

International Monetary Fund

[Chad](#) and the IMF

Press Release:

[IMF Executive Board
Completes Fifth
Review of the
Arrangement under
Extended Credit
Facility for Chad and
Approves US\\$38.8
Million Disbursement](#)

Chad: Letter of Intent, Memorandum of Economic Financial Policies, and
Technical Memorandum of Understanding

November 26, 2019

December 13, 2019

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The following item is a Letter of Intent of the government of Chad, which describes the policies that Chad intends to implement in the context of its request for financial support from the IMF. The document, which is the property of Chad, is being made available on the IMF website by agreement with the member as a service to users of the [IMF](#) website.

Letter of Intent

N'Djamena, November 26, 2019

Madame Kristalina Georgieva
Managing Director
International Monetary Fund
Washington, DC, USA

Dear Madame Georgieva,

We continue to make progress on a comprehensive economic and financial reform program, supported by an arrangement under the Extended Credit Facility (ECF) approved by the IMF Executive Board on June 30, 2017. We are grateful to the IMF for its continued support.

Despite a still-difficult socio-economic situation and security challenges, our economy continues its recovering trend, albeit at a still-slow pace. Our economic reform strategy remains focused on stabilizing the economy and supporting the resumption of growth, especially in the non-oil sector. The gradual improvement in the fiscal position owing to strengthened non-oil revenue mobilization and greater oil revenue transparency, as well as improved public financial management will create fiscal space for higher investment and social spending, the clearance of domestic arrears, and the repayment of domestic debt. This should help reinforce financial sector stability and boost the non-oil economy, while supporting current improvements in debt dynamics.

Our actions ensured that all end-June quantitative performance criteria (PCs) and the indicative target (IT) on social spending were all met. All ITs for end-September were also met with the exception of the one on social spending, which was missed by a small margin. We remain strongly committed to implementing the structural reforms program, notwithstanding the recorded delays. Of the five structural benchmarks (SBs) for the period through end-September, two were met, and three were not met (one was implemented with delay). Finally, as a result of the delay in completing the audit of domestic arrears, we are requesting to reset the end-November SB regarding the strategy for clearing these arrears to end-December 2019.

We will continue to implement policies that are consistent with maintaining regional external stability. To this end, we will continue to support the efforts of the BEAC and COBAC to improve compliance with the new foreign exchange regulations, which requires notably the repatriation of export proceeds, including oil revenues.

Based on satisfactory implementation of the program, the government requests that the Executive Board of the IMF approves the completion of the fifth review under the ECF-supported program.

We are confident that the policies set out in the attached Memorandum of Economic and Financial Policies (MEFP) will enable us to achieve the program objectives. We stand ready to take any measure

that may prove necessary. We will consult with IMF staff on the adoption of any additional measures in advance of revisions to the policies contained in the MEFP, in accordance with Fund policies on such consultations. To facilitate program monitoring and assessment, the government undertakes to provide all necessary information to IMF staff on a regular basis and in a timely manner, pursuant to the attached Technical Memorandum of Understanding (TMU).

In closing, in keeping with our longstanding commitment to transparency, the government agrees to the publication of the staff report for the fifth review, this letter of intent, as well as the attached MEFP and TMU, on the IMF website.

Very truly yours,

/s/

Tahir Hamid Nguilin

Minister of Finance and Budget

Attachments:

- I. Memorandum of Economic and Financial Policies (MEFP)
- II. Technical Memorandum of Understanding (TMU)

Attachment I. Memorandum of Economic and Financial Policies November 2019

1. **This memorandum is an update and supplement to that of June 2019.** It lays out the specific elements of the government's reform strategy under the ECF arrangement. It describes recent economic developments, the government's efforts to implement policies agreed to under the existing program supported by the current arrangement, macroeconomic prospects and the government's policy and reform agenda, particularly for the rest of 2019 and for 2020.
2. **We remain committed to pursuing ambitious reforms of the Chadian economy, notably related to fiscal adjustment and the financial sector.** We will undertake all necessary actions to continue our fiscal consolidation efforts with the aim of reducing public debt to a sustainable level. We will double our efforts to address weaknesses in the banking sector. Finally, we will persevere with structural reforms, notably in information technology (IT) and governance.

RECENT DEVELOPMENTS, OUTLOOKS, AND RISKS

A. Recent Developments

3. **Economic activity has shown signs of a modest recovery since 2018, although at a slower pace than initially anticipated.** After a sharp decline in 2017 due to technical problems in the oil sector, oil production rebounded in 2018 and is expected to expand by 3 percent in 2019. Non-oil economic growth turned positive in 2018, with growth estimated at 0.5 percent. It is projected to grow 2 percent in 2019 - driven by public investment, the clearance of domestic arrears and the recovery of the cotton sector. Reflecting subdued food and transportation prices, average inflation decelerated in 2019 with end-year projected at 1 percent, down from 4 percent in 2018.
4. **Fiscal developments in the first nine months of 2019 have been encouraging.** Non-oil revenue mobilization has been in-line with the budget. Performance of non-oil tax revenue was satisfactory. Despite stronger production than expected, oil revenue was slightly below program projections. Overall, fiscal expenditures were broadly consistent with the budget with two notable exceptions. Social spending fell short of projections in the third quarter. The wage bill, initially budgeted, slightly exceeded projections due to higher security spending, reflecting the restitution of salary to the military.
5. **Net government domestic financing has been broadly in line with program targets.** Net domestic financing from banks was broadly in line with projections, with an average roll-over rate of roughly 87 percent versus the program target of 85 percent for the year as a whole. Government deposits at the BEAC decreased by CFAF 112 billion during the first nine months of the year, in line with projections. The government made additional progress in clearing domestic arrears identified at the Treasury (RAP). During the first nine months of 2019, the stock of domestic arrears was further reduced by CFAF 41 billion.

6. The government made progress in clearing arrears to external creditors and has continued to pay external debt obligations in a timely manner. Obligations are being paid in line with the May 2018 agreement-in-principle with the Libyan Foreign Bank. In mid-July, an agreement was signed with Angola on the repayment of the February 2017 debt. Discussions are underway to address outstanding arrears with Libya, Equatorial Guinea, the Republic of Congo and Mega Bank (an external commercial bank). The government remains confident that measures, including the allocation of funds for external debt payment in an escrow account and monthly meetings of external debt service stakeholders (including the IMF resident representative as an observer), will ensure the nonrecurrence of external arrears.

7. Banking sector activity increased and liquidity and portfolio quality improved, but vulnerabilities persist. Compared to end-2018, bank activity picked up with deposits increasing by 25.7 percent and credit by 4.6 percent through end-August 2019. Nonperforming loans to total loans, while still high, dropped to 27 percent at end-August from 31.4 percent at end-December 2018. Banking sector liquidity continued to improve and BEAC refinancing declined from CFAF 160.0 billion in December 2018 to CFAF 93.7 billion in August 2019.

8. The security situation remains difficult. Boko Haram has continued to launch deadly attacks on the Lake Chad region, both on villagers and military forces. In response, regional forces, including that of Chad, have remained engaged in a strong campaign against the group. The conflict has sent more regional refugees to Chad and aggravated humanitarian needs. In August, to stem insecurity and the circulation of illegal arms and criminals, a state of emergency was declared in three provinces and the borders with Libya, Sudan and Central African Republic were placed under heavy military guard. Security concerns have continued to necessitate an increase in security spending.

9. Social tensions have moderated. The social situation improved thanks to the implementation of the October 2018 agreement with public sector trade unions. Parliamentary elections, which had been announced for 2019, will take place in early 2020.

B. Program Implementation

10. We continue to be determined to implement our program. All performance criteria (PC) and the indicative target for end-June 2019 were met.

- The ceiling on the non-oil primary balance (NOPB) was met as the deficit stood at CFAF 122 billion compared to the quantitative performance criterion of CFAF 125 billion. This result was achieved primarily because of the government's efforts to mobilize government revenue.
- The floor on customs revenue was exceeded (CFAF 72 billion versus a target of CFAF 50 billion). Despite still weak economic activity and imports, the government strengthened its customs collection efforts.
- The criterion on net domestic government financing from the BEAC was met with a large margin. This reflects mainly higher government revenue mobilization.

- The criterion on net domestic government financing excluding the BEAC was met, primarily as the roll-over of T-bills and T-bonds was broadly in line with the program objective of 85 percent.
- The performance criterion on the stock of domestic payment arrears was met. The stock of domestic arrears was reduced to CFAF 130 billion against a target of CFAF 140 billion.
- The continuous zero ceiling on new external arrears of the government and non-financial public enterprises has been met since the third ECF review.
- The zero ceiling on contracting or guaranteeing new non-concessional external debt by the government and non-financial public enterprises was met as the government continues to resist pressures to access non-concessional financing.
- The indicative target on poverty-reducing social spending was reached for the first time, after being missed during all previous reviews.

11. While the use of emergency spending procedures (“*dépenses avant ordonnancement*”, or DAO) was under control, in line with the budget implementation decree of January 2019, the regularization of DAO was low at 20 percent at end-June compared to a target of 70 percent. The authorities are committed to accelerate the regularization speed to meet the end-year target.

12. Performance at end-September 2019 remained broadly in line with the program. The non-oil primary deficit remained below the program ceiling. Custom revenue was met as the government sustained efforts to improve custom administration and limit fraud. The indicative target (IT) on net domestic financing from the BEAC was met as the draw down on government deposits was lower than anticipated. The IT on net domestic financing from banks was also met as the roll-over of securities remained consistent with program objectives. The IT on the stock of domestic payment arrears was met as domestic arrears were reduced by roughly CFAF 41 billion in the first nine months against a program target of CFAF 40 billion. Although the IT on poverty-reducing social spending was missed—CFAF 168 million against CFAF 177 million—the government is committed to increase social spending in the fourth quarter and the committee put in place in June 2019 to monitor social spending will ensure the end-December 2019 target is met. The use of DAO was under control (16 percent), while regularization remained weak despite some improvement in the third quarter.

13. Despite delays, we remain committed to the implementation of the structural reform agenda. Of the five structural benchmarks for the period through end-September, only two were met; and of the rest, one was implemented with delay.

- (i) The structural benchmark on the publication of the oil sector note was met, as the government continues to publish quarterly notes on the oil sector, in line with the template agreed with IMF staff.
- (ii) The publication (measure expected by end-July) of the first semi-annual note which lists all new exemptions (including renewal and extension of exemptions) was met.

- (iii) The creation and publication of the VAT taxpayer list, its integration in the computerized system of the customs department, and the application of a customs penalty rate of 15 percent was met in early October.
- (iv) The restructuring plan was pending adoption by the board of directors of BCC before the end-September target date; its funding plan is under preparation. Restructuring and funding plans have not yet been adopted by the board of directors of CBT.
- (v) The audit of remaining domestic arrears (measure expected for end-September) will be completed at end-November (prior action).

14. We have made good progress on other structural benchmarks. The government has requested technical assistance from a merchant bank to develop an arrears clearance strategy, expected to be adopted by end-December, delayed by a month due to the additional time needed to complete the 'arrears' audit. Furthermore, decree 1607 of September 30th set up a technical committee responsible for tax exemptions, which should help meet the end-February 2020 structural benchmark: "To complete the implementation of the recommendations of the audit of the 47 exemption agreements with a view to removing or modifying those that do not comply with the legal texts or that have not been correctly executed."

15. The BEAC and COBAC have pursued the implementation of their policy commitments. The BEAC continues to implement the remaining recommendations of the 2017 safeguards assessment. BEAC's full transition to IFRS for FY 2019 is progressing broadly as planned, and efforts are being stepped up to accelerate the revisions to the secondary legal instruments for alignment with the BEAC Charter.

ECONOMIC AND FINANCIAL POLICIES FOR THE REMAINDER OF THE PROGRAM

C. Outlook and Risks

16. The medium-term outlook is favorable. Non-oil growth is projected to increase to 4 percent. Oil production is expected to increase as a result of new technologies. Inflation will remain around 3 percent. The fiscal deficit is expected to gradually narrow and help improve the debt position. These positive prospects are dependent on the realization of planned investments, particularly in the oil sector, the maintenance of social peace, as well as security and climate shocks.

D. Fiscal Policy in 2019 and 2020

17. For 2019, we remain committed to a NOPB target of 4.9 percent of non-oil GDP. Policies in the fourth quarter will essentially be geared at mobilizing non-oil revenue and containing spending. On the revenue side, the government will put greater emphasis on strengthening non-oil

revenue collection, particularly in the customs and tax area, and reducing smuggling. The new VAT measures are expected to have a positive impact on revenues starting the last quarter of 2019. With regard to expenditure, the wage bill is expected to reach CFAF 357 billion against a budgeted amount of CFAF 350 billion due to security spending (restitution of basic salary to the military) which was partially offset by saving from the rationalization of the payroll, including the removal of ghost workers and undue benefits and the audit of diplomas and lower interest payments, and postponement of some investment projects. In addition, goods and services will be cut to offset the increase in the wage bill. The government is committed to allocate adequate resources to social sectors to meet the end of year target and to limit the use of DAO and increase its regularization in line with the targets. The NOPB will be adjusted to take into account the unused 2019 budget allocations for the legislative elections. The unused balance will be allocated for 2020. On the financing side, an amount of CFAF 60 billion will be cleared.

18. For 2020, we will target a NOPB of 4.9 percent of non-oil GDP to continue our consolidation efforts and to keep the debt level sustainable. The government commits to submit to the National Assembly a projected 2020 budget in line with the parameters of the IMF program (prior action). Oil revenues are expected to significantly increase as the largest oil producer has started to pay corporate tax revenue in 2019, which should increase over the medium-term with the continued pick up in oil production and prices. Strengthening non-oil revenue mobilization remains a major element of the government program. We will aim to increase non-oil tax revenue from 8.2 percent of non-oil GDP in 2019 to 8.7 percent of non-oil GDP in 2020 by implementing the following measures: (i) a better monitoring of VAT taxpayers and the application of a 15 percent penalty on nonregistered importers; (ii) the reduction of tax exemptions; (iii) greater “bancarisation” of revenue mobilization;; (iv) improving the collection of income tax, by widening its base; and (v) allocating new resources (building and software) to tax directorates in charge of large and medium taxpayers.

19. We will maintain control of the wage bill by improving payroll management. The Government intends to keep the wage bill at a sustainable level to meet the country’s large development and social spending needs. The 2019 wage bill mandated the recruitment of civil servants, including customs agents, teachers, judges, and doctors. This will increase the wage bill to CFAF 368 billion. The government commits to taking corrective measures to control the wage bill should it exceed the budgeted amount.

20. We will exert all our efforts to increase social spending and priority investment. In view of the large spending needs, the budget builds on a stronger prioritization of spending, with particular emphasis placed on ensuring that allocations to the social sectors reach at least 34 percent of total primary spending (excluding transfers to the electricity company), and that investment increases by 10 percent relative to the expected outcome in 2019 in line with the National Development Plan (PND).

21. For the 2020 budget, domestic bank financing will be based on reduced rolling over of maturing treasury bills and bonds. The government intends to help improve the liquidity situation of local banks, in support of the restructuring and financing plans for the two public banks. The roll-over rate will be capped at 85 percent on average for the year, or a net repayment of at least

15 percent of maturing treasuries. Additional resources will also be used to further reduce domestic debt consistent with the program. In view of the improved government repayment record, the government will negotiate with banks an increase of treasury maturities to reduce the cost of domestic financing. The government plans to participate in the recapitalization of the two public banks under their restructuring and financing plans, including with CFAF 3 billion allocated to CBT through the issuance of Treasury bills and bonds.

22. Domestic arrears clearance remains a high priority under our program. The government firmly believes that the payment of audited arrears is key to the recovery of the non-oil sector. The payment of domestic arrears planned for 2020 and the medium term will be in line with the forthcoming arrears' clearance strategy, based on the independent audit to be completed shortly, including the finalization of the second stage initiated in early July 2019 (prior action). More domestic arrears payments than programmed will be possible if additional resources allow to do so.

23. The government is committed to refrain from contracting or guaranteeing new non-concessional external loans. To avoid the heavy burden of non-concessional external borrowing, the government will continue to ensure that all external financing agreements, both for project and budget support, are concessional (have at least 35 percent grant element, see TMU) and are consistent with debt sustainability. All draft loan agreements will continue to be submitted for prior approval to the National Commission for Debt Analysis (CONAD), which is supported by the technical and financial analysis of the Technical Team for Debt Sustainability Analysis (ETAVID). In this context, the government will continue efforts to strengthen debt management with donor assistance and will initiate a review of the IMF and World Bank debt sustainability analysis.

E. Regional Context

24. The BEAC has provided an updated policy assurance on end-December 2019 and end-June 2020 NFAs in support of CEMAC countries' Fund-supported programs. In its updated letter of policy support, the BEAC presented a revised NFA projection reflecting in part the strong performance through mid-2019. BEAC also reiterated its commitment to implement an adequately tight monetary policy, together with member states implementing fiscal adjustment agreed in the context of IMF-supported programs, to achieve the NFA projections. The regional assurances on regional NFAs are critical for the success of Chad's program and will help bolster the region's external sustainability.

F. Tax and Customs Reforms and Policies

25. We will continue to improve the base and structure of oil and non-oil tax revenues.

- **Tax and customs exemptions.** The government is determined not to automatically renew expiring exemptions on existing activities nor to extend existing exemptions particularly in the oil sector (including oil refining), but also in construction and hospitality industries. This will ensure a reliable source of income for the government. In addition, the government is committed to assess systematically the fiscal impact of all new requests for exemptions through

a technical commission set up to that effect. The government will publish on a semiannual basis a list of all new exemptions (including renewal and extension of exemptions) on the Ministry of Finance website (existing structural benchmark) and will aim to start publishing its analysis of the fiscal impact of these exemptions in early 2020. The government continues to follow up on the recommendations of the audit of 47 tax conventions. It will complete the implementation of the recommendations made by the auditors by end-February 2020 to remove or amend exemptions not in line with legal texts or that have not been implemented correctly (existing structural benchmark). In early October, tax payers benefitting from tax exemptions were given up to end-December 2019 to confirm with the technical committee on tax exemptions that they are in line with requirements under the 2019 budget law.

- **Non-oil revenues.** The government understands that revenue from the VAT, which stands at about 1 percent of non-oil GDP are critical to the improvement of revenue mobilization. The time-bound plan to strengthen the VAT regime adopted in December 2018 includes among others measures to set-up a VAT refund mechanism and reduce VAT exemptions. The government has published the list of companies allowed to withhold VAT, a measure that is expected to make VAT collection transparent and increase revenues. Measures implemented in January 2018 requiring taxes to be paid through the banking system (*"bancaisation des recettes"*) have demonstrated promise in reducing leakages. The government is committed to allocate 5% of VAT revenue to the dedicated account with the BEAC for VAT refunds.

26. We will also take administrative measures to improve tax and customs collection performance.

- **Customs revenues.** We aim to increase efficiency and improve compliance through greater computerization of customs operations. The expected migration to new software (ASYCUDA World) will improve customs procedures and in particular will (i) allow more accurate application of duties; (ii) shrink the abuse of customs exemptions; (iii) strengthen integration of customs and taxation departments to improve VAT collection; (iv) facilitate the interconnections with the custom offices in Cameroon, Niger and Sudan; and (v) set the stage for transition to a single window system.
- **Non-oil taxes.** We also plan to re-organize key elements of the tax directorate drawing on IMF TA recommendations to strengthen tax and customs administrations. In addition, the Directorate in charge of land and property tax has begun a new survey of potentially taxable properties, starting in N'Djamena, which will improve the ability to apply the taxes effectively. To support reforms in the tax administration, new resources (building and software) will be allocated to tax directorates in charge of large and medium firms, in line with the recommendation of the July IMF technical assistance report on tax administration (structural benchmark, April 2020). Tax and customs reforms will benefit from the assistance of the recently posted IMF resident advisor for revenue administration.

G. Structural Reforms on Public Financial Management

27. The government reaffirms that achieving the objectives of its economic program depends on sound and transparent public financial management (PFM). The government emphasizes the recent progress made in terms of budget execution, monitoring, and reporting, as well as the integration of CEMAC directives within the Chadian legislation. The government intends to continue the strong collaboration with its development partners to further improve PFM under the new PFM reform strategy developed in May 2019 with the assistance of the IMF and the World Bank. The government looks for further TA missions and long-term resident experts within the Ministry of Finance and Budget. The government will seek to establish a policy dialogue framework with donors providing budget support, to harmonize conditionality for the release of budget support and improve the effectiveness of technical assistance.

28. We renew our determination to improve the expenditure chain.

- The government is committed to reducing the use of emergency spending procedures DAO, which intensified in the past two years. The government will also regularize DAO as soon as possible after they occur to limit the risks of over-spending and the accumulation of arrears. For 2020, the limit on the DAO rate will be reduced to 20 percent.
- More broadly, the expenditure chain should be better applied under a secure information system. The four phases of the expenditure chain (commitment, validation, authorization of payment order, and cash payment) are now implemented and monitored through the computerized system (CID). The CID has, however, shown weaknesses, while the payroll information system (SIGASPE) and the manual treatment of information at the Treasury, entail great risks. Moreover, accounting statements continue to be issued with delays, which hinders proper expenditure monitoring. The Ministry of Finance and Budget has therefore decided to revamp the information system by acquiring and implementing the integrated financial management system (IFMS) used in Rwanda. The IFMS aims at achieving effective, accountable and transparent Public Finance Management, through an integrated computerization of government-wide financial transactions by various entities. The system will be operational in 2020 with the help of Rwandan experts. Under this framework, the government aims to more consistently implement the expenditure chain with a view to improving effective absorption of budgeted allocations, particularly for social sectors.

29. We will implement the new PFM strategy to modernize the management of public finances. The new strategy takes account of the 2017 PEFA conclusions, CEMAC reforms and recommendations of various TA missions by donors. Following a validation workshop by all concerned government bodies, the strategy will be adopted by the government and monitoring bodies will be established by decree, before it can be implemented starting from 2020. The new strategy should help improve budgeting procedures and strengthen forecasting and coordination between agencies.

30. We will adopt a clearance strategy for the entire stock of verified arrears (Reset structural benchmark, end-December 2019). The strategy will explicitly explain the factors for

prioritizing the clearance of arrears. The government is committed to prioritize the payments on the basis of their economic and social impact, and the expected effect on the banking sector. It will establish clear modalities for repayment. It will also include a credible plan to finance the clearance including external and domestic financing consistent with reducing debt vulnerabilities and improving financial stability. A key component of the strategy is public communication and outreach, which will help the strategy succeed in rebuilding confidence of the private sector by reducing key sources of uncertainty regarding the repayment of arrears. The government believes that support from Chad's external development partners will be critical to clear the arrears.

31. We continue to work towards a more efficient cash management system to avoid the emergence of new arrears. The Cash Plan Committee is in charge of cash flow forecasts and management, monitoring the current Treasury account at the BEAC, and centralizing public accounting operations, cash flow and public debt. A cash management plan, including monthly forecasts of revenue and main expenditure (notably the wage bill, and domestic and external debt service) has been developed. Moving forward, efforts would focus on refining the monthly cash flow plan—which would be included within the budget (in line with the CEMAC Directive) and updated on a semi-annual basis—and on strengthening the responsiveness of the Committee to update revenue and expenditure forecasts. Steps will also be taken to establish a single treasury account (TSA), starting with a census of all accounts in commercial banks that could be covered by the TSA.

32. Strengthening public debt reporting and monitoring capacity remains an important objective of our reform agenda. The government is aware of the need to update the debt management information technology (IT) system. To further improve public debt management, the government intends to adopt a medium-term debt strategy and strengthen debt monitoring. The Minister of Finance and Budget will issue an order to facilitate the functioning of CONAD and remains committed to providing resources to facilitate execution of CONAD's functions. It will also seek follow-up TA support to improve debt management, including strengthening debt management institutions and providing adequate human and material resources. Meanwhile, the government will continue to publish the annual public debt management report and will incorporate a section to elaborate on the short- to medium-term debt management strategy and a risk analysis. In addition, with a view to ensure that external debt service is paid on time, the Ministry of Finance and Budget will ensure that payments are in line with the mechanism under the escrow account and all the relevant officials meet on a monthly basis to take stock of previous payments and plan for forthcoming ones.

33. We intend to improve the efficiency of public procurement management. To this end, it plans to strengthen the capacity of the Public Procurement Regulatory Authority. The current procurement code will be revised by May 2020 to remove constraints that have limited absorption, including raising the threshold and simplifying the approval process. The General Directorate of Control of Public Procurement will continue to publish a quarterly bulletin.

34. Starting 2020, we will be reflecting in the budget the transfers to the National Electricity Company (SNE). The state transfer to SNE in terms of supply of diesel and electricity produced by SRN (up to 10 MW) is provided through SHT. In particular, SHT sells up to 4 million barrels of crude oil a year to SRN from the royalties-in-kind of the State at the selling price of

\$46.85 /barrel. SRN then provides a portion of the refined product to SNE. In 2018, the state transfer to SNE amounted to CFAF 47 billion, and CFAF 52 billion in 2020.

H. Banking Sector Reforms

35. Despite the registered delays, we are committed to strengthen the financial position of the two large public banks. Efforts to address arrears, along with more payment of debt owed to national banks on due dates, are expected to help ease pressures on the banking sector. Concerning the two large public banks, the government began to implement the needed reforms to address vulnerabilities. Based on the audit reports for CBT and BCC by external consultants completed at end-June, restructuring and funding plans were shared with the BEAC, COBAC and IMF staff. While those plans were adopted by the board of directors of BCC, they were subject to review for CBT at COBAC's request. Updated plans are expected to be adopted by end-November 2019 (prior action). In the 2020 budget, the government will allocate amounts of CFAF 3 billion (CFAF 250 million per month) and CFAF 6 billion (CFAF 500 million per month) to repay outstanding credits for BCC and CBT, respectively. In addition, the government is committed to address all weaknesses identified, in particular improving the governance structure of the two public banks. To ensure the banks implement the restructuring and funding plans approved by their boards of directors, the goals of the restructuring plans will feed into performance-based contracts in consultation with IMF staff which will be signed with the management of CBT and BCC (structural benchmark, March 2020). In the interim, banks will continue to properly classify their loans and provision adequately in line with existing banking regulations. They will also work to improve their liquidity positions.

36. We believe that financial inclusion is an important multipronged initiative. The government is aware of the importance of access of Chadians to financial services and will strengthen financial inclusion by encouraging the creation of microfinance institutions, " bancarisation" of state operations, the opening of accounts by greater numbers, and promoting the use of modern payment methods through mobile money. The government is also committed to mitigating inefficiencies of existing initiatives.

I. Improving Governance and Transparency

37. Improving governance is a key element of our strategy to revive the private sector. In this regard, the government is committed to implementing the United Nations Convention against Corruption (UNCAC), which was ratified by the National Assembly in 2017. The government will seek support from the UN to assess the extent to which its present penal code is in line with the convention and seek to strengthen it where necessary to advance the fight against corruption. Notably, the government is committed to identifying areas to improve the effective implementation of the legislation criminalizing acts of corruption in line with the UNCAC. The constitution includes a requirement for the President of the Republic, ministers, along with certain "public figures" and "agents of the state" to declare their assets, but the rate of compliance is very low. This is partly due to the absence of the implementing legislation necessary to define all aspects of the asset declaration. The government is preparing legislation that aims for strong implementation of the asset declaration obligations set forth in the Constitution, but the drafting is facing capacity constraints. Responsibilities

of anti-corruption bodies (IGF, IGE and the Chamber of Accounts) will be clearly delineated, adequate resources will be provided to anti-corruption activity, and anti-corruption staff will be selected under a merit-based system and will need to meet stringent ethics standards or face stiff penalties. The government is committed to supporting the activities of the National Agency for Financial Investigation (ANIF), including by augmenting its human resources.

38. We are committed to continue its effort to improve transparency and oversight of the oil sector. In early May, the EITI completed Chad's assessment under the 2016 standards. The EITI board's recommendations will be implemented. The government has made significant progress in disclosing contracts and licenses in the petroleum sector with support from the World Bank. It has published certified and verified annual financial reports for 2017-2018 for the SHT (*Société des Hydrocarbures du Tchad*) holding and its subsidiaries.

39. Improving the business environment is of critical importance to revive private sector activity. The government recognizes that a stable regulatory environment, even-handed and consistent rule of law and efficient government services provide the backbone of Chad's business environment. A regional business climate conference hosted by the government and the World Bank expected at the end of November 2019 will help develop successful ideas for improving the business climate.

MONITORING THE IMPLEMENTATION OF THE PROGRAM

40. To monitor the implementation of measures and attainment of objectives under the program, the government will continue to rely on the Negotiation Committee based in the Ministry of Finance and Budget. The Committee is in constant communication with IMF staff in Washington and its Resident Representative in Chad.

41. The program will be monitored through bi-annual reviews by the IMF Executive Board on the basis of performance criteria, indicative targets, and structural benchmarks (Tables 1 and 2 attached). The indicators are outlined in the attached Technical Memorandum of Understanding (TMU). The sixth review will be completed on or after April 15, 2020. The government undertakes to adopt, in consultation with IMF staff, any new financial or structural measures, which may be necessary for the success of the program.

Table 1. Chad: Quantitative Performance Criteria (QPC) and Indicative Targets (IT)* Under the ECF Arrangement

(In billions of CFAF, unless otherwise indicated)

	End-Dec 2019 QPC	End-mar 2020 IT
1. Floor on non-oil primary budget balance (NOPB)	-252	-85
2. Floor on customs revenue	130	30
3. Ceiling on net domestic government financing excluding BEAC	-90	-10
4. Ceiling on net government financing from the BEAC	124	50
5. Ceiling on the stock of domestic payment arrears by the government	100	90
6. Ceiling on new external arrears of the government and non-financial public enterprises	0	0
7. Ceiling on contracting or guaranteeing new non-concessional external debt by the government and non-financial public enterprises	0	0
	IT	IT
8. Floor for poverty-reducing social spending	241	59
<i>Memo item:</i>		
9. Ceiling for the use of emergency spending procedures-DAO (Percent of primary spending)	22	22
10. Floor for regularization of emergency spending procedures-DAO (Percent of total DAO)	80	50
11. External concessional borrowing (US\$ million)	127	0
12. Oil Revenue	359	133
13. Grants	54	35

Sources: Chadian authorities; and IMF Staff.

*The adjustors for the QPCs and IT are defined in paragraph 23 of the TMU.

1. NOPB: Non-oil revenue less grants, minus domestically financed primary expenditure (ie. expenditure, less net interest payments and foreign financed investment).

2. Customs revenue as given by the Treasury in the Table "Situation des Regies financières".

3. Includes net financing from Treasury bills / bonds and domestic banks direct loans net of amortization, see Technical memorandum of understanding.

4. As given in the PNG.

5. Stock of verified arrears, as given in the Table "Restes à payer".

6. Applies continuously.

7. Applies continuously.

8. Expenditure of Ministries in charge of social sectors, as recommended by the World Bank in the absence of a budgetary functional classification. An adjustor will be defined in case of expenditure cuts, which will ensure an increase of the share of poverty-reducing social spending in the total of primary current expenditure (see TMU for details).

9/10. DAO is defined as all expenditures which do not go through the standard spending procedure. Regularization of DAO consists in recording the expenditure in the correspondent line of the budget. This will be done within 45 days after the end of the quarter.

11. External concessional borrowing (US\$ million)

12. Oil Revenue is the sum of direct receipt and the sale revenue of government oil net of operating and transportation

13. Budget grants.

Table 2. Chad: Prior Actions and Structural Benchmarks for the Program, 2019- 2020

Measures		Due Dates
Prior actions		
1. Submit a 2020 budget in line with the program to the National Assembly (including a limit on DAO)		Five business days before the Board meeting
2. Based on the conclusion of the audit of BCC and CBT, adopt restructuring and funding plans for CBT and BCC		Five business days before the Board meeting
3. Complete audit of remaining domestic arrears.		Five business days before the Board meeting
Structural Benchmarks		
1. Publication of a quarterly note on the oil sector, in line with the template agreed with the authorities, including detailed information on debt service to Glencore.	Existing	Quarterly, starting end-December 2019
2. Adopt a clearance strategy of domestic arrears based on the audit results	Reset from end-November 2019	End-December 2019
3. Publish a semi-annual note which lists all new exemptions (including renewal and extension of exemptions).	Existing	Semi-annual, starting end-January 2020
4. Complete the implementation of the recommendations of the audit of the 47 exemption agreements with a view to removing or modifying those that do not comply with the legal texts or that have not been correctly executed	Existing	End-February 2020
5. Sign a performance contract with the management of CBT and BCC	New	End-March 2020
6. Allocate by ministerial decree new resources (building and software) to tax directorates in charge of large and medium firms in line with FAD's recommendations.	New	End-April 2020

Attachment II. Technical Memorandum of Understanding

1. This Technical Memorandum of Understanding (TMU) spells out the concepts, definitions, and data reporting procedures mentioned in the Letter of Intent (LOI) and Memorandum on Economic and Financial Policies (MEFP) of November 26, 2019. It describes the information requirements to monitor performance under the ECF arrangement. The authorities will consult with the IMF before modifying measures contained in this TMU or adopting new measures that would deviate from the goals of the program. It describes more specifically:

- a) reporting procedures;
- b) definitions and computation methods;
- c) quantitative performance criteria;
- d) indicative targets;
- e) adjusters to the quantitative performance criteria and indicative targets; and
- f) structural benchmarks

A. Reporting Procedures to the IMF

2. Data on all the variables subject to quantitative performance criteria (QPC) and indicative targets (ITs) and information on the progress towards meeting structural benchmarks will be transmitted regularly to the IMF in accordance with the table shown in Attachment 1 herewith. With respect to continuous QPCs, the authorities will report any non-observance to the IMF promptly. For the purpose of this TMU, **days** refer to calendar days unless otherwise specified. Revisions to data will also be forwarded to the IMF within 14 days after being made. In addition, the authorities will transmit to IMF staff any information or data not defined in this TMU but pertinent for assessing or monitoring performance relative to the program objectives.

B. Definitions and Computation Methods

3. Unless otherwise indicated, the term Government refers to the central government of the Republic of Chad comprising all the executive bodies, institutions and any structure receiving special public funds and whose competence is included in the definition of central government as defined in the Government Finance Statistics Manual of 2014 (GFSM 2014), paragraphs 2.85 – 2.89.

4. A public nonfinancial enterprise is a government-controlled corporation¹ whose principal activity is the production of goods or nonfinancial services. For the purpose of the program monitoring, these include: *Société Tchadienne des Eaux (STE)*, *Société Nationale d'Electricité*

¹ Control of a corporation is defined as the ability to make key financial and operating decisions (see GFSM 2014 paragraph 2.104–2.114).

(SNE), Société des télécommunications du Tchad (SOTEL), Société Tchadienne des Postes et de l'Épargne (STPE), Société des Hydrocarbures du Tchad (SHT), Compagnie Tchadienne de Textiles (COTEX), Société Nationale de Ciment (SONACIM Tchad), CimenTchad, Société Industrielle de Matériels Agricoles et d'Assemblage des Tracteurs (SIMATRAC), Société Tchadienne d'Hydraulique (STH), Fonds d'Entretien Routier (FER).

5. Oil revenue is defined as the sum of (i) the gross sales revenue of government's crude oils obtained through government's equity participation in oil companies minus all costs incurred due to the equity participation (*cash-call*) and transportation cost associated with the sales of government's crude oils, (ii) royalties, (iii) statistical fees, (iv) profit tax, (v) dividends, (vi) bonuses, (vii) revenues from exploration duties, (viii) surface tax, (ix) access rights to the pipe and (x) any other flows of revenue paid by oil companies (settled *in-kind* and *in-cash*), except indirect duty and taxes. The authorities will notify IMF staff of changes in the oil taxation systems and laws that may impact revenue flows. **Exceptional receipts** paid by oil companies, whose definition is given in Paragraph 7 below, are excluded from oil revenue.

6. Customs revenue is defined as the revenue generated from all levies and duties payable on goods of a particular kind because they are entering the country or services because they are delivered by nonresidents to residents (as defined in GFSM 2014, paragraph 5.84). Customs revenue is recorded on a cash basis. For the purpose of the program monitoring, customs revenues are those recorded in the table "*Situation des régies financières*" of the Treasury.

7. Exceptional receipts are defined as payments to the government that include:

- Payments from resolution of protracted disputes between foreign companies operating in Chad and the Government in connection with their tax obligations or potential violations to laws and standards or any other legal obligations.
- Payments from the sale or placement or privatization of Government's assets, granting or renewal of licenses.

8. Total government revenue is the sum of tax revenue and non-tax revenue (as defined in GFSM 2014, Chapter 5). Oil revenue, as defined in paragraph 5 and custom revenue as defined in paragraph 6, and exceptional receipts as defined in paragraph 7. These items will be shown in the breakdown of total government revenue report.

9. Total government expenditure is understood to be the sum of expenditure on wages and salaries of government employees (as provided in the document "*Masse salariale*", see Paragraph 11 for details), goods and services, transfers (including subsidies, grants, social benefits, and other expenses), interest payments, and capital expenditure. All these categories are recorded on a commitment basis, unless otherwise stated. Except for capital expenditure, which is defined as

shown in the Government Finance Statistics Manual 1986 (GFSM 1986),² all other spending items are defined as in GFSM 2014 (Chapter 6). Total government expenditure also includes “*dépenses avant ordonnancement*” (DAO) which are not yet regularized (see paragraph 10 for details).

10. *Dépenses avant ordonnancement* (DAO) is defined as all expenditures which do not go through the standard spending procedure. A standard procedure entails a chain which includes the commitment, validation, authorization, and cash payment. There are two categories of DAOs:

- The first category consists of DAOs which are made relative to a credit line in the budget. These DAOs can be regularized (i.e., recorded in the correspondent line of the budget) without difficulties.
- The second category consists of DAOs which are made regardless of the existence of a credit line in the budget. Their regularization requires either an adjustment in the revised budget, i.e., Amended Financial Law (LFR), or a ministerial order to transfer credit allocation within the budget.

11. *Wages and salaries* correspond to the compensation of all government employees, including civil servants and members of the armed and security forces. Compensation is defined as the sum of wages and salaries, allowances, bonuses, pension fund contributions on behalf of civil servants, and any other form of monetary or non-monetary payment. For the purpose of program monitoring, data are computed from the document “*Masse salariale*”, which excludes compensations to staff under certain contracts that are classified as Transfers (see Paragraph 13 for details).

12. *Subsidies* are defined as government current expenditure that are made, via ordinary or in-kind payment, to enterprises, on the basis of the level of their production activities or the quantities or values of the goods or services they produce, sell, export, or import. For the purpose of program monitoring, subsidies refer to those reported in “*Tableau de 4 Phases*”.

13. *Transfers* are defined as government current expenditure to individuals, private nonprofit institutions, nongovernmental foundations, corporations, or government units, including SNE that are not included in other categories of transfers. For the purpose of program monitoring, transfers refer to those reported in “*Tableau de 4 Phases*”.

14. For the purposes of this TMU:

- The term “debt” is as defined in paragraph 8 of the Guidelines on Public Debt Conditionality in Fund Arrangements attached to Executive Board Decision No. 15688-(14/107) but also includes contracted or guaranteed commitments for which values have not been received. For purposes

² Capital Expenditure - expenditure for acquisition of land, intangible assets, government stocks, and nonmilitary, nonfinancial assets, of more than a minimum value and to be used for more than one year in the process of production. Capital expenditure is frequently separated (in some cases along with certain revenue) into a separate section or capital account of the budget or into an entirely separate budget for expenditure, i.e., the capital budget. This separation may sometimes follow different criteria, however.

of these guidelines, the term “debt” is understood to mean a current, that is, not contingent, liability, created under a contractual arrangement through the provision of value in the form of assets (including currency) or services, and which requires the obligor to make one or more payments in the form of assets (including currency) or services, at some future point(s) in time; these payments will discharge the principal and/or interest liabilities incurred under the contract. Debt can take several forms; the primary ones being as follows:

- i. Loans, that is, advances of money to the obligor by the lender made on the basis of an undertaking that the obligor will repay the funds in the future (including deposits, bonds, debentures, commercial loans, and buyers’ credits) and temporary exchange of assets that are equivalent to fully collateralized loans, under which the obligor is required to repay the loan funds, and usually pay interest, by repurchasing the collateral from the buyer in the future (such as repurchase agreements and official swap arrangements);
 - ii. Suppliers’ credits, that is, contracts where the supplier permits the obligor to defer payments until sometime after the date on which the goods are delivered or services are provided; and
 - iii. Lease agreements, that is, arrangements under which the lessee is allowed to use a property for a duration usually shorter than that of the life of the property in question, but without transfer of ownership, while the lessor retains the title to the property. For the purposes of this guideline, the debt is the present value (at the inception of the lease) of all the lease payments expected for the period of the agreement, except payments necessary for the operation, repair, and maintenance of the property;
- In accordance with the definition of debt set out above, penalties and judicially awarded damages arising from failure to pay under a contractual obligation that constitutes debt are also debt. Failure to make payment on an obligation that is not considered debt under this definition (e.g., payment on delivery) will not give rise to debt.
 - **Domestic debt** is any debt as defined in above, which is denominated in Central African Franc (CFAF).
 - **External debt** is any debt as defined in above, which is denominated in a foreign currency, i.e., a currency other than CFAF.
 - Debt is considered **concessional** if it includes a **grant element** of at least 35 percent³ and **non-concessional** if otherwise. The grant element is defined as the difference between the nominal value of the loan and its present value, expressed as a percentage of the nominal value of the loan. The present value of the debt at the date on which it is contracted is calculated as the

³ The IMF website gives an instrument (link hereafter) that allows the calculation of the grant element for a wide range of financing packages: <http://www.imf.org/external/np/pdr/conc/calculator>.

discounted sum of all future the debt service payments at the time of the contracting of the debt⁴. The discount rate used for this purpose is **5 percent per annum**.

15. Domestic payment arrears are defined as the sum of (i) recognized expenditure payment arrears, and (ii) domestic debt payment arrears, which are defined below:

- The outstanding amount in a payment order, to a private or public company, for an expenditure incurred, validated and certified by the financial controller and then created by the “*Direction of Ordonnancement*”, is defined as a **float** after the payment authorization is issued by the Treasury. The outstanding amount of a float is classified as a **recognized expenditure payment arrear** 90 days after the issuance of the payment authorization. The recognized expenditures payment arrears so defined do not include domestic debt payment arrear and arrears on wage and salaries. **Unrecognized expenditure payment arrears** are defined as any potential expenditures payment arrears which have not gone through that standard spending procedure. The nature and the amount of those potential arrears will be determined by an audit of domestic arrears (see paragraphs 24 and 25).
- **Domestic debt payment arrears** are defined as the difference between the amount required to be paid under the contract or legal document and the amount actually paid after the payment deadline specified in the pertinent contract.

16. External debt payment arrears are defined as external debt obligations of the government and public, non-financial enterprises that have not been paid when due in accordance with the relevant contractual terms (taking into account any contractual grace periods). This concept excludes arrears on external financial obligations of the government for which the creditor has accepted in writing to negotiate alternative payment schedules before the relevant payment due and excludes technical arrears that are less than six weeks.

17. The non-oil primary balance (NOPB) is defined as the difference between (i) total government revenue (not including grants, oil revenue and exceptional receipts), and (ii) primary expenditure on a commitment basis, which is defined as the total government expenditure minus interest payments on domestic and external debt, SNE transfers and foreign-financed capital expenditure.

18. Poverty-reducing social spending, according to the latest general structure of Government, comprises public spending by the following ministries: (i) National Education and Civic Promotion, (ii) Public Health, (iii) Women, Early Childhood Protection and National Solidarity, (iv) Production, Irrigation and Agricultural Equipment, (v) Livestock and Animal Production, (vi) Environment Water and Sanitation, and (viii) Professional Training and Small Job Promotion. It

⁴ The calculation of concessionality takes into account all aspects of the loan agreement, including maturity, grace period, schedule, commitment and management fees commissions. The computation of the grant element for loans from the Islamic Development Bank (IsDB) will take into account the existing agreement between the IsDB and the IMF.

also includes education spending in the benefit of the ministry of health in the amount of 7 CFAF billion.

19. Domestic currency government financing is defined as the issuance of any instrument in CFAF to creditors; loans from BEAC (including support from the IMF), BDEAC, and CEMAC Member States, or any other debt contracted in CFAF. Net domestic currency financing to the government is subdivided into net bank financing, net securitized financing, net government financing from BEAC, and other non-bank financing. Net bank financing is defined as the change in the net government position towards the domestic commercial banks and includes prepaid interest. Net government financing from BEAC is defined as the change in net government position towards the BEAC.⁵ Net securitized financing includes the issuance of securitized government bonds and loans in CFAF to domestic and regional banks net of related amortizations since the end of the previous year.

20. “Program reference rate”, is based on staff’s “average projected rate” for the six-month USD LIBOR over the following 10 years and is identified as 3.22 percent for the duration of the program. The present value of loans with flexible interest rate will be calculated using the program reference rate plus the fixed spread (in basis points) specified in the loan contract. Where the variable rate is linked to a benchmark interest rate other than the six-month USD LIBOR, a spread reflecting the difference between the benchmark rate and the six-month USD LIBOR (rounded to the nearest 50 basis points) will be added.

C. Quantitative Performance Criteria

21. The quantitative performance criteria and indicative targets listed below are those specified in Table 1 of the MEFP. Continuous Quantitative Performance Criteria (QPC) require that at no point in time it will be non-observed. Should any non-observance occur, the authorities would inform the IMF promptly. Adjusters for the QPCs are specified in Section E below. Unless stated otherwise, all quantitative performance criteria will be assessed cumulatively from the beginning of the calendar year to the applicable test-dates (**the assessment period**) specified in Table 1 of the MEFP. The quantitative performance criteria and details on their assessment are as follows:

- **A floor for the non–oil primary balance.** The non–oil primary balance is defined in paragraph 17 above.
- **A floor on custom revenue.** The custom revenue is defined in paragraph 6 above.
- **A ceiling on the net domestic government financing (excluding BEAC). This is the sum of net bank financing and net securitized financing as defined in para 19.**

⁵ Net claims of the BEAC and domestic commercial banks to the State represent the difference between government debts and its deposits in the Central Bank and commercial banks. The scope of the net claims of the bank system on the State is defined by BEAC and represents the government net position.

- **A ceiling on net government financing from BEAC** (as defined in para 19). The ceiling includes support from the IMF.
- **A ceiling on the stock of domestic recognized expenditure payment arrears.** Domestic recognized expenditure payment arrears are defined in paragraph 15. As of end-December 2018, the stock of recognized expenditure payment arrears was at CFAF 160 billion based on information in the Table “*Reste à Payer*” (prepared by the Treasury). The ceiling set for end-March 2020 would be adjusted to reflect the end-December 2019 actual stock of arrears when final data is available.
- **A zero ceiling on the accumulation of any new external payment arrears by the government and public non-financial enterprises.** This ceiling applies continuously. Any non-observance to the ceiling will be reported promptly to the IMF with information regarding the date of the non-observance, amount of the missed payment and the creditor involved.
- **A zero ceiling on new non-concessional external debt contracted or guaranteed by the government and non-financial public enterprises, with a maturity of more than one year.** This ceiling applies continuously and does not include IMF financing. Debt is non-concessional if it includes a grant element of less than 35 percent, as described in Paragraph 14. Excluded from the ceiling are: (i) normal short-term credits for imports; and (ii) debt contracted before the ECF arrangement and rescheduled during this arrangement to the extent that the rescheduling is assessed to improve the overall public debt profile.

D. Indicative Targets and Memo Items

22. The indicative targets and memo items listed below are those specified in Table 1 of the MEFP. Adjusters of them are specified in Section E below. Unless stated otherwise, all indicative targets will be assessed cumulatively from the beginning of the calendar year to the applicable test-dates (**the assessment period**) specified in Table 1 of the MEFP. The indicative targets and details on their assessment are as follows:

- A floor on poverty-reducing social spending equivalent to 34 percent of domestically financed primary spending in 2019 and 2020. Poverty-reducing social spending is defined in paragraph 18.
- A ceiling (22 percent in 2019 and 20 percent in 2020) on the use of emergency spending procedures (DAO) excluding the wage bill, military spending and debt service as a percent of primary spending excluding the wage bill and military spending (memo item). Military spending is spending by the Ministry of Defense.
- A floor on the regularization of spending executed through DAO (memo item). Regularization of DAO (as defined in paragraph 10) will be done within 45 days after the end of the quarter and as follows: 70 percent after the second quarter, 75 percent after the third quarter, and 80 percent after the fourth quarter.

E. Adjustors to Performance Criteria and Indicative Targets

23. To take into account factors or changes beyond the government's control, the following quantitative performance criteria during the assessment period will be adjusted as follows:

- If the total budgetary receipts and loans are **lower** than the programmed amount, because of lower oil revenue or budget support, then the ceiling on the stock of domestic payment arrears can be adjusted **upward** up to the planned arrears repayment amount. An increase in net domestic financing (either net domestic government financing excluding BEAC or net government financing from BEAC) could be envisaged up to 25 percent of the shortfall not compensated for through reduction in arrears payment.
- Twenty percent of total surplus oil revenue—as defined in the Oil Price and Production Smoothing Law—will be deposited at the end of the year in the Special Account of the Treasury for Oil Price and Production Smoothing, up to CFAF 10 billion.
- If the total budgetary receipts and loans are larger than the programmed amount, because of higher oil revenue, additional budget support excluding grants to finance the parliamentary elections, or exceptional receipt, the amounts—excluding amounts placed in the Special Account of the Treasury for Oil Price and Production Smoothing—must be used through adjustment of a combination of the following elements:
 - the floor for the non-oil primary balance can be adjusted down by up to 25 percent of the excess amount;
 - the ceiling on net financing from the BEAC can be adjusted down by 25 percent of the excess amount; and
 - the ceiling on the stock of domestic recognized expenditure payment arrears can be adjusted down by 50 percent of the excess amount.
- The non-oil primary balance can be adjusted downward by the same amount of budget grants provided to finance the parliamentary elections. Accordingly, the non-oil primary balance will be adjusted downward by any amount budgeted for elections in 2019 that remains unspent in 2019. For the purpose of the TMU, baseline oil revenue, budget support and exceptional receipts are shown in the text table below.
- Should primary expenditure compression be needed, poverty-reducing social spending would be adjusted to the extent that it is reduced proportionally less than other domestically financed primary spending such that its ratio does not decline below 34 percent.

**Table 1. Baseline Projections of Selected Variables
(Cumulative on annual basis)**

	2019	2020
	End-Dec.	End-Mar.
	(in CFAF Billion)	
Net Oil Revenue ¹	359	133
Budget Grants	50	35
Budget Loans	13	0
Exceptional Receipt	0	0
Total	422	168

¹ Net Oil Revenue is the sum of (i) the sale revenue of government oil net of operating and transportation cost and (ii) oil tax revenues.

F. Structural Benchmarks

24. Prior Actions are specified in Table 2 of the MEFP

- Submit the 2020 budget to the National Assembly for approval in line with the program parameter.
- Based on the conclusion of the audit of BCC and CBT, adopt restructuring and funding plans for CBT and BCC in coordination with the BEAC, COBAC and IMF staff.
- Complete audit of remaining domestic arrears. Coverage of the audit should include at least i) all remaining “Grand Travaux Presidentiels” and ii) all potential arrears not yet reviewed from the Infrastructure ministry.

25. Structural benchmarks are specified in Table 2 of the MEFP. Outstanding SBs are governed by the previous TMU.

- Publication of a quarterly note on the oil sector, in line with the template agreed with the IMF staff, including detailed information on debt service to Glencore, quarterly, starting end-December 2019 (Table 2). The note issued at end-December will cover developments up to the end of the previous quarter (June 2019).
 - i. The note will comment on the recent development in the oil sector, including information related to production, export, and new exploration over the previous quarter, and expectation and forecast for the next 6 months.
 - ii. The note will also provide a detailed account of the flow of oil revenue. Oil revenue will be reported by categories and the corresponding types of payments, in-cash (payment made in cash by oil companies) and in-kind (payment made in crude oil by oil companies). Other information will include information on the sale of government-owned crude oils, such as gross sales revenue, volume sold, transaction prices, operating costs (“Cash-call”) to oil

companies, transportation cost, interest payments, principal repayment, other related fees paid to service the Glencore loan and the final amount of sales revenue accrued to the Treasury.

- In consultation with IMF staff, adopt a clearance strategy of domestic arrears based on the completed results of both audits by end-December 2019.
 - The clearance strategy should include transparent and objective factors for prioritization, including economic and social impact, and the effect payment is expected to have on the banking sector. It should address clearance modalities, notably whether and how much the government will pay in cash, restructure and securitize.
 - The strategy should also indicate the plan to finance clearance.
- Complete the implementation of the recommendations of the audit of the 47 exemption conventions with a view to removing or modifying those that do not comply with the legal texts or that have not been correctly executed, by end-February 2020.
- Publication every six months of a list of all new, renewed or extended tax and customs exemptions during the previous six months. The first list should be published at end-January and should cover the period July to December 2019.
- Sign performance contracts with the management of CBT and BCC, by end March 2020.
- Allocate new resources (building and software) to tax directorates in charge of large and medium firms in with line FAD's recommendations, by end April 2020.

Table 2. Chad: Summary of Data to be Reported

Data	Provider	Periodicity and Target Date¹
Oil and Non-oil revenue, by category <i>Collection situation</i> <i>Revenue position of the revenue-collecting agencies</i>	Ministry of Finance and Budget (Treasury)	Monthly, within 45 days of month-end
Quarterly Oil Sector Note	Ministry of Finance and Budget	Quarterly
Budget execution data, including on poverty-reducing social spending, showing commitments, validations, authorizations of payment order, and cash payments <i>Table showing the four phases; payroll table, including benefits</i>	Ministry of Finance and Budget General Budget Directorate DGB	Monthly, within 45 days after month-end.
<i>Table of expenditure before payment authorization; TOFE, on a cash basis;</i> <i>Comparative table on budget execution, consolidated balance tables (changes in debts, claims, etc.); and consolidated Treasury balance</i>	Ministry of Finance and Budget General Budget Directorate DGB DGTCP DGTCP	Monthly, within 45 days of month-end
Detailed budget execution information for transfers in the same classification as the budget	Ministry of Finance and Budget (General Budget Directorate)	Monthly, within 45 days of month-end
Details by project financed domestically, execution of the investment budget, with the information organized by Ministry	Ministry of Finance and Budget (General Budget Directorate)	Quarterly, within 45 days of the end of the quarter.

Table 2. Chad: Summary of Data to be Reported (continued)

Information on DAO regularization	Ministry of Finance and Budget.	Quarterly, within 60 days after the end of the Quarter
Details, by externally financed project; investment budget execution; information organized by Ministry	Ministry of Finance and Budget (DGB) Ministry of Plan and International Cooperation (DGCI)	Quarterly, within 45 days of the end of the quarter.
Information on public procurement in the previous month and updating of payment maturity for the rest of the year.	Ministry of Finance and Budget (Financial Control)/SGG (OCMP/Procurement Directorate)	Monthly, within 45 days of month-end
Table on external debt (including those in local currency). The table should include previous month's due payments, payments made, and projected payments due for the next 3 months broken down by creditors.	Ministry of Finance and Budget	Monthly, within 45 days of month-end
Information on external debt arrears (including those in local currency): i) updated list of stock of arrears broken down by creditors (which incorporates any rescheduling agreement with creditors); ii) information on repayment of arrears including amount paid and date on which payments were made; iii) information on any rescheduling agreement on the stock of external arrears at the beginning of the program period.	Ministry of Finance and Budget	Monthly, within 45 days of month-end
In case of missed external debt service payment the following information will be needed: i) the date of the missed payment; ii) amount of the missed payment and iii) creditor involved.	Ministry of Finance and Budget	Within 14 days of occurrence

Table 2. Chad: Summary of Data to be Reported (continued)

Details on the servicing of the domestic debt and payment arrears of the government ²	Ministry of Finance and Budget (Debt Directorate, DCP)	Quarterly, within 45 days of the end of the quarter.
Details on the servicing of the external debt of the government ³	Ministry of Finance and Budget DGTCP (Debt Directorate)	Quarterly, within 45 days of the end of the quarter.
Details on new loans contracted or guaranteed by the government and public non-financial companies	Ministry of Finance and Budget (Debt Directorate) Ministry of Plan and International Cooperation (DGCI)	Within 45 days of transaction completion.
Monetary survey	BEAC	Monthly, within 45 days of month-end.
Provisional monetary data from the BEAC (<i>Exchange rates, foreign reserves, assets and liabilities of the monetary authorities, base money, broad money, central bank balance sheet, consolidated balance sheet of the banking system, interest rates</i> ⁴)	BEAC	Monthly, within 45 days of month-end.
Balance of SDR account at month end	BEAC NGP Committee	Monthly, within 3 months of month-end
Net banking system claims on the government (NGP)	BEAC	Monthly, within 30 days of month-end.
Consumer price index	INSEED	Monthly, within 45 days of month-end.
Gross domestic product and gross national product	Macroeconomic Framework Committee (SG MFB)	Annually, within 180 days of year end.
Balance of payments (External current account balance, exports and imports of goods and services, etc.)	BEAC	Annually, within 180 days of year end (preliminary data).

Table 2. Chad: Summary of Data to be Reported (concluded)

Gross external debt	Ministry of Finance and Budget DGT (Debt Directorate)	Annually, within 90 days of year end.
<p>¹ For end-December fiscal data, data should be reported 45 days after the end of the complementary period.</p> <p>² Including maturities.</p> <p>³ Including the breakdown by currency and maturity.</p> <p>⁴ Both market-based and officially determined, including discounts, money market rates, and rates on treasury bills, and bonds and other securities.</p>		

Table 3. Chad: Summary of Oil Revenue

CFAF Million	2017		2018	2019	2020	Unit
	Actual	Projection				
Production and Export Overview						
Production Volume						Barrel
Export Volume						Barrel
Export Value						CFAF
Crude Oil supplied to SRN						Barrel
Crude Oil Received						
By the Government						Barrel
By SHT						Barrel
Total						Barrel
Total Oil Revenue						CFAF
Direct Receipt						CFAF
Net Sales Revenue						CFAF
Direct Receipt						
Profit Tax (in Cash)						CFAF
Statistical Fee						CFAF
Surface Fee						CFAF
Dividend						CFAF
Bonus						CFAF
Other Receipt in cash						CFAF
Total						CFAF
Gross Government Crude Oil Sales Revenue						
Government						CFAF
SHT						CFAF
Net Sales Revenue						CFAF
Average Selling Price						
in FCFA						CFAF
in USD						US Dollar
Doba Discount						US Dollar
Oil sales until March 2017						
<i>Government</i>						
Export Volume						Barrel
Export Value						CFAF
Average Selling Price						CFAF
Transportation Cost						CFAF
<i>SHT</i>						
Export Volume						Barrel
Export Value						CFAF
Average Selling Price						CFAF
Transportation Cost						CFAF
SHT participation cost (Cash-call)						CFAF
Glencore Debt						
Interest Payment						CFAF
Principal Repayment						CFAF
Restructuring Fee						CFAF
Net Sales Revenue						CFAF
Memorandum Item						
Exchange Rate						CFAF/USD