118.4	94.8	72.5	60.6	53.7	48.3	43.7	39.6
Debit	133.7	140.7	134.4	139.3	242.3	298.7	290.9	245.7	216.5	191.5	201.5	212.8	221.6	234.6	248.5	263.4	279.3	296.4	314.7	334.3	355.3	377.8
Of which : pipeline-related	15.4	20.2	1.1	7.2	32.1	46.8	41.0	24.2	12.1	1.4	1.2	1.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Factor income (net)	-9.6	-8.3	-8.5	-10.3	-12.5	-12.3	-11.4	-11.4	13.0	51.5	62.0	73.1	83.8	106.4	103.7	95.9	87.2	85.3	129.2	131.8	128.7	130.5
Credit (non-oil)	2.5	2.6	3.0	2.5	2.7	3.0	3.2	3.5	8.3	16.0	23.8	31.8	40.2	48.1	55.0	61.0	66.4	71.4	76.4	81.2	86.0	90.7
Credit (oil-related)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	19.8	49.9	53.1	56.7	59.6	74.5	65.6	51.9	38.8	31.6	71.0	69.8	63.2	59.0
Debit	12.1	10.9	11.5	12.8	15.2	15.3	14.6	14.9	15.0	14.3	14.8	15.4	16.0	16.3	16.9	17.0	17.9	17.7	18.1	19.2	20.5	19.3
Current transfers (net)	36.7	31.3	14.9	33.5	13.8	14.4	14.1	13.9	13.6	13.4	13.1	12.9	12.6	12.4	12.1	11.9	11.7	11.4	11.2	11.0	10.8	10.5
Official (net)	34.5	29.5	12.9	31.4	11.7	12.2	12.0	11.7	11.4	11.2	10.9	10.7	10.5	10.2	10.0	9.8	9.5	9.3	9.1	8.9	8.7	8.5
Private (net)	2.3	1.8	2.0	2.0	2.1	2.1	2.1	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.1	2.1	2.1	2.1	2.1	2.1	2.0
Capital and financial account	69.1	90.6	102.4	111.6	370.3	495.0	457.5	346.3	-224.3	-466.1	-452.9	-458.0	-461.8	-409.4	-300.8	-198.6	-119.1	-73.7	-43.4	-18.4	4.1	26.3
Long- and medium-term capital	95.0	84.8	108.4	101.2	357.2	465.4	426.1	306.3	-95.9	-289.9	-280.8	-284.2	-288.4	-249.9	-170.5	-95.9	-38.1	-4.4	18.4	37.2	54.4	72.3
Public	73.2	57.8	80.6	76.3	106.4	109.9	108.4	103.4	-217.9	-339.8	-332.6	-339.2	-339.8	-305.1	-229.7	-159.5	-106.3	-77.7	-60.3	-47.3	-36.3	-25.2
Capital transfers	30.6	41.5	30.0	46.5	45.9	48.1	47.1	46.2	-275.8	-396.2	-386.8	-391.9	-392.0	-357.8	-285.7	-217.3	-164.2	-135.4	-117.3	-102.9	-90.4	-80.1
Project grants	30.6	41.5	30.0	46.5	45.9	48.1	47.1	46.2	45.2	44.3	43.4	42.6	41.7	40.9	40.1	39.3	38.5	37.7	37.0	36.2	35.5	34.8
Oil-revenue-financed investments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-321.1	-440.5	-430.2	-434.4	-433.7	-398.7	-325.8	-256.6	-202.6	-173.1	-154.3	-139.1	-125.9	-114.9
Debt foregiveness	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Drawings	50.4	24.9	61.5	44.4	70.8	71.9	70.2	66.0	66.3	68.0	69.7	71.4	73.2	75.1	76.9	78.9	80.8	82.9	84.9	87.0	89.2	91.5
Project loans	21.2	24.9	32.0	29.0	58.9	61.6	63.1	64.7	66.3	68.0	69.7	71.4	73.2	75.1	76.9	78.9	80.8	82.9	84.9	87.0	89.2	91.5
Program loans	29.1	0.0	29.5	8.8	7.1	4.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Pipeline loan (IBRD)	0.0	0.0	0.0	6.6	4.9	6.2	7.1	1.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Repayment	7.8	8.6	10.9	14.6	10.4	10.1	8.9	8.8	8.4	11.6	15.5	18.8	21.0	22.3	20.9	21.1	23.0	25.1	27.9	31.5	35.2	36.5
Private	21.8	27.0	27.7	24.9	250.9	355.5	317.7	203.0	122.0	49.9	51.7	55.0	51.4	55.2	59.2	63.6	68.3	73.3	78.7	84.5	90.8	97.5
Direct investment	23.6	27.1	25.7	26.5	252.5	357.3	319.7	205.1	124.4	52.4	54.5	57.9	54.5	58.5	62.8	67.5	72.4	77.8	83.5	89.7	96.3	103.5
Of which: direct oil-project investment	0.0	0.0	0.0	0.0	223.8	325.8	285.6	168.3	84.6	9.5	8.3	8.3	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2
Other investments	-1.8	0.0	2.1	-1.6	-1.7	-1.8	-2.0	-2.2	-2.3	-2.5	-2.7	-2.9	-3.1	-3.4	-3.6	-3.9	-4.2	-4.5	-4.8	-5.2	-5.6	-6.0
Of which: banking sector	0.4	0.1	-1.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Short-term capital	-25.9	5.8	-6.0	10.3	13.1	29.6	31.4	40.0	-128.4	-176.2	-172.1	-173.8	-173.5	-159.5	-130.3	-102.6	-81.1	-69.2	-61.7	-55.6	-50.4	-46.0
Private sector	-15.9	4.0	3.5	2.0	3.3	9.4	10.3	15.1	-128.4	-176.2	-172.1	-173.8	-173.5	-159.5	-130.3	-102.6	-81.1	-69.2	-61.7	-55.6	-50.4	-46.0
Banking sector	-10.0	1.8	-9.5	8.3	9.8	20.2	21.1	24.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net errors and omissions	3.3	-10.7	-3.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance	-10.9	-13.2	-20.4	-2.9	-44.1	-57.1	-49.0	-12.1	202.0	335.4	332.6	340.1	347.8	345.3	297.4	247.4	207.4	193.5	236.9	247.3	262.6	299.0
Financing	10.9	13.2	20.4	2.9	44.1	57.1	49.0	12.1	-202.0	-335.4	-332.6	-340.1	-347.8	-345.3	-297.4	-247.4	-207.4	-193.5	-236.9	-247.3	-262.6	-299.0
Change in official net reserves	8.2	11.5	15.2	-13.3	-5.5	14.6	-4.5	0.0	-192.6	-326.1	-328.3	-340.1	-347.8	-345.3	-297.4	-247.4	-207.4	-193.5	-236.9	-247.3	-262.6	-299.0
Exceptional financing	2.4	1.7	1.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Change in arrears	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Rescheduling of public debt and arrears	2.2	1.7	1.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Use of Fund resources	0.1	0.0	4.1	8.8	7.1	4.1	-6.5	-7.9	-9.4	-9.3	-4.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financing gap	0.0	0.0	0.0	7.4	42.5	38.4	60.0	20.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Sources: Chadian authorities; and staff estimates and projections.

Table 3. Chad: Debt-Service Payments on Public and Publicly Guaranteed External Debt, 2000-18

(In millions of U.S. dollars)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	Averages 2011-2013	Averages 2014-2016	Averages 2017-2018
Debt service on outstanding debt 1/	36.6	38.6	43.8	44.8	47.4	48.6	44.6	40.0	39.7	41.2	41.0	39.9	38.7	37.7
Principal	23.5	26.1	31.8	33.4	36.4	38.0	34.5	30.3	30.4	32.3	32.5	32.3	32.7	33.0
Interest	13.1	12.5	12.0	11.4	11.0	10.5	10.1	9.7	9.3	8.9	8.4	7.5	6.0	4.6
Debt service on new borrowing	1.4	3.0	4.8	6.8	8.1	9.3	15.0	20.1	24.6	28.0	30.8	32.8	44.3	55.9
Principal	0.0	0.0	0.0	0.0	0.0	0.0	4.5	8.3	11.6	13.9	15.6	15.4	23.5	32.3
Interest	1.4	3.0	4.8	6.8	8.1	9.3	10.5	11.8	13.0	14.1	15.2	17.4	20.8	23.5
Debt service on reschedulings	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.4	0.4	0.4	0.6	0.9
Principal	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.1	0.1	0.2	0.4	0.7
Paris Club	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.1	0.1	0.3	0.4
Non-Paris Club	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.3
Interest	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.2	0.2
Paris Club	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.2	0.2	0.2	0.2	0.2	0.2
Non-Paris Club	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Debt-service relief--stock operations	5.4	5.2	5.0	3.4	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8	0.0	0.1
Principal	4.6	4.6	4.6	3.3	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8	0.0	0.0
Interest	0.8	0.6	0.4	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total debt service after debt relief 2/	31.8	34.0	39.3	43.8	45.6	45.9	43.0	38.7	38.4	39.4	39.7	38.5	39.5	36.7
Principal	19.0	21.5	27.2	32.2	34.3	35.1	32.6	28.8	28.9	30.2	31.0	30.7	33.3	31.9
Multilateral	13.1	15.6	21.2	24.1	26.6	28.5	26.1	22.1	21.9	23.6	24.3	24.3	26.4	27.9
IDA	6.0	6.4	6.4	6.9	7.9	8.7	9.6	10.9	12.3	14.6	15.8	16.3	18.5	19.7
IMF	0.8	3.4	9.1	11.3	12.5	13.6	10.2	4.5	2.3	1.1	0.0	0.0	0.0	0.0
African Development Bank Group	2.2	2.2	2.7	2.9	3.2	3.2	3.3	4.0	4.7	5.5	6.4	6.5	7.2	7.8
Others	4.1	3.6	3.1	3.0	3.0	3.0	3.0	2.7	2.7	2.4	2.1	1.5	0.7	0.3
Official bilatera	4.8	4.9	5.0	7.2	7.3	6.6	6.5	6.7	6.9	6.6	6.8	6.3	6.9	4.0
Paris Club	1.1	1.2	1.3	1.9	2.0	2.2	2.1	2.3	2.6	2.2	2.4	3.1	4.5	1.7
Post-cutoff date	1.0	1.0	1.0	1.5	1.5	1.5	1.2	1.2	1.2	0.5	0.4	0	0	0.4
Of which : ODA	0.7	0.7	0.7	1.2	1.2	1.2	1.2	1.2	1.2	0.5	0.4	0.4	0.4	0.4
Pre-cutoff date	0.1	0.2	0.3	0.4	0.6	0.7	0.9	1.1	1.4	1.6	2.0	2.7	4.1	1.3
ODA	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Non-ODA	0.1	0.2	0.3	0.4	0.5	0.7	0.9	1.1	1.4	1.6	1.9	2.7	4.1	1.2
Other official bilateral	3.7	3.7	3.7	5.3	5.3	4.4	4.4	4.4	4.4	4.4	4.4	3.2	2.4	2.3
Post-cutoff date	3.7	3.7	3.7	5.3	5.3	4.4	4.4	4.4	4.4	4.4	4.4	3.2	2.2	1.9
Pre-cutoff date	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.2	0.3
Commercial	1.1	1.0	1.0	0.9	0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1
Post-cutoff date	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Pre-cutoff date	1.1	1.0	1.0	0.9	0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1
Interest	12.8	12.4	12.1	11.7	11.3	10.8	10.4	9.9	9.6	9.1	8.7	7.8	6.2	4.8
Multilateral	7.0	6.9	6.7	6.5	6.3	6.1	5.9	5.7	5.5	5.3	5.1	4.7	4.1	3.6
IDA	3.9	3.9	3.8	3.8	3.7	3.7	3.6	3.5	3.5	3.4	3.2	3.0	2.6	2.3
IMF	0.3	0.3	0.3	0.2	0.2	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
African Development Bank Group	1.9	1.9	1.9	1.8	1.8	1.8	1.8	1.7	1.7	1.7	1.6	1.5	1.4	1.2
Others	0.9	0.8	0.7	0.7	0.6	0.5	0.5	0.4	0.3	0.3	0.2	0.2	0.1	0.1
Official bilatera	5.6	5.3	5.2	5.0	4.9	4.7	4.5	4.2	4.0	3.8	3.6	3.0	2.1	1.2
Paris Club	3.3	3.1	3.1	3.0	3.0	2.9	2.8	2.6	2.5	2.4	2.3	1.9	1.2	0.5
Post-cutoff date	0.6	0.5	0.4	0.4	0.3	0.3	0.2	0.2	0.1	0.1	0.1	0.1	0.0	0.0
Of which : ODA	0.3	0.3	0.3	0.3	0.2	0.2	0.2	0.2	0.1	0.1	0.1	0.1	0.0	0.0
Pre-cutoff date	2.7	2.7	2.7	2.7	2.6	2.6	2.5	2.5	2.4	2.3	2.2	1.9	1.2	0.5
ODA	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Non-ODA	2.6	2.6	2.6	2.6	2.6	2.6	2.5	2.4	2.4	2.3	2.2	1.8	1.2	0.5
Other official bilateral	2.1	2.0	2.0	1.9	1.9	1.8	1.7	1.6	1.5	1.4	1.3	1.1	0.8	0.7
Post-cutoff date	2.1	2.0	2.0	1.9	1.9	1.8	1.7	1.6	1.5	1.4	1.3	1.1	0.8	0.7
Pre-cutoff date	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Commercial	0.2	0.2	0.2	0.1	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Post-cutoff date	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Pre-cutoff date	0.2	0.2	0.2	0.1	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Sources: Chadian authorities; and staff estimates and projections.

1/ Before debt relief.

2/ After simulation of Naples terms stock-of-debt operation.

Table 4. Chad: External Debt Indicators, 1999-2018 1/

(In millions of U.S. dollars, unless otherwise indicated)

													Averages		
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011-2013	2014-2016	2017-2018
Nominal debt stock after rescheduling (Naples terms)	1,064	1,148	1,235	1,318	1,398	1,469	1,541	1,618	1,698	1,777	1,856	1,935	2,106	2,366	2,579
Multilateral	893	880	864	843	819	792	763	737	715	693	670	645	597	520	452
Official bilateral	165	161	156	151	146	139	131	125	118	112	105	98	85	66	50
Of which: Paris Club	52	51	49	48	47	45	43	41	39	36	34	32	26	16	6
Commercial	6	5	4	3	2	1	1	1	1	1	1	1	1	0	0
New debt	0	103	211	322	432	537	646	755	864	972	1,081	1,191	1,424	1,780	2,077
Of which: multilateral	0	74	148	220	290	362	438	514	589	666	744	825	1,000	1,277	1,514
Nominal debt before rescheduling	1,079	1,157	1,237	1,315	1,390	1,458	1,528	1,603	1,681	1,758	1,835	1,913	2,080	2,339	2,553
Multilateral	893	880	864	843	819	792	763	737	715	693	670	645	597	520	452
Official bilateral	179	169	158	148	138	128	119	110	102	93	84	76	59	39	24
Of which: Paris Club	57	53	50	46	44	42	40	38	36	33	31	29	24	14	4
Commercial	7	6	4	3	1	0	0	0	0	0	0	0	0	0	0
New debt	0	103	211	322	432	537	646	755	864	972	1,081	1,191	1,424	1,780	2,077
Of which: multilateral	0	74	148	220	290	362	438	514	589	666	744	825	1,000	1,277	1,514
NPV of debt after rescheduling (Naples terms)	587	640	694	745	794	831	868	908	951	994	1,035	1,078	1,175	1,328	1,453
Existing debt	587	587	585	577	567	551	534	519	509	498	485	471	443	395	348
Multilateral	459	463	465	462	455	446	435	426	420	414	407	399	382	350	317
Official bilateral	122	119	116	113	109	104	98	93	88	83	77	72	61	45	31
Of which: Paris Club	56	54	53	52	50	48	46	43	41	38	35	33	27	16	5
Commercial	6	5	4	3	2	1	1	1	1	1	1	1	1	0	0
New debt	0	53	109	168	227	280	335	389	443	496	550	607	732	932	1,105
Multilateral	0	39	78	119	159	191	224	254	284	313	344	377	456	590	712
Bilateral	0	14	31	49	68	89	111	135	159	183	207	230	276	342	393
NPV of debt before rescheduling	605	655	705	752	798	835	870	909	951	992	1,031	1,072	1,166	1,316	1,442
Existing debt	605	602	596	584	571	555	536	520	508	496	481	466	434	384	337
New debt	0	53	109	168	227	280	335	389	443	496	550	607	732	932	1,105
Key ratios															
NPV of debt-to-GDP ratio															
Before rescheduling	39.5	44.3	43.5	41.9	40.8	38.3	27.4	23.7	23.5	23.1	22.6	22.6	22.9	21.7	19.8
After rescheduling	38.3	43.3	42.8	41.5	40.5	38.1	27.3	23.7	23.5	23.1	22.7	22.7	23.1	21.9	19.9
NPV of debt-to-exports ratio 2/															
Before rescheduling	211.2	243.3	270.7	269.3	254.0	246.0	122.6	73.0	53.7	50.8	52.2	54.4	68.4	93.9	98.2
After rescheduling	204.6	237.8	266.5	266.8	252.6	245.1	122.4	73.0	53.8	50.9	52.4	54.7	69.0	94.7	99.0
Of which: multilateral	160.2	186.7	208.8	207.9	195.5	187.9	92.8	54.6	39.8	37.3	38.0	39.3	49.2	67.1	70.1
NPV of debt-to-revenues ratio 3/															
Before rescheduling	479.0	491.5	421.3	384.9	370.7	345.0	249.1	229.8	222.6	215.4	207.7	199.4	184.6	164.5	148.5
After rescheduling	464.2	480.4	414.7	381.3	368.6	343.6	248.5	229.6	222.7	215.9	208.4	200.4	186.0	165.9	149.7
Debt service-to-exports ratio	…	14.2	12.9	13.9	14.9	14.8	3.9	3.0	3.0	3.2	3.4	3.7	4.6	6.0	6.0
Debt service-to-revenues ratio	…	24.9	22.1	22.6	23.5	22.2	15.8	14.7	13.8	13.7	13.6	13.1	11.3	10.5	9.5
Grant element in total debt	44.9	44.2	43.8	43.5	43.2	43.4	43.7	43.9	44.0	44.1	44.2	44.3	44.2	43.9	43.7
Grant element in new borrowing	0.0	48.2	48.3	47.8	47.4	47.9	48.2	48.5	48.8	49.0	49.1	49.1	48.6	47.6	46.8
Memorandum items:															
Total debt service after debt relief 4/	…	33.2	37.0	44.1	50.6	53.6	55.2	58.0	58.8	63.0	67.3	70.5	71.3	83.8	92.5
GDP	1,532.7	1,479.9	1,620.9	1,793.1	1,958.5	2,180.4	3,178.9	3,830.8	4,048.8	4,299.6	4,555.3	4,750.4	5,091.5	6,084.7	7,300.4
Exports of goods and nonfactor services 5/	260.0	233.9	287.2	316.7	338.9	362.1	1,428.1	1,944.2	1,935.8	1,979.4	2,009.5	1,926.4	1,550.5	1,390.9	1,542.8
Exports of goods and nonfactor services 6/	286.7	269.2	260.4	279.3	314.3	339.2	709.7	1,244.8	1,769.4	1,953.1	1,974.9	1,971.8	1,720.2	1,402.7	1,467.8
Central government revenue	126.4	133.3	167.3	195.4	215.4	241.9	349.4	395.6	427.1	460.4	496.6	537.7	633.2	801.4	971.7

Sources: Chadian authorities; and staff estimates and projections.

1/ All debt indicators refer to public and publicly guaranteed (PPG) debt and are defined after a hypothetical stock-of-debt operation (Naples terms), unless otherwise indicated.
2/ Based on a three-year average of exports on the previous year (e.g., export average over 1997-99 for NPV of debt-to-exports ratio in 1999).
3/ Revenues are defined as central government revenues, excluding grants.
4/ Including new money.
5/ As defined in IMF *Balance of Payments Manual* , 5th edition, 1993.
6/ Backward-looking average (e.g., average over 1997-99 for exports in 1999).

Table 5. Chad: Net Present Value of Debt After Reschedulings, 1999-2018 1/

(In millions of U.S. dollars, unless otherwise indicated)

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	Averages		
													2011-2013	2014-2016	2017-2018
Baseline Scenario															
NPV of total debt 2/	587	640	694	745	794	831	868	908	951	994	1,035	1,078	1,175	1,328	1,453
NPV of old debt	587	587	585	577	567	551	534	519	509	498	485	471	443	395	348
Official bilateral and commercial	127	124	120	116	111	105	99	94	89	83	78	72	61	45	32
Paris Club	56	54	53	52	50	48	46	43	41	38	35	33	27	16	5
Post-cutoff date	14	13	12	11	10	9	8	7	6	5	4	3	3	2	1
Pre-cutoff date	42	41	41	40	40	39	38	37	35	34	32	30	24	14	5
ODA	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
Non-ODA	41	41	40	39	39	38	37	36	34	33	31	29	24	13	4
Other official bilateral	65	64	63	61	59	56	53	50	47	44	42	39	34	29	26
Post-cutoff date	62	56	55	53	51	48	44	42	39	36	33	30	25	20	16
Pre-cutoff date	3	8	8	8	8	8	8	8	8	8	8	8	8	9	10
Commercial	6	5	4	3	2	1	1	1	1	1	1	1	1	0	0
Post-cutoff date	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Pre-cutoff date	6	5	4	3	2	1	1	1	1	1	1	1	1	0	0
Multilateral	459	463	465	462	455	446	435	426	420	414	407	399	382	350	317
IDA	241	245	249	253	257	260	262	264	264	264	261	256	246	226	203
IMF	53	55	54	48	39	29	17	7	3	1	0	0	0	0	0
African Development Bank Group	132	133	134	135	136	136	137	138	138	137	136	133	129	120	110
Others	33	30	28	26	24	21	19	17	15	13	11	9	7	5	4
NPV of new debt	0	53	109	168	227	280	335	389	443	496	550	607	732	932	1,105
Multilateral	0	39	78	119	159	191	224	254	284	313	344	377	456	590	712
Bilateral	0	14	31	49	68	89	111	135	159	183	207	230	276	342	393
Memorandum items:															
Exports of goods and services 3/	260	234	287	317	339	362	1,428	1,944	1,936	1,979	2,009	1,926	1,551	1,391	1,543
Three-year export average 4/5/	287	269	260	279	314	339	710	1,245	1,769	1,953	1,975	1,972	1,720	1,403	1,468
Government revenues 5/	126	133	167	195	215	242	349	396	427	460	497	538	633	801	972
GDP	1,533	1,480	1,621	1,793	1,958	2,180	3,179	3,831	4,049	4,300	4,555	4,750	5,092	6,085	7,300
NPV of debt-to-exports ratio 6/															
Overall debt	204.6	237.8	266.5	266.8	252.6	245.1	122.4	73.0	53.8	50.9	52.4	54.7	69.0	94.7	99.0
Existing debt	204.6	217.9	224.6	206.7	180.3	162.5	75.2	41.7	28.8	25.5	24.5	23.9	25.9	28.2	23.8
New debt	0.0	19.8	41.9	60.1	72.3	82.6	47.1	31.2	25.0	25.4	27.9	30.8	43.1	66.5	75.3
NPV of debt-to-revenues ratio															
Overall debt	464.2	480.4	414.7	381.3	368.6	343.6	248.5	229.6	222.7	215.9	208.4	200.4	186.0	165.9	149.7
Existing debt	464.2	440.3	349.5	295.4	263.1	227.8	152.8	131.3	119.1	108.1	97.6	87.6	70.4	49.6	36.0
New debt	0.0	40.0	65.2	85.9	105.5	115.8	95.8	98.3	103.6	107.7	110.8	112.8	115.6	116.3	113.7

Sources: Chadian authorities; and staff estimates and projections.

1/ Refers to public and publicly guaranteed external debt only and assumes full use of traditional debt-relief mechanisms, i.e., a Paris Club flow rescheduling on Naples terms (67 percent NPV reduction) and a stock-of-debt operation, and at least comparable action by other official bilateral and commercial creditors.
2/ Discounted on the basis of the average commercial interest reference rate for the respective currency, derived over the six-month period prior to the latest date for which actual data are available (base date). Currency-specific NPVs are converted into U.S. dollars for all years at the base date exchange rate.
3/ As defined in IMF *Balance of Payments Manual*, 5th edition, 1993.
4/ Backward-looking average (e.g., average over 1997-99 for exports in 1999).
5/ Revenues are defined as central government revenues, excluding grants.
6/ NPV of debt in percent of three-year average of exports of goods and services.

Table 6. Chad: Baseline Scenario and Sensitivity Analysis, 1999-2018
(In millions of U.S. dollars, unless otherwise indicated)

													Averages		
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011-2013	2014-2016	2017-2018
NPV of total debt															
Baseline scenario															
Total	587	640	694	745	794	831	868	908	951	994	1,035	1,078	1,175	1,328	1,453
Existing debt	587	587	585	577	567	551	534	519	509	498	485	471	443	395	348
Multilateral creditors	459	463	465	462	455	446	435	426	420	414	407	399	382	350	317
Bilateral creditors	122	119	116	113	109	104	98	93	88	83	77	72	61	45	31
Commercial creditors	6	5	4	3	2	1	1	1	1	1	1	1	1	0	0
New debt	0	53	109	168	227	280	335	389	443	496	550	607	732	932	1,105
Multilateral creditors	0	39	78	119	159	191	224	254	284	313	344	377	456	590	712
Bilateral creditors	0	14	31	49	68	89	111	135	159	183	207	230	276	342	393
Optimistic scenario: oil exports in late 2004 and encouraging conditions in cotton sector 1/															
Total	587	639	691	740	784	807	820	852	883	911	937	965	1,021	1,070	1,069
Existing debt	587	587	585	577	567	551	534	519	509	498	485	471	443	395	348
Multilateral creditors	459	463	465	462	455	446	435	426	420	414	407	399	382	350	317
Bilateral creditors	122	119	116	113	109	104	98	93	88	83	77	72	61	45	31
Commercial creditors	6	5	4	3	2	1	1	1	1	1	1	1	1	0	0
New debt	0	52	107	162	218	256	286	332	374	414	452	494	578	675	721
Multilateral creditors	0	39	77	116	154	177	195	221	244	265	286	311	364	434	477
Bilateral creditors	0	13	30	46	64	79	90	111	130	148	166	184	214	241	244
Pessimistic scenario: oil production postponed to 2007 2/															
Total	587	640	694	745	794	831	928	1,053	1,143	1,197	1,253	1,302	1,370	1,474	1,577
Existing debt	587	587	585	577	567	551	534	519	509	498	485	471	443	395	348
Multilateral creditors	459	463	465	462	455	446	435	426	420	414	407	399	382	350	317
Bilateral creditors	122	119	116	113	109	104	98	93	88	83	77	72	61	45	31
Commercial creditors	6	5	4	3	2	1	1	1	1	1	1	1	1	0	0
New debt	0	53	109	168	227	280	394	533	634	700	768	830	926	1,079	1,228
Multilateral creditors	0	39	78	119	159	191	258	337	395	431	470	507	572	690	807
Bilateral creditors	0	14	31	49	68	89	136	196	240	268	298	323	354	388	421
NPV of debt in percent of:															
Baseline scenario															
GDP	38.3	43.3	42.8	41.5	40.5	38.1	27.3	23.7	23.5	23.1	22.7	22.7	23.1	21.9	19.9
Exports	204.6	237.8	266.5	266.8	252.6	245.1	122.4	73.0	53.8	50.9	52.4	54.7	69.0	94.7	99.0
Fiscal revenues	464.2	480.4	414.7	381.3	368.6	343.6	248.5	229.6	222.7	215.9	208.4	200.4	186.0	165.9	149.7
Optimistic scenario: oil exports in late 2004 and encouraging conditions in cotton sector 1/															
GDP	38.3	43.2	42.6	41.1	39.8	29.2	23.7	22.1	21.6	20.9	20.3	20.4	19.2	16.6	13.7
Exports	204.6	237.3	263.2	261.7	245.4	136.4	76.9	53.4	46.8	46.0	46.3	48.7	61.9	67.1	57.7
Fiscal revenues	464.2	479.5	413.2	378.6	364.3	286.3	234.6	215.2	206.7	198.0	188.6	179.6	170.4	143.9	121.0
Pessimistic scenario: oil production postponed to 2007 2/															
GDP	38.3	43.3	42.8	41.5	40.5	38.1	38.6	37.8	29.3	27.9	27.5	27.4	26.9	24.3	21.6
Exports	204.6	238.0	267.1	267.6	253.4	245.9	230.7	242.2	155.9	96.6	71.3	64.5	66.8	84.0	98.4
Fiscal revenues	464.2	480.4	414.7	381.3	368.6	343.6	344.5	333.4	295.3	260.1	252.2	242.1	217.0	182.1	160.8
Debt service-to-exports ratio															
Baseline scenario	...	14.2	12.9	13.9	14.9	14.8	3.9	3.0	3.0	3.2	3.4	3.7	4.6	6.0	6.0
Optimistic scenario: oil exports in late 2004 and encouraging conditions in cotton sector	…	14.2	12.6	13.8	14.6	4.8	3.1	2.9	2.9	3.0	3.2	3.7	4.2	4.5	3.9
Pessimistic scenario: oil production postponed to 2007	…	14.3	12.9	14.0	15.0	14.9	11.2	14.2	5.1	3.4	3.6	3.7	3.8	5.8	6.5

Sources: Chadian authorities; and staff estimates and projections.

1/ Encouraging conditions in the cotton sector: (1) 4 percent growth in volume, 2001-18; (2) 4 percent annual rise prices.
2/ Commencement of oil exports in 2007.

Table 7. Chad: Nominal Stocks and Net Present Value of Debt at End-1999, by Creditors

	Nominal Debt Stock 1/		NPV of Debt 1/		NPV of Debt After Rescheduling 2/	
	US$ million	Percent of total	US$ million	Percent of total	US$ million	Percent of total
Total	1,072.06	100.00	605.37	100.00	586.68	100.00
Multilateral	892.63	83.26	459.26	75.87	459.26	78.28
IDA	526.68	49.13	241.41	39.88	241.41	41.15
IMF	68.86	6.42	53.27	8.80	53.27	9.08
African Development Bank Group	251.98	23.50	131.56	21.73	131.56	22.42
International Fund for Agricultural Development	9.48	0.88	4.49	0.74	4.49	0.77
Arab Bank for Economic Development in Africa	7.28	0.68	6.19	1.02	6.19	1.05
Central African State Development Bank	0.43	0.04	0.43	0.07	0.43	0.07
European Union/European Investment Bank	7.03	0.66	5.17	0.85	5.17	0.88
OPEC Fund	11.46	1.07	9.45	1.56	9.45	1.61
Islamic Development Bank	9.44	0.88	7.29	1.20	7.29	1.24
Official bilateral	172.07	16.05	139.03	22.97	121.62	20.73
Paris Club	57.29	5.34	61.06	10.09	56.32	9.60
France	42.01	3.92	46.97	7.76	43.23	7.37
Spain	7.49	0.70	6.44	1.06	6.44	1.10
Italy	5.41	0.50	5.75	0.95	4.98	0.85
Netherlands	0.66	0.06	0.78	0.13	0.78	0.13
Russia	1.28	0.12	0.61	0.10	0.42	0.07
Germany	0.45	0.04	0.50	0.08	0.47	0.08
Other official bilateral:	114.78	10.71	77.97	12.88	65.30	11.13
Taiwan Province of China	40.00	3.73	26.87	4.44	26.87	4.58
China	39.11	3.65	24.28	4.01	11.61	1.98
Kuwait/Kuwaiti Fund for Arab Economic Development	22.45	2.09	17.67	2.92	17.67	3.01
Saudi Arabia	12.98	1.21	8.92	1.47	8.92	1.52
Israel	0.23	0.02	0.23	0.04	0.23	0.04
Commercial	7.37	0.69	7.08	1.17	5.79	0.99

Sources: Chadian authorities; and staff estimates and projections.

1/ Before hypothetical stock-of-debt operation (Naples terms).
2/ After hypothetical stock-of-debt operation (Naples terms).

Table 8. Chad: Estimated Assistance at Expected Decision Point in 2000 1/

(In millions of U.S. dollars in end-December 1999 NPV terms, unless otherwise indicated) 2/

	Total	Multilaterals	Bilaterals 3/	Common Reduction Factor 1/ (Percent)	Memo item: Required NPV debt reduction on comparable treatment of bilateral debt based on overall exposure (Percent) 4/
Debt relief under baseline scenario	156.6	122.6	34.0	26.7	
Memorandum items:					
NPV of debt	587	459	127		
Three-year export average	287				
NPV of debt-to-export ratio (in percent)	204.6				
Paris Club creditors					75.6
Of which: pre-cutoff non-ODA					84.2
Non-Paris Club bilateral creditors					75.6
Of which: pre-cutoff non-ODA					68.7

Sources: Chadian authorities; and staff estimates and projections.

1/ Assumes proportional burden-sharing as described in "HIPC Initiative: Estimated Costs and Burden-Sharing Approaches (EBS/97/127; 7/7/97, and IDA/SEC M97-306;7/7/97), that is, after full application of traditional debt-relief mechanisms.
2/ Using six-month backward-looking discount rates at end-December 1999 and end-December 1999 exchange rates.
3/ Includes official bilateral and commercial creditors.
4/ Includes traditional debt-relief mechanisms.

Table 9. Chad: Discount Rate and Exchange Rate Assumptions 1/

Currency	Discount Rates 2/ (In percent)	Exchange Rates 3/ (Per U.S. dollar)
Austrian schillings	5.5	13.6
Belgian franc	5.5	40.2
Islamic Development Bank unit of account (= SDR)	5.6	0.7
Canadian dollar	6.7	1.4
CFA franc	5.5	653.0
Swiss franc	4.3	1.6
Chinese yuan	5.6	8.3
Deutsche mark	5.5	1.9
Danish krone	5.3	7.4
European currency unit	5.5	1.0
Spanish peseta	5.5	164.6
Euro	5.5	1.0
Finnish markka	5.5	5.9
French franc	5.5	6.5
Pound sterling	6.7	0.6
Italian lira	5.5	1,927.4
Japanese yen	2.0	102.2
Kuwaiti dinar	5.6	0.3
Netherlands guilder	5.5	2.2
Norwegian krone	6.6	8.0
Portuguese escudo	5.5	200.3
Special drawing rights	5.6	0.7
Saudi Arabian riyal	5.6	3.7
Swedish krona	5.8	8.5
Russian ruble	7.0	0.6
U.S. dollar	7.0	1.0
African Development Bank/Fund unit of account (=SDR)	5.6	0.7

Sources: OECD and IMF, *International Financial Statistics* .

1/ Latest actual data available are those for end-December 1999.
2/ The discount rates used are the average commercial interest reference rates for the respective currencies over the six-month period prior to the base date (i.e., the end of the period for which actual debt and export data are available).
3/ The exchange rates are those at the base date (i.e., at the end of the period for which actual debt and export data are available).

Table 10. HIPC Initiative: Status of Country Cases Considered Under the Initiative
June 2000

Country	Decision Point	Completion Point	NPV of Debt-to-Export Target (in percent)	Assistance Levels 1/ (In millions of U.S. dollars, present value) Total	Bilateral	Multilateral	IMF	World Bank	Percentage Reduction in NPV of Debt 2/	Estimated Total Nominal Debt Service Relief (In millions of U.S. dollars)	Satisfactory Assurances from Other Creditors
Completion point reached under enhanced framework											
Uganda				1,003	183	820	160	517		1,950	
original framework	*Apr. 97*	*Apr. 98*	*202*	*347*	*73*	*274*	*69*	*160*	20		*Received*
enhanced framework	*Feb.00*	*May 00*	*150*	*656*	*110*	*546*	*91*	*357*	37		*Being sought*
Decision point reached under enhanced framework											
Bolivia				1,302	425	876	84	194		2,060	
original framework	*Sep. 97*	*Sep. 98*	*225*	*448*	*157*	*291*	*29*	*53*	*14*		*Received*
enhanced framework	*Feb.00*	*Floating*	*150*	*854*	*268*	*585*	*55*	*141*	*30*		*Being sought*
Mauritania	Feb.00	Floating	137 3/	622	261	361	47	100	50	1,200	Being sought
Mozambique				1,970	1,235	736	141	434		4,300	
original framework	*Apr. 98*	*Jun. 99*	*200*	*1,716*	*1,076*	*641*	*125*	*381*	*63*		*Received*
enhanced framework	*Apr. 00*	*Floating*	*150*	*254*	*159*	*95*	*16*	*53*	*9*		*Being sought*
Senegal 4/	[Jun. 00]	Floating	133 3/	452	193	259	42	116	18	800	Being sought
Tanzania	Apr. 00	Floating	150	2,026	1,006	1,020	120	695	54	3,000	Being sought
Completion point reached under original framework											
Guyana	Dec. 97	May 99	107 3/	256	91	165	35	27	24	410	Received
Decision point reached under original framework											
Burkina Faso 5/	Sep. 97	Apr. 00	205	229	32	196	22	91	27	472	Being sought
Côte d'Ivoire	Mar. 98	Mar. 01	141 3/	345	163	182	23	91	6 6/	800	Being sought
Mali	Sep. 98	Spring 00	200	128	37	90	14	44	10	250	Being sought
Total assistance provided/committed				8,333	3,626	4,705	688 7/	2,309		15,242	
Preliminary HIPC document issued 8/											
Cameroon	...	...	150	1,466	1,047	358	41	197	30	2,700	...
Chad	...	...	150	156	34	122	14	50	27	223	...
Ethiopia	...	...	200	636	225	411	22	214	23	1,300	...
Guinea	...	...	150	638	256	383	37	173	34	1,150	...
Guinea-Bissau	...	...	200	300	148	153	8	73	73	600	...
Honduras	...	...	137 3/	569	208	361	18	85	18	1,050	...
Nicaragua	...	...	150	2,507	1,416	1,091	32	188	66	5,000	...
No assistance required under original framework--to be reassessed under enhanced framework											
Benin	Jul. 97	...	...	...	...	...	...	...	...	...	...

Sources: IMF and World Bank Board decisions, completion point documents, decision point documents, preliminary HIPC documents, and staff calculations.

1/ Assistance levels are at countries' respective decision or completion points, as applicable.

2/ In percent of the net present value of debt at the decision or completion point (as applicable), after the full use of traditional debt-relief mechanisms.

3/ Eligible under fiscal criteria; figures provided show the ratios of debt-to-exports that correspond to the targeted debt-to-revenue ratio. For Guyana and Cote d'Ivoire, a 280 percent NPV of debt-to-revenue ratio was targeted at the completion point; for Honduras and Mauritania and Senegal, a 250 percent ratio was targeted at the decision point.

4/ Based on the decision point document issued in early June and subject to Board approval.

5/ Includes additional assistance required to meet 205 percent debt-to-exports target at completion point. Topping up from the assistance levels indicated in the September 1997 decision point document is based on the completion point document issued in June and subject to Board approval.

6/ Nonreschedulable debt to non-Paris Club official bilateral creditors and the London Club, which was already subject to a highly concessional restructuring, is excluded from the NPV of debt at the completion point in the calculation of this ratio.

7/ Equivalent to SDR 515 million at an SDR/USD exchange rate of 0.744.

8/ Figures are based on preliminary assessments at the time of the issuance of the preliminary HIPC document; and are subject to change. Assistance levels for Ethiopia and Guinea-Bissau were based on the original framework and applied at the completion point; for Nicaragua, Tanzania, Guinea, and Honduras, targets are based on the enhanced framework and assistance levels are at the decision point.

Debt-Management Issues

1. In view of the importance of debt management in the context of the enhanced HIPC Initiative, the authorities are developing a medium-term program to strengthen local debt-management capacity and explicitly integrate debt-management issues into the medium-term macroeconomic framework, in order to ensure that there is no recurrence of the external debt overhang.

2. Effective debt management in Chad is hindered by the lack of a computerized debt management information system. In 1995, the Debt Unit moved from a manual system of debt recording to the use of an MS Access database provided by the *Agence Française de Développement*. This computer database was designed to be used for an interim period, while a more comprehensive system was being acquired. The main limitations of the present database are that it cannot (i) record historical information on a loan-by-loan basis; (ii) provide a full range of reports for use in debt management and, more specifically, in debt-servicing functions; (iii) create projections of future disbursements for existing loans; (iv) provide tools for conducting analyses on external debt issues; and (v) calculate the present value of loans.

3. The authorities in Chad would like to acquire a database such as the Commonwealth Secretariat (Comsec) Debt Recording and Management System (CS-DRMS) or the Debt Management and Financial Analysis System (DMFAS) operated by the United Nations Conference on Trade and Development (UNCTAD). During the past year, the authorities have entered into discussions with both Comsec and UNCTAD and hope to conclude arrangements to install a new debt database in the near future. In order to complete this process, the Debt Unit will have to find financing for the start-up costs involved in making a computerized debt-management system operational, including the funding of software, equipment, installation, and training.

4. The Debt Unit also plans to implement a comprehensive training program for officials involved in debt management in Chad. This is contingent on the receipt of appropriate financing for such a project. With this in view, the authorities worked with a mission from Debt Relief International (DRI) to identify capacity constraints and design a medium-term plan to improve debt recording and analysis in December 1999. DRI, an NGO with donor support from Denmark, Finland, Sweden, Switzerland, and the United Kingdom has implemented debt management capacity-building programs in a number of HIPC Initiative countries. To date, officials from the Debt Unit have participated in regional debt-management workshops organized by DRI, but a debt-management training program remains to be finalized.

Recent Policy Performance, 1995-2000

Sector	Actions Taken	Timing
Economic Management	Established a system of high-level economic policy committees to prepare, implement, and monitor the economic program, including the preparation of a quarterly report on program and budget execution.	1995-99
	Adopted a Statistical Law.	1999
Fiscal policies		
Overall	Reduced the overall budget deficit and achieved a surplus in the current balance in 1998.	1995-98
	Improved the consolidation of the government financial operations.	1995-98
Revenue	Implemented the Central African Economic and Monetary Community indirect tax and customs reform by	
	• applying a turnover tax system, which evolved into a single tax rate and a limited number of exemptions;	1995-98
	• introducing excise tax on few nonessential products;	1995
	• revising the investment code to comply with the tax reform; and	1995
	• renegotiating special tax agreements in conformity with the reform.	1997
	Strengthened the tax department, including its computerization.	1995-98
	Established a special unit in the tax department to monitor and collect taxes from large taxpayers.	1996
	Reorganized the customs department and strengthened its procedures.	1995-98
	Applied a single taxpayer code and file for all revenue departments and strengthened coordination between the customs and tax departments.	1997-98
	Introduced a single tax for small business taxation.	1998
	Established a mechanism for budgeting and monitoring exemptions on externally financed projects.	1997-98
	Implemented a streamlined withholding taxation system for taxing profits.	1997-98
Expenditure	Kept the wage bill within limits compatible with budget constraints by	1995-98
	• establishing a wage index matrix;	1996
	• implementing a civil service census and eliminating "ghost" employees; and	1996
	• creating a computerized payroll file.	1996
	Increased the share of expenditure allocated to the priority sectors (health, education, social affairs, transport and public works).	1996-98
	Presented a unified Budget Law, including domestically and externally financed public investment.	1996-99
	Implemented a multiyear demobilization program, halving the size of the army from its 1992 total.	1995-98
Public sector management	Strengthened budgetary procedures and eliminated off-budget operations.	1998
	Established a monthly cash flow plan at the treasury based on a system of analysis and projection of the cash-flow.	2000
	Initiated a public expenditure review.	1996

Sector	Actions Taken	Timing
Debt management	Implemented an inventory of domestic arrears and reduced the outstanding stock through cash payments, offsetting of cross debts with other public entities, and donor financial assistance.	1996-98
	Eliminated external payments arrears and remained current on debt-service payments.	End-1998
Civil service reform	Prepared and ratified a strategy for reform based on a comprehensive internal diagnosis of the system, and set up a permanent unit to monitor its implementation.	1998
Monetary and banking sector	Under the umbrella of the regional central bank, took the following actions:	
	• Integrated national monetary programs into the regional monetary programming framework.	1995-98
	• Pursued a prudent monetary policy, relying on use of indirect monetary instruments.	1995-98
	• Strengthened the role of the banking supervision commission (COBAC).	1995-98
	• Improved the soundness of the commercial banks: no bank was rated by the COBAC as in critical condition.	1998
Public enterprises and entities	Continued to divest from commercial activities through the following actions:	
	• Liquidation of BICIT, SONACOT, OPIT, FIPP, and Air Chad;	1996-98
	• completion of privatization of BIEP/SOGEC, SOTEC, INT, SONAPA, SIPT, LNBPT, BIAT, BTCD, BTD, ONPVH, Hotel du Chari (management), and SONASUT;	1995-00
	• ongoing privatization of DHS, SNER, AFF, STEE (management), and SOTELTCHAD (merger of TIT and telecom part of ONPT); and	1997-98
	• beginning of preparation of a reform strategy for liberalization and privatization of the cotton sector (COTONTCHAD).	End-1998
	Implemented an audit of the two social security agencies (CNRT and CNPS).	1998
Legal and Regulatory framework	Eliminated all price and profit margin controls, except for petroleum products, water and electricity, and generic medicines.	1995-96
	Revised the labor code and abolished government's setting of minimum wage.	1996
	Liberalized foreign trade and adhered to the provisions of the CEMAC trade reform: eliminated import and export licenses, removed customs duties and surcharges on interregional trade, and eliminated export taxes.	1995-98
	Applied exchange rules and regulations in line with the Bank of Central African States (BEAC) zone texts.	End-1995
Poverty Reduction Strategy and consultation with civil society	Organized a national seminar to elaborate with civil society a participatory approach to the articulation, of the National Poverty Reduction Strategy.	April 2000
Sectoral policies		
Agriculture	Established cotton-pricing mechanism to give producers a larger share of international prices.	1997-98
	Ensured participation of farmers' representatives in the cotton policy committee.	1997-98
	Ensured participation of farmers' representatives in the price-setting committee.	May 2000

Sector	Actions Taken	Timing
	Ensured privatization of veterinary services from livestock ministry.	1997
Transport	Implemented a road user charge for road maintenance.	1996-98
	Privatized road maintenance.	1996
Energy	Adopted a policy statement on the energy and water sector.	1997
	Implemented a new electricity and water distribution code to allow for the privatization of the sector.	1998
Telecommunications	Opened up the sector to private investors, privatized the main operator, limited fixed-service monopoly to five years, and designed a new regulatory framework.	1997-98
Social sectors		
Health	Updated and pursued implementation of the government's National Health Policy.	1995-98
	Carried out and published a Demographic and Health Survey.	1996-97
Education	Increased the primary school enrollment ratios from 45 percent in 1995 to 63 percent in 1998.	1995-98
	Started preparation of a Framework Law on Education.	1998
Environment	Prepared environmental assessments and management plans for environmental protection for Doba region.	1998

Future Reforms and Mileposts, 2000-2002

Sector	Objectives and Policies	Strategies and Measures	Implementation Period
1. Economic management, administrative efficiency	Improve the internal and external budget oversight and audit functions (including related to the provisions of the Petroleum Revenue Management Law)	Operationalize the Auditor General's Office	March 2001
	Strengthen the statistical apparatus	Implement the Statistical Law of 1999.	2000-02
		Ensure issuance by the government of the implementing decree for the *Collège de Contrôle et de Surveillance des Recettes Pétrolières* (CCSRP).	December 2001
2. Public finances	Improve the efficiency of the government's financial and budget management	Reform the structures and procedures of the Ministry of Finance to ensure efficient budget preparation, execution, monitoring, and control.	1999-2002
		In the area of budget preparation,	
		• modernize and harmonize the budget and the accounting nomenclatures, update the economic and functional classification expenditures, and extend its scope to investment operations;	Sep. 1999 – Dec. 2000
		• prepare the budget using the new budgetary nomenclature, the macroeconomic framework, and the public expenditure framework;	As of 2002 budget
		• implement the consolidated budget and present the finance law within a consolidated general budget equilibrium table, including the financing sources;	As of 2002 budget
		• reinforce the system of public investment programming, with a view to making the transition to sectoral expenditure programming; and	1999–2001
		• implement the sector-based budget programming on a pilot basis.	As of 2002 budget
		In the areas of budget execution and control,	
		• rationalize, simplify, and computerize the expenditure execution and review and improve the internal control procedures;	2000-01
		• implement the new simplified process of expenditure execution and control; and	As of 2001 budget

Sector	Objectives and Policies	Strategies and Measures	Implementation Period
		• implement a financial management information system by developing software associated with new procedures, acquiring equipment and services, installing a network system, ensuring training, and producing financial reports; and	2000-02
		• close the budget exercise within three months following the end of each fiscal year (*n*), and submit the budget accounts to the Auditor General's Office; submit the Settlement Law to the parliament by the end of fiscal year (*n* + 1), with a view to facilitating its adoption before end-May of fiscal year (*n* + 2).	March 2001−March 2002
	Improve expenditure management to enhance capacity to program, execute, and control the budget	Implement annual public expenditure reviews	2000–02
	Expenditure policies	Increase current budgetary expenditure allocated to the priority sectors for goods and services by 20 percent per year in real terms and review this allocation in light of the public expenditure review.	2001–02
3. Public debt	Improve public debt management and eliminate payments arrears	Upgrade the public debt-management system through the installation of an efficient computerized system and ensure appropriate training.	December 2000
4. Monetary and credit policy	Work within the framework of BEAC to strengthen monetary policy, increase the efficiency of the banking system, and improve financial intermediation	Support the BEAC's efforts to rely on market-based monetary policy instruments, ensure that interest rate are market determined, and promote the development of the regional financial markets and the regional stock exchange.	2000–02
		Strengthen the commercial banks through enhanced supervision by the COBAC, higher levels of required minimum capital, and enhanced competition, in particular, through the single licensing of banks within the BEAC zone.	2000–02
	Strengthen the ability of banks to collect nonperforming loans and encourage new productive lending	Disseminate, raise awareness of, and enforce the Uniform Acts of OHADA, particularly as they apply to collateral, bankruptcy proceedings, and enterprise accounting.	2000–02

Sector	Objectives and Policies	Strategies and Measures	Implementation Period
5. Regional integration	Promote the effectiveness of the activities of the CEMAC and ensure integration into the regional economic area	Support the CEMAC's efforts to make effective the system of multilateral surveillance.	2000-02
		Contribute to the preparation of a regional budget law framework aimed at harmonizing the public accounting system, and of the regional legal framework for transport and transit services .	2000–02
6. Public enterprise reform and privatization	Complete the program of privatization	Complete the privatization of of the electricity and water company (STEE) by making the new management contract effective.	2000
		Complete the study on the separation of the oil and soap manufacturing activities of COTONTCHAD and launch tender for bids for privatization.	2000-01
		Privatize SOTELTCHAD.	2000–02
		Complete the privatization of SNER.	2000
7. Judicial Reform	Strengthen and improve the functioning of the legal system	Disseminate and apply the Uniform Acts of the OHADA, in conformity with the National Program of Private Sector Promotion adopted by the government on June 10, 1999, taking advantage of training opportunities provided; and harmonize local legislation with OHADA texts.	2000–02
		Implement the action plan for gradually increasing the number of trained magistrates and auxiliary personnel.	2000-02
		Gradually increase the budgetary allocations for the functioning of the judicial system, including for the Supreme Court and the Constitutional Council.	2000–02
8. Transport sector policies	Strengthen and extend regular road maintenance and ensure its financing	Submit to parliament the draft law on the introduction, within the structure of petroleum product prices, of a user fee aimed at financing the routine maintenance of the national road network.	2000
		Submit to parliament a draft law establishing the Road Maintenance Fund (FER).	2000
		Carry out the budget of the RMF for 2001 on the basis of a complete financing of its maintenance activities through own resources.	Jan. 2001

Sector	Objectives and Policies	Strategies and Measures	Implementation Period
	Increase the participation and the responsibility of the private sector in the management and maintenance of the road network	Implement a pilot project for the execution of maintenance work on the road network on the basis of contracts concerning the level of service provided.	2001
	Control wage bill	Harmonize the payroll and the civil service files.	2000
9. Civil service reform	Implement the recommendations of the advisory group on civil service reform	Update the civil service statutes.	2000
		Define and adopt a set of minimal performance standards for use in evaluating performance.	2000
		Adopt a strategy and a timetable for the transition to a system of merit-based remuneration in the civil service, based on objective and measurable performance indicators.	2000
		Review and revise as appropriate the wage scale system, to provide for the possibility of merit-based pay increases.	2000
		Implement system of merit-based remuneration with the 2001 budget.	2000
	Review and rationalize hiring requirements and procedures	Establish a standard organizational chart showing staffing by ministry and by function, both of civil servants and workers with other status, with a view to improving the match between actual competencies and the skill requirements of posts, as a guide to eventual redeployments.	2001
		Apply the reform measures, giving priority to the Minister of Finance and Planning and to the pilot departments in the Ministries of Education, Rural Development, and Public Works, with a view to completion by 2003.	2001-03
	Design a human resource management strategy	Provide training for supervisors in personnel management and career development.	Dec. 2001
10. Definition of Poverty Reduction Strategy	Consult with civil society and donors	Prepare a full poverty reduction strategy paper in accordance with the participatory approach established in consultation with civil society.	June 2001

Sector	Objectives and Policies	Strategies and Measures	Implementation Period
11. Creation of statistical base for monitoring poverty	Establish baseline of existing poverty profile	Conduct household, expenditure, and community surveys to determine who is poor, distinguishing among regions, head of household, occupation, sex, number of children, etc., with surveys to be repeated on a three-year cycle.	2000–01
		Establish and update on a regular basis key statistical indicators for monitoring the impact of antipoverty policies.	2000-02
		Initiate system of regular participatory poverty assessments, beneficiary assessments, and surveys of quality of delivered services, including in education and health.	2000–02
12. Health	Develop high-quality basic health services	Progressively extend the provision of health care to all districts by ensuring the operational functioning of all district health centers.	2000–02
		Ensure that first-tier health centers receive priority in resource allocation	Starting with the Budget Law of 2001
		Consolidate the implementation of the Minimum Package of Activities (PMA) and the Complementary Packages of Activities (PCA), particularly in the areas of health and reproductive health.	2000-02
		Implement the national pharmaceutical policy: • Increase the capacity of the Central Pharmaceutical Supply (CPA) to meet the demand. • Strengthen the distribution system for essential generic drugs through the Prefecture Supply Pharmacies (PPA). • Continue policy of quality control.	2000-02
		Continue and expand efforts to increase the rate of attendance at rural health centers by improving the quality of service provided.	2000-02
	Strengthen the human resources available in the health sector	Ensure that every district health center is staffed by at least one trained nursing personnel by	2002
		• accelerating short-term recruitment and training in basic health care techniques;	2001
		• extending and developing training capacity; and	2002
		• continuing the program of decentralized initial training (FID), decentralizing recruitment, and implementing the regionalization of positions.	2002

Sector	Objectives and Policies	Strategies and Measures	Implementation Period
		Increase the number of trained nurses and doctors per 100,000 population, and improve the regional distribution of health care personnel.	2000-02
	Improve the management of the health system	Reinforce institutional capacity at the central level to implement the national health care strategy.	2000-01
		Establish an action plan for transferring responsibility for the delivery of basic health services and for the maintenance of the primary health care units to the prefecture hospitals and health districts.	December 2000
		Increase the participation of civil society in the provision of health care services by	2000-01
		• introducing gradually a harmonized system of minimal user fees for certain services;	2001
		• pursuing public education and information campaigns;	2000-01
		• conducting periodic beneficiary assessments in the health care system; and	Starting 2001
		• promulgating texts governing the system of community participation (health management committees, cost recovery) and the autonomy of hospitals.	2001
		Set up contractual mechanisms governing the provision of health care services by private operators.	June 2001
	Increase efforts to eradicate endemic and epidemic disease	Increase rates of infant immunization against BCG (DTC3 and measles), from 45 percent (25 percent, 70 percent) in 1999 to 60 percent (50 percent, 80 percent) in 2002.	2000-02
		Strengthen the monitoring and early warning system against outbreaks of potentially epidemic diseases and define a rapid response policy.	June 2001
		Adopt in the Council of Ministers an integrated water and sewerage policy to increase access to clean potable water.	March 2002
13. Education	Adopt the legislative framework	Adopt the revised Framework Law on Education.	2001
	Improve the efficiency and effectiveness of education spending	Introduce new norms for the level of teachers recruited and their remuneration.	2001
		Develop training system to implement these norms.	2001–02

Sector	Objectives and Policies	Strategies and Measures	Implementation Period
		Raise the share of education spending allocated to primary education while reducing the share of central administration in the education budget.	2001-02
	Improve teaching conditions and learning conditions	Increase the share of budgetary resources and raise investment spending in the sector.	2001-02
		Set targets for reducing number of pupils per teacher/classroom.	2001-02
		Increase construction of schoolrooms.	2001-02
	Improve the efficiency of the management of the education system	Prepare a program to complete the decentralization of the management of schools and teachers, as well as of remuneration of staff in the education system.	2001
		Elaborate an action plan for renewing curricula ensuring their relevance to the workplace.	2001
		Establish an action plan to create and put in place a monitoring mechanism allowing the quarterly comparison of commitments and actual spending in the education sector.	2001
	Raise the level of literacy	Set targets for improvements in literacy rates by region, sex, and age distribution.	2000-02
	Increase community participation	Examine and define a policy for user costs, particularly at secondary and tertiary levels.	2001
		Complete the pilot project of the school committees and extend it gradually to the whole school system.	2001-02
		Continue and extend the policy of support for community schools.	2000–02
14.1 Agricul-tural policy	Improve food security by raising production	Apply the strategy to strengthen the provision of support services (extension services, research, and training).	2000-02
		Prepare a strategy to strengthen professional organizations, so that they can take responsibility for acquisition and distribution of production inputs, to increase their accessibility.	2000-01
		Develop a strategy for reconstituting and renewing private and public security stocks.	2000-01
		Support the intensification of crops and animal husbandry appropriate to the climatic zones.	2000–02

Sector	Objectives and Policies	Strategies and Measures	Implementation Period
		Implement the action plan for removing the impediments to the free circulation of agricultural products and animal herds, including by rehabilitating, maintaining, and extending the rural road network.	June 2001
		Strengthen producer organizations and transfer to them the management of certain functions.	2000–02
		Continue the domestic energy program aimed at improving the efficiency of wood/charcoal use, and at the substitution of alternative energy sources (e.g., butane).	2000–02
	Improve the efficiency of public intervention	Focus state activity on the delivery of support services at the local level by increasing the share of resources allocated to these activities.	2000–02
		Launch the program for strengthening the capacity to formulate and monitor strategies and policies in the rural sector.	June 2000
14.2 Cotton	Complete reforms leading to liberalization of the cotton sector	Disengage the state from COTONTCHAD:	
		• Nominate in the Council of Ministers a general controller of COTONTCHAD in charge of applying the savings measures, and ensure adoption by the government of the restructuring plan, in agreement with donors involved in the sector.	2000
		• Evaluate different disengagement options.	2000
		• Decide on the chosen disengagement option.	2000
		• Implement chosen option	2001
		Strengthen further producer associations/organizations involved in decision-making processes of the sector, including price setting.	2000-02
14.3. Protection of the environ-ment	Combat desertification	Adopt an action plan, including tree planting, the control of soil erosion, and soil fertility management.	2001
	Strengthen the regulatory framework and the national capacity for environmental management	Publish application texts for the Framework Law on the Environment and the Water Code Law.	2000

Sector	Objectives and Policies	Strategies and Measures	Implementation Period
		Train national experts in environmental evaluation.	2000–01
		Carry out and publish a participatory evaluation of the state of the environment.	2002
		Adopt and publish a National Environment Plan.	End-2002