INTERNATIONAL MONETARY FUND

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CHAD

August 2020

REQUEST FOR DISBURSEMENT UNDER THE RAPID CREDIT FACILITY AND CANCELLATION OF THE EXTENDED CREDIT FACILITY ARRANGEMENT—PRESS RELEASE; STAFF REPORT; AND STATEMENT BY THE EXECUTIVE DIRECTOR FOR CHAD

In the context of the Request for Disbursement under the Rapid Credit Facility Arrangement and Cancellation of the Extended Credit Facility Arrangement, the following documents have been released and are included in this package:

- A **Press Release** including a statement by the Chair of the Executive Board.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on July 22, 2020, following discussions that ended on July 7, 2020, with the officials of Chad on economic developments and policies underpinning the IMF arrangement under the Rapid Credit Facility. Based on information available at the time of these discussions, the staff report was completed on July 15, 2020.
- A **Debt Sustainability Analysis** prepared by the staffs of the IMF and the International Development Association (IDA).
- A **Statement by the Executive Director** for Chad.

The IMF's transparency policy allows for the deletion of market-sensitive information and premature disclosure of the authorities' policy intentions in published staff reports and other documents.

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International Monetary Fund
Washington, D.C.

IMF Executive Board Approves an Additional US$68.49 Million Disbursement for Chad and Notes Cancellation of its Extended Credit Facility (ECF) Arrangement

FOR IMMEDIATE RELEASE

- This is the second disbursement under the Rapid Credit Facility (RCF), to address urgent balance of payment needs stemming from the COVID-19 pandemic.
- The Chadian economy continues to be severely impacted by the twin Covid-19 pandemic and terms of trade shocks, which led to a weaker than previously envisaged economic outlook.
- The additional RCF disbursement will provide timely support to fill an urgent financing need to contain the economic impact of the pandemic and provide essential COVID-19-related health expenditure.

Washington, DC – July 22, 2020 The Executive Board of the International Monetary Fund (IMF) today approved a disbursement under the Rapid Credit Facility (RCF) for SDR 49.07 million (about US$ 68.49 million or 35 percent of quota).

This is the second disbursement in three months, under the RCF, to address the external financing needs arising from the COVID-19 pandemic, bringing Chad's total IMF emergency support since the outbreak of the pandemic to SDR 133.19 million (US$183.60 million). The Executive Board also notes the cancellation of the ECF arrangement, which was to expire at end-September 2020.

The twin Covid-19 pandemic and terms of trade shocks have worsened Chad's economic outlook since the first RCF in April 14, 2020. Since then, the authorities have adopted containment measures (including a curfew and closure of markets and non-essential stores), which proved successful in containing the pandemic spread. However, these had the unavoidable consequence of further depressing the economy. Fiscal and external positions have also worsened, reflecting reduced export proceeds and lower oil and non-oil revenues, in addition to the higher than expected spending to contain the COVID-19 crisis.

The Chadian authorities continued to take strong actions to upgrade the health system and contain the economic impact of the pandemic. Additional measures have been taken since the first RCF to help businesses and households absorb the adverse impact of the pandemic. The IMF's second RCF will provide a timely support for the implementation of the authorities' additional measures, to address the COVID-19 crisis and mitigate its severe impact. The authorities are also taking steps to ensure transparency and accountability in the use of COVID-related resources, including an ex-post audit of crisis-related spending and the publication of crisis-related procurement contracts.

Following the Executive Board discussion of Chad's request, Mr. Mitsuhiro Furusawa, Deputy Managing Director and Acting Chair, made the following statement:

“The twin Covid-19 pandemic and terms of trade shocks continue to severely impact the Chadian economy. The macroeconomic outlook has further deteriorated, with greater economic contraction and higher balance of payments and budgetary financing needs. The risk to the outlook is tilted to the downside.

“In response to the shocks, the authorities continue to implement strong measures to halt the community spread of the virus and mitigate the impact of the crisis. Key measures focus on scaling up health-related spending, protecting the most vulnerable and supporting households and businesses. The authorities will also strengthen transparency and monitoring of emergency resources.

“To help save lives and support those most affected by the pandemic, the authorities will temporarily relax the fiscal deficit to allow for the scaling up of health care spending and to accommodate the impact of the sharp drop in oil prices. The IMF emergency assistance will support the authorities’ policy response and catalyze donor support.

“Once the crisis abates, the authorities should stand ready to gradually unwind the temporary emergency measures. Fiscal adjustment will be needed in the medium term, especially since oil prices are expected to remain low, including by allowing temporary expenditure measures to expire.

“Public debt vulnerabilities remain high and the authorities should continue to refrain from non-concessional borrowing consistent with their commitments under the DSSI and the terms of the World Bank’s Sustainable Development Financing Policy.”

More information

IMF Lending Tracker (emergency financing request approved by the IMF Executive Board)
https://www.imf.org/en/Topics/imf-and-covid19/COVID-Lending-Tracker

IMF Executive Board calendar
https://www.imf.org/external/NP/SEC/bc/eng/index.aspx

INTERNATIONAL MONETARY FUND

CHAD

REQUEST FOR DISBURSEMENT UNDER THE RAPID CREDIT FACILITY AND CANCELLATION OF THE EXTENDED CREDIT FACILITY ARRANGEMENT

July 15, 2020

EXECUTIVE SUMMARY

Context. Chad's economy has been severely impacted by the twin Covid-19 pandemic and terms of trade shocks. A national lockdown to contain the spread of the virus, disruptions in supply chains, and a drop in international oil prices are curtailing economic activity and weakening the outlook. While the authorities' policy response has been timely and proactive, the economic shock and containment policies are triggering a severe recession, resulting in significant social costs and urgent balance of payment and budget financing needs. These are estimated at 7.0 percent of non-oil GDP compared to 4.6 percent in IMF Country Report No. 20/134. The pandemic is unfolding in a context of rising regional and domestic insecurity and an already weak health care system, which are exacerbating Chad's vulnerabilities.

The authorities' requests. The authorities are seeking additional financial assistance under the "exogenous shock" window of the Rapid Credit Facility (RCF-2) for SDR 49.07 million (35 percent of quota), to address the external financing needs arising from the economic impact of the pandemic. This follows the Board approval on April 14, 2020 of the authorities' request for 60 percent of quota under the RCF (RCF-1). The additional request, if approved, will bring total disbursements under the RCF to 95 percent of quota in 2020, taking outstanding credit to 299 percent of quota, just within the normal cumulative access limit for the PRGT. Given the high degree of uncertainty regarding the duration and scale of the pandemic and the practical difficulties of holding comprehensive policy discussions, the authorities are cancelling the Extended Credit Facility (ECF) arrangement; this would also allow them to have a higher access under the RCF given the constraint they have under the normal cumulative access limit.

Policy recommendations. Given the negative impact of the twin shocks, the authorities will temporarily loosen fiscal policy to accommodate the significant revenue loss and the temporary emergency spending measures. As the crisis abates, fiscal adjustment will be needed, particularly since oil prices are expected to remain low, including by allowing temporary expenditure measures to expire. This would necessitate strengthening domestic revenue mobilization and rationalizing spending while protecting poverty reducing expenditure. Given that public debt vulnerabilities remain high, the authorities should continue to commit to a zero limit on non-concessional borrowing.

Approved By
David Owen and Gavin Gray

Prepared by the Chad team, comprising Mr. E. Gemayel (head), Messrs. M. Ben Hassine, and M. Ahmed, Ms. S. Abdelrazek (all AFR), Mr. R. Green (SPR), Mr. Y. Cao (STA), Mr. J. Ntamatungiro (Resident Representative) and Mr. B. Topeur (local economist). Mr. Bangrim Kibassim (OED) joined the meetings. Discussions took place during July 3-7, 2020 through video and teleconference. Meetings were held with Mr. Nguilin, Minister of Finance and Budget, Mr. Mahamat Hassan, National Director of the BEAC, and other senior officials. Ms. V. Lucidi, Ms. M. Zandrowicz and Mr. H. Oualbiogo assisted with translation services. Ms. G. Badkoubi and Ms. M. Perera provided technical support for the virtual meetings. Ms. V. Pilouzoue supported the preparation of the staff report.

CONTENTS

RECENT ECONOMIC DEVELOPMENTS AND OUTLOOK

1. **The twin Covid-19 pandemic and terms of trade shocks continue to severely disrupt the Chadian economy.** The drop in international oil prices has reduced export proceeds and government revenue, leading to large fiscal and external financing needs. One oil company interrupted its production temporarily as its expatriate staff could not return to Chad, due to the suspension of passenger flights. Non-oil activity in retail trade, transport, tourism and hospitality was significantly impacted as a result of the containment measures (curfew and isolation of cities), the closure of markets and non-essential stores, and restrictions on travel, gatherings, and public transportation.

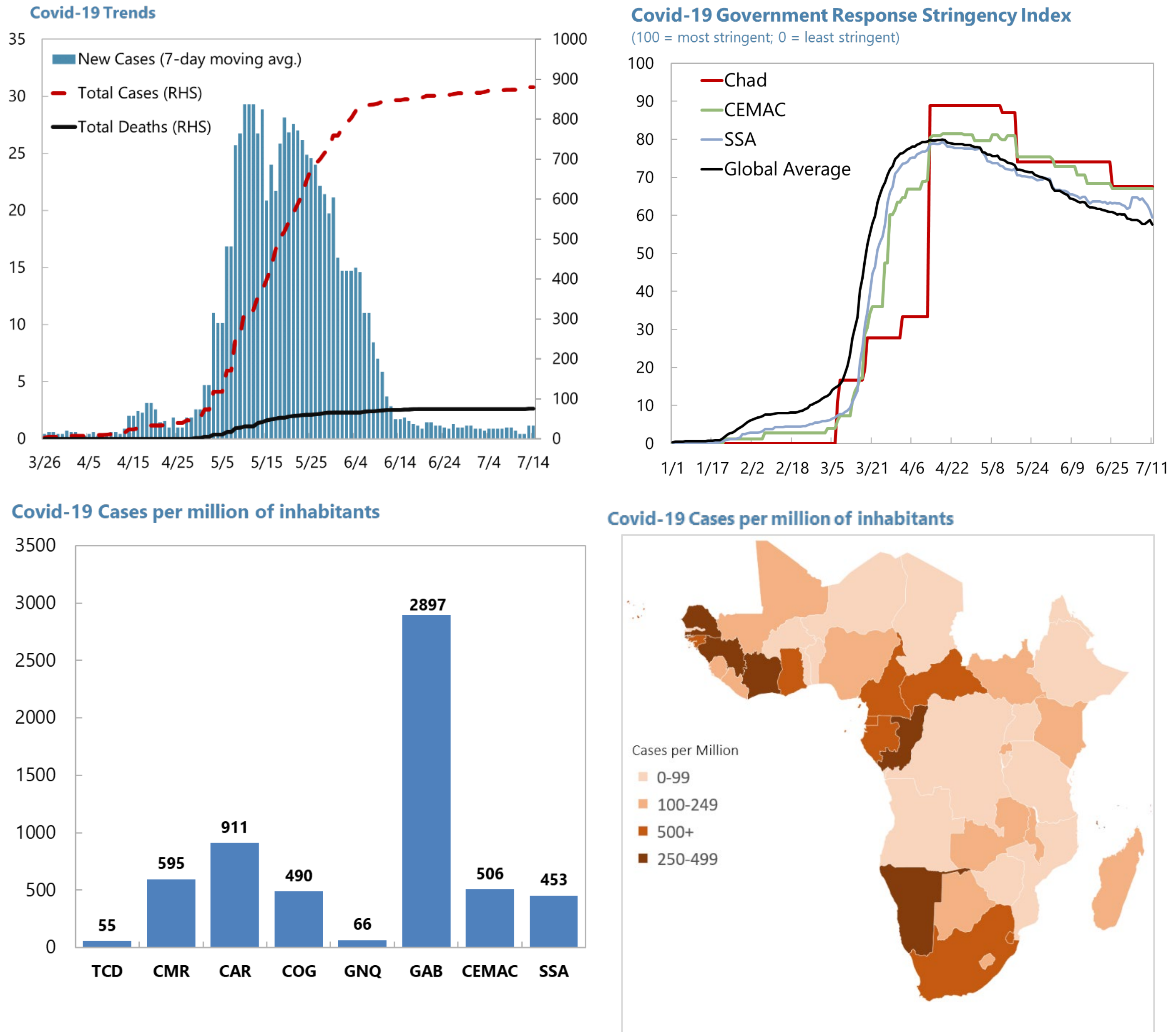
2. **Compared to RCF-1, the 2020 outlook has further deteriorated (Text table 1).** Real GDP is expected to decline by 0.8 percent. Inflation would reach 2.8 percent driven by an increase in prices for food and beverages as a result of the disruption in distribution channels. Inflation between January and May reached an average of 3.7 percent (y/y), compared to an average of 1.3 percent (y/y) during the same period last year. The fiscal position will significantly worsen due to lower non-oil revenues and the increase in health and security expenditures. The current account deficit is forecasted to further widen.

Text Table 1. Selected Economic Indicators 2019-21

	2019	2020			2021		
	Est.	5th Rev.	RCF 1	Proj.	5th Rev.	RCF 1	Proj.
	(Annual percentage change)						
Real GDP	3.0	3.0	-0.1	-0.8	3.9	6.1	6.1
Non-oil GDP	2.0	2.0	-0.7	-1.5	3.0	3.0	3.1
Inflation	-1.0	3.0	2.2	2.8	3.0	2.9	3.0
	(Percent of non-oil GDP)						
Overall fiscal balance (incl. grants, commitments basis)	-0.8	3.0	-1.5	-1.9	2.5	-3.4	-3.8
Non-oil primary balance (commitment basis, excl. grants)	-4.8	-4.9	-6.8	-9.1	-5.0	-6.6	-7.3
	(Percent of GDP)						
Overall balance of payments	0.0	1.1	-4.3	-5.0	1.1	-5.2	-6.2
Current account balance, including official transfers	-4.9	-6.2	-13.2	-14.0	-6.6	-10.4	-11.6

Sources: Chadian authorities; and IMF staff estimates and projections.

Figure 1. Chad: Global Covid-19 Pandemic[1]

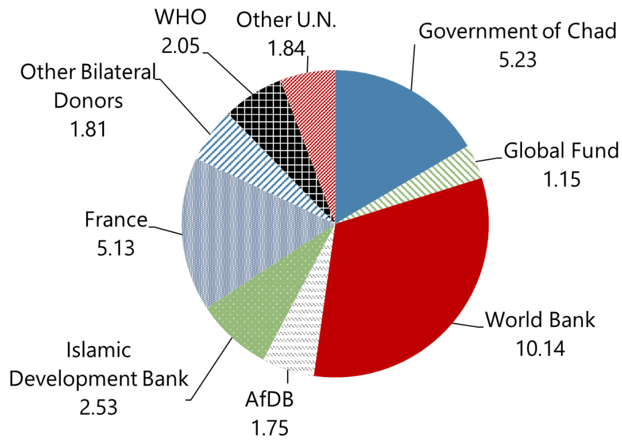


Sources: World Health Organization; John Hopkins Coronavirus Resource Center; Oxford COVID-19 Government Response Tracker.

1/ Figures as of July 14, 2020

3. With deficient medical equipment, lack of trained personnel, as well as limited testing capacity, the public health system has reached its limit, prompting the authorities to take swift action.[1] A national contingency plan was put in place in March to contain the impact of the pandemic at a current estimated cost of CFAF 37.0 billion, thanks to higher donor support, of which CFAF 32.4 billion were executed (Text figure 1).[2] As part of the contingency plan, a state of health emergency was declared, allowing for the implementation of exceptional measures. In this context, gatherings were forbidden, a curfew was imposed in N'Djamena and several provinces, and main cities were later isolated from the rest of the country. Other measures included the suspension of passenger flights, the closure of certain borders, and the ban of gatherings of more than 50 people, while masks remain mandatory in public places. Since early June, a few measures were relaxed: (i) markets, retail shops, urban public transportation as well as grills and restaurants for carry-out reopened; (ii) schools, universities, and tertiary institutions were progressively reopened; and (iii) places of worship were allowed to resume service.

Text Figure 1. Chad: Disbursements towards COVID-19 Health Contingency Plan[1]
(Billions of CFAF)



Source: Chadian Authorities
1/ Figures reflect 32.4B CFAF disbursed out of 37.0B CFAF announced, as of July 10.

4. The authorities have been implementing several measures to help businesses absorb the economic impact of the pandemic (Text table 2). At the time of RCF-1, the authorities approved the following measures for small and medium-sized enterprises: (i) reduction in business license fees and the presumptive tax by 50 percent, and (ii) tax breaks, such as carryforward losses and delays in tax payments, which will be considered on a case-by case basis. Since RCF-1, they also decided to clear arrears to suppliers totaling CFAF 110 billion (2.1 percent of non-oil GDP) as part of the government clearance strategy adopted last January.

5. The authorities have also stepped up their efforts to support households. Measures approved at the time of RCF-1 included: (i) the temporary suspension of payments of electricity and water bills, (ii) clearance of arrears on death benefits due to deceased civil and military agents, indemnities and ancillary wages owed to retirees, and medical expenses for civilian agents and defense and security forces. Since RCF-1, the authorities adopted the following additional measures: (i) introduction of a food distribution program with the help of UN agencies, (ii) tax exemptions and simplification of the import process for food and necessity items, including health equipment, (iii) the creation of a solidarity fund for the vulnerable population amounting to CFAF 100 billion, and (iv) the

[1] As of July 14, the number of confirmed COVID-19 cases reached 884. The country's testing capacity is limited to 80-100 daily tests conducted by one mobile laboratory serving the whole country.

[2] At the time of RCF-1, the initial estimate to contain the pandemic was CFAF 15 billion.

adoption in early May by the National Assembly of a new law that establishes a Youth Entrepreneurship Fund.

Text Table 2. Chad: Authorities' measure to contain Covid-19

	CFAF (Billions)	% of non-oil GDP
Measure adopted prior to RCF-1	**16.7**	**0.3**
Measures to Support SMEs:		
50 percent reduction of business license fees	4.0	0.1
Deferral of all tax controls for 3 months		
Measures to Support Households:		
Temporary provisions of water & electricity	7.7	0.1
Payment of the death benefits	5.0	0.1
New measures adopted after RCF-1	**289.5**	**5.6**
Measures to Support SMEs:		
Clearance of domestic arrears owed to suppliers	110.0	2.1
Subsidy to Agricultural Sector	17.0	0.3
Measures to Support Households:		
Replenishment of the National Food Distribution Program	25.0	0.5
Hiring of additional health workers	7.5	0.1
Establishment of Solidarity Fund	100.0	1.9
Establishment of Youth Entrepreneurship Fund	30.0	0.6
Total Cost of Measures	**306.2**	**5.9**

Source: Chadian Authorities and IMF Staff estimates and Projections

6. **Additionally, BEAC and COBAC have taken measures to ease monetary policy and cushion the banking sector, in order to accommodate for the COVID-crisis.** Prior to RCF-1, BEAC had eased monetary policy, including a decrease in policy rates and increase in liquidity provision. Since then, BEAC announced in June 2020 the relaxation of eligibility criteria for private and public collateral to be refinanced by BEAC. COBAC also informed banks to utilize a capital conservation buffers of 2.5 percent, in order to absorb pandemic-related losses, while requesting that banks adopt a restrictive policy for dividend distribution. COBAC also plans to set up a closer monitoring of banks' liquidity.

7. **The pandemic has added pressure to an already fragile social situation and a difficult security environment.** Due to the pandemic, legislative elections, which were scheduled for mid-December 2020 after being delayed since 2015, have been adjourned to October 2021, after the presidential elections planned for April 2021. While the agreement signed in January with labor unions to restore some benefits to public servants has helped maintain social peace, the wage bill is weighing considerably on public finances, while the weak private sector does not provide employment to a growing young population. Boko Haram has intensified attacks in the Lake Chad region, putting significant pressure on the 2020 budget. The increased fight against Boko Haram's attacks has also forced Chad to suspend the deployment of troops to the regional (G5 Sahel) fight against terrorism that had been promised at the January Pau Summit in France.

8. **The macroeconomic outlook remains dire and is resulting in an urgent balance of payments need estimated at about 7.0 percent of non-oil GDP.** Donor financing including the IMF

is expected to significantly reduce unidentified budget support needed to close the BOP financing gap. But with the current account deficit in 2020 at 18.0 percent of non-oil GDP, the financing needs remain substantial.

9. Fund emergency financing is catalyzing donor support (Text Table 3). Since RCF-1, the authorities were able to secure additional financing in the amount of USD 136 million to be disbursed by end-2020, thanks to higher budget support than originally expected from the World Bank, AfDB, the EU, and France.

Text Table 3. Chad: External Financing Sources in 2020

	RCF1		Proj.	
	CFAF (Billion)	% of non-oil GDP	CFAF (Billion)	% of non-oil GDP
Financing gap[1]	**238.0**	**4.6**	**365.7**	**7.0**
IMF Financing	**68.4**	**1.3**	**108.5**	**2.1**
of which: RCF (1st)	68.4	1.3	68.4	1.3
of which: Prospective RCF (2nd)	…	…	40.1	0.8
Financing from other Development Partners	**…**	**…**	**79.8**	**1.5**
of which: World Bank	…	…	60.0	1.2
Debt Relief	**…**	…	**7.5**	**0.1**
of which: CCRT	…	…	…	…
of which: DSSI	…	…	7.5	0.1
Residual financing gap	**169.6**	**3.3**	**170.5**	**3.3**

Source: Chadian Authorities and IMF Staff estimates and Projections

1/ The financing gap in the RCF1 Request assumes that IMF Financing includes a disbursement for the 6th review (CFAF 23 billion). This disbursement is exluded from RCF 2.

POLICY ISSUES AND DISCUSSIONS

10. A supplementary budget is being prepared (Text table 4). Staff and the authorities agreed to temporarily loosen fiscal policy as the twin shocks depressed revenues and created temporary spending needs. Oil revenues are projected to decline by around 1.5 percent of non-oil GDP relative to the 2020 budget due to lower oil prices, which was partially offset by higher profit tax from oil companies, while non-oil revenues are expected to decline by round 1.6 percent of non-oil GDP. On the spending side, the wage bill will increase, reflecting the reestablishment of some benefits for public workers. Transfers and subsidies are expected to increase as a result of new measures to help households and higher security spending. Domestically financed investment will also increase, reflecting additional spending related to health and security. Overall, the NOPB deficit is expected to widen to 9.1 percent of non-oil GDP compared to 4.9 percent projected in the 2020 budget, while the overall 3.0 percent surplus will now turn into a deficit of 1.9 percent of non-oil GDP.

11. As a result of the shock, a financing-gap of 7 percent of nonoil GDP will emerge. The gap is expected to be closed through (i) additional donor financing, and (ii) domestic measures. The latter could include (i) issuance of securities mostly for the clearance of the arrears, (ii) a credit from banks for arrears clearance (para 15), (iii) the use of savings in the stabilization fund given that oil prices are lower than budgeted, and (iv) some cuts in non-priority recurring expenditures and domestically financed investments.

Text Table 4. Chad: Fiscal Financing Developments, 2019–20
(Percent of non-oil GDP)

	2019	2020		
	Est.	5th Rev.	RCF-1	Proj.
Total revenue and grants	17.3	22.5	19.5	21.0
Revenue	15.7	19.1	15.2	15.9
Oil	6.4	9.7	6.4	8.2
Non-oil	9.4	9.4	8.8	7.8
Grants	1.5	3.4	4.4	5.0
Budget support	0.1	1.2	2.0	2.1
Project grants	1.4	2.2	2.3	3.0
Expenditure	18.0	19.5	21.0	22.9
Current	12.5	13.1	14.4	15.3
Wages and salaries	7.0	6.7	7.7	7.7
Goods and services	1.6	1.9	1.9	2.1
Transfers and subsidies	2.6	3.3	3.7	4.4
Interest	1.2	1.1	1.2	1.1
Investment	5.6	6.4	6.6	7.6
Domestically financed	3.0	2.4	2.4	2.7
Foreign financed	2.6	4.0	4.2	4.9
Overall balance (incl. grants, commitment)	-0.8	3.0	-1.5	-1.9
Non-oil primary balance (excl. grants, commitment)	-4.8	-4.9	-6.8	-9.1
Overall balance (incl. grants, cash)	-1.2	2.0	-2.8	-5.3
Financing	1.3	-2.0	-1.8	-1.7
Financing gap[1]	0.0	0.0	4.6	7.0
RCF1			1.3	1.3
Prospective RCF				0.8
Prospective financing from World Bank				1.2
Prospective financing other development partners				0.3
CCRT				0.0
DSSI				0.1
Residual financing gap		0.0	3.3	3.3

Sources: Chadian authorities and IMF staff estimates and projections.

[1]The financing gap in RCF-1 request assumes that IMF financing includes the 6th review disbursement (CFAF 23 billion)

12. The authorities will strengthen transparency around all COVID-related expenditures, which will help ensure that the financial assistance received is efficiently spent. A trust fund, in the form of a dedicated Treasury account, was established to mobilize financial contributions to fight the pandemic. To ensure transparency, the authorities will report all COVID-19 related spending in the supplementary budget. In addition, the authorities will publish the full text of procurement contracts on the website of the Ministry of Finance and Budget, including the names of the beneficial owners of awarded legal persons, within 30 days of their conclusion. They will also subject all emergency spending procurement procedures to the health and other sectors to an ex-post compliance audit by a reputable international auditing firm, which will be conducted with the support of the Inspectorate of Public Finances within six months of the end of the fiscal year. The audit will also cover all COVID-related expenditures. Delivery reports for goods and services will be published on the website of the

Ministry of Finance and Budget within three month of the end of the execution period for each contract.

13. The banking sector's vulnerabilities worsened, reflecting the tight sovereign-bank nexus and the high dependence on oil. Preliminary data for the first quarter of 2020 suggests that (i) several banks are liquidity constrained and facing collateral constraints, (ii) the sector's capital adequacy ratio has slightly deteriorated,[3] and (iii) the level of overdue loans had increased. Staff encouraged the authorities to closely coordinate with regional bodies to: (i) monitor the liquidity and solvency situation, particularly for systematic banks, and (ii) ensure compliance with prudential regulations, especially for risk management and governance. Meanwhile, the Ministry of Finance has started the monthly repayment of arrears owed to the two large public banks (CFAF 250 million and CFAF 500 million per month, respectively). It also plans to recapitalize by end of July one of the two banks by injecting CFAF 3 billion.[4]

14. Chad's risks of external and overall debt distress remain high but debt is sustainable. The baseline debt service-to-revenue ratio forecast exceeds the key risk benchmark of 14 percent through 2027. The ratio exceeds the target level for the 2018 Glencore debt renegotiation of 18 percent in 2022. Historically, the authorities have been able to service debt at this level and program performance under the ECF suggests strong commitment to obligations. Staff views the baseline level of external debt to be sustainable. However, all external debt risk indicators exceed their thresholds under the most extreme shock scenarios. As for overall public debt, fiscal pressures in the near term push the forecast present value (PV) of total public debt-to-GDP ratio above benchmark level of 35 percent from 2020 to 2024. In the medium-term, though, ratios of public external debt-to-GDP and the PV of external-debt-to-GDP are expected to gradually decline, both in nominal terms and in present value terms as a share of GDP.

15. Domestic arrears clearance has accelerated. The authorities are setting up a mechanism with local banks to clear CFAF 110 billion in domestic arrears in 2020 through (i) an CFAF 85 billion, 8-year loan arrangement that allows banks to substitute credit to the government for arrears-linked non-performing assets, and (ii) the issuance of treasury bonds with maturities ranging between 3-5 years amounting to CFAF 25 billion. The authorities indicated that this operation will improve suppliers' and banks' balance sheets while lengthening the average maturity of domestic debt. Staff encouraged the authorities to reach out and coordinate this operation with regional bodies.

16. Some progress was made on the external arrears front since RCF-1. Only three official or private creditors remain with outstanding arrears: Equatorial Guinea, Republic of Congo—both of which the debt is in CFA—and Mega International Commercial Bank from Taiwan Province of China. The authorities are making good faith efforts to resolve them; all are in active negotiations and those with Mega Bank are nearing completion.

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[3] At end-2019 the system-wide CAR was already below the current regulatory minimum of 8.0 percent, mainly as a result of the changes in COBAC's reporting requirements to Basel II standards.

[4] The two banks had signed performance contracts with the Ministry of Finance in March, in line with the restructuring and funding plans adopted at end-2019, which were endorsed by the regional authorities. The first regular reports are scheduled for end-September.

REQUEST FOR DISBURSEMENT UNDER THE RAPID CREDIT FACILITY

17. The authorities are requesting a disbursement under the RCF equivalent to 35 percent of quota to address the urgent balance of payments and fiscal financing needs emerging as a result of the pandemic. The RCF disbursement of SDR 49.07 million, is expected to fill 10.9 percent of the estimated BOP financing gap through indirect budget support.[5] It will provide timely fiscal support to address the damaging impact of the COVID-19 pandemic and its aftermath. The remaining gap is expected to be covered by loans and grants from Chad's multilateral and bilateral partners with whom the authorities are actively engaged.

18. Chad's capacity to repay the Fund remains adequate (Table 7). The RCF disbursement would bring outstanding IMF credit to 299 percent of quota,[6] or 5.6 percent of GDP and 21.5 percent of exports in 2020. Debt service to the IMF would peak in 2026 at 2.0 percent of exports and at 7.4 percent of revenue.

19. The BEAC has implemented the priority recommendations from the 2017 safeguards assessment. In particular, the BEAC's secondary legal instruments were aligned with its amended Charter, and the central bank has recently issued its FY 2019 audited financial statements in full compliance with IFRS. Both recommendations mark the conclusion of a multi-year governance-focused reform with support from the Fund.

20. The authorities are cancelling the current ECF and expressed interest in a successor arrangement. The current ECF arrangement was approved on June 30, 2017, with an access level of 160 percent of quota and has one more review before expiration. The cancellation is motivated by the high degree of uncertainty regarding the duration and scale of the pandemic and the associated difficulties in securing timely commitments under the 6th and last review. Additionally, it would also allow Chad to receive 35 percent of quota under RCF-2.[7] The authorities also indicated that they intend to request a successor arrangement later this year. Access of 35 percent of quota under the RCF should not trigger high access procedures, which were suspended by the Board at the start of the Pandemic.

21. The risk to the outlook and capacity to repay is to the downside. The outlook is based on the temporary nature of the pandemic with a gradual pickup in global economic activity later this year. The main downside risks include rising insecurity, a further decrease in oil prices, a decrease in oil production should oil prices fall below cost recovery, further deterioration in the banking sector

[5] Total IMF emergency disbursement (RCF-1 and RCF-2) is expected to fill 29.8 percent of the estimated 2020 BOP financing gap.

[6] This is just below the normal cumulative access limits under the PRGT of 300 percent of quota.

[7] Chad's outstanding credit to the Fund, which includes the prospective 20 percent of quota disbursement under the 6th and final review under the ECF, is equivalent to 284 percent of quota. By cancelling the ECF, the outstanding credit to the Fund would be 264 percent of quota, thus paving the way for an access of 35 percent of quota under RCF-2.

vulnerabilities, and a prolonged Covid-19 outbreak. Upside risks include an increase in international oil prices.

22. The authorities requested debt service suspension under the G20 debt service suspension initiative (DSSI) and debt service relief under the Catastrophe Containment and Relief Trust (CCRT). According to preliminary estimates, the suspension of debt service to Paris Club and G20 creditors could fill about $12 million of the balance of payments financing gap in 2020. Chad has no debt service falling due in the first six months of CCRT access. If access extends to the end of 2020 it could provide $1.6 million, which would contribute to filling the financing gap.

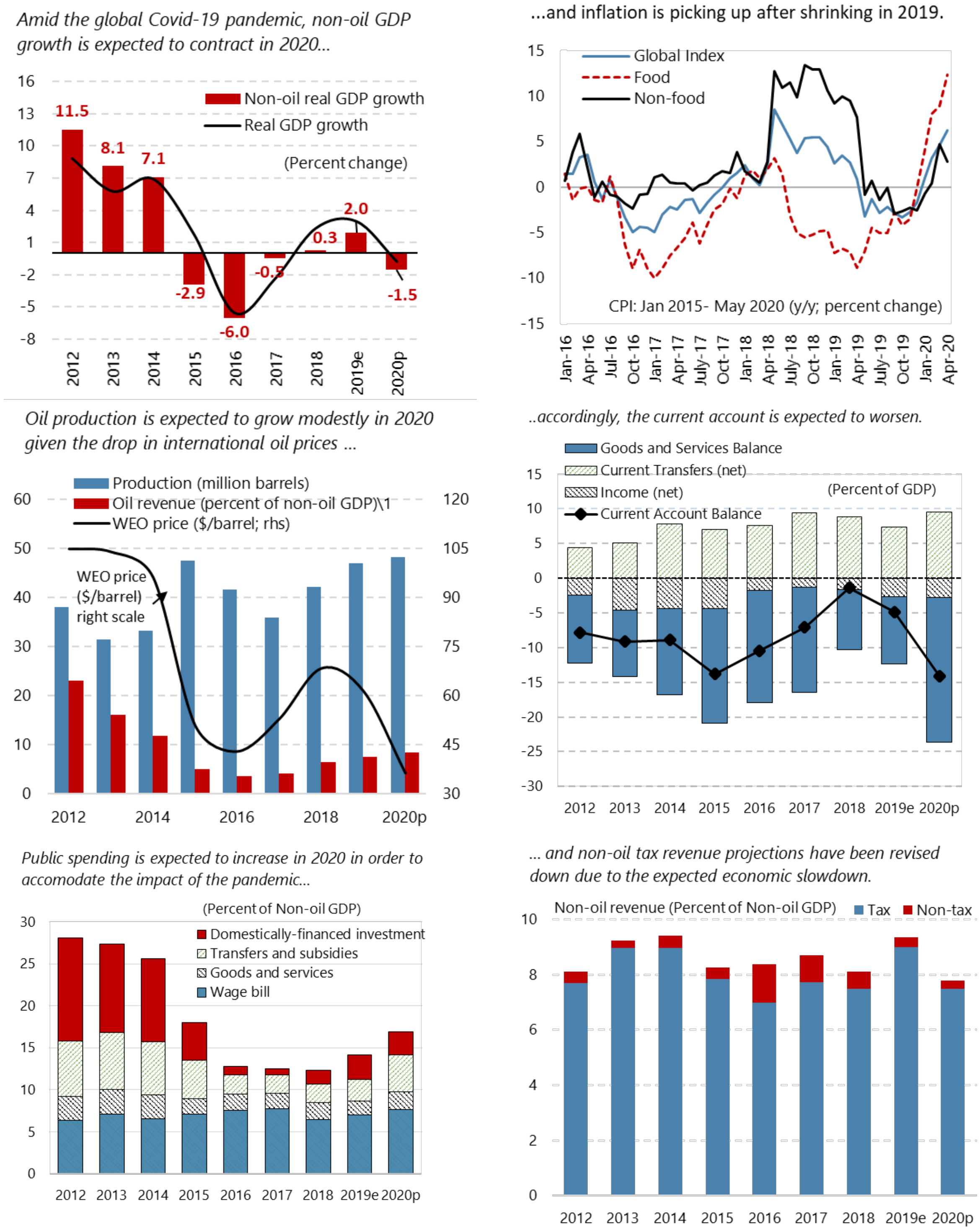
STAFF APPRAISAL

23. The twin Covid-19 pandemic and terms of trade shocks continue to severely impact the Chadian economy. The macroeconomic outlook has further deteriorated, with greater economic contraction and higher balance of payments and budgetary financing needs. The risk to the outlook is tilted to the downside.

24. The authorities' response to the pandemic remains appropriate. The fiscal loosening in 2020 is adequate, as it provides priority to saving lives and helping those mostly affected by the pandemic. However, once the crisis abates, the authorities should be ready to gradually unwind the temporary emergency measures. Fiscal adjustment will be needed in the medium term, especially since oil prices are expected to remain low, including by allowing temporary expenditure measures to expire. The authorities should strengthen domestic revenue and rationalize spending while protecting poverty reducing expenditure. Public debt vulnerabilities remain high and the authorities should continue to commit to a zero limit on non-concessional borrowing consistent with their commitments under the DSSI and the terms of the World Bank's Sustainable Development Financing Policy.

25. Staff supports Chad's request for assistance under the RCF in the amount of SDR 49.07 million (35 percent of quota). Staff support for the RCF is based on the large and urgent balance of payments need which, if not addressed, would result in an immediate and severe economic disruption. Additionally, it would provide a catalytic effect for other external financing. While risks have risen sharply, staff assesses that debt remains sustainable —contingent on identifying sufficient concessional resources to close financing gaps— and Chad's capacity to repay the Fund remains adequate.

Figure 2. Chad: Recent Economic Developments, 2012–2020



Sources: Chadian authorities; and IMF staff calculations.

1/ Oil revenue is net of operational costs linked to government participation in oil companies, and transportation cost.

Table 1. Chad: Selected Economic and Financial Indicators, 2017–24

	2017	2018	2019	2020			2021		2022	2023	2024
	Prel.	Prel.	Est.	5th Rev.	RCF-1	Proj.	RCF-1	Proj.	Proj.	Proj.	Proj.
	(Annual percentage change, unless otherwise indicated)										
Real economy											
GDP at constant prices	-2.4	2.3	3.0	3.9	-0.1	-0.8	6.1	6.1	4.9	4.0	3.8
Oil GDP	-11.2	12.7	7.6	7.5	2.4	2.4	19.2	19.2	10.6	4.4	2.8
Non-oil GDP	-0.5	0.3	2.0	3.0	-0.7	-1.5	3.0	3.1	3.4	3.8	4.1
GDP deflator	-0.8	2.3	1.5	2.8	-5.2	-4.7	2.4	2.1	3.4	3.5	3.3
Consumer price index (annual average)	-0.9	4.0	-1.0	3.0	2.2	2.8	2.9	3.0	3.1	3.0	3.0
Oil prices											
Brent (US$/barrel)[1]	54.4	71.1	64.0	60.5	36.9	37.0	39.5	38.1	41.6	44.6	47.0
Chadian price (US$/barrel)[2]	49.4	65.1	61.0	57.5	34.9	35.0	37.5	36.1	38.6	41.6	44.0
Oil production for exportation (millions of barrels)	36.0	42.2	47.0	51.1	48.3	48.3	58.9	58.9	65.9	69.1	71.3
Exchange rate CFAF per US$ (period average)	580.9	555.2	585.9	…	…	…	…	…	…	…	…
Money and credit											
Net foreign assets	0.5	11.3	6.9	11.2	-4.7	-7.8	1.3	1.8	1.2	2.0	3.7
Net domestic assets	-4.8	-10.8	14.5	1.2	4.6	7.4	4.7	3.5	5.4	4.9	3.5
Of which : net claims on central government	-4.5	-6.9	10.2	-1.1	7.9	10.8	-0.3	0.1	0.8	-2.7	-3.8
Of which : credit to private sector	11.5	0.6	1.0	2.3	-1.7	-1.8	5.1	3.4	4.6	5.3	7.2
Broad money	-2.9	1.9	19.7	12.4	1.4	1.0	6.0	5.3	6.6	6.9	7.2
Velocity (non-oil GDP/broad money)[3]	5.4	5.4	4.7	4.8	4.7	4.7	4.7	4.7	4.8	4.8	4.7
External sector (valued in US dollar)											
Exports of goods and services, f.o.b.	14.5	37.6	3.1	3.0	-30.2	-30.2	23.0	19.3	15.7	10.5	8.9
Imports of goods and services, f.o.b.	5.4	10.3	4.5	4.1	-2.1	-2.1	7.8	7.9	6.6	8.0	6.2
Export volume	-12.2	11.1	9.6	8.5	11.4	11.5	19.4	19.3	9.3	3.9	3.1
Import volume	5.2	8.3	3.5	3.8	-0.2	0.6	8.3	8.6	5.8	6.9	4.3
Overall balance of payments (percent of GDP)	-1.4	2.7	0.0	1.1	-4.3	-5.0	-5.2	-6.2	-5.8	-4.8	-5.0
Current account balance, including official transfers (percent of GDP)	-7.1	-1.4	-4.9	-6.2	-13.2	-14.0	-10.4	-11.6	-9.5	-9.4	-9.1
Terms of trade	30.2	21.5	-6.8	-5.4	-36.2	-35.6	3.4	0.6	5.0	5.3	3.7
External debt (percent of GDP)[4]	25.6	25.8	24.6	23.2	27.0	30.6	24.2	27.8	29.1	29.3	30.0
NPV of external debt (percent of exports of goods and services)	94.1	64.2	59.7	59.1	90.3	97.1	72.0	80.8	76.3	73.1	71.7
	(Percent of non-oil GDP, unless otherwise indicated)										
Government finance											
Revenue and grants	17.1	18.3	17.3	22.5	19.5	21.0	17.9	17.6	19.4	21.2	20.5
Of which : oil revenue	4.1	6.7	6.4	9.7	6.4	8.2	5.2	5.0	6.0	7.4	6.0
Of which : non-oil revenue	8.7	8.1	9.4	9.4	8.8	7.8	9.2	8.5	9.4	9.9	10.6
Expenditure	18.0	16.5	18.0	19.5	21.0	22.9	21.3	21.4	20.7	20.2	20.0
Current	13.7	12.0	12.5	13.1	14.4	15.3	14.4	14.4	13.8	13.2	12.9
Capital	4.4	4.5	5.6	6.4	6.6	7.6	7.0	7.0	6.9	7.0	7.1
Non-oil primary balance (commitment basis, excl. grants)[5]	-3.8	-4.2	-4.8	-4.9	-6.8	-9.1	-6.6	-7.3	-5.8	-4.7	-3.8
Overall fiscal balance (incl. grants, commitments basis)	-0.9	1.9	-0.8	3.0	-1.5	-1.9	-3.4	-3.8	-1.3	1.0	0.4
CEMAC reference fiscal balance (in percent of GDP)[6]	0.5	-0.8	-2.1	-1.1	-2.6	-4.5	-2.6	-2.3	-1.3	-1.0	-4.2
Total debt (in percent of GDP)[4]	50.3	49.1	44.3	39.7	47.7	49.1	47.1	49.4	48.9	47.8	47.3
Of which : domestic debt	24.7	23.2	19.7	16.6	20.7	18.4	23.0	21.7	19.9	18.5	17.3
Memorandum items:											
Nominal GDP (billions of CFA francs)	5,855	6,127	6,406	6,880	6,062	6,060	6,584	6,570	7,129	7,668	8,222
Of which: non-oil GDP	4,830	4,961	5,130	5,466	5,206	5,194	5,517	5,515	5,876	6,285	6,738
Nominal GDP (billions of US$)	10.1	11.0	10.9	11.8	10.3	10.1	11.3	11.0	12.0	12.8	13.7

Sources: Chadian authorities; and IMF staff estimates and projections.

[1]WEO projections for Brent crude oil price.

[2]Chadian oil price is Brent price minus quality discount.

[3]Changes as a percent of broad money stock at the beginning of period.

[4]Central government, including government-guaranteed debt.

[5]Total revenue excluding grants and oil revenue, minus total expenditure excluding net interest payments and foreign-financed investment.

[6]The CEMAC reference fiscal balance is calculated as the overall fiscal balance minus the savings from oil revenue, which is the sum of 20 percent of oil revenue of the current year and 80 percent of the oil revenue in excess of the average oil revenues in the previous three years.

Table 2. Chad: Fiscal Operations of the Central Government, 2019–21

(In billions of CFAF, unless otherwise indicated)

	2019	2020			2021	
	Est.	5th Rev.	RCF-1	Proj.	RCF-1	Proj.
Total revenue and grants	885	1,230	1,015	1,090	988	971
Revenue	806	1,045	789	828	795	747
Oil[1]	326	531	331	424	286	278
Non-oil	480	515	458	404	508	469
Tax	461	477	438	389	486	452
Non-tax	19	37	20	15	22	17
Grants	79	185	226	262	193	224
Budget support	7	64	105	107	58	89
Project grants	72	121	121	155	135	135
Expenditure	924	1,065	1,095	1,190	1,177	1,180
Current	639	715	751	796	793	796
Wages and salaries	360	368	399	399	417	417
Civil Service	248	256	286	286	301	301
Military	111	112	113	113	116	116
Goods and services	83	106	97	110	111	111
Transfers and subsidies[2]	133	179	191	227	204	205
Interest	64	62	64	59	61	63
Domestic	21	25	27	27	24	26
External	43	37	37	33	37	37
Of which: Glencore loan (after restructuring)	*31*	*26*	*27*	*28*	*26*	*26*
Investment	285	350	344	394	384	384
Domestically financed	153	130	124	140	139	139
Foreign financed[3]	132	220	220	254	245	245
Overall balance (incl. grants, commitment)	-39	165	-80	-100	-189	-209
Non-oil primary balance (excl. grants, commitment)[4]	-249	-268	-353	-472	-363	-403
Float from previous year[5]	-49	-80	-90	-90	-79	-79
Float at end of period[5]	90	79	79	79	91	91
Var. of Arrears[6]	-64	-45	-45	-165	-40	-40
Repayment of other arrears[7]	0	-10	-10	0	0	0
Overall balance (incl. grants, cash)	-62	110	-146	-276	-217	-237
Non-oil primary balance (excl. grants,cash)	-272	-324	-419	-648	-391	-431
Financing	65	-110	-92	-90	-97	-148
Domestic financing	38	-78	-85	-78	-65	-123
Bank financing	179	19	19	-4	-29	-29
Central Bank (BEAC)	179	19	19	-4	-29	-29
Deposits	105	-2	-3	-3	-22	-22
Advances (net)	0	0	0	0	0	0
IMF	74	21	21	-2	-7	-7
Commercial banks (deposits)	0	0	0	0	0	0
Other financing (net), of which:	-141	-97	-104	-74	-36	-94
Amortization	*-74*	*-142*	*-144*	*-154*	*-28*	*-38*
Commercial banks loans	*0*	*-9*	*-9*	*-9*	*10*	*10*
Non-bank loans (gross) [8]	*2*	*35*	*35*	*41*	*39*	*38*
Treasury bills (net)	*-70*	*-64*	*17*	*14*	*-45*	*-44*
Treasury Bonds (gross)	*0*	*97*	*0*	*49*	*0*	*-49*
Bank Recapitalization	*0*	*-3*	*-3*	*-5*	*-2*	*-2*
Stabilization Funds	*0*	*-10*	*0*	*-10*	*-10*	*-10*
Privatization and other exceptional receipts	0	0	0	0	0	0
Foreign financing	27	-32	-7	-11	-33	-25
Loans (net)	-1	-58	-34	-38	-59	-52
Disbursements	72	73	70	59	72	72
Budget borrowings	13	9	6	0	0	0
Project loans	59	64	64	59	72	72
Amortization	-73	-131	-104	-97	-131	-123
Of which: Glencore loan (after restructuring)	-24	-62	-35	-36	-55	-56
Debt relief/rescheduling (HIPC)	28	26	26	27	26	27
Financing Gap	-2	0	238	366	315	385
RCF-1			68	68		
Prospective RCF				40		
Prospective financing from World Bank				60		
Prospective financing other development partners				18		
CCRT				2		7
DSSI				7		
Residual financing gap			170	171	315	379
Memorandum items:						
Non-oil GDP	5,130	5,466	5,206	5,194	5,517	5,515
Poverty-reducing social spending	241	…	…	…	…	…
Bank deposits (including BEAC)	149	207	152	152	174	174
(In months of domestically-financed spending)	2.3	2.9	2.1	1.9	2.2	2.2
BEAC advances[9]	480	480	480	480	480	480

Sources: Chadian authorities; and IMF staff estimates and projections.

[1]Net of cash calls and transportation costs linked to the oil public enterprise (SHT) participation in private oil companies.

[2] includes subsidies to the electricity company starting from 2020.

[3]Includes projects financed by the BDEAC, but the corresponding loans (in CFAF) are counted as domestic financing.

[4]Total revenue, less grants and oil revenue, minus total expenditures, less interest payments and foreign financed investment.

[5]Difference between committed and cash expenditure, and errors and omissions.

[5]Recognized arrears, as registered by the Treasury in the "restes à payer"

[7]Other arrears include unrecognized arrears, the total of which will be specified after the audit of arrears, and the clearance in 2018 of CFAF 54 billion of arrears of the then public company Coton Tchad owed to domestic banks.

[8]Bilateral or multilateral loans in CFAF (e.g. BDEAC, loan from Cameroon in 2016).

[9]All debt to BEAC was consolidated and rescheduled in September 2017 into long term securities.

Table 3. Chad: Fiscal Operations of the Central Government, 2019–21
(Percent of non-oil GDP, unless otherwise indicated)

	2019	2020			2021	
	Est.	5th Rev.	RCF-1	Proj.	RCF-1	Proj.
Total revenue and grants	17.3	22.5	19.5	21.0	17.9	17.6
Revenue	15.7	19.1	15.2	15.9	14.4	13.5
Oil[1]	6.4	9.7	6.4	8.2	5.2	5.0
Non-oil	9.4	9.4	8.8	7.8	9.2	8.5
Tax	9.0	8.7	8.4	7.5	8.8	8.2
Non-tax	0.4	0.7	0.4	0.3	0.4	0.3
Grants	1.5	3.4	4.4	5.0	3.5	4.1
Budget support	0.1	1.2	2.0	2.1	1.1	1.6
Project grants	1.4	2.2	2.3	3.0	2.4	2.4
Expenditure	18.0	19.5	21.0	22.9	21.3	21.4
Current	12.5	13.1	14.4	15.3	14.4	14.4
Wages and salaries	7.0	6.7	7.7	7.7	7.6	7.6
Civil Service	4.8	4.7	5.5	5.5	5.5	5.5
Military	2.2	2.0	2.2	2.2	2.1	2.1
Goods and services	1.6	1.9	1.9	2.1	2.0	2.0
Transfers and subsidies[2]	2.6	3.3	3.7	4.4	3.7	3.7
Interest	1.2	1.1	1.2	1.1	1.1	1.1
Domestic	0.4	0.5	0.5	0.5	0.4	0.5
External	0.8	0.7	0.7	0.6	0.7	0.7
Memo: Glencore loan (after restructuring)	*0.6*	*0.5*	*0.5*	*0.5*	*0.5*	*0.5*
Investment	5.6	6.4	6.6	7.6	7.0	7.0
Domestically financed	3.0	2.4	2.4	2.7	2.5	2.5
Foreign financed[3]	2.6	4.0	4.2	4.9	4.4	4.4
Overall balance (incl. grants, commitment)	-0.8	3.0	-1.5	-1.9	-3.4	-3.8
Non-oil primary balance (excl. grants, commitment)[4]	-4.8	-4.9	-6.8	-9.1	-6.6	-7.3
Float from previous year[5]	-1.0	-1.5	-1.7	-1.7	-1.4	-1.4
Float at end of period[5]	1.8	1.5	1.5	1.5	1.6	1.7
Var. of Arrears[6]	-1.2	-0.8	-0.9	-3.2	-0.7	-0.7
Repayment of other arrears[7]	0.0	-0.2	-0.2	0.0	0.0	0.0
Overall balance (incl. grants, cash)	-1.2	2.0	-2.8	-5.3	-3.9	-4.3
Non-oil primary balance (excl. grants, cash)	-5.3	-5.9	-8.1	-12.5	-7.1	-7.8
Financing	1.3	-2.0	-1.8	-1.7	-1.8	-2.7
Domestic financing	0.7	-1.4	-1.6	-1.5	-1.2	-2.2
Bank financing	3.5	0.3	0.4	-0.1	-0.5	-0.5
Central Bank (BEAC)	3.5	0.3	0.4	-0.1	-0.5	-0.5
Deposits	2.0	0.0	0.0	0.0	-0.4	-0.4
Advances (net)	0.0	0.0	0.0	0.0	0.0	0.0
IMF	1.4	0.4	0.4	0.0	-0.1	-0.1
Commercial banks (deposits)	0.0	0.0	0.0	0.0	0.0	0.0
Other financing (net)	-2.7	-1.8	-2.0	-1.4	-0.6	-1.7
Privatization and other exceptional receipts	0.0	0.0	0.0	0.0	0.0	0.0
Foreign financing	0.5	-0.6	-0.1	-0.2	-0.6	-0.4
Loans (net)	0.0	-1.1	-0.6	-0.7	-1.1	-0.9
Disbursements	1.4	1.3	1.3	1.1	1.3	1.3
Amortization	-1.4	-2.4	-2.0	-1.9	-2.4	-2.2
Debt relief/rescheduling (HIPC)	0.5	0.5	0.5	0.5	0.5	0.5
External arrears[8]	0.0	0.0	0.0	0.0	0.0	0.0
Financing gap	0.0	0.0	4.6	7.0	5.7	7.0
RCF1			1.3	1.3		
Prospective RCF				0.8		0.0
Prospective financing from World Bank				1.2		0.0
Prospective financing other development partners				0.3		0.0
CCRT				0.0		0.1
DSSI				0.1		0.0
Residual financing gap		0.0	3.3	3.3	5.7	6.9
Memorandum items:						
Non-oil GDP	5,130	5,466	5,206	5,194	5,517	5,515
Poverty-reducing social spending	4.7	…	…	…	…	…
Bank deposits (including BEAC)	2.9	3.8	2.9	2.9	3.2	3.2
(In months of domestically-financed spending)	2.3	2.9	2.1	1.9	2.2	2.2
BEAC advances[9]	9.4	8.8	9.2	9.2	8.7	8.7

Sources: Chadian authorities; and IMF staff estimates and projections.

[1]Net of cash calls and transportation costs linked to the oil public enterprise (SHT) participation in private oil companies.

[2] includes subsidies to the electricity company starting from 2020.

[3]Includes projects financed by the BDEAC, but the corresponding loans (in CFAF) are counted as domestic financing.

[4]Total revenue, less grants and oil revenue, minus total expenditures, less interest payments and foreign financed investment.

[5]Difference between committed and cash expenditure.

[6]Recognized arrears, as registered by the Treasury in the "restes à payer" table.

[7]Other arrears include unrecognized arrears, the total of which will be specified after the audit of arrears, and the clearance in 2018 of CFAF 54 billion of arrears of the then public company Coton Tchad owed to domestic banks.

[8]27 billion in 2016 include arrears to China, cleared through an agreement in April 2017.

[9]All debt to BEAC was consolidated and rescheduled in September 2017 into long term securities.

Table 4. Chad: Balance of Payments, 2019–21
(In billions of CFAF, unless otherwise indicated)

	2019	2020			2021	
	Est.	5th Rev.	RCF-1	Proj.	RCF-1	Proj.
Current account, excl. budget grants	-312	-428	-800	-934	-682	-767
Trade balance	676	533	25	-3	246	198
Exports, f.o.b.	2,057	2,168	1,384	1,410	1,714	1,699
Of which : oil	1,681	1,720	992	1,016	1,285	1,267
Imports, f.o.b.	-1,381	-1,635	-1,359	-1,413	-1,468	-1,501
Services (net)	-1,294	-1,327	-1,259	-1,255	-1,330	-1,366
Income (net)	-170	-193	-171	-170	-179	-167
Transfers (net)	476	559	606	494	581	569
Official (net)	118	163	200	115	157	182
Private (net)	358	396	406	379	424	386
Financial and capital account	296	506	542	546	338	353
Capital transfers	69	117	117	151	131	131
Foreign direct investment	277	453	278	258	305	310
Other medium and long term investment	-35	-67	101	92	-59	-52
Public sector (excl. budget support loans)	-14	-58	-34	-43	-59	-52
Private sector	-21	-9	135	135	0	0
Short-term capital	-15	3	45	45	-39	-36
Errors and omissions	0	0	0	0	0	0
Overall balance	-16	78	-258	-389	-344	-414
Financing	-99	-124	-28	-5	2	2
Change in official reserves (decrease +)	-99	-124	-28	-5	2	2
Exceptional Financing	28	26	26	27	26	27
Debt relief (HIPC)	28	26	26	27	26	27
Exceptional Financing	0	0	0	0	0	0
Other Exceptional Receipt	0	0	0	0	0	0
External arrears accumulation	0	0	0	0	0	0
Financing gap	-87	-20	-260	-366	-316	-386
Financing gap (percent of GDP)	*-1.4*	*-0.3*	*-4.3*	*-6.0*	*-4.8*	*-5.9*
Expected financing (excl. IMF; incl. expected budget loans and grants)	13	0	0	87	0	7
Budget support loans	13	...	...	0	...	0
Program grants (current transfers)	0	...	...	87	...	7
World Bank	0	...	...	60	...	...
Other development partners	0	...	...	18	...	...
CCRT				2		7
DSSI				7		...
IMF financing, *of which*	74	21	90	109	0	0
IMF ECF	74	21	21	0	...	...
IMF RCF-1	...	...	68	68	...	...
Prospective IMF RCF-2	...	...	...	40	...	...
Residual gap	0	1	-170	-171		-379
Memorandum items:						
Current account (incl. expected budget grants; percent of GDP)	-4.9	-6.2	-13.2	-14.0	-10.4	-11.6
Overall Balance of Payment (incl. expected budget support; percent of GDP)	0.0	1.1	-4.3	-5.0	-5.2	-6.2
Exports (percent of GDP)	32.1	31.5	22.8	23.3	26.0	25.9
Of which : oil	26.2	25.0	16.4	16.8	19.5	19.3
Imports (percent of GDP)	-21.6	-23.8	-22.4	-23.3	-22.3	-22.8
FDI (percent of GDP)	4.3	6.6	4.6	4.3	4.6	4.7
Gross imputed reserves (billions of USD)	0.3	0.7	0.4	0.3	0.4	0.3

Sources: Chadian authorities; and IMF staff estimates and projections.

Table 5. Chad: Monetary Survey, 2019–21
(In billions of CFAF, unless otherwise indicated)

	2019	2020				2021
		Q1	Q2	Q3	Q4	
	Est.	Proj.				Proj.
Net foreign assets	-135.3	-119.3	-187.3	-223.3	-220.9	-200.9
Central bank	-85.3	-89.3	-157.3	-193.3	-190.9	-185.9
Foreign assets[1]	190.8	188.7	192.9	194.0	193.8	191.7
Foreign liabilities	-276.1	-278.0	-350.2	-387.3	-384.7	-377.6
o/w. IMF financing[1]	-232.0	-233.8	-302.2	-342.3	-342.3	-335.7
Commercial banks	-50.0	-30.0	-30.0	-30.0	-30.0	-15.0
Net domestic assets	1243.3	1202.6	1251.3	1307.5	1323.7	1361.8
Domestic credit	1391.2	1346.3	1501.3	1557.5	1573.7	1611.8
Claims on the government (net)[1]	842.6	863.5	926.9	962.0	960.4	961.5
Treasury (net)	812.6	833.5	896.9	932.0	930.4	916.5
Banking sector	812.6	833.5	896.9	932.0	930.4	916.5
Central bank	695.8	706.8	770.2	805.3	803.7	774.8
Claims on general government	744.9	746.8	815.2	855.3	855.3	848.6
o/w. Advances[2]	479.9	479.9	479.9	479.9	479.9	479.9
o/w. IMF financing[1]	232.0	233.8	302.2	342.3	342.3	335.7
Liabilities to general government	-49.1	-40.0	-45.0	-50.0	-51.6	-73.9
Commercial banks	116.7	126.7	126.7	126.7	126.7	141.7
Claims on general government	230.0	240.0	240.0	240.0	240.0	255.0
Liabilities to general government	-113.3	-113.3	-113.3	-113.3	-113.3	-113.3
Other non-treasury	30.0	30.0	30.0	30.0	30.0	45.0
Credit to the economy	633.4	482.9	574.4	595.6	613.3	650.3
Other items (net)	-130.7	-143.7	-250.0	-250.0	-250.0	-250.0
Money and quasi money	1092.1	1083.3	1064.0	1084.2	1102.8	1161.0
Currency outside banks	496.9	492.9	476.5	485.6	501.8	528.3
Demand deposits	474.4	470.6	473.5	482.5	479.1	504.4
Time and savings deposits	120.7	119.8	113.9	116.1	121.9	128.4
Memorandum items:						
Broad money (annual percentage change)	19.7				1.0	5.3
Credit to the economy (annual percentage change)	1.4				-3.2	6.0
Credit to the economy (percent of GDP)	9.9				10.1	9.9
Credit to the economy (percent of non-oil GDP)	12.3				11.8	11.8
Velocity (non-oil GDP)	4.7				4.7	4.7
Velocity (total GDP)	5.9				5.5	5.7

Sources: Chadian authorities; and IMF staff estimates and projections.

[1]2018 data does not include December 2018 IMF disbursement which showed up in the Treasury account on February 2019.

[2] Include statutory and exceptional advances.

Table 6. Chad: Financial Soundness Indicators, 2011–19

	2011	2012	2013	2014	2015	2016	2017	2018	2019
Capital Adequacy[1]									
Regulatory capital / Risk-weighted assets[2, 3]	20.0	18.1	22.0	13.4	14.7	13.2	18.0	16.8	6.7
Asset Quality									
Non-performing loans / Gross banking loans	7.6	7.4	9.8	11.7	17.0	20.9	25.8	28.6	22.9
Provisions / Credits in arrears	89.0	64.5	65.3	68.3	58.9	56.4	53.5	56.5	64.6
Net credits in arrears / Gross banking loans	0.8	2.6	3.4	3.7	7.0	9.1	12.0	12.4	8.1
Profitability									
Return on Assets (ROA)[4]	2.6	2.2	2.8	2.1	1.6	1.4	0.6	1.6	…
Return on Equity (ROE)	19.2	15.5	21.1	19.4	15.2	14.6	5.3	14.0	…
Liquidity									
Liquid assets / Total assets	29.9	31.8	28.6	30.8	26.0	23.1	27.5	20.2	26.8
Liquid assets / Short term liabilities	149.3	146.6	139.3	152.9	142.1	155.0	188.9	117.9	124.9

Sources: IMF Financial Soundness Indicators; COBAC.

1/ Starting in 2019, indicators reflect new regulatory capital definition in line with Basel II

2/ Current year profits are excluded from the definition of regulatory capital, following the Basel II capital accord guidelines. General provisions are included in Tier 2 capital up to an amount equal to 1.25% of risk-weighted assets. Regulatory capital is the sum of Tier 1 capital, and the minimum of Tier 1 and Tier 2 capital.

3/ The risk-weighted assets are estimated using the following risk weights: 0% - cash reserves in domestic and foreign currency and claims on the central bank; 100% - all other assets.

4/ The ratio of after-tax profits to the average of beginning and end-period total assets.

Table 7. Chad: Indicators of Capacity to Repay the Fund, 2020–34

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Fund obligations based on existing credit (SDR millions)															
Principal	2.0	8.1	17.0	29.7	47.7	62.7	65.0	56.1	45.6	28.0	8.4	0.0	0.0	0.0	0.0
Charges and interest	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
Fund obligations based on existing and prospective credit (SDR millions)															
Principal	2.0	8.1	17.0	29.7	47.7	62.7	74.8	65.9	55.4	37.9	18.2	0.0	0.0	0.0	0.0
Charges and interest	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
Total obligations based on existing and prospective credit															
SDR millions	2.0	8.2	17.1	29.7	47.8	62.7	74.8	65.9	55.4	37.9	18.3	0.0	0.0	0.0	0.0
CFAF billions	1.7	6.7	13.9	24.4	39.3	51.7	61.7	54.4	45.7	31.3	15.1	0.0	0.0	0.0	0.0
Percent of exports of goods and services	0.1	0.4	0.6	1.0	1.5	1.8	2.0	1.6	1.3	0.9	0.4	0.0	0.0	0.0	0.0
Percent of debt service[1]	1.7	5.0	8.6	13.5	20.2	27.3	25.4	20.3	23.3	20.5	13.2	0.0	0.0	0.0	0.0
Percent of GDP	0.0	0.1	0.2	0.3	0.5	0.6	0.7	0.5	0.4	0.3	0.1	0.0	0.0	0.0	0.0
Percent of tax revenue	0.4	1.5	2.6	4.0	5.9	6.9	7.4	5.9	4.5	2.8	1.2	0.0	0.0	0.0	0.0
Percent of quota	1.4	5.8	12.2	21.2	34.1	44.7	53.4	47.0	39.5	27.0	13.0	0.0	0.0	0.0	0.0
Outstanding IMF credit based on existing and prospective drawings															
SDR millions	417.3	409.2	392.2	362.5	314.8	252.1	177.4	111.5	56.1	18.2	0.0	0.0	0.0	0.0	0.0
CFAF billions	342.3	333.5	320.3	297.1	258.8	208.0	146.3	92.0	46.3	15.0	0.0	0.0	0.0	0.0	0.0
Percent of exports of goods and services	21.5	17.7	14.7	12.3	9.8	7.3	4.7	2.8	1.3	0.4	0.0	0.0	0.0	0.0	0.0
Percent of debt service[1]	358.5	249.6	197.4	164.4	133.2	109.6	60.2	34.4	23.6	9.9	0.0	0.0	0.0	0.0	0.0
Percent of GDP	5.6	5.1	4.5	3.9	3.1	2.4	1.5	0.9	0.4	0.1	0.0	0.0	0.0	0.0	0.0
Percent of tax revenue	87.9	73.8	59.9	49.3	38.8	27.9	17.6	10.0	4.6	1.3	0.0	0.0	0.0	0.0	0.0
Percent of quota	297.7	291.9	279.7	258.6	224.5	179.8	126.5	79.5	40.0	13.0	0.0	0.0	0.0	0.0	0.0
Net use of IMF credit (SDR millions)	131.2	-8.1	-17.0	-29.7	-47.7	-62.7	-74.8	-65.9	-55.4	-37.9	-18.2	0.0	0.0	0.0	0.0
Disbursements	133.2	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
Repayments and repurchases	2.0	8.1	17.0	29.7	47.7	62.7	74.8	65.9	55.4	37.9	18.2	0.0	0.0	0.0	0.0
Memorandum items:															
Exports of goods and services (CFAF billions)	1,589	1,880	2,177	2,411	2,630	2,847	3,138	3,302	3,477	3,663	3,755	3,745	3,743	3,713	3,708
External Debt service (CFAF billions)[1]	95	134	162	181	194	190	243	268	196	152	114	137	167	207	238
Nominal GDP (CFAF billions)	6,060	6,570	7,129	7,668	8,222	8,811	9,470	10,097	10,766	11,480	12,168	12,896	13,691	14,505	15,372
Tax revenue (CFAF billions)	389	452	534	603	667	745	831	924	1,017	1,118	1,229	1,338	1,458	1,588	1,729
Quota (SDR millions)	140.2	140.2	140.2	140.2	140.2	140.2	140.2	140.2	140.2	140.2	140.2	140.2	140.2	140.2	140.2

Source: IMF staff estimates and projections.

[1]Total external debt service includes IMF repurchases and repayments.

Table 8. Chad: Schedule of Disbursements Under ECF Arrangement, 2017-20

	Amount (Percent of Quota)	Amount (Million SDR)	Available Date	Conditions for Disbursement
	25.0	35.05	June 30, 2017	Executive Board approval of the three year ECF arrangement
	25.0	35.05	August 15, 2017	Observance of the performance criteria for June 30, 2017 and completion of the first review under the arrangement
	25.0	35.05	April 15, 2018	Observance of the performance criteria for December 31, 2017 and completion of the second review under the arrangement
	25.0	35.05	October 15, 2018	Observance of the performance criteria for June 30, 2018 and completion of the third review under the arrangement
	20.0	28.04	April 15, 2019	Observance of the performance criteria for December 31, 2018 and completion of the fourth review under the arrangement
	20.0	28.04	October 15, 2019	Observance of the performance criteria for June 30, 2019 and completion of the fifth review under the arrangement
	20.0	28.04	N/A[1]	Observance of the performance criteria for December 31, 2019 and completion of the sixth review under the arrangement
Total	***160.0***	***224.32***		

Source: IMF Staff estimates and projections.
[1]The ECF will be cancelled and the final disbursement will not occur

Appendix I. Letter of Intent

N'Djamena, July 15, 2020

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

Dear Managing Director,

The Chadian authorities are grateful to the International Monetary Fund (IMF) for its continued support under the ECF arrangement and, more recently, under the Rapid Credit Facility (RCF) approved by the IMF Executive Board on April 14, 2020. Early IMF emergency assistance was essential in catalyzing donor support and in providing needed resources for health and economic relief to address the negative impact of the COVID-19 pandemic.

As explained in our Letter of Intent of April 9, 2020, the global impact of the pandemic and the resulting health sector spending has generated substantial balance of payments and budgetary needs. However, these financing needs, previously estimated at CFAF 238 billion (4.6 percent of non-oil GDP), have now increased to CFAF 366 billion (7.0 percent of non-oil GDP). The impact of the crisis on the economic outlook has worsened and, due mainly to the weak health care system, the actual implementation of the COVID-19 contingency plan, including important measures to assist populations and support businesses and agriculture, has proved challenging and costlier than envisaged. This has led to urgent balance of payments needs characterized by a financing gap that, if not addressed, would result in an immediate and severe economic disruption.

To help address the higher financing needs generated by the pandemic, the government requests another disbursement under the RCF, in the amount of SDR 49.07 million, equivalent to 35 percent of quota. At the same time, because of the duration and scale of the pandemic and the technical difficulties to complete the 6th review under the ECF arrangement and to achieve the last disbursement (SDR 28.04 million, 20 percent of quota) in a timely manner, provided that the Executive Board approves this RCF request, we are cancelling the current ECF arrangement, which was to expire at end-September 2020, as of the date of the Board approval of the RCF disbursement. In this context, we intend to request a successor arrangement and initiate discussions with Fund staff in the fall.

The government is implementing the set of measures outlined in the April 2020 Letter of Intent aimed at addressing the economic and health consequences of the COVID-19 crisis. We also undertake, under Decree N°0374 of March 24, 2020 creating a special allocation account entitled "Special Fund for the fight against the Coronavirus" to keep separate accounts for COVID-19 expenses and provide separate reporting for the transparent management and in accordance with the best budget management practices to which we have always adhered. In this context, a trust fund, in the form of a dedicated Treasury account, was established in the local banking system for the mobilization of various financial contributions to the fight of the pandemic. A draft revised budget law, which reflects all health and economic costs resulting from the pandemic, will be submitted before end of July to the National Assembly for adoption. Resources dedicated to the COVID-19 will be used in full transparency. In addition to being reflected in the budget law, they will be committed in line with the CEMAC PFM directives. In particular, emergency spending for urgently needed supplies will be committed according to the provisions of Decree No. 1025/PR/MFB/2020 of May 29, 2020, derogating from public procurement rules concluded in the context of the fight against the coronavirus and subjected to an ex-post compliance audit by a reputable international auditing firm, which will be completed with the support of the Inspectorate of Public Finances within six months of the end of the fiscal year. The audit will also cover all COVID-related expenditures. Auditing reports, also including analysis of compliance with procedures, in particular with regards to regulated agreements, will be published within a month upon completion on the website of the Ministry of Finance and Budget. The full text of procurement contracts, along with the names of the beneficial owners of awarded legal persons, will be published on the website of the Ministry of Finance and Budget within 30 days of the award of any contract concluded under the fight against the coronavirus. Delivery reports for goods and services, including the list of suppliers and contractors, will be published on the website of the Ministry of Finance and Budget within three months of the end of the execution period for each contract.

To avoid any risk of debt distress for Chad, debt management will be strengthened, and external borrowing will continue to be made only on concessional terms. In view of the still volatile external environment, we will undertake fiscal adjustment in the medium term as needed with the objective of meeting the CEMAC convergence criterion and helping safeguard debt sustainability, including by allowing temporary expenditure measures to expire. This year, the requirements in terms of control of the wage bill, with the exception of the recruitment of 1638 new health workers for the Ministry of Public Health in the context of the fight against COVID-19, will continue. Chad requested a grant under the Catastrophe Containment and Relief Trust (CCRT) to cover future debt service to the Fund falling due in 2020/21. Chad has also requested debt service suspension from official bilateral creditors in line with the term sheet in the April 15, 2020 Communiqué of the G20 Finance Ministers and Central Bank Governors. On June 9, 2020, a Memorandum of Understanding was signed with Paris Club creditors. The fiscal space released by that debt service suspension will be spent on mitigating the health, economic and social impacts of the COVID-19 crisis. The use of the generated resources will be monitored and reported to the IMF on a quarterly basis.

The government commits to maintaining excellent relations with the IMF. In this context, we will not introduce any measures or policies that would compound our balance of payment difficulties. To facilitate policy monitoring and assessment, the government undertakes to provide all necessary information to IMF staff on a regular basis and in a timely manner.

We will continue to implement policies that are consistent with maintaining regional external stability. In particular, to help achieve regional NFA objectives, 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. The BEAC also continues to implement the remaining recommendations of the 2017 safeguards assessment.

In keeping with our longstanding commitment to transparency, the government agrees to the publication of the staff report for the RCF request and this letter of intent on the IMF website.

Very truly yours,

/s/

Tahir Hamid Nguilin

Minister of Finance and Budget

CHAD

REQUEST FOR DISBURSEMENT UNDER THE RAPID CREDIT FACILITY AND CANCELLATION OF THE EXTENDED CREDIT FACILITY ARRANGEMENT—DEBT SUSTAINABILITY ANALYSIS

July 15, 2020

Approved By
David Owen, Gavin Gray and Marcello Estevão (IDA)

Prepared by the Staffs of the International Monetary Fund (IMF) and the International Development Association (IDA)

Chad Joint Bank-Fund Debt Sustainability Analysis[1]	
Risk of external debt distress	*High[2]*
Overall risk of debt distress	*High*
Granularity in the risk rating	*Sustainable*
Application of judgement	*No*
Macroeconomic projections	*The previous DSA in April 2020 reflected reduced growth and significant deterioration in fiscal and external balances. The current DSA reflects a further downward revision to growth of 0.7 percentage point in 2020, with a deterioration of 2.3 percentage points in fiscal and 0.9 percentage points in external balances. The shock is still expected to be temporary and a gradual recovery is forecast in 2021.*
Financing strategy	*Since the last DSA, Chad has identified significant donor support for 2020 and oil revenue has surprised on the upside. The authorities are expected to request a successor IMF arrangement later this year.*
Realism tools flagged	*Large unexpected increase in public debt in the last 5 years.*
Mechanical risk rating under the external DSA	*High*
Mechanical risk rating under the public DSA	*High*

[1] The debt coverage has expanded since the last DSA (April 2020) to include domestic arrears in the domestic debt stock (5.8 percent of GDP). Previously domestic arrears only appeared in the contingent risk analysis. Accordingly, "other elements of general government" in the contingent liability tailored test has been reduced to zero

.[2] With a score of 2.47, Chad's composite indicator, which is based on the October 2019 WEO and the 2018 CPIA, signals a weak debt-carrying capacity.

This debt sustainability analysis (DSA) updates the joint World Bank-IMF analysis of April 2020 to reflect the most recent outlook. Debt remains sustainable under the baseline forecast, but uncertainty remains high. For instance, the outlook includes large unfinanced fiscal and external financing gaps for several years. Historically the authorities have been able to service debt at baseline forecast levels, and program performance under the ECF suggests a strong commitment to obligations. In sum, the debt sustainability picture has not appreciably changed since April. Chad's risks of external and overall debt distress remain high.

The macroeconomic outlook has deteriorated with the pandemic's more pronounced presence in Chad. In 2020, growth is modestly weaker, but Q1 oil revenues—which are based on 2019 oil exports—have surprised to the upside and donor support has crystalized. In particular, the World Bank i) disbursed (US$ 16.95 million) to prevent, detect, and respond to health threat posed by COVID-19; ii) is preparing a COVID-19 education project; and iii) is preparing a Development Policy Operation in response to the short and long term challenges faced by the country. In the medium term, oil price forecasts have changed very little since the last DSA. The debt sustainability analysis is based on projected continued fiscal prudence and an increase in non-oil revenues after the pandemic crisis abates The RCF request comprises the only substantial change on the external debt side.

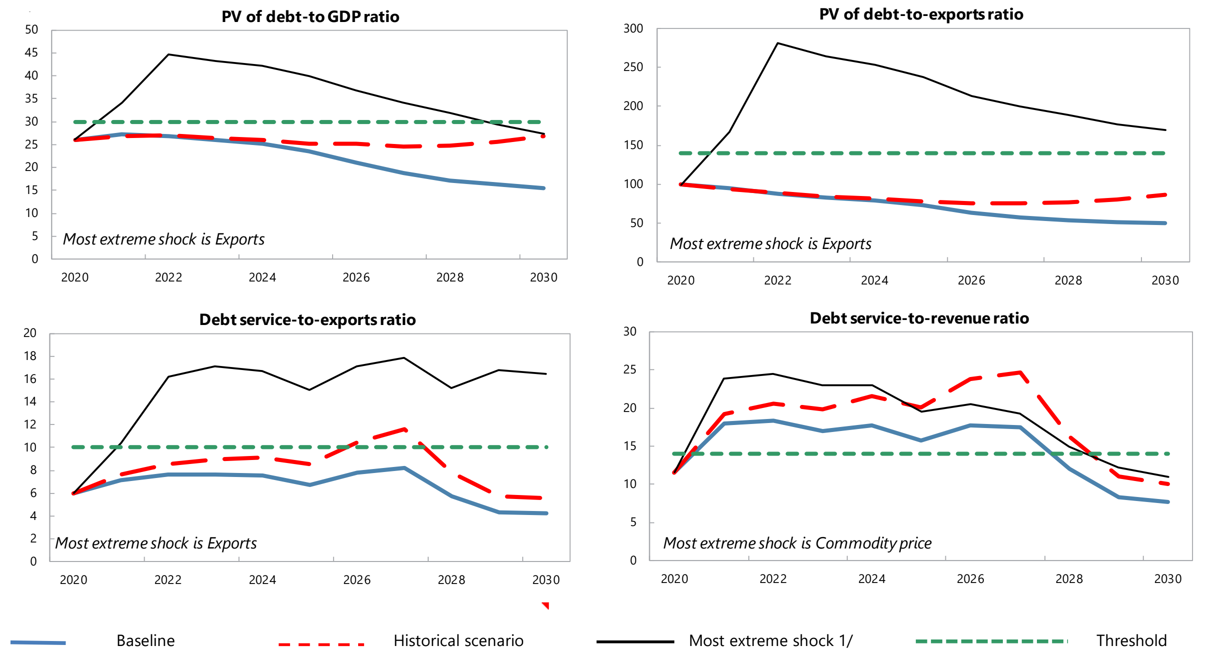
Chad requested treatment under the Debt Service Suspension Initiative (DSSI) from all creditors, public and private, and intends to adhere to the commitments noted in the LOI. The DSA assumes all official bilateral creditors from the G-20 and Paris Club, plus Kuwait and the UAE, will provide debt reprofiling in 2020, totaling CFAF 7.5 billion. The authorities have begun clearing arrears in accordance with the government clearance strategy adopted in January. Clearance in 2020 may be financed through a CFAF 85 billion, 8-year loan arrangement with banks and (ii) a series of 3- to 5-year treasury bonds amounting to CFAF 25 billion. Thereafter the DSA assumes cash payment of arrears. Finally, this assessment assumes debt relief from the IMF of CFAF 8.2 billion across 2020 and 2021 under the Catastrophe Containment window of the CCRT through April 2022 (subject to the availability of CCRT resources for the next 18 months).

Under the baseline, three of the external debt sustainability indicators stay below their respective thresholds, but the debt-to-revenue ratio breaches its threshold from 2021 through 2027. Under stress scenarios—in particular the customized oil price shock and the exports shock—indicators approach levels seen during Chad's last episode of debt distress. Total public debt vulnerabilities are elevated, and under the baseline the pandemic pushes the present value (PV) of public debt-to-GDP ratio above its benchmark from 2020 to 2024.

Following the restructuring in 2018, the new Glencore debt contract contingencies have allowed lower debt service to cushion low oil prices and should provide additional cushion through 2023 under the baseline, with additional cushion capacity remaining.[1] *However, the contingency mechanisms could become exhausted in 2021 under the conditions of the customized oil price shock stress test, which would likely lead to a sharp rise in Chad's debt service-to-revenue ratio, potentially pushing the country back in a situation of debt distress.*

[1] Under the Glencore debt restructuring agreement, for the period 2021-2026 mandatory amortization could be deferred up to US$75 million mainly if (i) government oil export receipts are lower than Glencore debt service, and (ii) oil prices are lower than US$42 per barrel.

Figure 1. Chad: Indicators of Public and Publicly Guaranteed External Debt under Alternative Scenarios, 2020–2030



Customization of Default Settings	Size	Interactions
Tailored Tests		
Combined CLs	Yes	
Natural Disasters	n.a.	n.a.
Commodity Prices [2/]	No	No
Market Financing	n.a.	n.a.

Note: "Yes" indicates any change to the size or interactions of the default settings for the stress tests. "n.a." indicates that the stress test does not apply.

Borrowing Assumptions for Stress Tests*	Default	User defined
Shares of marginal debt		
External PPG MLT debt	100%	
Terms of marginal debt		
Avg. nominal interest rate on new borrowing in USD	1.0%	1.0%
USD Discount rate	5.0%	5.0%
Avg. maturity (incl. grace period)	17	20
Avg. grace period	8	6

* Note: All the additional financing needs generated by the shocks under the stress tests are assumed to be covered by PPG external MLT debt in the external DSA. Default terms of marginal debt are based on baseline 10-year projections.

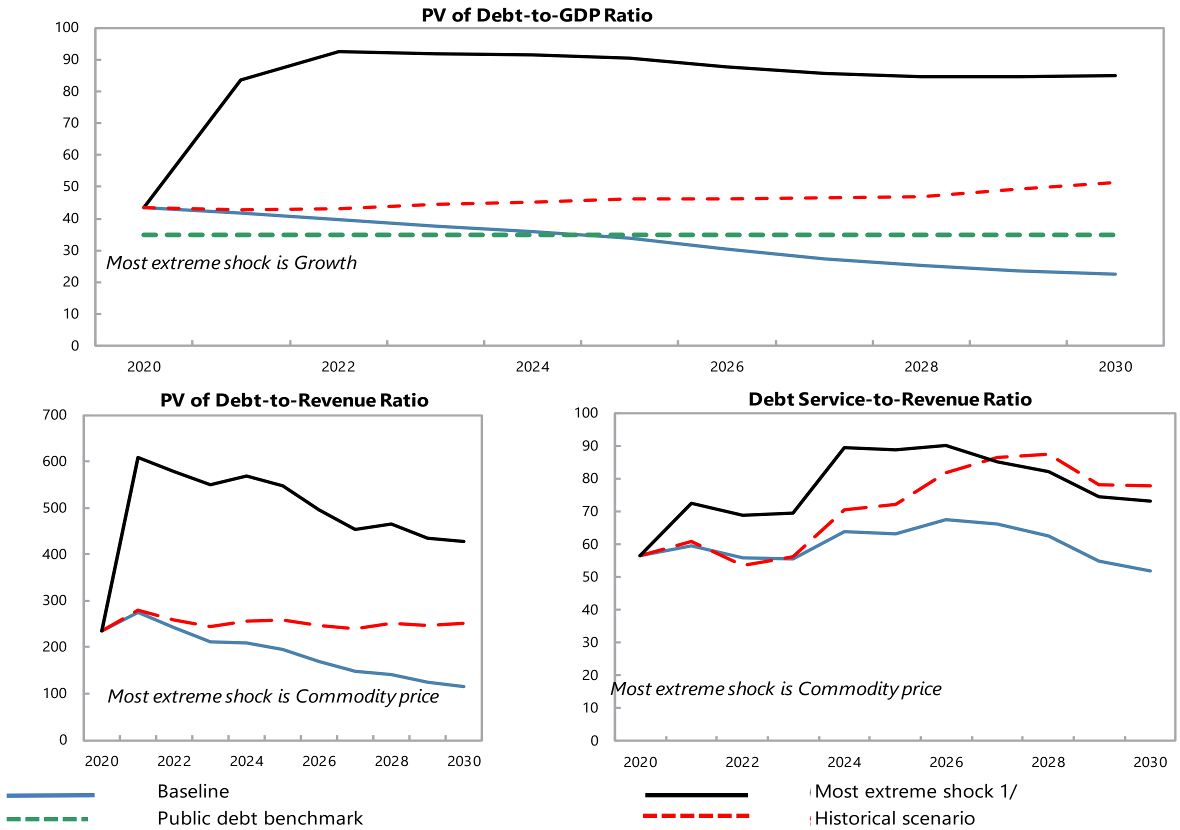
Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio in or before 2030. Stress tests with one-off breaches are also presented (if any), while these one-off breaches are deemed away for mechanical signals. When a stress test with a one-off breach happens to be the most exterme shock even after disregarding the one-off breach, only that stress test (with a one-off breach) would be presented.

2/ The magnitude of shocks used for the commodity price shock stress test are based on the commodity prices outlook prepared by the IMF research department.

The tailored commodity price stress test presented here does not account for the contingency mechanisms in the Glencore debt as Text Figure 1 does.

Figure 2. Chad: Indicators of Public Debt Under Alternative Scenarios, 2020–2030



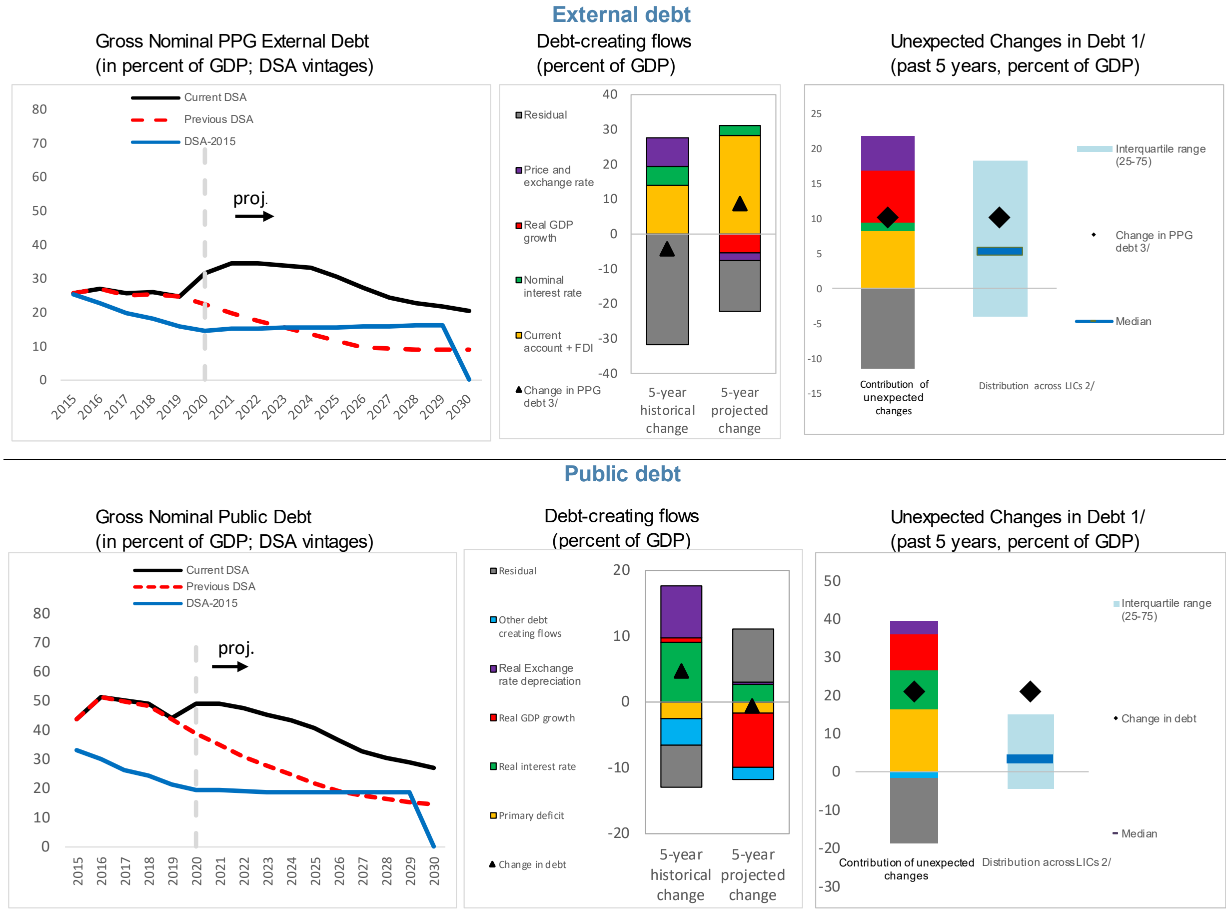
Borrowing Assumptions for Stress Tests*	Default	User defined
Shares of marginal debt		
External PPG medium and long-term	35%	65%
Domestic medium and long-term	10%	5%
Domestic short-term	109%	30%
Terms of marginal debt		
External MLT debt		
Avg. nominal interest rate on new borrowing in USD	1.0%	1.0%
Avg. maturity (incl. grace period)	17	20
Avg. grace period	8	6
Domestic MLT debt		
Avg. real interest rate on new borrowing	9.3%	5.0%
Avg. maturity (incl. grace period)	1	1
Avg. grace period	0	0
Domestic short-term debt		
Avg. real interest rate	0%	2.0%

* Note: The public DSA allows for domestic financing to cover the additional financing needs generated by the shocks under the stress tests in the public DSA. Default terms of marginal debt are based on baseline 10-year projections.

Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio in or before 2030. The stress test with a one-off breach is also presented (if any), while the one-off breach is deemed away for mechanical signals. When a stress test with a one-off breach happens to be the most exterme shock even after disregarding the one-off breach, only that stress test (with a one-off breach) would be presented.

Figure 3. Chad: Drivers of Debt Dynamics—Baseline Scenario



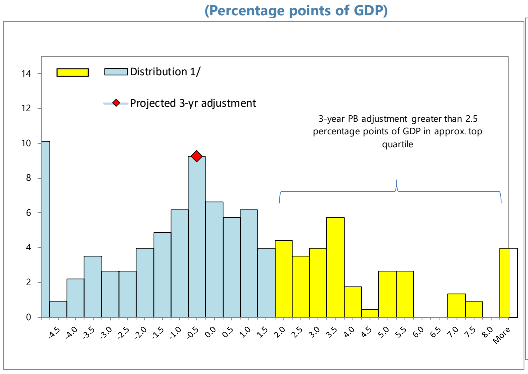
1/ Difference between anticipated and actual contributions on debt ratios.

2/ Distribution across LICs for which LIC DSAs were produced.

3/ Given the relatively low private external debt for average low-income countries, a ppt change in PPG external debt should be largely explained by the drivers of the external debt dynamics equation.

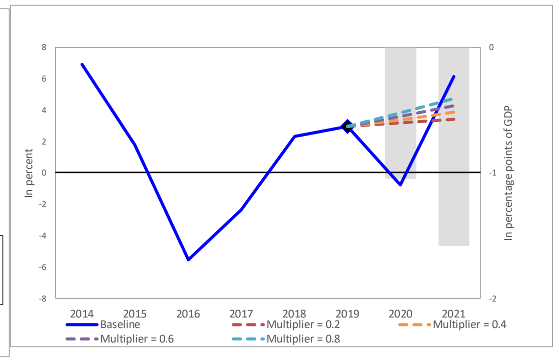
Figure 4. Chad: Realism Tools

3-Year Adjustment in Primary Balance
(Percentage points of GDP)



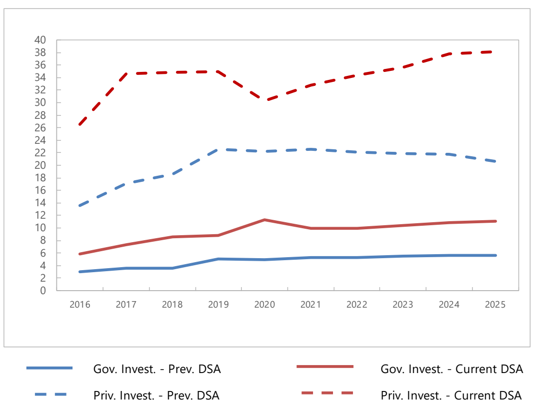
1/ Data cover Fund-supported programs for LICs (excluding emergency financing) approved since 1990. The size of 3-year adjustment from program inception is found on the horizontal axis; the percent of sample is found on the vertical axis.

Fiscal Adjustment and Possible Growth Paths 1/



1/ Bars refer to annual projected fiscal adjustment (right-hand side scale) and lines show possible real GDP growth paths under different fiscal multipliers (left-hand side scale).

Public and Private Investment Rates
(% of GDP)



Contribution to Real GDP growth
(percent, 5-year average)

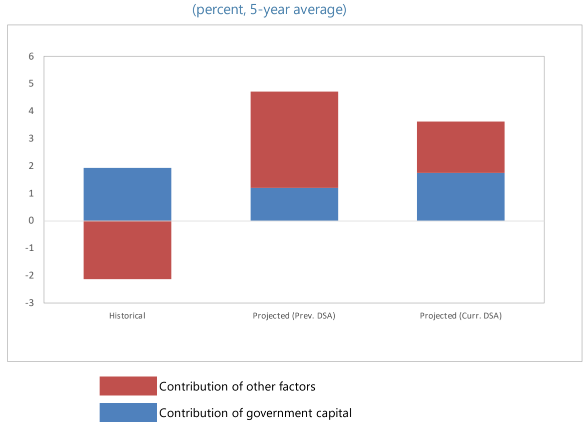
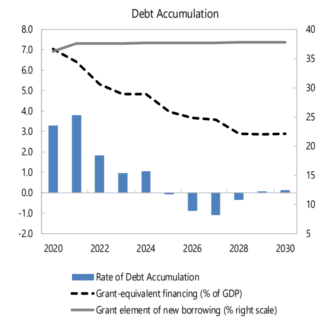


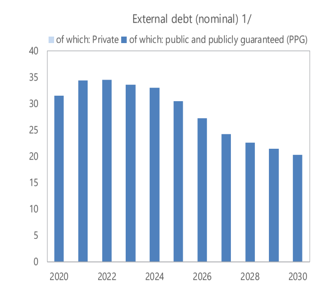
Table 1. Chad: External Debt Sustainability Framework, Baseline Scenario, 2009–2040

(In percent of GDP, unless otherwise indicated)

	Actual											Projections								Average 8/	
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030	2040	Historical	Projections
External debt (nominal) 1/	26.1	24.6	21.8	20.0	21.1	29.1	25.5	26.8	25.6	25.8	24.6	31.5	34.4	34.5	33.6	33.1	30.5	20.3	10.5	24.5	28.5
of which: public and publicly guaranteed (PPG)	26.1	24.6	21.8	20.0	21.1	29.1	25.5	26.8	25.6	25.8	24.6	31.5	34.4	34.5	33.6	33.1	30.5	20.3	10.5	24.5	28.5
Change in external debt	...	-1.5	-2.8	-1.7	1.1	8.0	-3.7	1.4	-1.3	0.2	-1.3	7.0	2.9	0.1	-0.9	-0.6	-2.5	-1.2	0.5		
Identified net debt-creating flows	...	0.0	-1.7	2.7	4.2	2.2	16.8	9.9	3.8	-3.8	0.8	10.0	5.1	3.3	3.6	3.3	2.1	0.9	5.1	3.5	2.8
Non-interest current account deficit	8.0	8.4	5.4	7.1	8.5	8.2	12.6	8.7	6.0	0.7	4.2	13.6	11.0	8.9	8.8	8.5	7.4	2.2	5.9	7.0	6.5
Deficit in balance of goods and services	11.5	10.8	7.5	9.8	9.6	12.5	16.5	16.2	15.2	8.7	9.7	20.2	17.0	14.4	13.7	12.8	11.7	6.7	9.3	11.6	11.6
Exports	35.2	37.8	40.6	38.2	33.4	31.5	26.4	22.9	26.5	33.3	34.7	26.2	28.6	30.5	31.4	32.0	32.3	30.9	17.6		
Imports	46.8	48.6	48.1	48.0	43.1	43.9	42.9	39.1	41.7	42.0	44.3	46.4	45.7	44.9	45.2	44.8	44.1	37.6	27.0		
Net current transfers (negative = inflow)	-7.5	-5.6	-4.3	-4.4	-5.1	-7.9	-7.1	-7.6	-9.4	-8.9	-7.4	-9.6	-8.8	-8.3	-7.7	-7.1	-7.2	-5.4	-4.1	-6.8	-7.2
of which: official	-0.6	-0.3	-0.3	-0.7	-1.3	-4.0	-2.5	-2.4	-3.1	-3.2	-1.3	-3.1	-2.6	-2.5	-2.3	-1.8	-2.1	-1.3	-1.2		
Other current account flows (negative = net inflow)	3.9	3.2	2.2	1.7	3.9	3.6	3.2	0.1	0.3	0.9	2.0	3.0	2.7	2.8	2.8	2.8	2.8	0.9	0.6	2.1	2.0
Net FDI (negative = inflow)	-6.5	-5.2	-4.5	-4.7	-4.0	-5.2	-5.1	-2.4	-3.6	-3.0	-4.3	-4.3	-4.7	-4.7	-4.5	-4.6	-4.5	-0.9	-0.6	-4.2	-3.2
Endogenous debt dynamics 2/	...	-3.2	-2.6	0.3	-0.3	-0.8	9.3	3.6	1.4	-1.6	0.9	0.7	-1.2	-0.9	-0.7	-0.7	-0.8	-0.4	-0.2		
Contribution from nominal interest rate	...	0.2	0.4	0.7	0.6	0.7	1.1	1.7	1.0	0.6	0.7	0.5	0.6	0.6	0.6	0.5	0.4	0.2	0.1		
Contribution from real GDP growth	...	-3.1	0.0	-1.9	-1.1	-1.4	-0.7	1.5	0.6	-0.5	-0.8	0.2	-1.8	-1.6	-1.3	-1.2	-1.2	-0.6	-0.3		
Contribution from price and exchange rate changes	...	-0.3	-3.0	1.5	0.2	-0.2	8.8	0.4	-0.3	-1.7	1.0	...	...	...	...	...	...	...	...		
Residual 3/	...	-1.4	-1.1	-4.5	-3.1	5.8	-20.4	-8.5	-5.1	4.1	-2.0	-3.1	-2.2	-3.2	-4.5	-3.8	-4.6	-2.1	-4.6	-3.6	-3.2
of which: exceptional financing	...	0.0	0.0	0.0	0.0	-0.1	-0.8	-1.1	-1.0	-1.3	-1.6	-0.4	-0.4	-0.4	-0.4	-0.3	-0.3	-0.2	-0.1		
Sustainability indicators																					
PV of PPG external debt-to-GDP ratio	...	...	...	...	...	...	...	...	...	...	20.7	26.0	27.3	26.9	25.9	25.2	23.5	15.4	7.6		
PV of PPG external debt-to-exports ratio	...	...	...	...	...	...	...	...	...	...	59.7	99.2	95.4	88.0	82.5	78.8	72.6	50.0	43.2		
PPG debt service-to-exports ratio	2.0	1.5	2.2	3.2	3.9	15.6	9.6	14.4	9.0	6.1	4.0	6.0	7.1	7.7	7.7	7.5	6.8	4.3	4.4		
PPG debt service-to-revenue ratio	5.7	3.1	3.9	5.7	7.1	31.0	24.0	34.5	22.4	16.9	10.9	11.5	18.0	18.3	17.0	17.7	15.8	7.7	4.7		
Gross external financing need (Million of U.S. dollars)	...	...	...	...	755.2	1114.1	1101.1	980.4	486.4	-25.0	137.6	1101.8	916.6	784.8	861.5	871.1	742.8	525.6	2242.2		
Key macroeconomic assumptions																					
Real GDP growth (in percent)	4.1	13.6	0.1	8.8	5.8	6.9	1.8	-5.6	-2.4	2.3	3.0	-0.8	6.1	4.9	4.0	3.8	3.8	3.0	3.2	3.4	3.6
GDP deflator in US dollar terms (change in percent)	-14.2	1.1	13.7	-6.4	-1.0	0.8	-23.2	-1.4	1.2	7.0	-3.8	-6.9	3.0	3.3	3.2	3.1	3.1	2.9	3.2	-1.2	2.1
Effective interest rate (percent) 4/	...	0.7	1.8	3.3	3.4	3.7	3.1	6.2	3.8	2.8	2.6	1.9	2.0	2.0	1.8	1.7	1.2	1.0	1.0	3.1	1.8
Growth of exports of G&S (US dollar terms, in percent)	-26.0	23.2	22.3	-4.1	-8.4	1.4	-34.4	-19.2	14.5	37.6	3.1	-30.2	19.3	15.7	10.5	8.9	8.2	2.5	1.7	3.6	5.5
Growth of imports of G&S (US dollar terms, in percent)	2.2	19.4	12.7	1.6	-6.0	9.9	-23.7	-15.1	5.4	10.3	4.5	-3.3	7.5	6.6	8.0	6.2	5.3	2.4	4.3	1.9	4.3
Grant element of new public sector borrowing (in percent)	...	...	...	...	...	...	...	...	...	...	...	36.2	37.6	37.6	37.6	37.6	37.7	37.8	37.8	...	37.5
Government revenues (excluding grants, in percent of GDP)	12.3	18.9	23.2	21.7	18.5	15.8	10.5	9.5	10.6	12.0	12.6	13.7	11.4	12.7	14.2	13.6	13.8	17.1	16.6	15.3	14.4
Aid flows (in Million of US dollars) 5/	350.8	263.4	279.6	477.1	377.5	369.1	433.3	326.8	527.7	511.9	303.8	834.0	1059.8	877.5	811.2	878.9	680.8	683.2	1177.2		
Grant-equivalent financing (in percent of GDP) 6/	...	...	...	...	...	...	...	...	...	...	...	7.1	6.4	5.3	4.8	4.8	4.0	2.9	2.4	...	4.4
Grant-equivalent financing (in percent of external financing) 6/	...	...	...	...	...	...	...	...	...	...	...	63.6	59.7	65.7	70.3	69.0	80.9	81.0	68.9	...	74.7
Nominal GDP (Million of US dollars)	9,315	10,701	12,183	12,411	12,994	14,003	10,952	10,202	10,079	11,036	10,934	10,097	11,035	11,964	12,840	13,746	14,720	20,328	36,997		
Nominal dollar GDP growth	...	14.9	13.8	1.9	4.7	7.8	-21.8	-6.8	-1.2	9.5	-0.9	-7.7	9.3	8.4	7.3	7.1	7.1	6.0	6.5	2.2	5.9
Memorandum items:																					
PV of external debt 7/	...	...	...	...	...	...	...	...	...	...	20.7	26.0	27.3	26.9	25.9	25.2	23.5	15.4	7.6		
In percent of exports	...	...	...	...	...	...	...	...	...	...	59.7	99.2	95.4	88.0	82.5	78.8	72.6	50.0	43.2		
Total external debt service-to-exports ratio	2.0	1.5	2.2	3.2	3.9	15.6	9.6	14.4	9.0	6.1	4.0	6.0	7.1	7.7	7.7	7.5	6.8	4.3	4.4		
PV of PPG external debt (in Million of US dollars)											2265.7	2626.9	3011.3	3214.6	3329.0	3463.8	3453.7	3136.9	2818.4		
(PVt-PVt-1)/GDPt-1 (in percent)												3.3	3.8	1.8	1.0	1.0	-0.1	0.1	0.7		
Non-interest current account deficit that stabilizes debt ratio	...	9.8	8.3	8.8	7.4	0.2	16.3	7.4	7.3	0.5	5.5	6.6	8.1	8.8	9.8	9.1	9.9	3.4	5.4		

Definition of external/domestic debt	Currency-based
Is there a material difference between the two criteria?	Yes





Sources: Country authorities; and staff estimates and projections.

1/ Includes both public and private sector external debt.

2/ Derived as [r - g - ρ(1+g)]/(1+g+ρ+gρ) times previous period debt ratio, with r = nominal interest rate; g = real GDP growth rate, and ρ = growth rate of GDP deflator in U.S. dollar terms.

3/ Includes exceptional financing (i.e., changes in arrears and debt relief); changes in gross foreign assets; and valuation adjustments. For projections also includes contribution from price and exchange rate changes.

4/ Current-year interest payments divided by previous period debt stock.

5/ Defined as grants, concessional loans, and debt relief.

6/ Grant-equivalent financing includes grants provided directly to the government and through new borrowing (difference between the face value and the PV of new debt).

7/ Assumes that PV of private sector debt is equivalent to its face value.

8/ Historical averages are generally derived over the past 10 years, subject to data availability, whereas projections averages are over the first year of projection and the next 10 years.

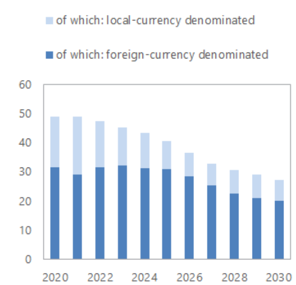
Table 2. Chad: Public Sector Debt Sustainability Framework, Baseline Scenario, 2017–2040

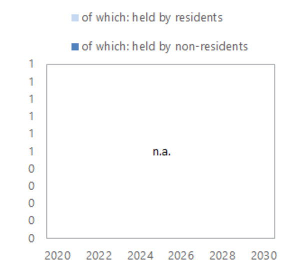
(In percent of GDP, unless otherwise indicated)

	Actual			Projections								Average 7/	
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030	2040	Historical	Projection
Public sector debt 1/	50.3	49.1	44.3	49.1	49.0	47.5	45.2	43.6	40.8	27.3	12.3	39.3	39.2
of which: external debt	25.6	25.8	24.6	31.5	34.4	34.5	33.6	33.1	30.5	20.3	10.5	24.5	28.5
Change in public sector debt	-1.1	-1.2	-4.8	4.8	0.0	-1.6	-2.3	-1.6	-2.8	-1.8	-1.2		
Identified debt-creating flows	-3.1	-3.8	2.4	3.5	-1.3	-3.1	-4.4	-3.6	-4.2	-4.8	-1.9	0.6	-3.4
Primary deficit /2	-1.3	-3.0	-0.8	0.2	1.8	-0.2	-2.0	-1.5	-2.0	-3.8	-1.3	0.2	-1.9
Revenue and grants	14.6	15.3	14.2	18.4	15.2	16.4	17.8	17.1	17.2	19.6	18.4	17.8	17.7
of which: grants	4.0	3.3	1.7	4.8	3.8	3.6	3.6	3.5	3.4	2.5	1.8		
Primary (noninterest) expenditure	13.3	12.3	13.4	18.7	17.0	16.2	15.8	15.6	15.2	15.8	17.0	18.1	15.8
Automatic debt dynamics	0.0	-0.2	3.7	3.7	-2.7	-2.5	-2.0	-1.8	-1.9	-0.9	-0.5		
Contribution from interest rate/growth differential	2.4	-1.2	3.0	2.0	-2.4	-2.1	-1.6	-1.4	-1.5	-0.7	-0.4		
of which: contribution from average real interest rate	1.2	-0.1	4.4	1.6	0.5	0.2	0.2	0.2	0.1	0.2	0.1		
of which: contribution from real GDP growth	1.3	-1.1	-1.4	0.3	-2.8	-2.3	-1.8	-1.7	-1.6	-0.8	-0.4		
Contribution from real exchange rate depreciation	-2.4	1.0	0.7	...	...	...	...	...	...	...	...		
Other identified debt-creating flows	-1.8	-0.6	-0.4	-0.4	-0.4	-0.4	-0.4	-0.3	-0.3	-0.2	-0.1	-0.9	-0.3
Privatization receipts (negative)	-1.2	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Recognition of contingent liabilities (e.g., bank recapitalizatior	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Debt relief (HIPC and other)	-0.5	-0.4	-0.4	-0.4	-0.4	-0.4	-0.4	-0.3	-0.3	-0.2	-0.1		
Other debt creating or reducing flow (please specify)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Residual	2.0	2.6	-7.2	3.0	1.0	1.1	1.7	1.6	1.0	2.9	0.6	1.2	1.7
Sustainability indicators													
PV of public debt-to-GDP ratio 3/	...	...	40.6	43.5	41.9	39.8	37.5	35.7	33.7	22.4	9.4		
PV of public debt-to-revenue and grants ratio	...	...	285.0	235.8	275.9	243.1	211.1	209.0	195.7	114.5	51.3		
Debt service-to-revenue and grants ratio 4/	46.5	18.3	59.1	56.5	59.7	55.8	55.5	64.0	63.3	52.1	27.7		
Gross financing need 5/	4.1	-1.3	7.6	11.4	11.4	10.0	9.4	10.7	9.6	6.5	3.8		
Key macroeconomic and fiscal assumptions													
Real GDP growth (in percent)	-2.4	2.3	3.0	-0.8	6.1	4.9	4.0	3.8	3.8	3.0	3.2	3.4	3.6
Average nominal interest rate on external debt (in percent)	4.0	2.7	2.7	1.9	2.0	2.0	1.8	1.7	1.2	1.0	1.0	3.2	1.8
Average real interest rate on domestic debt (in percent)	2.3	-0.5	18.6	6.5	2.0	0.8	1.4	2.1	2.7	4.6	4.3	2.9	3.3
Real exchange rate depreciation (in percent, + indicates depreciati	-8.5	4.1	2.6	...	...	...	...	...	...	...	...	4.3	...
Inflation rate (GDP deflator, in percent)	-0.8	2.3	1.5	-4.7	2.1	3.4	3.5	3.3	3.2	2.9	3.2	0.7	2.3
Growth of real primary spending (deflated by GDP deflator, in perc	5.0	-5.7	12.8	37.8	-3.3	-0.1	1.3	3.0	0.8	6.1	3.2	-1.2	5.6
Primary deficit that stabilizes the debt-to-GDP ratio 6/	-0.3	-1.8	3.9	-4.5	1.8	1.4	0.3	0.2	0.8	-2.0	-0.2	0.6	-0.4
PV of contingent liabilities (not included in public sector debt)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		

Definition of external/domestic debt	**Currency-based**
Is there a material difference between the two criteria?	**Yes**

Public sector debt 1/





Sources: Country authorities; and staff estimates and projections.
1/ Coverage of debt: The central, state, and local governments, central bank. Definition of external debt is Currency-based.
2/ The primary balance assumes debt relief under the CCRT as a capital grant (subject to availability of resources).
3/ The underlying PV of external debt-to-GDP ratio under the public DSA differs from the external DSA with the size of differences depending on exchange rates projections.
4/ Debt service is defined as the sum of interest and amortization of medium and long-term, and short-term debt.
5/ Gross financing need is defined as the primary deficit plus debt service plus the stock of short-term debt at the end of the last period and other debt creating/reducing flows.
6/ Defined as a primary deficit minus a change in the public debt-to-GDP ratio ((-): a primary surplus), which would stabilizes the debt ratio only in the year in question.
7/ Historical averages are generally derived over the past 10 years, subject to data availability, whereas projections averages are over the first year of projection and the next 10 years.

Table 3. Chad: Sensitivity Analysis for Key Indicators of Public and Publicly Guaranteed External Debt, 2020–2030

(In percent)

	Projections 1/										
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
PV of debt-to GDP ratio											
Baseline	26.0	27.3	26.9	25.9	25.2	23.5	21.0	18.7	17.2	16.2	15.4
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2019-2039 2/	26.0	26.8	27.0	26.3	25.9	25.1	25.1	24.5	24.7	25.6	26.7
B. Bound Tests											
B1. Real GDP growth	26.0	**31.1**	**34.2**	**33.0**	**32.1**	29.9	26.8	23.8	21.9	20.7	19.7
B2. Primary balance	26.0	27.9	28.1	26.5	25.0	22.6	19.7	17.1	15.4	14.2	13.2
B3. Exports	26.0	**34.0**	**44.7**	**43.2**	**42.1**	**39.8**	**36.8**	**34.0**	**31.8**	29.3	27.2
B4. Other flows 3/	26.0	**30.6**	**33.0**	**31.9**	**31.0**	29.1	26.5	24.1	22.3	20.7	19.5
B6. One-time 30 percent nominal depreciation	26.0	**34.3**	29.7	28.7	27.8	25.8	22.8	19.9	18.2	17.3	16.6
B6. Combination of B1-B5	26.0	**39.3**	**41.9**	**40.5**	**39.4**	**37.1**	**33.9**	**30.8**	28.3	26.3	24.6
C. Tailored Tests											
C1. Combined contingent liabilities	26.0	26.9	25.7	23.8	22.2	19.8	17.0	14.4	12.7	11.6	10.7
C2. Natural disaster	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**n.a.**
C3. Commodity price	26.0	**31.2**	**34.5**	**33.5**	**32.4**	**30.1**	27.0	24.0	21.6	19.6	18.0
C4. Market Financing	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**n.a.**
Threshold	**30**	**30**	**30**	**30**	**30**	**30**	**30**	**30**	**30**	**30**	**30**
PV of debt-to-exports ratio											
Baseline	99.2	95.4	88.0	82.5	78.8	72.6	63.4	57.1	53.3	50.8	50.0
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2019-2039 2/	99.2	93.7	88.4	83.6	80.9	77.7	75.6	74.9	76.4	80.2	86.5
B. Bound Tests											
B1. Real GDP growth	99.2	95.4	88.0	82.5	78.8	72.6	63.4	57.1	53.3	50.8	50.0
B2. Primary balance	99.2	97.5	91.9	84.4	78.1	69.8	59.4	52.2	47.6	44.4	42.8
B3. Exports	99.2	**166.7**	**281.1**	**264.2**	**252.7**	**237.0**	**213.5**	**200.1**	**189.1**	**176.6**	**169.5**
B4. Other flows 3/	99.2	106.8	108.0	101.3	96.9	90.1	80.0	73.6	68.9	65.0	63.1
B6. One-time 30 percent nominal depreciation	99.2	95.4	77.5	72.6	69.3	63.5	54.7	48.5	44.7	43.1	42.8
B6. Combination of B1-B5	99.2	**154.4**	112.3	**168.7**	**161.3**	**150.3**	133.8	123.5	114.6	107.9	104.5
C. Tailored Tests											
C1. Combined contingent liabilities	99.2	93.9	84.3	75.7	69.3	61.1	51.2	44.0	39.4	36.4	34.6
C2. Natural disaster	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**n.a.**
C3. Commodity price	99.2	131.7	130.5	118.9	109.8	98.2	83.5	75.1	68.7	63.1	59.7
C4. Market Financing	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**n.a.**
Threshold	**140**	**140**	**140**	**140**	**140**	**140**	**140**	**140**	**140**	**140**	**140**
Debt service-to-exports ratio											
Baseline	6.0	7.1	7.7	7.7	7.5	6.8	7.8	8.2	5.7	4.4	4.3
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2019-2039 2/	6.0	7.6	8.6	9.0	9.2	8.6	**10.5**	**11.6**	7.8	5.7	5.6
B. Bound Tests											
B1. Real GDP growth	6.0	7.1	7.7	7.7	7.5	6.8	7.8	8.2	5.7	4.4	4.3
B2. Primary balance	6.0	7.1	7.7	7.7	7.5	6.7	7.7	8.0	5.7	4.4	4.2
B3. Exports	6.0	**10.4**	**16.2**	**17.1**	**16.7**	**15.1**	**17.1**	**17.8**	**15.2**	**16.8**	**16.4**
B4. Other flows 3/	6.0	7.1	7.8	7.9	7.8	7.0	8.0	8.4	6.6	5.9	5.8
B6. One-time 30 percent nominal depreciation	6.0	7.1	7.7	7.5	7.4	6.6	7.7	8.1	5.6	3.5	3.5
B6. Combination of B1-B5	6.0	9.2	**12.8**	**12.8**	**12.5**	**11.3**	**12.9**	**13.5**	**12.0**	9.9	9.7
C. Tailored Tests											
C1. Combined contingent liabilities	6.0	7.1	7.6	7.6	7.4	6.6	7.6	8.0	5.5	4.2	4.1
C2. Natural disaster	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**n.a.**
C3. Commodity price	6.0	8.8	9.4	9.4	9.0	7.9	8.9	9.3	7.3	6.5	6.3
C4. Market Financing	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**n.a.**
Threshold	**10**	**10**	**10**	**10**	**10**	**10**	**10**	**10**	**10**	**10**	**10**
Debt service-to-revenue ratio											
Baseline	11.5	**18.0**	**18.3**	**17.0**	**17.7**	**15.8**	**17.7**	**17.4**	12.0	8.3	7.7
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2019-2039 2/	11.5	**19.2**	**20.5**	**19.9**	**21.6**	**20.1**	**23.7**	**24.7**	**16.2**	11.0	10.1
B. Bound Tests											
B1. Real GDP growth	11.5	**20.5**	**23.4**	**21.7**	**22.6**	**20.1**	**22.5**	**22.2**	**15.3**	10.6	9.8
B2. Primary balance	11.5	**17.9**	**18.3**	**17.1**	**17.7**	**15.7**	**17.5**	**17.0**	11.9	8.5	7.6
B3. Exports	11.5	**18.6**	**20.2**	**19.8**	**20.5**	**18.3**	**20.1**	**19.8**	**16.6**	**16.7**	**15.4**
B4. Other flows 3/	11.5	**18.0**	**18.7**	**17.6**	**18.3**	**16.3**	**18.2**	**17.9**	13.9	11.3	10.4
B6. One-time 30 percent nominal depreciation	11.5	**22.6**	**23.0**	**20.9**	**21.8**	**19.4**	**21.8**	**21.6**	**14.8**	8.5	7.9
B6. Combination of B1-B5	11.5	**20.5**	**23.4**	**21.7**	**22.5**	**20.1**	**22.3**	**22.0**	**19.2**	**14.5**	13.4
C. Tailored Tests											
C1. Combined contingent liabilities	11.5	**17.9**	**18.2**	**16.8**	**17.4**	**15.4**	**17.3**	**17.0**	11.6	8.0	7.4
C2. Natural disaster	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**n.a.**
C3. Commodity price	11.5	**23.9**	**24.5**	**22.9**	**22.9**	**19.5**	**20.5**	**19.3**	**14.9**	12.2	11.0
C4. Market Financing	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**n.a.**
Threshold	**14**	**14**	**14**	**14**	**14**	**14**	**14**	**14**	**14**	**14**	**14**

Sources: Country authorities; and staff estimates and projections.

1/ A bold value indicates a breach of the threshold.

2/ Variables include real GDP growth, GDP deflator (in U.S. dollar terms), non-interest current account in percent of GDP, and non-debt creating flows.

3/ Includes official and private transfers and FDI.

Table 4. Chad: Sensitivity Analysis for Key Indicators of Public Debt, 2020–2030

		Projections 1/									
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
					PV of Debt-to-GDP Ratio						
Baseline	**43.5**	**41.9**	**39.8**	**37.5**	**35.7**	33.7	30.3	27.3	25.2	23.7	22.4
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2019-2039 2/	**43**	**43**	**43**	**44**	**45**	**46**	**46**	**46**	**47**	**49**	**51**
B. Bound Tests											
B1. Real GDP growth	**43**	**84**	**93**	**92**	**91**	**90**	**88**	**86**	**85**	**85**	**85**
B2. Primary balance	**43**	**45**	**45**	**42**	**41**	**39**	**35**	32	30	28	26
B3. Exports	**43**	**47**	**55**	**52**	**50**	**48**	**44**	**41**	**38**	35	33
B4. Other flows 3/	**43**	**45**	**46**	**43**	**42**	**39**	**36**	33	30	28	26
B6. One-time 30 percent nominal depreciation	**43**	**87**	**83**	**79**	**76**	**72**	**67**	**63**	**59**	**56**	**54**
B6. Combination of B1-B5	**43**	**44**	**45**	**43**	**43**	**42**	**39**	**36**	34	33	31
C. Tailored Tests											
C1. Combined contingent liabilities	**43**	**57**	**54**	**52**	**49**	**47**	**42**	**39**	**36**	34	32
C2. Natural disaster	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**n.a.**
C3. Commodity price	**43**	**77**	**81**	**85**	**88**	**89**	**87**	**86**	**85**	**85**	**85**
C4. Market Financing	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**n.a.**
Public debt benchmark	**35**	**35**	**35**	**35**	**35**	**35**	**35**	**35**	**35**	**35**	**35**
					PV of Debt-to-Revenue Ratio						
Baseline	235.8	275.9	243.1	211.1	209.0	195.7	169.2	147.4	140.8	123.9	114.5
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2019-2039 2/	236	280	259	244	257	258	247	240	252	247	251
B. Bound Tests											
B1. Real GDP growth	236	532	532	489	506	498	465	441	455	427	420
B2. Primary balance	236	295	272	238	237	224	196	172	166	146	135
B3. Exports	236	312	335	293	292	276	245	219	211	183	166
B4. Other flows 3/	236	297	280	245	243	229	200	176	169	148	135
B6. One-time 30 percent nominal depreciation	236	587	514	453	451	426	380	343	334	298	279
B6. Combination of B1-B5	236	291	270	240	248	240	216	193	189	169	158
C. Tailored Tests											
C1. Combined contingent liabilities	236	378	332	290	288	270	236	209	200	176	162
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	236	609	579	550	568	547	496	453	466	436	428
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
					Debt Service-to-Revenue Ratio						
Baseline	56.5	59.7	55.8	55.5	64.0	63.3	67.4	66.1	62.4	54.7	52.1
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2019-2039 2/	56	61	53	56	71	72	82	87	87	78	78
B. Bound Tests											
B1. Real GDP growth	56	65	68	70	81	82	88	89	87	78	76
B2. Primary balance	56	59	59	59	61	59	64	64	61	54	51
B3. Exports	56	60	56	57	65	64	68	67	65	61	58
B4. Other flows 3/	56	60	56	56	65	64	68	67	64	57	54
B6. One-time 30 percent nominal depreciation	56	58	58	54	65	64	68	67	61	52	49
B6. Combination of B1-B5	56	60	58	58	67	66	70	70	66	58	56
C. Tailored Tests											
C1. Combined contingent liabilities	56	59	54	52	59	58	63	64	60	53	51
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	56	73	69	70	90	89	90	85	82	75	73
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

Sources: Country authorities; and staff estimates and projections.

1/ A bold value indicates a breach of the threshold.

2/ Variables include real GDP growth, GDP deflator and primary deficit in percent of GDP.

3/ Includes official and private transfers and FDI.

Statement by Mr. Raghani, Executive Director for Chad
Executive Board Meeting
July 22, 2020

1. The Chadian authorities express their appreciation to the Executive Board, Management and Staff for their support under the Extended Credit Facility (ECF) arrangement and emergency assistance under the Rapid Credit Facility (RCF) and the Catastrophe Containment and Relief Trust (CCRT) approved in April 2020. The IMF support has played a significant catalytic role in securing external funding for Chad and has been critical in mitigating the impact of the pandemic. The country expects also to benefit from the G-20's Debt Service Suspension Initiative (DSSI). However, given the uncertainties about the scope and duration of the pandemic, its magnitude already larger than initially projected, challenges for a timely conclusion of the 6th ECF review, and higher balance of payments and budget financing needs, the authorities are cancelling the current ECF arrangement which was due to expire at end-September 2020 and requesting a second disbursement under the RCF.

RECENT DEVELOPMENTS AND OUTLOOK

2. Since the first RCF (RCF-1), health, social and economic conditions in Chad have remained particularly difficult and uncertainties have increased as the impact of the pandemic and terms of trade shocks have deepened. Security problems add to the challenges. As of July 19, 2020, confirmed positive COVID-19 cases have reached 889. The government's COVID-19 contingency plan focused on supporting vulnerable populations, as well as businesses and affected sectors such as agriculture, since then progress has been encouraging. However, the implementation of the plan has proved to be more difficult and costlier than expected thereby exerting strong pressures on public finances. The execution of agreements with unions and backpay for 2018 and 2019, and new hiring in health sector have also weighed on public finances. Furthermore, additional mitigating measures were taken by the authorities. These measures include (i) the introduction of a food program with the assistance of UN agencies, (ii) the simplification of the import process for essential goods, (iii) the creation of the Solidarity and Youth Entrepreneurship Funds, and (iv) the clearance of domestic arrears. BEAC and COBAC have also stepped up their support to the CEMAC economy with a relaxation of BEAC refinancing criteria and the adoption of a restrictive policy for dividend distribution.

3. Against this background, Chad's outlook for 2020 has further worsened. GDP growth for this year has been revised downward from -0.1 to -0.8 percent. Inflation projections have been revised up from 2.2 to 2.8 percent. The budget deficit is expected to rise on account of reduced revenue and higher-than-anticipated health and security expenditures. As for the external position, the current account is projected to widen to about 18 percent of non-oil GDP. Thus, the 2020 financing gap has been revised upwards to 7 percent of non-oil GDP. Chad's public debt remains low and sustainable, despite high risks of external and overall debt distress.

Policy Responses to the COVID-19 Pandemic

4. The authorities will pursue their efforts to fight the pandemic while committing to the objectives of economic stabilization and debt sustainability and contributing to the regional external stability. In light of the deeper impact of the twin shocks, a revised budget law reflecting a relaxation of the fiscal policy to accommodate additional COVID-19-related expenditures has been prepared and will be submitted to the National Assembly before end-July 2020. The rationalization of other public spending will continue in order to preserve fiscal and debt sustainability. In this regard, non-priority expenditures will be reduced further, and the growth of wage bill will be contained. The authorities intend to pursue a prudent borrowing policy and continue in good faith negotiations on external arrears with the country's creditors. Over the medium-term, they will pursue fiscal consolidation, including through unwinding the temporary COVID-19-related measures and step up domestic revenue mobilization, with a view to preserving fiscal and debt sustainability consistent with the related CEMAC convergence criteria.

5. The authorities also remain committed to transparency. They have set up a special treasury account to track the COVID 19 related expenditure. They will implement best practices in public procurement and commission auditing including on emergency spending. In this context, full text of procurement contracts, specifying the names of the beneficial owners of awarded legal persons, as well as the audit reports on the use of emergency funding will be posted on the website of the Ministry of Finance and Budget.

6. Safeguarding financial stability remains a top priority of the authorities. The financial system has been severely affected by the pandemic and financial soundness indicators are deteriorating. Mindful of the need to preserve a healthy banking system, the authorities have started the repayment of arrears to banks and will recapitalize one of the two largest public banks for CFA 3 billion by end-July. In the same vein, the payment of domestic arrears through a mix of government securities and cash will help reduce vulnerabilities in the banking system. The authorities will continue to implement the new foreign exchange regulations, in support of CEMAC's reserves and stability objectives.

ECF Cancellation and Request for RCF

7. Prior to the health crisis, the ECF arrangement approved on June 30, 2017 was on track and its implementation was satisfactory. However, the challenging environment brought about by the COVID-19 outbreak has complicated its implementation and review process. Also, given the close expiration date of this arrangement amid a higher financing needs, the authorities have opted for its cancellation and are requesting a second disbursement under the RCF equivalent to 35 percent of Chad's quota. This will help contain risks of a deeper downturn and allow the stabilization phase to take place. The country's capacity to repay is adequate and its debt is sustainable.

8. The Chadian authorities intend to engage discussions with the Fund in the coming months on a successor arrangement to support their medium-term adjustment and recovery agenda. Executive Directors' approval of their present request will be appreciated.