IMF Country Report No. 20/134

CHAD

April 2020

REQUESTS FOR DISBURSEMENT UNDER THE RAPID CREDIT FACILITY, EXTENSION OF THE EXTENDED CREDIT FACILITY ARRANGEMENT, AND REPHASING OF ACCESS — PRESS RELEASE; STAFF REPORT; AND STATEMENT BY THE EXECUTIVE DIRECTOR FOR CHAD

In the context of the Requests for Disbursement under the Rapid Credit Facility, Extension of the Extended Credit Facility Arrangement, and Rephasing of Access, 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 April 14, 2020, following discussions that ended on April 13, 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 April 8, 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.

Copies of this report are available to the public from

International Monetary Fund • Publication Services
PO Box 92780 • Washington, D.C. 20090
Telephone: (202) 623-7430 • Fax: (202) 623-7201
E-mail: publications@imf.org Web: http://www.imf.org
Price: $18.00 per printed copy

International Monetary Fund
Washington, D.C.

IMF Executive Board Approves a US$115.1 million Disbursement to Chad to Address the Covid-19 Pandemic

FOR IMMEDIATE RELEASE

- The IMF executive board approved the disbursement of US$115.1 million to Chad to be drawn under the Rapid Credit Facility.
- The outbreak of COVID-19 and the drop in international oil prices are having a severe economic and social impact on Chad.
- The government has taken strong measures to halt the community spread of the virus and is preparing an economic plan to mitigate the impact of the pandemic.

Washington, DC – April 14, 2020. The Executive Board of the International Monetary Fund (IMF) today approved a disbursement under the Rapid Credit Facility (RCF) equivalent to SDR 84.12 million (about US$115.1 million, or 60 percent of quota) to help Chad meet the urgent balance of payment needs stemming from the deterioration of global conditions and the outbreak of the COVID-19 pandemic.

The outbreak of COVID-19 and the drop in international oil prices are having a severe economic and social impact on Chad and could jeopardize the gains achieved in recent years under the current Extended Credit Facility (ECF) arrangement.

The authorities have taken strong actions to contain the spread of the pandemic and are currently putting together a comprehensive economic plan to upgrade the health system and contain the economic impact of the pandemic. However, due to a significant deterioration of the macroeconomic outlook and weakening of fiscal situation, urgent external and fiscal financing needs have emerged. The IMF's support will make a substantial contribution to filling immediate external needs and preserving fiscal space for essential COVID-19-related health expenditure. It is also expected to help catalyze additional donor support.

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

"Chad is facing shocks arising from COVID-19, the collapse in international oil prices, and a deteriorating security situation, which are causing significant economic and social hardships. Economic activity has slowed down and large financing needs have emerged.

"In response to the COVID-19 outbreak, the authorities have taken strong measures to halt the community spread of the virus. They are also scaling up health-related spending and are considering a set of economic measures to support households and businesses.

“Given the sudden nature of the shocks and their widespread impact, the authorities will be temporarily relaxing 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. In order to safeguard debt sustainability, they remain committed to the medium-term fiscal path and will implement the needed adjustment measures as soon as the current crisis abate.

“In the meantime, given the large financing gap that emerged as a result of the shocks, much-needed financial assistance from development partners will be critical in support of the government’s efforts to mitigate their negative impact.”

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

April 8, 2020

REQUESTS FOR DISBURSEMENT UNDER THE RAPID CREDIT FACILITY, EXTENSION OF THE EXTENDED CREDIT FACILITY ARRANGEMENT, AND REPHASING OF ACCESS

EXECUTIVE SUMMARY

Context. The outbreak of COVID-19 and concurrent collapse in oil prices are having a severe economic and social impact on Chad and could jeopardize the gains achieved under the current Extended Credit Facility (ECF) arrangement. By end-March, several cases of Covid-19 had been reported. Chad has a weak and seriously under-resourced healthcare system. Economic activity has slowed down and large fiscal and external financing needs have emerged.

Program performance. The fifth review under the current ECF arrangement was completed on December 13, 2019. Preliminary data indicate that prior to the pandemic outbreak performance under the ECF arrangement had been on track.

The authorities' request. As a result of the large and urgent balance of payments needs arising from the COVID-19 pandemic and the oil price shock, the authorities are seeking financial assistance under the "exogenous shocks window" of the Rapid Credit Facility (RCF) and an immediate disbursement of SDR 84.12 million, equivalent to 60 percent of quota, provided that the Executive Board also approves the request for an extension of the ECF arrangement, due to expire on June 29, 2020, to September 30, 2020 with a rephasing of access. The RCF disbursement would help bridge the significant financing needs that have emerged in the wake of the outbreak. The authorities' initial response to the outbreak has focused on mitigating measures and donor mobilization. Staff assesses that Chad meets the eligibility requirements for an RCF and supports its request for a disbursement under the RCF and for an extension and rephasing of the ECF arrangement. External and overall debt distress remain high but sustainable. Chad's capacity to repay the Fund is adequate. The risk to the outlook is to the downside, particularly if the crisis turns out worse than projected. The authorities have requested grant assistance under the Catastrophe Containment and Relief Trust (CCRT).

Approved By
David Owen and Gavin Gray

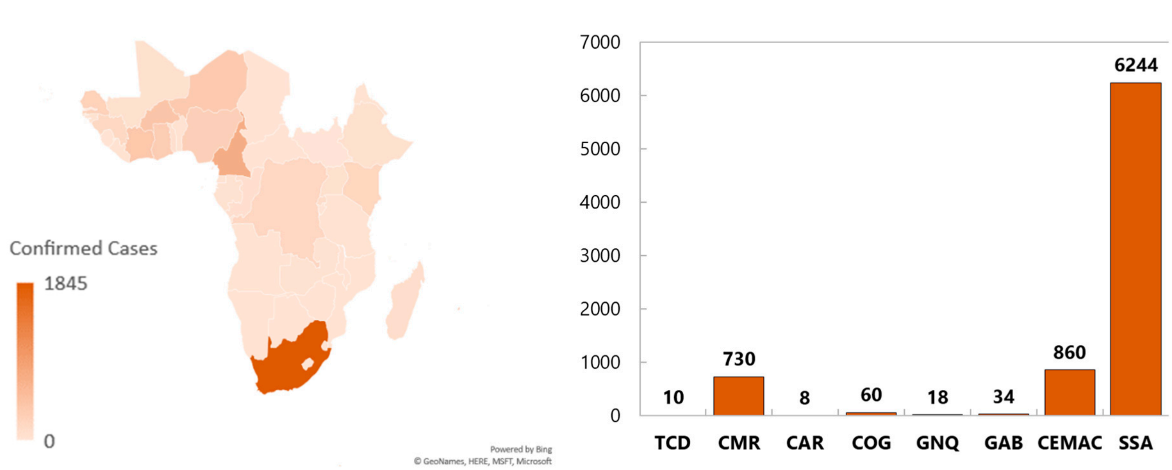
Prepared by the Chad team, comprising Mr. E. Gemayel (head), Messrs. M. Ben Hassine and M. Ahmed, Ms. S. Abdelrazek (all AFR), Mr. R. Green (SPR), Mr. J. Ntamatungiro (Resident Representative) and Mr. B. Topeur (local economist). Discussions took place during April 3-4 2020 through video and teleconference. Meetings were held with Mr. Nguilin, Minister of Finance and Budget, and other senior officials. Ms. V. Lucidi and Ms. N. Massou assisted with translation services. Ms. G. Badkoubi and Ms. M. Perera provided technical support for the virtual meetings. Ms. V. Pilouzoue and Ms. N. Margevich supported the preparation of the Staff Report.

CONTENTS

BACKGROUND

1. **The COVID-19 pandemic is closing in on Chad, putting pressure on an already weak and seriously under-resourced health system.** So far, several cases have been declared in Chad, as well as in neighboring countries. Beyond preventive measures, additional efforts will be needed to contain the spread of a potential outbreak of the virus, which will require appropriate equipment, the mobilization of health personnel and an extension of health services in remote regions that are not covered. These efforts will put pressure not only on government resources but also on an already weak health system.

Text Figure 1. Chad: Confirmed Cases of Covid-19[1]



Sources: World Health Organization; John Hopkins Coronavirus Resource Center
[1]Confirmed cases as of April 9, 2020

2. **Chad has a weak and fragile public health system.** Public health capacities are generally constrained, with deficient medical equipment and trained personnel, as well as limited territorial coverage. Urgent upgrades to the healthcare system will be needed to respond to a pandemic. Accordingly, increased demand for health-related services would require substantial donor financial and technical support.

3. **The outbreak is generating significant hardship for the Chadian economy and has created an urgent balance of payments need**. The large drop in international oil prices will result in large fiscal and external financing needs. In the absence of external financing, government spending plans will be curtailed, which will negatively impact growth and poverty reduction. Disturbances in international trade combined with the closure of neighboring borders has already led to shortages in imported goods and begun to push up prices for basic necessities. Restrictions on gatherings and public transportation have also increased the hardship on households and businesses.

4. **The pandemic is also adding pressure to an already fragile social situation and a worsening security environment.** Legislative elections, delayed since 2015, are now scheduled for mid-December 2020. In January, an agreement with labor unions to restore some benefits for public

sector workers cut following the 2014 crisis, helped avert a generalized public strike. Students have recently been demonstrating and have called for the reestablishment of scholarships and improved education and transport benefits. The state of emergency declared last August in three provinces was repealed in January, but renewed clashes with rebels were recently reported in one of those provinces. Boko Haram has intensified attacks in the Lake Chad region. Chad's involvement in the regional (G5 Sahel) fight against terrorism will further increase following the January Pau Summit in France. Altogether, these developments are very likely to put significant pressure on the 2020 budget.

5. Accordingly, the authorities are seeking financial assistance from the IMF. In the attached Letter of Intent (LOI), the authorities are requesting IMF financing through the "exogenous shocks window" of the RCF to address an urgent balance of payments need generated by the pandemic.

PRE-COVID-19 DEVELOPMENTS

6. Economic activity continued to recover in 2019. The non-oil economy continued to recover, backed by higher public investment and domestic arrears repayment as well as a pick-up in cotton and livestock, with non-oil GDP growth estimated at 2 percent. Oil GDP is estimated to have increased by 7.6 percent. Inflation was in negative territory (-1 percent), reflecting subdued food and transport prices. The current account deficit narrowed compared to projections driven by lower FDI-financed capital imports related to oil field development. Preliminary data suggest that fiscal performance was in line with the ECF arrangement. Non-oil revenues significantly exceeded projections, which offset the under-performance of oil revenues. Domestic investment exceeded projections due to higher security spending.

7. Chad's external debt has stabilized at about 25 percent of GDP at end 2019. Outstanding PPG external debt stood at about $2.8 billion (24.2 percent of GDP), nearly unchanged from $2.6 billion (25.6 percent of GDP) in 2018. Only three 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. All are in active negotiations and those with Mega Bank are nearing completion.

8. Performance under the ECF arrangement was satisfactory in 2019. All but one end-December quantitative performance criteria were likely met. The net domestic financing from the BEAC could be missed mainly due to delays in budget support disbursements from the World Bank and the European Union (CFAF 40 billion). The indicative target on social spending appears to have been missed partly due to procurement problems. Some progress has been made on structural reforms despite some delays. The semi-annual note, which lists all new exemptions, due for end-January is yet to be published. The implementation of the audit's recommendations for the 47 exemptions due for end-February has not been completed.

THE AUTHORITIES' RESPONSE TO COVID-19 AND DONOR SUPPORT

9. The authorities' initial response to the outbreak has focused on mitigating measures and donor mobilization. Preemptive measures have been taken, with the assistance of the World Health Organization (WHO). All travelers entering the territory via the airport and border posts are screened upon arrival and all individuals presenting symptoms of Covid-19 infections are quarantined and tested. An instruction was issued on mandatory quarantine for all visitors from five countries affected by the virus. A contingency plan has been prepared, with a list of activities aimed at containing the spread of the virus. An inter-ministerial management committee meets daily to monitor developments. A hospital in N'Djamena was designated to receive infected cases.

10. As the situation escalated in March 2020, additional measures were taken. All passenger flights were suspended starting from March 19. Additionally, borders with CAR and Sudan were closed. The measures also included the cancellation of events and gatherings of more than 50 people as well as planned forums and major meetings. All schools and universities were closed.

11. To help them address the unfolding situation, the authorities actively engaged with Donors, which have provided some support to contain the pandemic. WHO has been providing updated information on the pandemic and providing technical assistance from the onset. Germany provided a mobile laboratory and detection kits. Other donors, including the World Bank, AFD, and UN agencies, have committed to provide financial support and technical assistance, including with setting up a data base and a tracking system of infected people.

ECONOMIC IMPACT OF COVID-19 AND POLICY RESPONSE

12. Prior to the outbreak of COVID-19, the outlook for 2020, as projected at the time of the 5th ECF arrangement review, was favorable. Non-oil growth was projected to increase to 3 percent, with stronger contributions from cotton and livestock production beginning this year. Oil production was expected to increase as a result of new extraction technologies. Inflation was projected to remain below 3 percent. Continuing fiscal consolidation would have resulted in a narrowing of the non-oil primary balance and a gradual reduction in public debt. The current account deficit was forecast to remain around 6 percent of GDP.

13. Amid the Covid-19 pandemic and sharp fall in international oil prices, the outlook for the Chadian economy has radically changed and could further worsen, particularly if the crisis turns out worse than projected. The non-oil economy is now expected to decrease by 0.7 percent despite a good harvest this year, while the recovery in 2021 is likely to be slow on account of capacity constraints. Oil GDP growth is also expected to drop this year by 5 percentage points compared to the fifth review, reflecting temporary suspension of activity by a small oil producer due to the contraction in global demand and by the refinery who has reached its storage capacity. Should international oil prices drop below cost recovery,[1] oil producers may decide to further cut production. The drop in oil prices will also result in a significant deterioration of the fiscal and external positions.

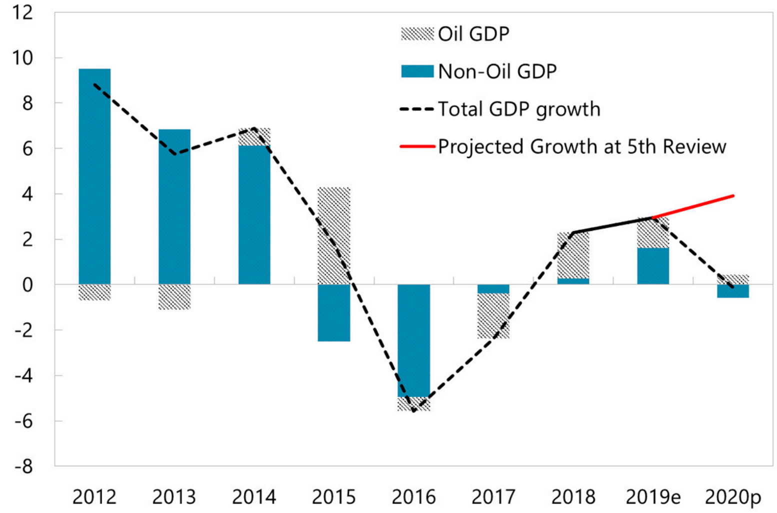
Text Table 1. Chad: Effects of the Economic Shock[1]
(growth y/y, unless specified otherwise)

	2019	2020	2021	2022	2023	2024
Real GDP						
Before Shock	3.0	3.9	5.8	5.4	4.0	3.7
After Shock	3.0	-0.1	6.1	4.9	4.0	3.8
Non-oil GDP						
Before Shock	2.0	3.0	4.0	4.0	3.9	3.9
After Shock	2.0	-0.7	3.0	3.4	3.8	4.1
Oil GDP						
Before Shock	7.6	7.5	13.4	10.6	4.4	2.8
After Shock	7.6	2.4	19.2	10.6	4.4	2.8
Total Revenue						
Before Shock	10.7	28.1	9.4	7.0	10.9	2.2
After Shock	9.3	-2.1	0.7	17.2	16.3	0.7
Total Expenditure						
Before Shock	19.5	8.9	9.8	3.8	4.0	7.0
After Shock	12.9	18.5	7.4	2.3	4.3	5.9
Public Debt						
Before Shock	-3.4	-4.5	-3.7	-4.5	-5.4	-2.9
After Shock	-4.5	2.1	7.4	4.8	4.7	5.0
Current Account Deficit						
Before Shock	-83.5	-6.1	-16.1	-17.9	4.8	-1.6
After Shock	-245.6	-155.0	13.8	17.4	-8.7	2.0
Export of Goods						
Before Shock	8.8	3.2	7.3	9.7	5.5	4.8
After Shock	8.8	-32.7	23.8	15.9	9.8	8.3
Import of Goods						
Before Shock	15.1	5.5	4.4	11.7	1.0	3.9
After Shock	12.1	-1.6	8.0	6.5	7.2	6.5
Memorandum items:		*(Percent of GDP, unless otherwise indicated)*				
Nominal GDP (Billions CFAF)						
Before Shock	6443	6880	7502	8131	8602	9178
After Shock	6406	6062	6584	7154	7659	8192
External Debt						
Before Shock	25.1	25.1	23.2	20.5	18.2	16.3
After Shock	25.1	24.4	27.0	24.2	21.5	19.1
Overall Balance (incl. grants, commitment)						
Before Shock	0.4	2.8	2.3	2.6	3.7	3.0
After Shock	-0.2	-0.9	-2.5	-0.6	0.9	0.2
Overall Balance (incl. grants, cash)						
Before Shock	-0.5	1.6	1.0	1.3	2.2	2.0
After Shock	-1.0	0.4	1.5	1.9	2.9	2.2
Non-oil Primary Balance (excl. grants)						
Before Shock	-8.1	-8.0	-7.9	-7.2	-6.6	-6.3
After Shock	-6.9	-10.5	-10.2	-9.0	-8.3	-7.7

Source: Chadian Authorities and IMF staff calculations
[1]*Before Shock* represents figures reported during 5th ECF Review in December 2019

[1] The cost recovery price for Chadian oil is about US$28.

Text Figure 2. Chad: Contribution to real GDP growth
(Percent change)



Sources: Chadian authorities and IMF staff calculations.

14. As a result of the COVID-19 outbreak, the Chadian non-oil economy is being affected through several channels:

- **Lower trade and remittances.** the spread of COVID-19 has led to a disruption in global trade and its related activities. This includes economic activities in Chad, which rely on imports, such as manufacturing and agriculture. Additionally, the drop in global demand is expected to take its toll on Chad's export (including cotton) and to lead to a decline in Chadians' remittances.

- **Containment measures.** The containment measures implemented by the authorities (such as restricting flights and limiting domestic mobility) are going to have an immediate negative impact on Chad's non-oil economy. Sectors that could be affected include information technology, hotel, health services, construction, energy (solar), and agriculture**.**

- **Government revenues.** customs and domestic tax revenues are expected to drop due to slowdown in economic activity.

- **Foreign direct investment.** In case of a prolonged pandemic, foreign direct investments could drop, adversely impacting Chad's growth.

- **Banking sector**. Banks' asset quality and liquidity could deteriorate as the impact of COVID-19 on small and medium-sized enterprises (SMEs) could impact their loan performance.

15. In their efforts to contain the pandemic, the authorities will increase health-related spending by about 0.3 percent of non-oil GDP (CFAF 15 billion) of which 60 percent is expected to be financed by donors. A detailed contingency plan was put in place by the ministry of health in mid-March, to mitigate the impact of the pandemic. It includes training of medical and technical staff, purchase of necessary medical equipment, the construction of seven health centers in remote areas, the construction of three mobile hospitals, and securely managing entry points.

16. The authorities are also in the process of implementing measures to help soften the impact of the crisis on the economy (LOI, ¶¶3 and 4). For small and medium-sized enterprises, the authorities will, among other things, reduce the business license fees and the presumptive tax. Tax breaks such as carryforward losses and delays in tax payments will also be examined on a case-by-case basis. Additionally, some arrears will be repaid to suppliers as part of the clearance strategy recently adopted by the government. Measures will also be taken to alleviate the hardship on households, including temporary suspension of payments of electricity and water bills, and the establishment of a Youth Entrepreneurship Fund.

Text Table 2. Chad: Estimated Cost of Covid-19 Contingency Plan
(In billions of CFAF, unless otherwise indicated)

Area of Intervention	Government	Partners (TBD)	Total
Response Coordination	0.33	0.20	0.53
Surveillance	0.24	0.65	0.89
Laboratory	0.04	0.19	0.23
Treatment	0.51	0.75	1.26
Communication	0.11	0.29	0.39
PCI	0.21	0.60	0.81
Logistics and Purchases	4.08	5.18	9.26
Management of Entry Posts	0.27	0.81	1.08
Enhanced Response Scenario[1]	0.15	0.42	0.57
Total	**5.93**	**9.07**	**15.01**
Percent of non-oil GDP	0.11	0.17	0.28

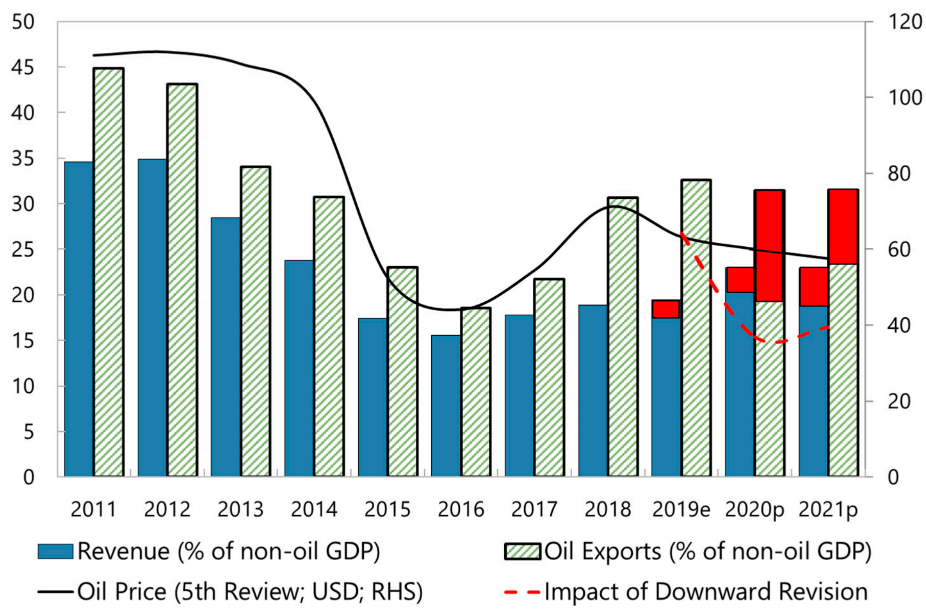
Source: Chadian Authorities
1/Additional cost of response to scenario where imported cases spread to local population

17. Lower oil prices will result in a large fiscal gap in 2020. Oil revenues are projected to decline by CFAF 200 billion (around 3.3 percent of non-oil GDP) relative to the fifth review. This drop will be mitigated by (i) the payment of the 2020 corporate income tax by the largest oil company, which is based on 2019 profits, and (ii) projected deferred debt service payment to Glencore (CFAF 12 billion).[2] Non-oil revenues will be revised downward by around 0.6 percent of non-oil GDP due to the expected slowdown in economic activity and the impact of expected fiscal measures (0.3 percent of non-oil GDP) to alleviate pressures on the private sector. On the spending side, while the recent increase in the wage bill will be offset by cuts in non-health-related goods and services and non-priority investment, health-related spending is expected to increase by 0.3 percent of non-oil GDP. In addition, transfers and subsidies are expected to increase by 0.2 percent of non-oil GDP as a

[2] Under the Glencore debt restructuring agreement, 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 for the period 2021-2026

result of new measures to help households. Overall, the NOPB is expected to widen by about 1.9 percent of non-oil GDP relative to the 2020 budget, while the overall 3 percent surplus will now turn into a deficit of -1.5 percent of non-oil GDP. As a result, a financing-gap of 4.6 percent of non-oil GDP will emerge due to the limited access to domestic financing and lower fiscal buffers.

Text Figure 3. Chad: Impact of Oil Price Shock, 2011–21p
(CFAF billion)



Sources: Chadian authorities and IMF staff calculations.

18. The authorities indicated, that they will allow the fiscal deficit to increase in order to accommodate the impact of the pandemic. Staff supports this approach. The authorities are committed to returning to the medium-term fiscal adjustment path once the crisis abates. Staff encouraged the authorities to reach out to donors to seek financial assistance.

19. The current account deficit is expected to widen in 2020, mainly reflecting the sharp drop in international oil prices. Exports will likely fall by 30.2 percent driven by lower oil proceeds. Imports are forecast to fall by 2.1 percent, despite additional imports to meet medical needs and capital equipment for new health centers. Overall, the current account deficit is expected to widen to 13.2 percent of GDP and will most likely be financed by oil companies borrowing to cover their tax obligations, given the expected drop in their revenues this year. The overall balance of payments is now projected to shift from a surplus to a deficit. Taking into account the programmed reserve accumulation of CFA 28 billion, a financing gap equivalent to the fiscal gap will emerge.

20. Chad's risks of external and overall debt distress have risen due to the impact of the COVID-19 pandemic but remains sustainable under the baseline. The debt sustainability assessment assumes sizable financing gaps will be closed with concessional financing, which has not yet been identified. 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, both external and domestic public debt is projected to gradually decline, both in nominal terms and in present value terms as a share of GDP. The baseline debt service-to-revenue ratio forecast exceeds the key risk benchmark of 14 percent through 2027, peaking at 18.3 percent in 2022. The ratio remains close to the target level for the 2018 Glencore debt renegotiation, so staff view the baseline level of debt service to be sustainable. However, all external debt risk indicators exceed their thresholds under the most extreme shock scenarios.

REQUEST FOR DISBURSEMENT UNDER THE RAPID CREDIT FACILITY

21. Given the sudden exogeneous shock that is affecting the Chadian economy, the authorities are requesting a disbursement under the RCF equivalent to 60 percent of quota. The proposed disbursement of SDR 84.12 million will cover about 30 percent of the estimated BOP financing gap through indirect budget support and would provide timely support to address the urgent fiscal needs emerging as a result of the pandemic. 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.

22. Chad's capacity to repay the Fund is adequate (Table 7). Chad is assessed as having adequate capacity to repay the Fund and debt is sustainable. The RCF would bring outstanding IMF credit based on existing and prospective drawings to 5.3 percent of GDP and 20.7 percent of exports in 2020. Debt service to the IMF would peak in 2026 at 1.9 percent of exports and in 2025 at 7.0 percent of revenue.

23. Chad has an existing ECF arrangement, which was approved on June 30, 2017, with an access level of 160 percent of quota. Given the high degree of uncertainty regarding the duration and scale of the COVID-19 impact and the practical difficulties of holding comprehensive policy discussions with the authorities in the current environment, an augmentation to the current ECF arrangement is not currently feasible. To allow more time for completion of the final review under the ECF arrangement, the authorities are requesting an extension of the arrangement, due to expire on June 29, 2020, to September 30, 2020 with a rephasing of access. Access under the RCF of 60 percent of quota will then be within the applicable normal access limits under the PRGT.

24. The authorities reiterated their commitment to the existing ECF arrangement, which remains the anchor for Chad's macroeconomic policymaking. Given the current volatile and uncertain environment, the authorities immediate priorities will be to focus on containing and mitigating the impact of the virus, addressing some of the weaknesses in the health sector, and prioritizing social spending.

25. The BEAC has implemented most of the recommendations from the 2017 safeguards assessment. In particular, the alignment of the BEAC's secondary legal instruments with its Charter was recently concluded. Work is advancing as planned on the full transition to IFRS for FY 2019.

26. The risk to the outlook 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 drop in oil prices, a drop in oil production should oil prices fall below cost recovery, and the authorities' inability to control the propagation of the virus. Upside risks include an increase in international oil prices.

27. The authorities also requested access to resources under the Catastrophe Containment and Relief Trust (CCRT) to cover future debt service to the Fund. Chad also requests a grant under the CCR Trust to cover future debt service to the Fund. Chad, a PRGT-eligible country with an annual per capita income level well-below the prevailing IDA eligibility cutoff, is eligible and qualifies for debt relief under the CCR Trust. The COVID-19 outbreak, which was declared a pandemic by WHO in March 2020 has severely affected the Chadian economy, resulting in a substantial external financing gap, as well as severe real GDP and fiscal revenue loss and high expenditure pressure. Staff considers that the authorities' commitment and policy intentions to address the balance of payments needs created by the pandemic, as stated in the relevant letter of intent, are appropriate.

28. Debt relief under the CCRT will help improve reserve build up and mitigate the impact of external shocks. Chad has scheduled repayments to the Fund of SDR 10.1 million (about 0.1 percent of GDP) in 2020 and 2021. The authorities noted that in present circumstances, these repayments will be an unwelcome burden and any relief that could be provided under the CCRT would make an important further contribution to closing Chad's large financing gaps. They also noted that debt relief from the Fund could also form the basis for additional relief from other official and private creditors.

STAFF APPRAISAL

29. Chad is facing a triple shock arising from COVID-19, the collapse in international oil prices, and a deteriorating security situation, which is causing significant economic and social hardship. These shocks could wipe out the gains achieved under the current ECF arrangement. Economic activity has slowed down and large financing needs have emerged as a result of the significant decline in oil prices, and there are downside risks to growth. The already weak healthcare system will be severely strained by a widespread outbreak of the disease.

30. Staff commends the authorities' quick response following the pandemic outbreak. The initial and subsequent measures adopted have helped to contain and mitigate the spread of the virus so far. Donors' swift support was instrumental in helping the authorities in their endeavor.

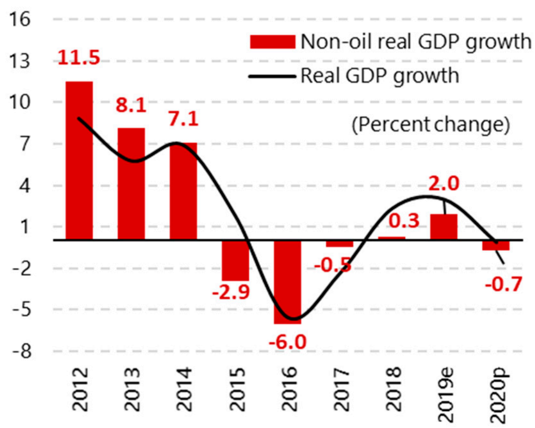
31. Further substantial support from the international community will be needed to help Chad overcome this pandemic. Addressing the challenges generated by this outbreak will require significant resources for a fragile country like Chad with a weak healthcare system. To contain the pandemic and mitigate its social and economic impact, Chad urgently needs increased support from the international community in terms of financial resources and healthcare assistance. The large financing gaps without identified financing highlight the magnitude of support Chad will require. If downside risks materialize, the authorities would likely need to identify additional measures and approach creditors and development partners for additional debt relief or financing.

32. Staff welcomes the authorities' continuing commitment to the broad objectives under the current ECF arrangement. Staff supports the temporary relaxation of the fiscal deficit to allow for the scaling up of health care spending and the impact of the sharp drop in oil prices. It welcomes the authorities' resolve to return to the medium-term fiscal path and implement the needed adjustment measures as soon as the current crisis abates. While recognizing the current difficult environment, staff encourages the authorities to maintain sound policies, including by continuing to strengthen governance and fight corruption.

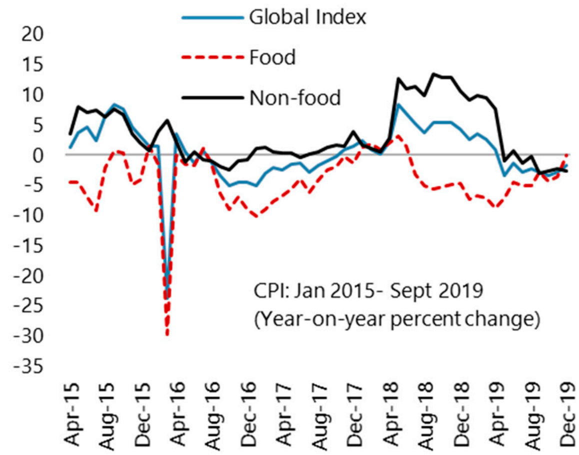
33. Against this background, staff supports the authorities' request for assistance under the RCF in the amount of SDR 84.12 million (60 percent of quota), provided that the Board approves the requested extension of the arrangement and rephasing of access. Staff support for the RCF is based on the large and urgent balance of payments needs and the catalytic effect of IMF support for other external financing. While risks have risen sharply, staff assesses that debt remains sustainable—contingent on identifying sufficient concessional resources to close the identified financing gaps—and Chad's capacity to repay the Fund remains adequate. Staff supports extension of the ECF arrangement from June 29, 2020 to September 30, 2020 and rephasing of access, which will provide enough time to complete the sixth and final review under the ECF arrangement, given the current difficult and volatile environment.

Figure 1. Chad: Recent Economic Developments, 2012–2020

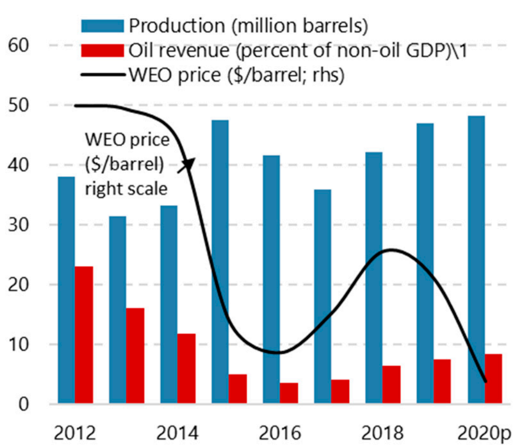
Amid the global Covid-19 pandemic, non-oil GDP growth is expected to contract in 2020...



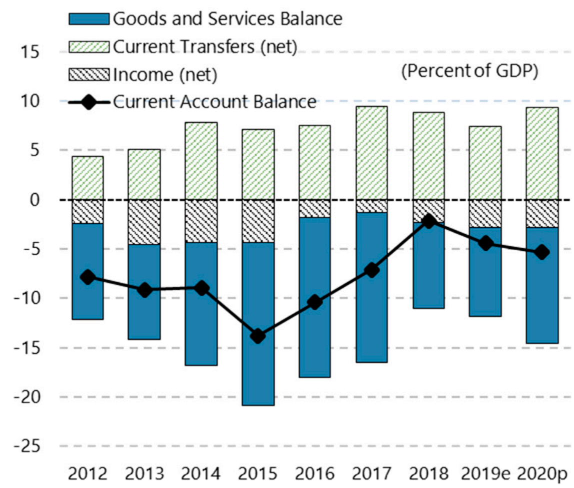
...following negative inflation in 2019.



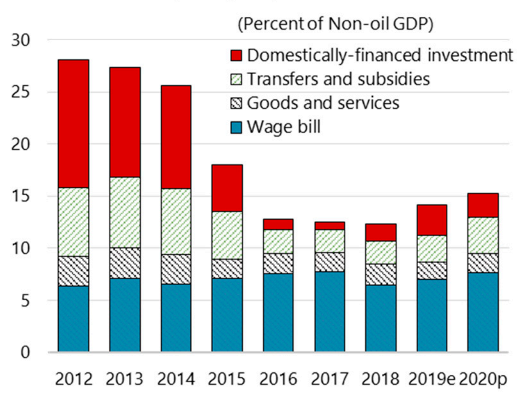
Oil production is expected to grow by 2.4 percent in 2020 given the drop in international oil prices ...



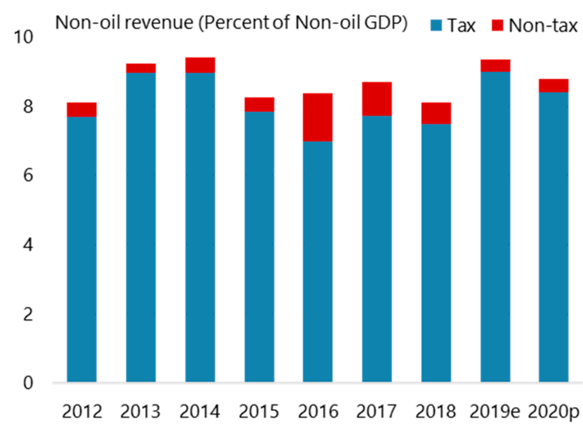
..accordingly, the current account is expected to worsen.



Public spending is expected to increase in 2020 in order to accomodate the impact of the pandemic...



... and non-oil tax revenue projections have been revised down due to the expected economic slowdown.



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.	5th Rev.	Est.	5th Rev.	Proj.	5th Rev.	Proj.	5th Rev.	Proj.	5th Rev.	Proj.	Proj.
	(Annual percentage change, unless otherwise indicated)												
Real economy													
GDP at constant prices	-2.4	2.3	3.0	3.0	3.9	-0.1	5.8	6.1	5.4	4.9	4.0	4.0	3.8
Oil GDP	-11.2	12.7	7.6	7.6	7.5	2.4	13.4	19.2	10.6	10.6	4.4	4.4	2.8
Non-oil GDP	-0.5	0.3	2.0	2.0	3.0	-0.7	4.0	3.0	4.0	3.4	3.9	3.8	4.1
GDP deflator	-0.8	2.3	1.9	1.5	2.8	-5.2	3.0	2.4	2.9	3.6	1.7	3.0	3.0
Consumer price index (annual average)	-0.9	4.0	1.0	-1.0	3.0	2.2	3.0	2.9	3.0	3.0	3.0	3.0	3.0
Oil prices													
Brent (US$/barrel)[1]	54.4	71.1	64.4	64.0	60.5	36.9	58.0	39.5	57.3	42.7	57.4	45.1	47.1
Chadian price (US$/barrel)[2]	49.4	65.1	61.4	61.0	57.5	34.9	54.0	37.5	53.3	39.7	53.4	42.1	44.1
Oil production for exportation (millions of barrels)	36.0	42.2	47.0	47.0	51.1	48.3	58.9	58.9	65.9	65.9	69.1	69.1	71.3
Exchange rate CFAF per US$ (period average)	580.9	555.2	...	...	...	...	...	...	...	...	...	...	...
Money and credit													
Net foreign assets	0.5	11.3	11.9	7.2	11.2	1.5	11.1	1.3	5.2	1.9	9.8	5.6	6.3
Net domestic assets	-4.8	-14.6	-0.9	19.1	1.2	-1.6	-1.8	4.7	2.3	3.6	-3.7	1.3	0.9
Of which: net claims on central government	-4.5	-6.9	6.8	10.6	-1.1	1.7	-3.4	-0.3	0.8	-3.0	-4.7	-5.9	-5.6
Of which: credit to private sector	11.5	0.6	0.3	1.0	2.3	-1.7	1.6	5.1	1.5	6.6	1.1	7.2	6.5
Broad money	-2.9	-2.0	11.0	24.4	12.4	1.4	9.3	6.0	7.5	5.5	6.1	6.9	7.2
Velocity (non-oil GDP/broad money)[3]	5.4	5.7	5.1	4.7	4.8	4.7	4.7	4.7	4.7	4.7	4.7	4.7	4.7
External sector (valued in US dollar)													
Exports of goods and services, f.o.b.	14.5	37.6	3.7	3.1	3.0	-30.2	8.2	23.0	10.0	15.2	6.0	9.5	8.2
Imports of goods and services, f.o.b.	5.4	10.3	6.3	4.5	4.1	-2.1	7.2	7.8	10.1	6.7	4.1	7.9	5.9
Export volume	-12.2	11.1	9.9	9.6	8.5	11.4	12.5	19.4	10.2	9.4	4.4	4.0	3.2
Import volume	5.2	8.3	4.9	3.5	3.8	-0.2	6.8	8.3	9.5	6.2	3.3	7.1	4.2
Overall balance of payments (percent of GDP)	-1.4	2.7	1.0	0.2	1.1	-4.1	1.1	-5.2	-0.3	-4.3	0.3	-3.6	-3.2
Current account balance, including official transfers (percent of GDP)	-7.1	-1.4	-6.2	-4.9	-6.2	-13.2	-6.6	-10.4	-7.1	-7.8	-6.3	-7.9	-7.3
Terms of trade	30.3	21.5	-6.9	-6.8	-5.4	-36.2	-4.2	3.4	-0.7	4.7	0.7	4.5	3.2
External debt (percent of GDP)[4]	25.1	25.1	25.1	24.4	23.2	27.0	20.5	24.2	18.2	21.5	16.3	19.1	17.1
NPV of external debt (percent of exports of goods and services)	94.1	64.2	61.2	60.6	59.1	90.3	53.5	72.0	46.8	60.2	42.0	52.1	45.4
	(Percent of non-oil GDP, unless otherwise indicated)												
Government finance													
Revenue and grants	17.1	18.3	18.9	17.3	22.5	19.5	22.5	17.9	22.5	19.3	23.3	20.7	19.6
Of which: oil revenue	4.1	6.7	7.0	6.4	9.7	6.4	9.7	5.2	9.6	6.3	9.9	7.4	5.8
Of which: non-oil revenue	8.7	8.1	8.8	9.4	9.4	8.8	9.8	9.2	10.0	9.5	10.4	9.8	10.4
Expenditure	18.0	16.5	18.9	18.0	19.5	21.0	20.0	21.3	19.4	20.5	18.9	20.0	19.8
Current	13.7	12.0	12.7	12.5	13.1	14.4	13.3	14.4	12.7	13.6	12.1	13.0	12.6
Capital	4.4	4.5	6.3	5.6	6.4	6.6	6.7	7.0	6.7	6.9	6.8	7.0	7.1
Non-oil primary balance (commitment basis, excl. grants)[5]	-3.8	-4.2	-4.9	-4.8	-4.9	-6.8	-5.0	-6.6	-4.3	-5.5	-3.3	-4.6	-3.9
Overall fiscal balance (incl. grants, commitments basis)	-0.9	1.9	-0.1	-0.8	3.0	-1.5	2.5	-3.4	3.0	-1.2	4.3	0.7	-0.1
CEMAC reference fiscal balance (in percent of GDP)[6]	0.5	-0.8	-2.1	-2.1	-1.1	-2.6	-0.3	-2.6	0.9	-1.9	2.0	-1.6	-4.6
Total debt (in percent of GDP)[4]	49.8	48.4	44.4	44.2	39.7	47.7	35.1	47.1	30.9	45.5	27.6	44.5	43.6
Of which: domestic debt	24.7	23.2	19.3	19.7	16.6	20.7	14.5	23.0	12.8	24.0	11.3	25.3	26.5
Memorandum items:													
Nominal GDP (billions of CFA francs)	5,855	6,127	6,443	6,406	6,880	6,062	7,502	6,584	8,131	7,154	8,602	7,659	8,192
Of which: non-oil GDP	4,830	4,961	5,166	5,130	5,466	5,206	5,850	5,517	6,249	5,869	6,675	6,276	6,728
Nominal GDP (billions of US$)	10.1	11.0	11.0	10.9	11.8	10.3	12.9	11.3	14.1	12.3	15.0	13.2	14.2

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, 2017–21
(In billions of CFAF, unless otherwise indicated)

	2017	2018	2019		2020		2021	
	Prel.	Prel.	5th Rev.	Est.	5th Rev.	Proj.	5th Rev.	Proj.
Total revenue and grants	826	910	975	885	1,230	1,015	1,316	988
Revenue	620	737	816	806	1,045	789	1,143	795
Oil[1]	200	335	359	326	531	331	569	286
Non-oil	420	403	457	480	515	458	574	508
Tax	373	372	421	461	477	438	534	486
Non-tax	47	31	35	19	37	20	40	22
Grants	206	173	159	79	185	226	172	193
Budget support	102	119	46	7	64	105	38	58
Project grants	103	53	113	72	121	121	135	135
Expenditure	871	818	978	924	1,065	1,095	1,170	1,177
Current	659	595	655	639	715	751	776	793
Wages and salaries	376	319	357	360	368	399	373	417
Civil Service	291	238	247	248	256	286	259	301
Military	86	82	110	111	112	113	115	116
Goods and services	88	100	102	83	106	97	138	111
Transfers and subsidies[2]	103	109	131	133	179	191	204	204
Interest	92	67	65	64	62	64	61	61
Domestic	34	29	23	21	25	27	26	24
External	58	38	42	43	37	37	35	37
Of which: Glencore loan (after restructuring)	*51*	*30*	*30*	*31*	*26*	*27*	*24*	*26*
Investment	212	223	323	285	350	344	394	384
Domestically financed	36	84	118	153	130	124	149	139
Foreign financed[3]	176	138	205	132	220	220	245	245
Overall balance (incl. grants, commitment)	-46	92	-3	-39	165	-80	146	-189
Non-oil primary balance (excl. grants, commitment)[4]	-183	-211	-251	-249	-268	-353	-290	-363
Float from previous year[5]	-80	-12	-49	-49	-80	-90	-79	-79
Float at end of period[5]	12	49	80	90	79	79	91	91
Var. of Arrears[6]	6	-35	-60	-64	-45	-45	-40	-40
Repayment of other arrears[7]	-13	-54	0	0	-10	-10	-40	0
Overall balance (incl. grants, cash)	-121	40	-32	-62	110	-146	77	-217
Non-oil primary balance (excl. grants,cash)	-259	-262	-281	-272	-324	-419	-358	-391
Financing	122	-40	32	62	-110	-24	-78	-97
Domestic financing	45	-73	22	35	-78	-85	-38	-65
Bank financing	9	-81	123	179	19	19	-39	-29
Central Bank (BEAC)	-11	-74	123	179	19	19	-39	-29
Deposits	-24	-129	49	105	-2	-3	-32	-22
Advances (net)	-14	0	0	0	0	0	0	0
IMF	27	55	74	74	21	21	-7	-7
Commercial banks (deposits)	20	-6	0	0	0	0	0	0
Other financing (net), of which:	-37	-2	-101	-143	-97	-104	1	-36
Amortization	*-71*	*-169*	*-109*	*-74*	*-142*	*-144*	*-70*	*-28*
Commercial banks loans	*11*	*59*	*0*	*0*	*-9*	*-9*	*10*	*10*
Non-bank loans (gross)[8]	*2*	*0*	*32*	*0*	*35*	*35*	*39*	*39*
Treasury bills (net)	*-6*	*108*	*-25*	*-70*	*-64*	*17*	*-13*	*-45*
Treasury Bonds (gross)	*27*	*0*	*0*	*0*	*97*	*0*	*47*	*0*
Bank Recapitalization	*0*	*0*	*0*	*0*	*-3*	*-3*	*-2*	*-2*
Stabilization Funds	*0*	*0*	*0*	*0*	*-10*	*0*	*-10*	*-10*
Privatization and other exceptional receipts	73	9	0	0	0	0	0	0
Foreign financing	77	33	11	27	-32	-7	-39	-33
Loans (net)	30	10	-17	-1	-58	-34	-66	-59
Disbursements	159	111	73	72	73	70	72	72
Budget borrowings	88	26	13	13	9	6	0	0
Project loans	71	85	60	59	64	64	72	72
Amortization	-128	-101	-90	-73	-131	-104	-137	-131
Of which: Glencore loan (after restructuring)	-59	-40	-27	-24	-62	-35	-62	-55
Debt relief/rescheduling (HIPC)	30	27	28	28	26	26	26	26
External arrears[9]	17	-3	0	0	0	0	0	0
Prospective RCF	...	...	...	...	...	68	...	0
Financing Gap	-1	0	0	0	0	170	0	315
Memorandum items:								
Non-oil GDP	4,830	4,961	5,166	5,130	5,466	5,206	5,850	5,517
Poverty-reducing social spending	202	182	241	241	...	...	...	...
Bank deposits (including BEAC)	119	254	205	149	207	152	239	174
(In months of domestically-financed spending)	2.0	4.5	3.2	2.3	2.9	2.1	3.1	2.2
BEAC advances[10]	480	480	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.

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

[9]27 billion in 2016 include arrears to China, cleared through an agreement in April 2017.

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

Table 3. Chad: Fiscal Operations of the Central Government, 2017–21

(Percent of non-oil GDP, unless otherwise indicated)

	2017	2018	2019		2020		2021	
	Prel.	Prel.	5th Rev.	Est.	5th Rev.	Proj.	5th Rev.	Proj.
Total revenue and grants	17.1	18.3	18.9	17.3	22.5	19.5	22.5	17.9
Revenue	12.8	14.9	15.8	15.7	19.1	15.2	19.5	14.4
Oil[1]	4.1	6.7	7.0	6.4	9.7	6.4	9.7	5.2
Non-oil	8.7	8.1	8.8	9.4	9.4	8.8	9.8	9.2
Tax	7.7	7.5	8.2	9.0	8.7	8.4	9.1	8.8
Non-tax	1.0	0.6	0.7	0.4	0.7	0.4	0.7	0.4
Grants	4.3	3.5	3.1	1.5	3.4	4.3	2.9	3.5
Budget support	2.1	2.4	0.9	0.1	1.2	2.0	0.6	1.1
Project grants	2.1	1.1	2.2	1.4	2.2	2.3	2.3	2.4
Expenditure	18.0	16.5	18.9	18.0	19.5	21.0	20.0	21.3
Current	13.7	12.0	12.7	12.5	13.1	14.4	13.3	14.4
Wages and salaries	7.8	6.4	6.9	7.0	6.7	7.7	6.4	7.6
Civil Service	6.0	4.8	4.8	4.8	4.7	5.5	4.4	5.5
Military	1.8	1.6	2.1	2.2	2.0	2.2	2.0	2.1
Goods and services	1.8	2.0	2.0	1.6	1.9	1.9	2.4	2.0
Transfers and subsidies[2]	2.1	2.2	2.5	2.6	3.3	3.7	3.5	3.7
Interest	1.9	1.3	1.3	1.2	1.1	1.2	1.0	1.1
Domestic	0.7	0.6	0.4	0.4	0.5	0.5	0.4	0.4
External	1.2	0.8	0.8	0.8	0.7	0.7	0.6	0.7
Memo: Glencore loan (after restructuring)	*1.1*	*0.6*	*0.6*	*0.6*	*0.5*	*0.5*	*0.4*	*0.5*
Investment	4.4	4.5	6.3	5.6	6.4	6.6	6.7	7.0
Domestically financed	0.7	1.7	2.3	3.0	2.4	2.4	2.5	2.5
Foreign financed[3]	3.6	2.8	4.0	2.6	4.0	4.2	4.2	4.4
Overall balance (incl. grants, commitment)	-0.9	1.9	-0.1	-0.8	3.0	-1.5	2.5	-3.4
Non-oil primary balance (excl. grants, commitment)[4]	-3.8	-4.2	-4.9	-4.8	-4.9	-6.8	-5.0	-6.6
Float from previous year[5]	-1.6	-0.2	-1.0	-1.0	-1.5	-1.7	-1.4	-1.4
Float at end of period[5]	0.2	1.0	1.5	1.8	1.5	1.5	1.6	1.6
Var. of Arrears[6]	0.1	-0.7	-1.2	-1.2	-0.8	-0.9	-0.7	-0.7
Repayment of other arrears[7]	-0.3	-1.1	0.0	0.0	-0.2	-0.2	-0.7	0.0
Overall balance (incl. grants, cash)	-2.5	0.8	-0.6	-1.2	2.0	-2.8	1.3	-3.9
Non-oil primary balance (excl. grants, cash)	-5.4	-5.3	-5.4	-5.3	-5.9	-8.1	-6.1	-7.1
Financing	2.5	-0.8	0.6	1.2	-2.0	-0.5	-1.3	-1.8
Domestic financing	0.9	-1.5	0.4	0.7	-1.4	-1.6	-0.7	-1.2
Bank financing	0.2	-1.6	2.4	3.5	0.3	0.4	-0.7	-0.5
Central Bank (BEAC)	-0.2	-1.5	2.4	3.5	0.3	0.4	-0.7	-0.5
Deposits	-0.5	-2.6	1.0	2.0	0.0	0.0	-0.6	-0.4
Advances (net)	-0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0
IMF	0.6	1.1	1.4	1.4	0.4	0.4	-0.1	-0.1
Commercial banks (deposits)	0.4	-0.1	0.0	0.0	0.0	0.0	0.0	0.0
Other financing (net)	-0.8	0.0	-2.0	-2.8	-1.8	-2.0	0.0	-0.6
Privatization and other exceptional receipts	1.5	0.2	0.0	0.0	0.0	0.0	0.0	0.0
Foreign financing	1.6	0.7	0.2	0.5	-0.6	-0.1	-0.7	-0.6
Loans (net)	0.6	0.2	-0.3	0.0	-1.1	-0.6	-1.1	-1.1
Disbursements	3.3	2.2	1.4	1.4	1.3	1.3	1.2	1.3
Amortization	-2.7	-2.0	-1.7	-1.4	-2.4	-2.0	-2.3	-2.4
Memo: Glencore loan (after restructuring)	*-1.2*	*-0.8*	*-0.5*	*-0.5*	*-1.1*	*-0.7*	*-1.1*	*-1.0*
Debt relief/rescheduling (HIPC)	0.6	0.5	0.5	0.5	0.5	0.5	0.4	0.5
External arrears[8]	0.3	-0.1	0.0	0.0	0.0	0.0	0.0	0.0
Prospective RCF	0.0	0.0	0.0	0.0	0.0	1.3	0.0	0.0
Financing gap	0.0	0.0	0.0	0.0	0.0	3.3	0.0	5.7
Memorandum items:								
Non-oil GDP	4,830	4,961	5,166	5,130	5,466	5,206	5,850	5,517
Poverty-reducing social spending	4.2	3.7	4.7	4.7	...	...	...	...
Bank deposits (including BEAC)	2.5	5.1	4.0	2.9	3.8	2.9	4.1	3.2
(In months of domestically-financed spending)	2.0	4.5	3.2	2.3	2.9	2.1	3.1	2.2
BEAC advances[9]	9.9	9.7	9.3	9.4	8.8	9.2	8.2	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, 2017–21

	2017	2018	2019		2020		2021	
	Prel.	Prel.	5th Rev.	Est.	5th Rev.	Proj.	5th Rev.	Proj.
Current account, excl. budget grants	-472	-205	-448	-319	-428	-800	-492	-682
Trade balance	150	658	551	676	533	25	620	246
Exports, f.o.b.	1,405	1,891	2,101	2,057	2,168	1,384	2,327	1,714
Of which : oil	1,048	1,523	1,686	1,681	1,720	992	1,844	1,285
Imports, f.o.b.	-1,256	-1,232	-1,550	-1,381	-1,635	-1,359	-1,707	-1,468
Services (net)	-1,037	-1,190	-1,286	-1,294	-1,327	-1,259	-1,439	-1,330
Income (net)	-78	-98	-182	-170	-193	-171	-227	-179
Transfers (net)	493	424	469	469	559	606	554	581
Official (net)	149	108	112	111	163	200	141	157
Private (net)	344	317	358	358	396	406	412	424
Financial and capital account	231	225	455	312	506	542	577	338
Capital transfers	100	49	109	69	117	117	131	131
Foreign direct investment	211	184	397	277	453	278	495	305
Other medium and long term investment	-71	-30	-46	-35	-67	101	-64	-59
Public sector (excl. budget support loans)	-58	-16	-30	-14	-58	-34	-66	-59
Private sector	-13	-14	-16	-21	-9	135	2	0
Short-term capital	-9	22	-5	1	3	45	14	-39
Errors and omissions	13	-43	0	0	0	0	0	0
Overall balance	-228	-23	7	-7	78	-258	85	-344
Financing	-64	-210	-167	-115	-124	-28	-110	2
Change in official reserves (decrease +)	-64	-210	-167	-115	-124	-28	-110	2
Exceptional Financing	119	32	28	28	26	26	26	26
Debt relief (HIPC)	30	27	28	28	26	26	26	26
Exceptional Financing	0	0	0	0	0	0	0	0
Other Exceptional Receipt	73	9	0	0	0	0	0	0
External arrears accumulation	17	-3	0	0	0	0	0	0
Financing gap	-172	-201	-132	-93	-20	-260	1	-316
Financing gap (percent of GDP)	*-2.9*	*-3.3*	*-2.1*	*-1.5*	*-0.3*	*-4.3*	*0.0*	*-4.8*
Expected financing (excl. IMF; incl. expected budget loans and grants)	145	146	59	20	0	0	0	0
IMF financing, *of which*	-27	-55	-73	-74	-20	-260	1	-316
IMF ECF	27	55	74	74	21	21	…	…
IMF RCF (prospective)	…	…	…	…	…	68	…	…
Residual gap	0	0	1	0	1	-170		
Memorandum items:								
Current account (incl. expected budget grants; percent of GDP)	-7.1	-1.4	-6.2	-4.9	-6.2	-13.2	-6.6	-10.4
Overall Balance of Payment (incl. expected budget support; percent of GDP)	-1.4	2.0	1.0	0.2	1.1	-4.3	1.1	-5.2
Exports (percent of GDP)	24.0	30.9	32.6	32.1	31.5	22.8	31.0	26.0
Of which : oil	17.9	24.9	26.2	26.2	25.0	16.4	24.6	19.5
Imports (percent of GDP)	-21.4	-20.1	-24.1	-21.6	-23.8	-22.4	-22.7	-22.3
FDI (percent of GDP)	3.6	3.0	6.2	4.3	6.6	4.6	6.6	4.6
Gross imputed reserves (billions of USD)	-0.2	0.2	0.4	0.4	0.7	0.4	0.9	0.4

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

Table 5. Chad: Monetary Survey, 2017–21
(In billions of CFAF)

	2017	2018	2019	2020				2021
				Q1	Q2	Q3	Q4	
	Prel.	Prel.	Est.	Proj.				Proj.
Net foreign assets	-299.4	-198.1	-135.3	-115.3	-110.3	-90.3	-186.4	-172.2
Central bank	-257.0	-133.6	-85.3	-65.3	-60.3	-40.3	-146.4	-142.2
Foreign assets[1]	12.5	92.8	184.7	204.7	219.7	239.7	143.6	142.8
Foreign liabilities	-269.6	-226.8	-270.0	-270.0	-280.0	-280.0	-290.0	-285.0
o/w. IMF financing[1]	-97.3	-183.2	-232.0	-232.0	-300.0	-321.1	-321.1	-314.6
Commercial banks	-42.3	-64.5	-50.0	-50.0	-50.0	-50.0	-40.0	-30.0
Net domestic assets	1207.1	1076.0	1243.3	1175.4	1174.2	1174.5	1294.0	1346.1
Domestic credit	1466.1	1180.3	1391.2	1425.4	1424.2	1424.5	1544.0	1596.1
Claims on the government (net)[1]	810.9	749.4	842.6	851.6	914.6	930.8	929.2	925.4
Treasury (net)	757.2	727.1	812.6	821.6	884.6	900.8	899.2	885.4
Banking sector	757.2	727.1	812.6	821.6	884.6	900.8	899.2	885.4
Central bank	584.5	542.2	695.8	704.9	767.9	784.1	782.5	753.6
Claims on general government	609.5	696.2	744.9	744.9	812.9	834.1	834.1	827.5
o/w. Advances[2]	479.9	479.9	479.9	479.9	479.9	479.9	479.9	479.9
o/w. IMF financing[1]	97.3	183.2	232.0	232.0	300.0	321.1	321.1	314.6
Liabilities to general government	-25.0	-154.0	-49.1	-40.0	-45.0	-50.0	-51.6	-73.9
Commercial banks	172.7	184.9	116.7	116.7	116.7	116.7	116.7	131.7
Claims on general government	263.7	298.2	230.0	230.0	230.0	230.0	230.0	245.0
Liabilities to general government	-91.0	-113.3	-113.3	-113.3	-113.3	-113.3	-113.3	-113.3
Other non-treasury	53.7	22.2	30.0	30.0	30.0	30.0	30.0	40.0
Credit to the economy	619.3	624.6	633.4	573.8	509.6	493.7	614.8	670.8
Other items (net)	-292.8	-171.9	-130.7	-250.0	-250.0	-250.0	-250.0	-250.0
Money and quasi money	895.8	877.9	1092.1	1060.2	1064.0	1084.2	1107.6	1173.9
Currency outside banks	406.5	415.2	516.5	482.4	476.5	485.6	523.8	555.2
Demand deposits	404.0	396.4	493.1	460.6	473.5	482.5	500.1	530.1
Time and savings deposits	97.2	100.9	125.5	117.2	113.9	116.1	127.3	134.9
Memorandum items:								
Broad money (annual percentage change)	-2.9	-2.0	24.4				1.4	6.0
Credit to the economy (annual percentage change)	-2.3	0.9	1.4				-2.9	9.1
Credit to the economy (percent of GDP)	10.6	10.2	9.9				10.1	10.2
Credit to the economy (percent of non-oil GDP)	12.8	12.6	12.3				11.8	12.2
Velocity (non-oil GDP)	5.4	5.7	4.7				4.7	4.7
Velocity (total GDP)	6.5	7.0	5.9				5.5	5.6

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
(Percent)

	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									
Gross credits in arrears/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	54.3	48.1	39.3	28.7	11.2	0.0	0.0	0.0	0.0	0.0
Charges and interest	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Fund obligations based on existing and prospective credit (SDR millions)															
Principal	2.0	8.1	17.0	29.7	47.7	62.7	70.6	61.7	51.2	33.7	14.0	0.0	0.0	0.0	0.0
Charges and interest	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total obligations based on existing and prospective credit															
SDR millions	2.1	8.2	17.0	29.7	47.7	62.7	70.6	61.7	51.2	33.7	14.1	0.0	0.0	0.0	0.0
CFAF billions	1.7	6.6	13.8	24.0	38.6	50.7	57.1	49.9	41.4	27.3	11.4	0.0	0.0	0.0	0.0
Percent of exports of goods and services	0.1	0.3	0.6	1.0	1.5	1.9	1.9	1.6	1.2	0.8	0.3	0.0	0.0	0.0	0.0
Percent of debt service[1]	1.5	4.7	8.3	12.8	20.5	26.4	27.9	23.7	28.5	24.9	15.6	0.0	0.0	0.0	0.0
Percent of GDP	0.0	0.1	0.2	0.3	0.5	0.6	0.6	0.5	0.4	0.2	0.1	0.0	0.0	0.0	0.0
Percent of tax revenue	0.4	1.4	2.6	4.1	5.9	6.9	7.0	5.5	4.2	2.5	0.9	0.0	0.0	0.0	0.0
Percent of quota	1.5	5.8	12.2	21.2	34.1	44.7	50.4	44.0	36.5	24.0	10.0	0.0	0.0	0.0	0.0
Outstanding IMF credit based on existing and prospective drawings															
SDR millions	396.3	388.2	371.2	341.5	293.8	231.1	160.5	98.8	47.7	14.0	0.0	0.0	0.0	0.0	0.0
CFAF billions	322.1	313.8	299.6	275.7	237.3	187.0	129.9	80.0	38.6	11.3	0.0	0.0	0.0	0.0	0.0
Percent of exports of goods and services	20.7	16.6	13.8	11.6	9.3	6.8	4.3	2.5	1.2	0.3	0.0	0.0	0.0	0.0	0.0
Percent of debt service[1]	281.5	222.7	181.2	147.1	125.9	97.2	63.4	37.9	26.5	10.4	0.0	0.0	0.0	0.0	0.0
Percent of GDP	5.3	4.8	4.2	3.6	2.9	2.1	1.4	0.8	0.4	0.1	0.0	0.0	0.0	0.0	0.0
Percent of tax revenue	73.5	64.5	56.0	46.7	36.3	25.6	16.0	8.8	3.9	1.0	0.0	0.0	0.0	0.0	0.0
Percent of quota	282.7	276.9	264.7	243.6	209.5	164.8	114.5	70.5	34.0	10.0	0.0	0.0	0.0	0.0	0.0
Net use of IMF credit (SDR millions)	110.2	-8.1	-17.0	-29.7	-47.7	-62.7	-70.6	-61.7	-51.2	-33.7	-14.0	0.0	0.0	0.0	0.0
Disbursements	112.2	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	70.6	61.7	51.2	33.7	14.0	0.0	0.0	0.0	0.0
Memorandum items:															
Exports of goods and services (CFAF billions)	1,557	1,896	2,173	2,375	2,564	2,735	3,046	3,161	3,330	3,509	3,600	3,595	3,598	3,572	3,575
External Debt service (CFAF billions)[1]	114	141	165	187	189	192	205	211	145	109	73	75	82	90	103
Nominal GDP (CFAF billions)	6,062	6,584	7,154	7,659	8,192	8,764	9,389	10,033	10,720	11,454	12,132	12,842	13,618	14,411	15,257
Tax revenue (CFAF billions)	438	486	535	591	653	731	814	905	995	1,093	1,200	1,307	1,422	1,548	1,685
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 8a. Chad: Original Schedule of Disbursement Under new ECF Arrangement, 2017-2020

	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	April 15, 2020	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.

Table 8b. Chad: Proposed Schedule of Disbursement Under new ECF Arrangement, 2017-2020

	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	July 15, 2020[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 Sixth Review will be rephased.

Appendix I. Letter of Intent

N'Djamena, April 9, 2020

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

Dear Managing Director,

The Chadian authorities are grateful to the IMF for its continued support under the Extended Credit Facility (ECF) arrangement approved by the IMF Executive Board on June 30, 2017, in support of our economic and financial reform program. The program helped reestablish debt sustainability and progressively consolidate the external position. Despite a difficult socio-economic situation and continued humanitarian, climatic and security challenges, our economy was on a recovery trend. We remain committed to the program, and performance towards the sixth and last ECF arrangement review has been satisfactory.

Unfortunately, the socio-economic impact of the COVID-19 pandemic threatens to erode the progress made under the ECF arrangement. The reduction in global demand will lead to a decline in remittances and a drop in oil prices and in non-oil exports and considerably weaken fiscal and external positions. Efforts to contain a spread of the pandemic will also entail additional spending in the health sector. Disruptions in international trade flows have disturbed manufacturing and agricultural activities relying on imports and exports. Disruptions could lead to shortages in imported goods, which in turn could push up prices for basic necessities. Containment measures (07 PM to 06AM) and restrictions on travel, gatherings and public transportation listed below have also disrupted non-oil activities in transport, tourism and hospitality. A drop of imports and a slow-down of economic activity will lead to shortfalls in tax and customs revenue.

A set of pressure alleviating measures will be announced by the government. For small and medium-sized businesses, these include a reduction of the business license and the presumptive tax, which would help enterprises, merchants and public transport. Tax breaks such as allowing loss carry-over and late payment of taxes can be examined on a case by case basis, which could help some sectors namely air transport, tourism and hospitality. Also, the ad hoc tax audits and all general accounting verifications may be suspended from April. The payment of CFAF 110 billion of debts owed to suppliers to the state will be made as soon as possible thanks to the mobilization of savings by Chadian banks, in the context of the domestic debt clearance plan.

Measures have also been taken in favor of the population. They concern the assumption by the State of all water consumption billed by the Société Tchadienne des Eaux or by management committees (or at standpipes) to households for a period of six months; the assumption by the State of the invoices of the national company of electricity for the domestic uses of the 1st social tranche capped at

150 KWh per month for the next three months; the payment of all death benefits due to deceased civil and military agents, indemnities and ancillary wages owed to retirees and payment of medical expenses for civilian agents and defense and security forces in accordance with the domestic debt clearance plan adopted by the Council of Ministers; speed up the establishment of the Youth Entrepreneurship Fund in agreement with Chadian banks for an amount of CFAF 30 billion, with a third of which reserved for young women.

The pandemic is adding pressure to a fragile social situation, and a worsening security environment. In January 2020, an agreement was reached with labor unions to reestablish some benefits to public sector workers, cut following the 2014 crisis, which has helped avert a generalized public strike. Students have been demonstrating, calling for the reestablishment of scholarships and improved education and transport benefits. While the state of emergency in three provinces was removed in January, there have been renewed clashes with armed groups in one of these provinces. Boko Haram bases in the Chadian islands of Lake Chad have been destroyed and the defense and security forces are continuing their search, while Chad’s contribution to the fight against terrorism in the Sahel has been stepped up in line with recommendations of the Pau Summit of January. We continue to count in part on external financial support for the legislative elections, scheduled for December 13, 2020.

The government took preventive measures against the COVID-19 with the assistance of the World Health Organization (WHO). These measures include, among others:

- The closure of all primary, secondary and university establishments throughout the territory;
- The closure of all places of worship (Mosques, Churches, etc.);
- The ban on all buses and minibuses for urban and interurban transport in the city of N’Djamena and in other provinces and the limitation of seats in taxis to three passengers plus the driver;
- The closure of grilling places, shops and stores selling non-food items such as bars, restaurants, local beer selling places, casinos and betting places;
- The closure of weekly markets in villages;
- The establishment of hygiene regulations in all public places;
- The formal ban on the gatherings of more than 50 people across the country;
- The introduction of a curfew from 07 PM to 06 AM in four provinces (Logone Oriental, Logone Occidental, Mayo-kebbi East and West plus the city of N'Djamena) since April 02, 2020 for two weeks renewable.

While only ten cases of coronavirus infection have been declared in Chad, the virus is closing in as many cases have been reported in neighbor countries. All travelers entering the territory via the airport and border posts are screened upon arrival and suspected cases are quarantined and tested. An instruction was issued on mandatory quarantine for all visitors from five countries affected by the virus, and official travels to these countries were suspended. All passenger flights were suspended starting from March 19, and borders with Central African Republic and Sudan were closed. Events and meetings were cancelled, gatherings of more than 50 people were banned, public transport was restricted, and all schools and universities were closed. A contingency plan to contain the spread of the virus was adopted, an inter-ministerial monitoring committee was established, and Farcha Hospital was designated to receive infected cases identified at N'Djamena entry points. Other cases will be treated in provincial hospitals.

The National Contingency Plan for the preparedness and response to the pandemic of the Coronavirus COVID-19 aims at reinforcing the preparedness to respond quickly, to stem its spread across the country, and to mitigate its health and socio-economic impacts. The plan was supported by the German cooperation which provided test kits and a mobile laboratory and by the WHO which supplied reagents tests. Two agents were trained in the use of the equipment and the molecular technique for diagnosing COVID 19. The budget for the contingency plan is estimated at CFAF 15 billion (0.3 percent of non-oil GDP), of which 60 percent is to be financed by donors. Prospects for additional financial support from other development partners seem necessary to cover the still indicative financing need. Implementation of the plan is a real challenge in view of the long borders, a weak health care system, limited human resources and the need to set up and equip isolation and treatment sites across a continental territory, particularly in regions without medical coverage. The provisional budget for the plan may therefore be exceeded, depending on the evolution of the pandemic.

The global impact of the coronavirus pandemic will generate substantial balance of payments and fiscal needs. Unfortunately, the shock on oil prices materializes at a time when the government was starting to build up reserves under the law for the smoothing mechanism for oil prices and production that came into force in November 2019. Including additional spending in the health sector, total financing needs are estimated at CFAF 238 billion (3.9 percent of GDP). In the absence of external financing, spending plans in the 2020 budget would be curtailed, affecting negatively growth and poverty reduction objectives under our development plan (PND, 2017-2021). The government is reaching out to donors to address COVID-19 challenges and medium-term fiscal pressures which have emerged due to the oil market slump and continues to be committed to fiscal discipline once the COVID-19 effects subside.

The government requests IMF financial assistance under the Rapid Credit Facility (RCF) arrangement, in the amount of SDR 84.12 million, equivalent to 60 percent of quota. This financing will help us to address urgent balance of payments and fiscal financing needs. We are confident that IMF emergency assistance will play a catalytic role in securing needed external grants from other development partners. This comes in addition to our request to access resources under the Catastrophe Containment and Relief Trust (CCRT) to cover future debt service to the Fund, in the amount of SDR 10.1 million, equivalent to 7 percent of quota,

At the same time, in order to allow for more time to reach understandings on the 6th review under the arrangement, which were supposed to take place around the end of April 2020 with the physical presence of an IMF team in N'Djamena, we ask the IMF Board, if it deems it necessary, to extend the end of the program from June 29, 2020 to the end of September 2020, with a rephasing of access providing for a new availability date for the last disbursement (SDR 28.04 million, 20 percent of quota), to be July 15, 2020. In case travel bans are lifted, the IMF mission to conduct the 6th review can be anticipated, and the date of the discussions made closer.

We remain committed to policies set out in the Memorandum of Economic and Financial Policies (MEFP) of November 2019 and are confident that they will enable us to achieve the program objectives. We stand ready to take any measure that may prove necessary. We will consult with IMF staff on the adoption of any additional measures in advance of revisions to the policies contained in the MEFP, in accordance with Fund policies on such consultations, and will not introduce any measures or policies that would compound our balance of payment difficulties. To facilitate program monitoring and assessment, the government undertakes to provide all necessary information to IMF staff on a regular basis and in a timely manner, pursuant to the Technical Memorandum of Understanding (TMU) attached to the letter of intent of November 2019. 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.

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

April 9, 2020

REQUESTS FOR DISBURSEMENT UNDER THE RAPID CREDIT FACILITY, EXTENSION OF THE EXTENDED CREDIT FACILITY ARRANGEMENT, AND REPHASING OF ACCESS—DEBT SUSTAINABILITY ANALYSIS

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 **Bank-Fund Debt Sustainability Analysis**	
Risk of external debt distress	*High*
Overall risk of debt distress	*High*
Granularity in the risk rating	*Sustainable*
Application of judgement	*No*

Chad's risks of external and overall debt distress remain high and the impact of the coronavirus crisis has appreciably elevated risk since the last DSA. The pandemic is expected to raise borrowing needs markedly for several years. Although debt remains sustainable under the baseline forecast, uncertainty has also risen. For instance, the DSA assumes the financing gaps will be closed with concessional financing, which has not yet been identified. Under the baseline, three of the external debt sustainability indicators stay below their respective high-risk thresholds, but the debt-to-revenue ratio breaches its threshold through 2027. Under stress scenarios, indicators approach levels seen during Chad's last episode of debt distress. Total public debt vulnerabilities are elevated, and the pandemic pushes the present value (PV) of public debt-to-GDP ratio above its threshold from 2020 to 2024. The debt sustainability analysis is based on projected continued fiscal prudence and an increase in non-oil revenues after the pandemic crisis abates. Following the restructuring in 2018, the new Glencore debt contract has allowed lower debt service to cushion the recent oil price declines, with some remaining flexibility remaining. However, the contingency mechanisms could become exhausted after 2021 under the conditions *of the customized oil price shock stress test. If downside risks materialize, the debt-service to revenue ratio will rise sharply, and the authorities would likely need to identify additional measures and approach creditors and development partners for additional debt relief or financing.*

PUBLIC DEBT COVERAGE

1. **The coverage of public debt includes state and local governments and the national oil company.** As in the previous DSA, coverage includes the central government, as well as state guaranteed external debt owed by the public oil company "Société des Hydrocarbures du Tchad" (SHT) (Text Table 1). This scope encompasses all public external debt; other public sector entities (including sub-national government and other state-owned enterprises) do not have access to external financing. The Ministry of Finance census of public sector enterprises uncovered the outstanding domestic borrowing of the largest SOEs. Because these are mostly commercial arrears with no formal maturity, they have been added to the contingency analysis.

2. **The contingent liability stress test accounts for vulnerabilities associated with non-guaranteed state-owned enterprises (SOEs), possible unaudited domestic arrears, and financial markets (Text Table 1).** The SOE census indicates that as of 2017, the Société de Raffinage de Ndjamena (SRN), Société Nationale d'Electricité (SNE) and Société Nationale de Ciment (SONACIM) have a combined debt of about CFA 540 billion or 9.5 percent of GDP.[1] Contingent liabilities from financial markets are set at 5 percent of GDP, which represents the average cost to the government of a financial crisis in a low-income country since 1980. The audit of arrears has been completed but the government has not made specific plans for paying them, so the contingent liability is the full value of audited arrears, 6.9 percent of GDP.[2] The contingent liability stress test is customized to 21 percent.

Text Table 1. Chad: Coverage of Public-Sector Debt and Design of Contingent Liability Stress Tests

	Subsectors of the public sector	Check box
1	Central government	X
2	State and local government	X
3	Other elements in the general government	
4	o/w: Social security fund	
5	o/w: Extra budgetary funds (EBFs)	
6	Guarantees (to other entities in the public and private sector, including to SOEs)	
7	Central bank (borrowed on behalf of the government)	X
8	Non-guaranteed SOE debt	

		Default	Used for the analysis	Reasons for deviations from the default settings
1	The country's coverage of public debt	The central, state, and local governments, central bank		
2	Other elements of the general government not captured in 1.	0 percent of GDP	6.9	Audited domestic arrears with no commitment to pay yet established.
3	SoE's debt (guaranteed and not guaranteed by the government) 1/	2 percent of GDP	9.5	From the SOE census, 2017 levels.
4	PPP	35 percent of PPP stock	0	
5	Financial market (the default value of 5 percent of GDP is the minimum value)	5 percent of GDP	5	
	Total (2+3+4+5) (in percent of GDP)		21	

1/ The default shock of 2% of GDP will be triggered for countries whose government-guaranteed debt is not fully captured under the country's public debt definition (1.). If it is already included in the government debt (1.) and risks associated with SoE's debt not guaranteed by the government is assessed to be negligible, a country team may reduce this to 0%.

[1] This figure ascribes 40 percent of SRN's debt to the government, reflecting its 40 percent ownership share.

[2] These arrears will be reflected in the debt stock in the next DSA in line with the clearance strategy adopted by the authorities. Further work is needed to identify the terms of the SOE debt so it can be included in totals of public debt.

BACKGROUND

A. Evolution and Composition of Debt

3. **Chad's external public and publicly guaranteed (PPG) debt burden has stabilized at about 25 percent of GDP since 2017.** Chad's recent debt problems derive from commercial borrowings (oil sale advances) from Glencore in 2013 to cover revenue shortfalls and in 2014 to purchase a share in the Doba Oil Consortium. Falling oil prices over 2014-16 were the primary reason for reduced revenues available to repay oil sales advances. This debt has since been restructured twice, most recently in early 2018, which has considerably reduced its burden. At end- 2019, outstanding PPG external debt stood at about $2.8 billion (25.6 percent of GDP). Chad's CFAF-denominated debt held by the regional central bank (BEAC), the regional development bank (BDEAC), and bilateral creditors in the currency union (Republic of Congo, Equatorial Guinea, and Cameroon) amounts to 9.3 percent of GDP. It is not included in external debt, which is calculated on a currency basis.

4. **The composition of external public debt has changed significantly over the past decade.** The share of external debt from multilaterals has fallen sharply from about 87 percent in 2008 to 32 percent in 2019. The share of commercial debt, mostly to Glencore, which was virtually non-existent in 2008, soared following the 2014 crisis. It is now trending down briskly from a peak in 2016 of 53 percent to 39 percent at end-2019. Bilateral debt doubled over the past decade but, as a share of total debt, it is still less than commercial debt (Text Table 2). Consistent with the ECF arrangement, external debt is defined on a currency basis.

5. **Domestic public debt has begun to decline in recent years** (Text Table 3).[3] Since 2017, domestic debt has been declining as the authorities aim to loosen the bank-sovereign nexus and reduce domestic arrears. However, in 2019 all maturing securities were rolled over into six-month T-bills as banks were not willing to accept longer maturities. Following a peak in 2015, debt to the BEAC was restructured and Chad stopped borrowing from the BEAC. In addition to the debt owed to BEAC (38 percent of total debt), some debt denominated in local currency is held within the CEMAC region, including about 9.8 percent of total debt owed to official bilateral partners and BDEAC, and in the form of securities that could be held by non-resident banks.

[3] State and local debt amounts to less than 0.1 percent of GDP.

Table 1. Chad: External Debt Stock 2016–2019[1]

		2016	2017	2018	2019e
Total (Millions of US$)		2,608	2,702	2,754	2,740
(Billions of CFA francs)		1,622	1,498	1,587	1,617
(Percent of GDP)		25	25	25	24
	Billions of CFA francs				
Multilateral		390	385	427	505
IMF		77	96	151	225
World Bank/IDA		110	101	101	101
African Development Fund/Bank		56	56	55	56
Others		147	133	120	124
Bilateral		370	408	467	428
Paris Club official debt		...	25	64	66
Non-Paris Club official debt		370	383	404	363
of which:	China, People's Republic	156	132	130	129
	Libya	164	150	156	136
	India	30	27	21	22
Commercial[2]		862	705	693	684
	Share of Total (percent)				
Multilateral		24	26	27	31
Bilateral		23	27	29	27
Commercial[2]		53	47	44	42
	Memo: Millions of US$				
Multilateral		628	695	741	856
IMF		124	173	262	381
World Bank/IDA		177	182	175	171
African Development Fund/Bank		90	100	95	94
Others		237	239	208	210
Bilateral		594	734	809	726
Paris Club official debt		...	43	108	112
Non-Paris Club official debt		594	690	701	614
of which:	China, People's Republic	251	226	226	218
	Libya	264	230	272	230
	India	48	38	37	37
Commercial[2]		1,386	1,272	1,202	1,158

Sources: Chadian authorities, selected creditors, and World Bank and IMF staff estimates.

[1]Includes only debt denominated in foreign currency.

[2]The Glencore loan accounts for about 98 percent of commercial debt stock in 2017.

Text Table 2. Chad: Domestic Debt Stock 2016–2019

	2016	2017	2018	2019
Total (Billions of CFA francs)	**1482**	**1446**	**1424**	**1260**
(Percent of GDP)	**24.5**	**24.7**	**23.2**	**19.7**
Share of Total (in percent)				
Central Bank financing	33.3	33.2	33.7	38.1
Statutory advances [1]	*18.9*	*20.5*	...	...
Exceptional advance [1]	*11.5*	*10.2*	...	...
Consolidated debt	*3.0*	*2.4*	...	...
Commercial banks' loans	3.3	3.6	7.1	7.4
2011 Bond[2]	0.0	0.0	0.0	0.0
2013 Bond[2]	3.7	1.2	0.0	0.0
Treasury Bonds[3]	21.2	21.8	12.3	9.0
Treasury Bills	*11.2*	*11.7*	*20.6*	*21.5*
BDEAC	3.2	3.4	3.5	3.9
Republic of Congo	2.4	2.4	2.5	2.8
Equatorial Guinea	1.0	1.0	1.1	1.2
Cameroon	2.0	2.1	1.9	1.9
Domestic arrears	12.8	13.5	11.2	7.6
Others[4]	5.9	6.1	6.2	6.6

Source: Chadian authorities

[1]Includes advances that were consolidated in 2017.

[2]Issued through banks' syndication

[3]Auctionned in regional securities' market.

[4] Legal commitments, standing payment orders, and accounting arrears.

6. **External payment arrears have dropped considerably since 2017.** Due to liquidity challenges in 2016 and the first half of 2017, the government accrued external arrears vis-à-vis a number of multilateral, bilateral, and one commercial creditors (Mega bank from Taiwan province of China). By end-2018 about $63 million (0.6 percent of GDP) remained outstanding, mainly to bilateral creditors—debt to the Republic of Congo alone is about $53 million. After complications related to payment modalities, the authorities reached an agreement in July 2019 to pay the Angola debt in kind in cattle.[4] Active discussions are underway to address all outstanding arrears, including with Equatorial Guinea, the Republic of Congo and Mega Bank. The agreement under negotiation with Equatorial Guinea will also entail in-kind payment, with the only remaining detail to decide being the price of the commodity (fresh meat). The Mega Bank negotiations have reached an agreement-in-principle that requires ratification. The pandemic has forced several negotiation meetings this spring to be postponed. The authorities have taken concrete

[4] Arrears to Angola were very small, so outstanding arrears at end-2019 were $61, below the *de minimis* threshold that would warrant an "in debt distress" rating.

steps to prevent further accumulation of arrears—including measures to improve coordination among relevant agencies and enhance debt servicing, including reactivation of an escrow account for the payment of external debt at the BEAC.

B. Macroeconomic Forecast

7. The DSA's baseline scenario reflects policies underlying the ECF arrangement, the financing assumptions underlying the RCF request and medium-term projections that including the Glencore debt restructuring. The pandemic has impacted the growth projection compared to the previous DSA (June 2019) from 5.4 and 4.8 percent in 2020 and 2021 respectively to –0.1 and 6.1 percent. Both oil and non-oil GDP are expected to rebound in 2021. The outlook assumes that the ECF's revenue-led fiscal consolidation will continue beyond the program horizon at a gradual pace and that spending control would be maintained. Export growth is expected to fall 30 percent in 2020 with oil prices having collapsed and production lower than initial projections at the time of the 5th review. Oil production is expected to continue to increase in the medium term, leading to higher oil revenues, higher exports and overall GDP growth (Text Table 4). The forecast is subject to heightened uncertainty as the economic impact of the pandemic unfolds. The baseline scenario assumes full clearance of external arrears in 2020. The authorities have a financing plan that should underpin gradual repayment of audited domestic arrears.

Text Table 3. Chad: Macroeconomic Assumptions Comparison Table

	DSA June 2019		Current DSA	
	2018-23	2024-39	2019-24	2025-40
Real GDP (%)	4.1	3.1	3.6	3.1
Inflation (GDP deflator, %)	3.3	3.0	0.8	3.2
Average nominal interest rate on external debt (%)	2.9	1.5	2.2	1.2
Average nominal interest rate on domestic debt (%)	3.0	5.1	3.2	4.5
Primary Balance (% of GDP)	3.3	2.9	0.4	1.9
Real primary spending growth (%)	4.8	4.6	8.2	3.7
Exports of G&S growth (%)	12.3	2.3	4.8	2.6
Noninterest current account deficit (% GDP)	4.8	3.1	8.0	3.6

Sources: Chadian authorities and IMF staff estimates and projections.

8. The projected financing gaps in the balance of payments are assumed to be closed with concessional financing, which has not yet been identified. The discount rate is kept at 5 percent and the grant element of new borrowing is set at about 37 percent over the forecast horizon. With regards to domestic financing, the maturity structure lengthens across the 20 years of the forecast, in line with the authorities' debt management plans. In accordance with assumed improvements in fiscal and financial sector health, the average real interest rate falls modestly to match levels seen in more developed markets in the region.

9. The forecast is broadly realistic. The projected 3-year fiscal adjustment is in line with historical data on LIC adjustment programs. Continued fiscal prudence and efforts to raise non-oil revenues beyond the current ECF arrangement horizon are expected to ensure a sustainable adjustment. The fiscal multiplier tool suggests that growth in 2020 and 2021 could differ from the projected consolidation. However, current extreme volatility weakens established relationships. Staff expect the pandemic to lower growth exceptionally this year and allow a stronger-than-normal rebound in 2021. Staff expect the private sector to drive growth, led by private investment, as shown in the lower left panel of Figure 4. New oilfield development projects have boosted expected private investment, while public sector investment remains low.

C. Country Classification and Determination of Stress Test Scenarios

10. The composite indicator (CI) based on October 2019 World Economic Outlook (WEO) projections and an update of the CPIA index to 2020 levels indicates weak debt carrying capacity for Chad. The CI combines the CPIA score, external conditions as captured by world economic growth and country-specific factors. The October 2019 data indicate weak debt carrying capacity, reflecting mainly a low CPIA, very low remittances, and a low level of foreign reserves (Text Table 5).

Text Table 4. Chad: CI Score

Components	Coefficients (A)	10-year average values (B)	CI Score components (A*B) = (C)	Contribution of components
CPIA	0.38	2.72	1.05	42%
Real growth rate (in percent)	2.72	2.51	0.07	3%
Import coverage of reserves (in percent)	4.05	31.30	1.27	51%
Import coverage of reserves^2 (in percent)	-3.99	9.80	-0.39	-16%
Remittances (in percent)	2.02	0.00	0.00	0%
World economic growth (in percent)	13.52	3.50	0.47	19%
CI Score			2.47	100%
CI rating			Weak	

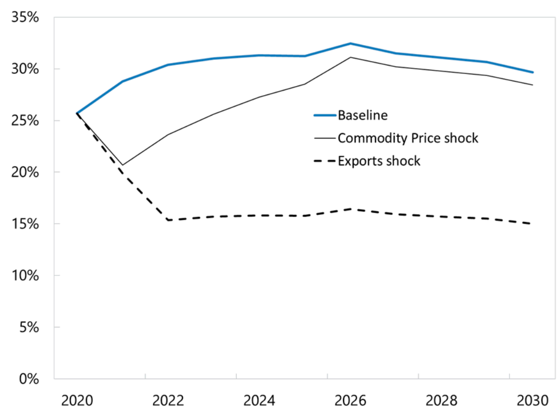
Source: IMF staff calculations. The CI cutoff for medium debt carrying capacity is 2.69.

11. The debt sustainability analysis relies on six standard stress tests and a customized commodity price shock stress test (Figures 1 and 2 and Tables 3 and 4).[5] Of the standard stress tests described in Table 3, the exports shock and the commodity price shock have the most relevance for Chad. The export shock assumes a one-standard deviation (21.1 percent) decline in exports in 2021 and 2020 (Text Figure 1). This stress test might approximate a scenario

[5] The fourth panel of Figure 1 presenting debt service-to-revenue ratios under standard alternative scenarios does not include the Glencore debt contract contingency mechanisms.

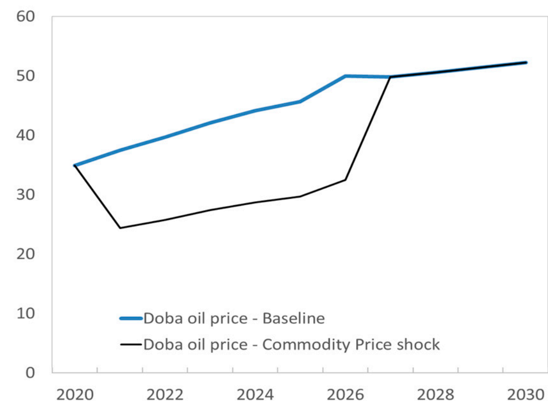
with much lower oil production or disruptions in export capabilities due to the pandemic. The commodity price shock assumes a one-standard deviation (35 percent) decline in oil prices from 2021-2026 (Text Figure 2). The customized oil price shock is further customized to account for contingency mechanisms which limit the negative effect of the shock in the near term.[6] Accounting for the Glencore debt contract contingency mechanisms also captures the revenue impact of the oil price decline more precisely than the standard commodity shock.

Text Figure 1. Chad: Exports/GDP under Alternative Scenarios, 2020-2030



Sources: IMF staff calculations.

Text Figure 2. Chad: Doba Oil Price under Alternative Scenarios, 2020-2030 (Dollars)



Sources: IMF staff calculations.

DEBT SUSTAINABILITY

A. External Debt Sustainability

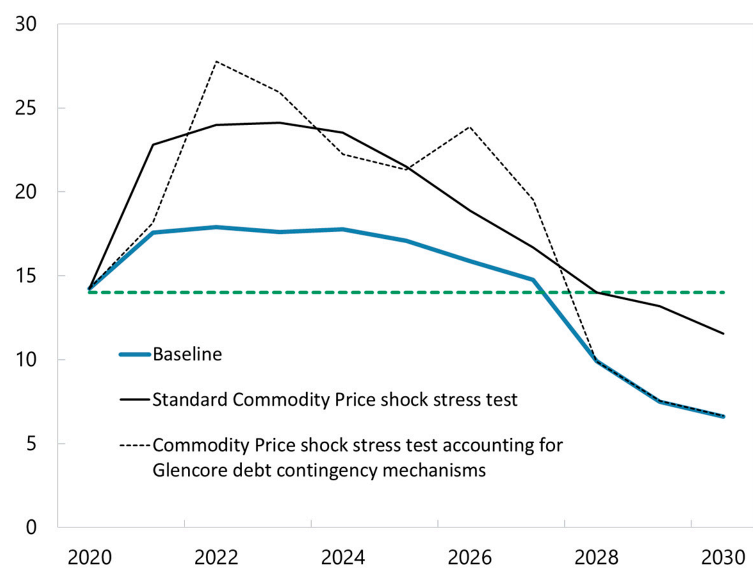
12. External debt risk has risen, though debt levels remain on a gradual downward trajectory over the forecast horizon. Under the baseline scenario the present value of PPG external debt-to-GDP ratio, the present value of PPG external debt-to-exports ratio and the debt service-to-exports ratio are all below their thresholds (Figure 1). The debt service-to-revenue ratio rises due to lower revenue and associated higher borrowing in response to the pandemic. However, it stays close to 18 percent, the target level for the 2018 Glencore debt renegotiation. Despite the significant impact of lower projected oil prices on oil revenue, oil revenue remains sufficient to service the Glencore debt. In fact, it would take a further significant decrease in petroleum prices below the baseline before oil revenue became insufficient to service the Glencore debt. Nonetheless, the debt service-to-revenue ratio is not expected to drop below its threshold of 14 percent until 2028 as the Glencore debt matures. These levels are higher than the

[6] Debt service under the Glencore contract includes a mandatory amortization and interest payment plus a cash sweep component that falls as the Doba oil price goes below a threshold. Because oil prices have fallen so far in the baseline, this contingency is fully exercised even in the baseline and the standard commodity price shock scenarios. As a second contingency mechanism, the contract allows Chad to defer some mandatory payments as prices fall, but the cumulative deferred amortization is capped $75 million. In the baseline (and standard commodity price shock) this contingency is exercised only partly and only in 2021.

previous DSA, but still below the unsustainable ratios felt during the 2015-2017 oil price shock, so staff view this level of debt service to be sustainable.

13. Under stress tests, the thresholds are substantially breached for all indicators. Under the shock scenarios, the exports stress test produces the most extreme scenario for all indicators except the debt service-to-revenue ratio, for which the commodity price stress test is the most extreme. Under the exports stress test all four indicator thresholds are breached through 2028. For the present value of PPG external debt-to GDP, present value of PPG external debt-to-exports, and debt service-to-exports ratios, levels approach those seen during Chad's recent debt distress episode. Under the customized oil price shock scenario, the $75 million adjustment cap is met in 2021, so thereafter the Glencore contract provides no further cushion (Text Figure 3). Debt service to revenue—the factor that pushed Chad into debt distress—peaks at 27.8 percent, high but below ranges in the 30s seen in the last episode of debt distress.[7] This scenario also puts the PV debt to GDP above the threshold from 2022 to 2024. Other stress tests may capture scenarios in which the pandemic accelerates and produces further disruption to GDP, revenues, or a combination of adverse developments. The outcomes of those stress tests were less extreme than the exports and commodity price stress tests.

Text Figure 3. Chad: Debt Service-to-Revenue Ratios



Sources: Chadian authorities; IMF staff calculations.

B. Public Debt Sustainability

14. The benchmark for public debt is breached for five years under the baseline. Due to higher budget deficits related to the impact of the pandemic, the PV of total public debt-to-GDP ratio is projected to hit 42.7 percent at end-2020. This is about 8 percentage points above the 35 percent benchmark level associated with heightened public debt vulnerabilities and a weak debt carrying capacity. This is higher than the last DSA. The level declines thereafter, reaching

[7] As noted in DSA ¶11, the customized oil shock models the impact of oil prices on revenue, so it continues to differ from the standard commodity shock even after the contingency mechanism's cap is reached in 2021.

33.7 by 2025. The benchmark for public debt is also breached through at least 2025 for every contingency scenario.

C. Risk Rating and Vulnerabilities

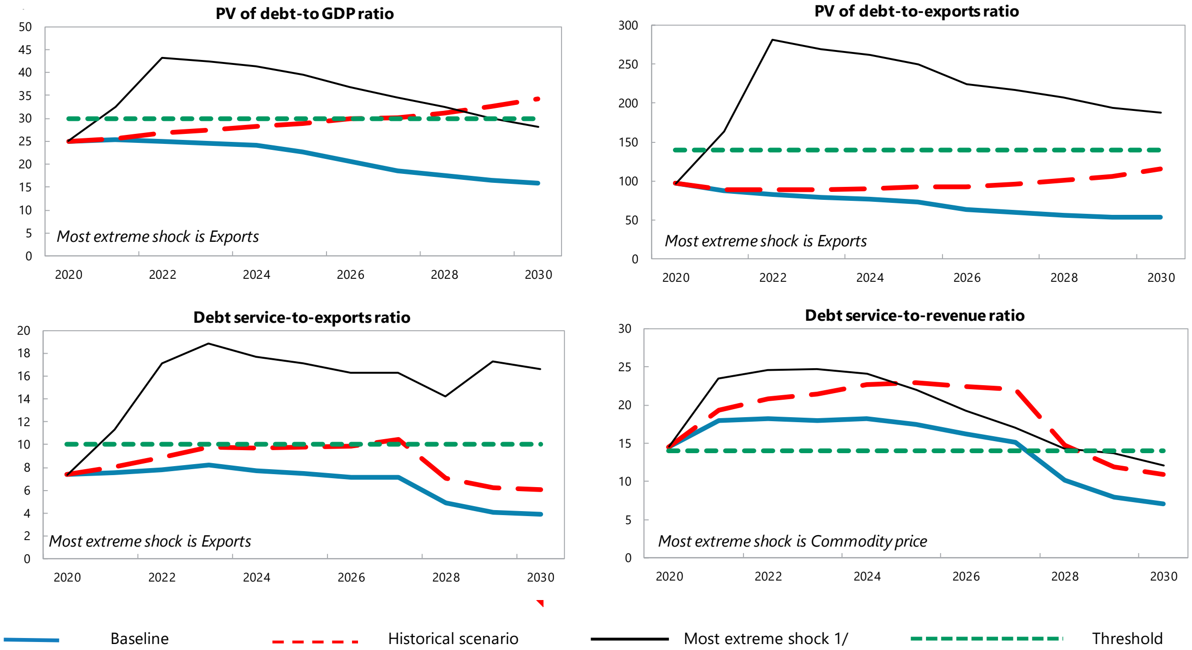
15. Chad is at high risk of external debt distress and high overall risk of public debt distress. While debt vulnerabilities have declined since the beginning of the ECF arrangement, the impact of the pandemic can be seen in significantly higher debt risk indicator levels compared to the last DSA. The elevated path of debt service to revenue reflects the difficulties Chad will face maintaining oil revenue in the near term due to the pandemic. In addition, the pressures of the pandemic are expected to push Chad's PV of total public debt-to-GDP ratio above the benchmark level in the near term. If downside risks materialize, the debt-service-to-revenue ratio will rise sharply, and the authorities would likely need to identify additional measures and approach creditors and development partners for additional debt relief or financing. As such, Chad's external and overall debt is assessed to be at high risk of debt distress. Mechanically, the CFAF-denominated debt held by the BEAC, BDEAC, and bilateral creditors would weaken the external debt sustainability indicators if the external DSA were done on residency basis. These claims do not face currency risk, and institutional ties with the creditors are relatively strong. Nonetheless, some difficulties may still be faced in restructuring such debt if necessary, and the risks associated with the rollover of securities held by non-residents (the scale of which is unclear) remains even if it is limited.

16. Significant efforts are warranted to ensure debt remains on a downward trajectory. Elevated vulnerabilities reinforce the need to maintain prudent fiscal policy including on external and domestic borrowing. While progress has been made recently to reduce the stock of external and domestic arrears, Chad will need to refocus on clearing the remaining domestic arrears once the current fiscal pressures abate. Finally, continued effective inter-agency coordination to strengthen the capacity to record and monitor public debt is very important to better manage public debt.

D. Authorities' Views

17. The authorities remain committed to improving Chad's debt sustainability and consider that completing debt restructuring is key in the near-term. By negotiating payment-in-kind for the debt to Angola—and likely for the debt to Equatorial Guinea—Chad has monetized its livestock, an asset that is otherwise difficult for a land-locked country to exploit. The authorities anticipate that further negotiations with Libya and Congo will lower debt service meaningfully. Additionally, the authorities aspire to reduce domestic debt service by graduating from the rollover mechanism for placing Treasury bills and bonds to a market-based auction. As the pandemic crisis passes, the authorities expect that improving the non-oil economy's growth performance will further improve debt sustainability.

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

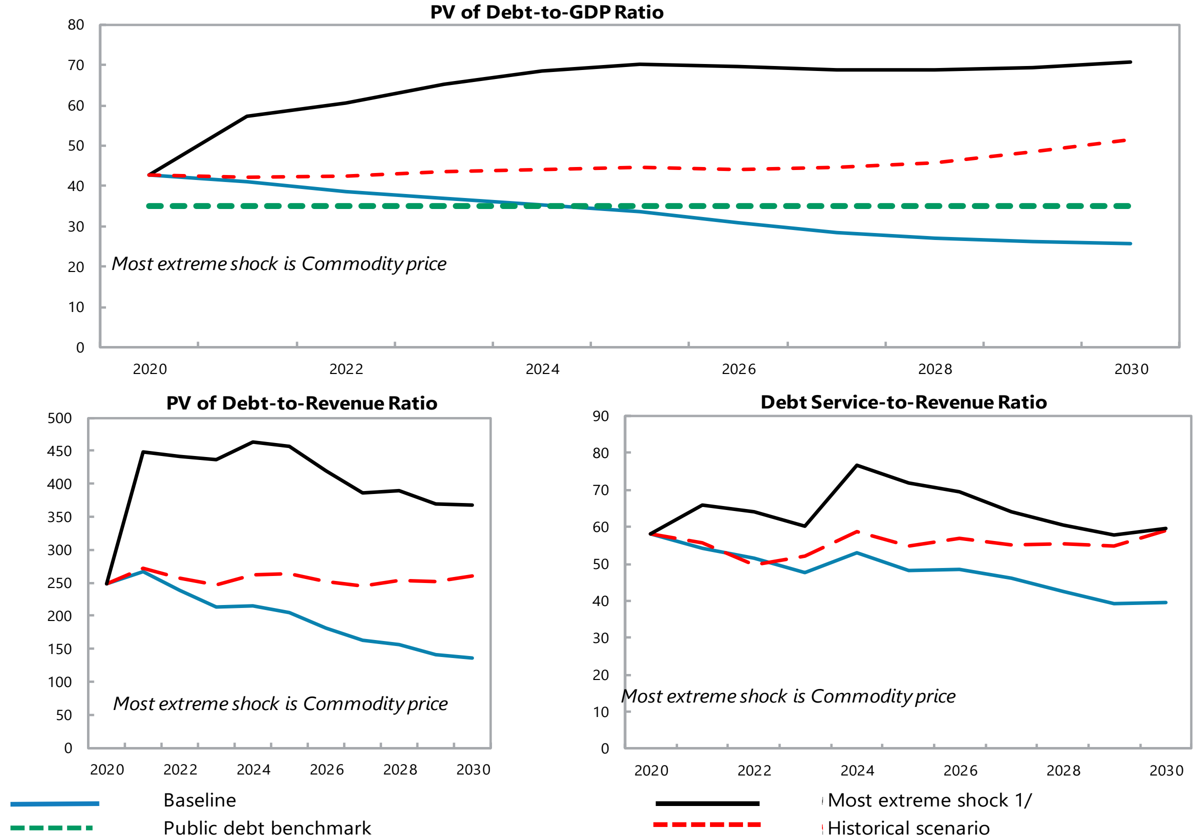
* Note: All the additional financing needs generated by the shocks under the stress tests are assumed to be covered by PPG external MLT debt in the external DSA. Default terms of marginal debt are based on baseline 10-year projections.

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 3 does.

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



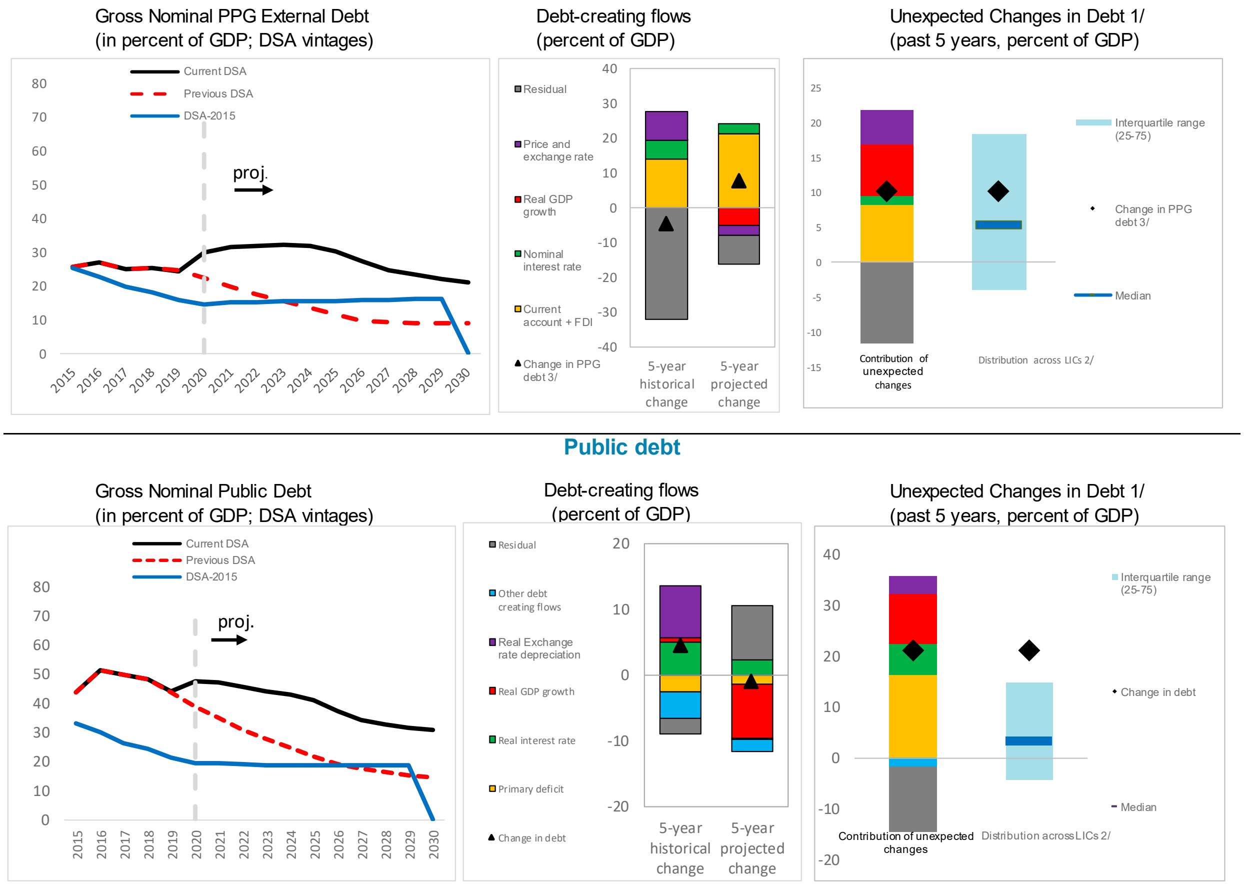
Borrowing Assumptions for Stress Tests*	Default	User defined
Shares of marginal debt		
External PPG medium and long-term	36%	65%
Domestic medium and long-term	10%	5%
Domestic short-term	74%	30%
Terms of marginal debt		
External MLT debt		
Avg. nominal interest rate on new borrowing in USD	1.0%	1.0%
Avg. maturity (incl. grace period)	17	20
Avg. grace period	8	6
Domestic MLT debt		
Avg. real interest rate on new borrowing	5.7%	5.0%
Avg. maturity (incl. grace period)	6	1
Avg. grace period	0	0
Domestic short-term debt		
Avg. real interest rate	1%	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



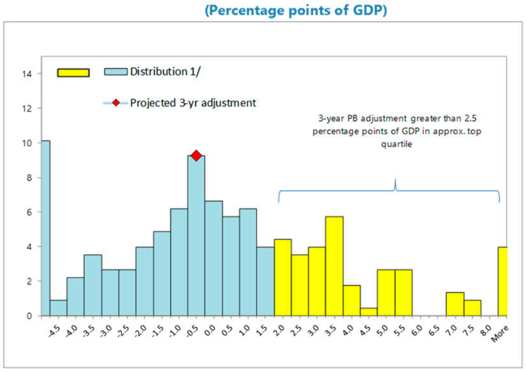
1/ Difference between anticipated and actual contributions on debt ratios.

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.

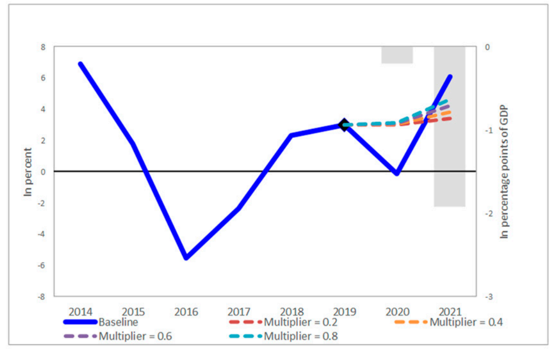
Figure 4. Chad: Realism Tools

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



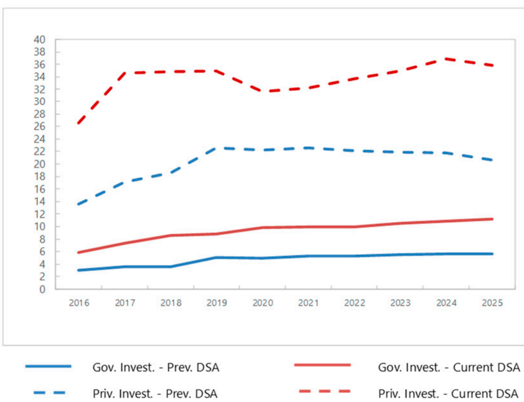
1/ Data cover Fund-supported programs for LICs (excluding emergency financing) approved since 1990. The size of 3-year adjustment from program inception is found on the horizontal axis; the percent of sample is found on the vertical axis.

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)

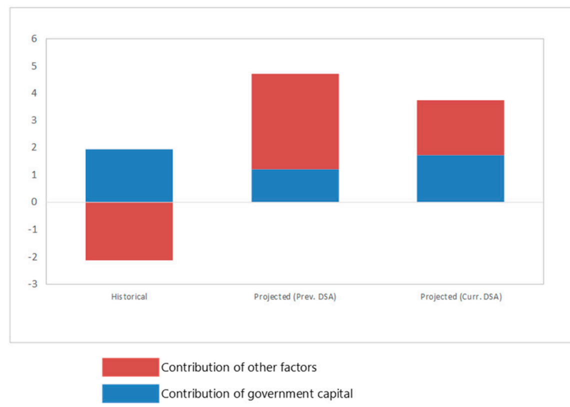
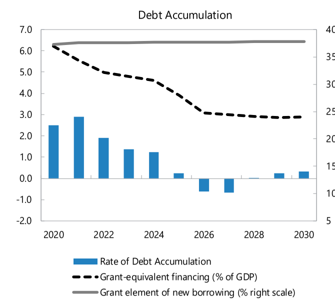


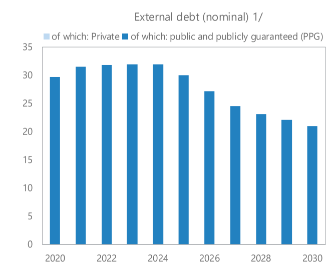
Table 2. Chad: External Debt Sustainability Framework, Baseline Scenario, 2009–2040

(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	27.0	25.1	25.1	24.4	29.7	31.5	31.9	32.0	31.9	30.0	21.0	9.2	24.4	27.7
of which: public and publicly guaranteed (PPG)	26.1	24.6	21.8	20.0	21.1	29.1	25.5	27.0	25.1	25.1	24.4	29.7	31.5	31.9	32.0	31.9	30.0	21.0	9.2	24.4	27.7
Change in external debt	...	-1.5	-2.8	-1.7	1.1	8.0	-3.7	1.5	-1.9	0.0	-0.7	5.3	1.7	0.4	0.1	-0.1	-1.8	-1.1	-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	8.6	4.1	1.9	2.3	1.6	0.5	0.4	4.2	3.5	1.7
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	12.6	9.8	7.2	7.4	6.7	5.4	1.7	4.9	7.0	5.3
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	9.6	20.4	16.5	13.9	13.5	12.7	11.6	7.4	9.4	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	25.7	28.8	30.4	31.0	31.3	31.2	29.7	17.3		
Imports	46.8	48.6	48.1	48.0	43.1	43.9	42.9	39.1	41.7	42.0	44.3	46.1	45.3	44.3	44.5	44.0	42.8	37.0	26.7		
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	-10.0	-8.8	-8.4	-7.8	-7.7	-7.4	-5.8	-4.4	-6.8	-7.4
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	-3.0	-2.1	-2.0	-1.9	-1.9	-1.8	-1.2	-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	2.2	2.1	1.7	1.7	1.7	1.2	0.1	0.0	2.1	1.1
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	-4.6	-4.6	-4.5	-4.4	-4.5	-4.1	-0.9	-0.6	-4.2	-3.1
Endogenous debt dynamics 2/	...	-3.2	-2.6	0.3	-0.3	-0.8	9.3	3.6	1.4	-1.5	0.9	0.6	-1.1	-0.8	-0.6	-0.6	-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	0.6	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	0.0	-1.6	-1.4	-1.2	-1.1	-1.1	-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	-1.6	1.0	...	...	...	...	...	...	...	...		
Residual 3/	...	-1.4	-1.1	-4.5	-3.1	5.8	-20.4	-8.4	-5.7	3.8	-1.5	-3.3	-2.3	-1.5	-2.2	-1.7	-2.3	-1.4	-4.7	-3.7	-2.0
of which: exceptional financing	...	0.0	0.0	0.0	0.0	-0.1	-0.8	-1.1	-1.0	-1.3	-1.6	-0.8	-0.4	-0.4	-0.3	-0.3	-0.3	-0.2	-0.1		
Sustainability indicators																					
PV of PPG external debt-to-GDP ratio	...	...	...	...	...	...	...	...	...	...	21.0	25.0	25.4	25.0	24.6	24.1	22.7	16.0	6.8		
PV of PPG external debt-to-exports ratio	...	...	...	...	...	...	...	...	...	...	60.6	97.1	88.1	82.3	79.2	76.9	72.7	53.8	39.3		
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	7.3	7.5	7.8	8.2	7.7	7.5	3.9	4.7		
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	14.5	17.9	18.3	18.0	18.2	17.5	7.0	4.9		
Gross external financing need (Million of U.S. dollars)	...	...	...	...	755.2	1114.1	1101.1	980.4	486.4	-25.0	137.5	1018.2	826.9	623.7	724.7	659.9	542.1	405.8	1972.9		
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	-0.1	6.1	4.9	4.0	3.8	3.8	3.0	3.2	3.4	3.7
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	-5.7	3.4	4.1	3.2	3.2	3.3	2.8	3.2	-1.2	2.4
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	2.4	2.1	2.1	1.9	1.8	1.2	1.0	1.0	3.1	1.9
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	23.0	15.2	9.5	8.2	6.9	2.6	1.9	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	-2.1	7.8	6.7	7.9	5.9	4.2	2.5	4.3	1.9	4.5
Grant element of new public sector borrowing (in percent)		...	...	...	...	...	...	...	...	...	...	37.2	37.6	37.6	37.6	37.6	37.7	37.8	37.8	...	37.6
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	13.0	12.1	13.0	14.1	13.3	13.3	16.5	16.8	15.3	14.1
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	861.9	929.4	880.5	886.5	902.8	749.4	708.6	920.4		
Grant-equivalent financing (in percent of GDP) 6/	...	...	...	...	...	...	...	...	...	...	...	6.2	5.5	5.0	4.8	4.6	3.9	2.9	2.1	...	4.1
Grant-equivalent financing (in percent of external financing) 6/	...	...	...	...	...	...	...	...	...	...	...	64.4	60.2	62.6	64.4	65.5	73.2	80.9	80.9	...	72.5
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	10,300	11,302	12,340	13,244	14,194	15,217	21,065	38,074		
Nominal dollar GDP growth	...	14.9	13.8	1.9	4.7	7.8	-21.8	-6.8	-1.2	9.5	-0.9	-5.8	9.7	9.2	7.3	7.2	7.2	5.9	6.4	2.2	6.2
Memorandum items:																					
PV of external debt 7/	...	...	...	...	...	...	...	...	...	...	21.0	25.0	25.4	25.0	24.6	24.1	22.7	16.0	6.8		
In percent of exports	...	...	...	...	...	...	...	...	...	...	60.6	97.1	88.1	82.3	79.2	76.9	72.7	53.8	39.3		
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	7.3	7.5	7.8	8.2	7.7	7.5	3.9	4.7		
PV of PPG external debt (in Million of US dollars)											2296.2	2570.1	2868.2	3085.2	3253.1	3418.0	3452.4	3363.9	2595.4		
(PVt-PVt-1)/GDPt-1 (in percent)												2.5	2.9	1.9	1.4	1.2	0.2	0.3	0.0		
Non-interest current account deficit that stabilizes debt ratio	...	9.8	8.3	8.8	7.4	0.2	16.3	7.2	8.0	0.7	4.9	7.3	8.0	6.8	7.3	6.8	7.2	2.8	5.5		

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.

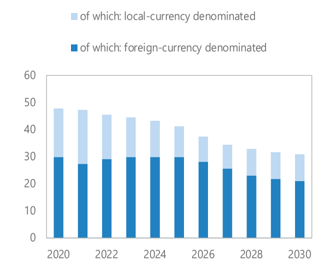
Table 3. Chad: Public Sector Debt Sustainability Framework, Baseline Scenario, 2017–2040

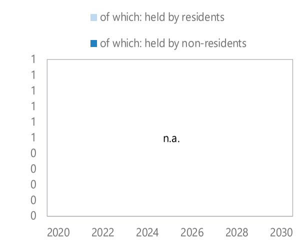
(In percent of GDP, unless otherwise indicated)

	Actual			Projections								Average 6/	
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030	2040	Historical	Projections
Public sector debt 1/	49.8	48.4	44.2	47.6	47.3	45.5	44.3	43.2	41.0	30.9	24.6	39.2	39.6
of which: external debt	25.1	25.1	24.4	29.7	31.5	31.9	32.0	31.9	30.0	21.0	9.2	24.4	27.7
Change in public sector debt	-1.7	-1.4	-4.2	3.5	-0.4	-1.8	-1.2	-1.1	-2.1	-0.8	-1.5		
Identified debt-creating flows	-3.1	-3.8	-1.7	2.7	-1.6	-3.3	-4.0	-3.1	-3.6	-4.6	-2.3	0.2	-3.2
Primary deficit	-1.3	-3.0	-0.8	-0.2	1.5	-0.2	-1.7	-0.9	-1.2	-3.3	-1.4	0.2	-1.5
Revenue and grants	14.6	15.3	14.2	17.2	15.4	16.2	17.3	16.5	16.4	19.0	18.5	17.8	17.1
of which: grants	4.0	3.3	1.7	4.2	3.3	3.2	3.2	3.1	3.0	2.5	1.8		
Primary (noninterest) expenditure	13.3	12.3	13.4	17.0	16.9	16.0	15.6	15.6	15.1	15.7	17.2	18.1	15.6
Automatic debt dynamics	0.0	-0.2	-0.4	3.3	-2.8	-2.7	-2.0	-1.8	-2.0	-1.1	-0.8		
Contribution from interest rate/growth differential	2.4	-1.2	-1.0	2.0	-2.4	-2.2	-1.6	-1.5	-1.6	-0.9	-0.7		
of which: contribution from average real interest rate	1.2	-0.1	0.3	1.9	0.3	0.0	0.1	0.1	0.0	0.0	0.1		
of which: contribution from real GDP growth	1.3	-1.1	-1.4	0.1	-2.7	-2.2	-1.7	-1.6	-1.6	-0.9	-0.8		
Contribution from real exchange rate depreciation	-2.4	1.0	0.6	...	...	...	...	...	...	...	...		
Other identified debt-creating flows	-1.8	-0.6	-0.4	-0.4	-0.4	-0.4	-0.3	-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 recapitalization)	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	-0.3	-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	1.4	2.4	-2.5	2.1	0.9	1.0	2.4	1.6	1.0	3.6	0.7	1.6	1.8
Sustainability indicators													
PV of public debt-to-GDP ratio 2/	...	...	40.9	42.7	41.1	38.6	36.9	35.4	33.7	25.8	22.2		
PV of public debt-to-revenue and grants ratio	...	...	287.0	248.5	266.9	238.4	212.7	214.9	205.7	136.1	119.6		
Debt service-to-revenue and grants ratio 3/	46.5	18.3	30.3	58.0	54.1	51.5	47.7	52.9	48.1	39.6	75.2		
Gross financing need 4/	4.1	-1.3	3.5	10.1	10.4	9.2	8.1	9.0	7.4	4.3	12.6		
Key macroeconomic and fiscal assumptions													
Real GDP growth (in percent)	-2.4	2.3	3.0	-0.1	6.1	4.9	4.0	3.8	3.8	3.0	3.2	3.4	3.7
Average nominal interest rate on external debt (in percent)	4.0	2.7	2.7	2.4	2.1	2.1	1.9	1.8	1.3	1.0	1.0	3.2	1.9
Average real interest rate on domestic debt (in percent)	2.3	-0.5	0.5	7.6	1.2	-0.1	0.8	1.1	1.3	1.8	1.3	1.1	1.8
Real exchange rate depreciation (in percent, + indicates depreciation)	-8.5	4.1	2.6	...	...	...	...	...	...	...	...	4.3	...
Inflation rate (GDP deflator, in percent)	-0.8	2.3	1.5	-5.2	2.4	3.6	3.0	3.0	3.1	2.8	3.2	0.7	2.2
Growth of real primary spending (deflated by GDP deflator, in percent)	5.0	-5.7	12.8	26.5	5.7	-1.0	1.7	3.3	0.9	6.1	4.5	-1.2	5.4
Primary deficit that stabilizes the debt-to-GDP ratio 5/	0.4	-1.6	3.4	-3.7	1.9	1.5	-0.5	0.2	0.9	-2.5	0.1	0.7	-0.3
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 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.

3/ Debt service is defined as the sum of interest and amortization of medium and long-term, and short-term debt.

4/ 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.

5/ 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.

6/ 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 4. 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	25.0	25.4	25.0	24.6	24.1	22.7	20.6	18.7	17.5	16.6	16.0
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2019-2039 2/	25.0	25.6	26.9	27.4	28.3	28.9	29.9	**30.1**	**31.2**	**32.6**	**34.1**
B. Bound Tests											
B1. Real GDP growth	25.0	28.9	**31.8**	**31.2**	**30.6**	28.9	26.2	23.7	22.2	21.1	20.3
B2. Primary balance	25.0	26.0	26.2	25.2	23.9	21.8	19.3	17.1	15.7	14.6	13.8
B3. Exports	25.0	**32.5**	**43.2**	**42.3**	**41.4**	**39.5**	**36.9**	**34.5**	**32.5**	**30.0**	28.1
B4. Other flows 3/	25.0	28.6	**31.1**	**30.5**	29.8	28.3	26.0	24.0	22.5	21.0	20.0
B6. One-time 30 percent nominal depreciation	25.0	**31.8**	27.4	27.0	26.5	24.8	22.3	19.9	18.5	17.8	17.3
B6. Combination of B1-B5	25.0	**37.6**	**40.1**	**39.3**	**38.5**	**36.5**	**33.7**	**31.2**	28.9	27.0	25.5
C. Tailored Tests											
C1. Combined contingent liabilities	25.0	25.0	23.9	22.5	21.1	19.0	16.6	14.4	13.1	12.1	11.3
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	25.0	**31.2**	**36.1**	**35.6**	**34.7**	**32.7**	29.9	27.2	25.0	22.7	20.9
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	97.1	88.1	82.3	79.2	76.9	72.7	63.5	59.2	56.3	54.1	53.8
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2019-2039 2/	97.1	88.9	88.4	88.5	90.5	92.6	92.1	95.7	100.5	106.3	115.0
B. Bound Tests											
B1. Real GDP growth	97.1	88.1	82.3	79.2	76.9	72.7	63.5	59.2	56.3	54.1	53.8
B2. Primary balance	97.1	90.3	86.3	81.3	76.4	70.0	59.6	54.3	50.6	47.7	46.6
B3. Exports	97.1	**163.1**	**281.3**	**269.7**	**261.3**	**250.1**	**224.6**	**216.3**	**206.6**	**193.8**	**187.2**
B4. Other flows 3/	97.1	99.5	102.2	98.2	95.3	90.6	80.3	76.1	72.3	68.7	67.2
B6. One-time 30 percent nominal depreciation	97.1	88.1	71.9	69.3	67.4	63.4	54.7	50.4	47.6	46.2	46.5
B6. Combination of B1-B5	97.1	**151.5**	108.0	**170.5**	**165.4**	**157.5**	140.0	133.2	125.4	118.7	115.8
C. Tailored Tests											
C1. Combined contingent liabilities	97.1	86.8	78.7	72.5	67.5	61.0	51.1	45.8	42.1	39.4	38.2
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	97.1	**151.0**	**152.9**	138.9	127.4	114.7	96.2	90.1	83.8	77.3	73.4
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	7.3	7.5	7.8	8.2	7.7	7.5	7.2	7.1	4.9	4.1	3.9
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2019-2039 2/	7.3	8.1	8.9	9.8	9.7	9.8	9.9	**10.4**	7.0	6.2	6.1
B. Bound Tests											
B1. Real GDP growth	7.3	7.5	7.8	8.2	7.7	7.5	7.2	7.1	4.9	4.1	3.9
B2. Primary balance	7.3	7.5	7.8	8.2	7.8	7.4	7.1	7.0	4.9	4.2	3.9
B3. Exports	7.3	**11.3**	**17.1**	**18.8**	**17.7**	**17.1**	**16.3**	**16.2**	**14.2**	**17.3**	**16.6**
B4. Other flows 3/	7.3	7.5	8.0	8.5	8.0	7.7	7.4	7.4	5.8	5.7	5.4
B6. One-time 30 percent nominal depreciation	7.3	7.5	7.8	8.1	7.6	7.3	7.0	7.0	4.7	3.3	3.1
B6. Combination of B1-B5	7.3	10.0	**13.5**	**14.1**	**13.3**	**12.8**	**12.3**	**12.2**	**11.2**	**10.1**	9.6
C. Tailored Tests											
C1. Combined contingent liabilities	7.3	7.5	7.8	8.1	7.6	7.3	7.0	7.0	4.7	3.9	3.7
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	7.3	**10.7**	**10.8**	**11.1**	**10.0**	9.3	8.5	8.4	7.1	7.4	7.0
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	**10**	**10**	**10**	**10**	**10**	**10**	**10**	**10**	**10**	**10**	**10**
Debt service-to-revenue ratio											
Baseline	**14.5**	**17.9**	**18.3**	**18.0**	**18.2**	**17.5**	**16.3**	**15.1**	10.2	7.9	7.0
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2019-2039 2/	**14.5**	**19.3**	**20.8**	**21.5**	**22.7**	**22.9**	**22.5**	**22.1**	**14.7**	11.9	10.9
B. Bound Tests											
B1. Real GDP growth	**14.5**	**20.4**	**23.2**	**22.9**	**23.1**	**22.2**	**20.7**	**19.2**	13.0	10.0	8.9
B2. Primary balance	**14.5**	**17.9**	**18.3**	**18.1**	**18.2**	**17.4**	**16.1**	**14.8**	10.2	8.1	7.0
B3. Exports	**14.5**	**18.6**	**20.2**	**20.9**	**21.1**	**20.2**	**18.7**	**17.4**	**15.1**	**16.8**	**15.2**
B4. Other flows 3/	**14.5**	**17.9**	**18.6**	**18.6**	**18.8**	**18.1**	**16.8**	**15.6**	12.2	10.9	9.8
B6. One-time 30 percent nominal depreciation	**14.5**	**22.5**	**22.9**	**22.1**	**22.4**	**21.6**	**20.1**	**18.7**	12.5	7.9	7.0
B6. Combination of B1-B5	**14.5**	**20.5**	**23.3**	**22.9**	**23.2**	**22.3**	**20.7**	**19.2**	**17.5**	**14.3**	12.9
C. Tailored Tests											
C1. Combined contingent liabilities	**14.5**	**17.9**	**18.2**	**17.8**	**17.9**	**17.1**	**15.9**	**14.7**	9.8	7.5	6.7
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	**14.5**	**23.4**	**24.6**	**24.7**	**24.1**	**22.0**	**19.3**	**17.1**	**14.3**	13.6	12.0
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 5. Chad: Sensitivity Analysis for Key Indicators of Public Debt, 2020–2030/1

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
PV of Debt-to-GDP Ratio											
Baseline	**42.7**	**41.1**	**38.6**	**36.9**	**35.4**	33.7	30.9	28.5	27.1	26.2	25.8
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2019-2039 2/	**43**	**42**	**42**	**44**	**44**	**45**	**44**	**45**	**46**	**49**	**52**
B. Bound Tests											
B1. Real GDP growth	**43**	**62**	**68**	**69**	**69**	**69**	**67**	**66**	**66**	**67**	**69**
B2. Primary balance	**43**	**44**	**43**	**41**	**40**	**38**	**35**	33	31	30	30
B3. Exports	**43**	**47**	**54**	**52**	**50**	**48**	**45**	**42**	**40**	**38**	**36**
B4. Other flows 3/	**43**	**44**	**45**	**43**	**41**	**39**	**36**	34	32	31	30
B6. One-time 30 percent nominal depreciation	**43**	**62**	**58**	**55**	**52**	**49**	**45**	**42**	**40**	**38**	**36**
B6. Combination of B1-B5	**43**	**43**	**43**	**42**	**42**	**41**	**39**	**37**	**36**	35	34
C. Tailored Tests											
C1. Combined contingent liabilities	**43**	**63**	**59**	**57**	**54**	**52**	**48**	**44**	**42**	**40**	**39**
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**	**57**	**60**	**65**	**69**	**70**	**70**	**69**	**69**	**69**	**71**
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	248.5	266.9	238.4	212.7	214.9	205.7	182.1	163.2	156.4	141.6	136.1
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2019-2039 2/	248	272	258	246	261	263	252	246	254	252	260
B. Bound Tests											
B1. Real GDP growth	248	390	400	378	399	401	380	364	368	350	350
B2. Primary balance	248	284	266	239	243	234	209	189	181	163	156
B3. Exports	248	305	335	300	305	294	265	242	231	204	191
B4. Other flows 3/	248	288	276	247	250	240	214	194	185	166	157
B6. One-time 30 percent nominal depreciation	248	411	361	322	323	306	271	243	231	206	194
B6. Combination of B1-B5	248	280	264	241	254	251	230	210	204	187	180
C. Tailored Tests											
C1. Combined contingent liabilities	248	410	366	327	330	315	281	253	241	216	204
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	248	448	441	437	464	457	419	386	390	369	368
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	58.0	54.1	51.5	47.7	52.9	48.1	48.4	46.0	42.5	39.3	39.6
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2019-2039 2/	58	56	50	52	59	55	57	55	55	55	59
B. Bound Tests											
B1. Real GDP growth	58	59	63	61	68	63	66	65	62	59	61
B2. Primary balance	58	54	55	51	50	44	45	44	41	38	39
B3. Exports	58	54	52	49	54	49	50	47	46	46	46
B4. Other flows 3/	58	54	52	48	53	49	49	46	44	42	42
B6. One-time 30 percent nominal depreciation	58	53	54	47	55	50	50	47	42	38	37
B6. Combination of B1-B5	58	54	54	50	55	50	51	49	45	42	43
C. Tailored Tests											
C1. Combined contingent liabilities	58	54	49	44	47	43	44	43	40	38	38
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	58	66	64	60	77	72	70	64	61	58	60
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, Executive Director for Chad and Mr. Bangrim Kibassim, Advisor to the Executive Director
April 14, 2020

1. On behalf of the Chadian authorities, we would like to express our appreciation to the Executive Board, Management and Staff for their continued support to Chad in the context the 2017-2020 ECF Arrangement. This program has contributed to the country's recent economic recovery and progress towards macroeconomic stability and stronger external buffers. However, the COVID-19 pandemic, the drop-in oil prices and the deterioration in security are hitting Chad hard. The country's outlook has weakened significantly and large balance of payments and fiscal needs to address the health, social and economic consequences of the triple shock have emerged. To meet those urgent needs, the Chadian authorities are requesting Fund assistance under the "exogeneous shocks window" of the Rapid Credit Facility (RCF).

DEVELOPMENTS AND OUTLOOK PRIOR TO THE SHOCKS

2. In response to the 2014 oil price collapse, the authorities have been implementing an adjustment and reform program, supported by the Fund under the ECF since 2017. The performance of the program has been broadly satisfactory, with a recovery in the non-oil sector, a stabilized external debt, a narrowing current account deficit and improved fiscal outcomes. In addition, the reform agenda is advancing well albeit with some delays. The program was on track towards a satisfactory completion of the sixth and final review of the arrangement before it expires in June 2020. Given the disruptions caused by the pandemic, the authorities are requesting an extension of the ECF arrangement and a rephasing of access to allow more time to complete the last review.

3. Program implementation was taking place amid a fragile social situation and difficult security conditions. Increasingly and regularly, various social groups planned or went on strikes to seek a reversal of adjustment measures. In addition, while the fight against terrorist entities had progressed, with notably the destruction of several bases in the Lake Chad, skirmishes with armed groups had resumed in one province where the state of emergency was recently lifted.

4. Notwithstanding the challenging social and security environment, the near-term outlook was deemed favorable in December 2019. Oil production and non-oil output were projected to increase, and inflation to remain below 3 percent. The non-oil fiscal primary balance and public debt were expected to improve with the pursuit of fiscal consolidation. The external position was likely to strengthen also.

IMPACT OF THE PANDEMIC AND OIL PRICE SHOCKS AND POLICY RESPONSES

5. As of April 8, 2020, 10 confirmed cases of COVID-19 have been registered, including 2 recovery cases. To contain the pandemic crisis, the authorities have launched on March 17, 2020 a CFAF 15 billion contingency plan under the supervision of an inter-ministerial committee and aimed at ensuring control of the disease and limiting its spread. It entails restrictions on public gathering, including in transport, markets and public institutions, a partial curfew on the national territory and hygiene measures. Although the authorities' response was elaborated in collaboration with the World Health Organization and supported by development partners, it faces capacity constraints and requires addressing the significant shortcomings in the health sector. The authorities recognize the daunting challenge of bringing the health system up to speed in order to meet adequately the expected surge in demand for health-related services linked to COVID-19. They are grateful to donors for the assistance already provided in this regard and look forward to additional support to meet the higher healthcare needs.

6. The combined economic impact of the three shocks have worsened Chad's outlook. The depressed global demand, the disruption of international trade and the containment measures are negatively impacting the economic activity. Overall growth projection for 2020 has been revised downwards to -0.1 percent against an expansion of 3.0 percent last year. Lower economic activity will translate into lower tax and customs revenues, which together with higher health-related expenditures will result in a significant financing needs estimated at 3.9 percent of GDP and an increase of public debt from 44.4 percent of GDP in 2019 to 47.9 percent in 2020. In addition, a doubling of the current account deficit to 13.2 percent of GDP in 2020 is expected.

7. The authorities have taken measures to alleviate the consequences of the shocks on the population and the economy. On the fiscal front, the policy will be relaxed to accommodate the costs of higher health spending and measures to support businesses and the most vulnerable population through these turbulent times. The measures already adopted include the suspension of utilities payments for six months and tax incentives to support the private sector. The implementation of the recently adopted arrears clearance strategy will be accelerated and actions will target specific segments of the population including retirees, military, youth and women.

8. As regard monetary and macro-financial policies, the regional central bank BEAC has announced several measures to ease liquidity pressures, including the suspension of liquidity absorption operations, monetary policy easing with a reduction of the policy rates and higher liquidity provision with an expansion of the set of instruments accepted as collateral for central bank refinancing. The regional supervisory body COBAC will closely monitor the impact of the shocks on the portfolio quality and profitability of financial institutions in CEMAC as compliance with prudential regulations is expected to

deteriorate owing to weaker borrowers' repayment capacity. COBAC has already issued recommendations to financial institutions on prudent and transparent loan restructuring to preserve financial stability.

REQUEST FOR FINANCING UNDER THE RCF

9. The triple shock of the COVID-19 pandemic, lower oil prices and heightened security threats are putting significant pressures on Chad's public finances and external position. While the authorities remain strongly committed to the economic and financial policies agreed under the ECF arrangement aimed to restore macroeconomic stability and achieve a robust and inclusive growth, their immediate priority is to contain the spread of the coronavirus disease and limit its effect on the economy, notably the most vulnerable population.

10. To meet the immediate needs, the authorities are requesting emergency financing under the RCF in the amount of SDR 84.12 million, representing 60 percent of Chad's quotas, to cover about 30 percent of BOP needs and the funding requirements generated by the three shocks. They are actively seeking additional support from other donors, which they believe the approval of the RCF request will help secure. They have also requested access to resources under the Catastrophe Containment and Relief Trust (CCRT) to alleviate the debt service burden. Chad's public debt is sustainable and its capacity to repay is adequate. The authorities also recognize that the magnitude, impact and duration of the pandemic is highly uncertain and hence additional Fund emergency financing might be needed in the future.

CONCLUSION

11. The Chadian authorities wish to reiterate their gratitude to Executive Directors, Management and Staff for their helpful recommendations and policy advice. Going forward, they reaffirm their strong commitment to the objectives of the current Fund-supported program and to achieve its satisfactory completion. Considering all of the above, the authorities will appreciate Executive Directors' support of their requests for the extension of the ECF arrangement from June 29, 2020 to September 30, 2020, a rephasing of access and a disbursement under the Rapid Credit Facility (RCF).