INTERNATIONAL MONETARY FUND

IMF Country Report No. 24/335

CHAD

December 2024

2024 ARTICLE IV CONSULTATION—PRESS RELEASE; STAFF REPORT; AND STATEMENT BY THE EXECUTIVE DIRECTOR FOR CHAD

Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. In the context of the 2024 Article IV consultation with Chad, the following documents have been released and are included in this package:

- A **Press Release** summarizing the views of the Executive Board as expressed during its December 6, 2024, consideration of the staff report that concluded the Article IV consultation with Chad.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on December 6, 2024, following discussions that ended on October 25, 2024, with the officials of Chad on economic developments and policies. Based on information available at the time of these discussions, the staff report was completed on November 21, 2024.
- A **Debt Sustainability Analysis** prepared by the staffs of the IMF and the World Bank.
- An **Informational Annex** prepared by the IMF staff.
- A **Statement by the Executive Director** for Chad.

The document listed below has been or will be separately released.

*Selected Issues

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

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International Monetary Fund
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PRESS RELEASE

PR 24/457

IMF Executive Board Concludes 2024 Article IV Consultation with Chad

FOR IMMEDIATE RELEASE

Washington, DC – December 9, 2024: The Executive Board of the International Monetary Fund (IMF) concluded the Article IV consultation with Chad.[1]

Chad's post-pandemic recovery picked up steam in 2023 with growth increasing to 4.9 percent. Non-oil activity expanded by 4.5 percent, driven by a rebound in agricultural production and a substantial increase in public investment. Oil GDP grew by 7.6 percent as closed oil fields were brought back on-stream. After declining in 2023 (to 4.2 percent from 8.3 percent at end-2022), y-o-y inflation increased to 8.7 percent at end-August 2024, reflecting a readjustment of fuel oil prices and a rebound in food prices. The external current account balance returned to a deficit of 0.7 percent of GDP in 2023, as oil prices receded and an increase in public investment boosted imports.

After increasing substantially in 2023 (to 11.9 percent of non-oil GDP), the non-oil primary deficit moderated to 4.2 percent of non-oil GDP during the first seven months of 2024, reflecting a reduction in the use of emergency spending procedures, expenditure restraint, and financing constraints. Total public debt fell to 34.2 percent of GDP in 2023 as persistently high oil prices boosted government revenue. The procyclical fiscal stance in 2023 and the first few months of 2023 led to a depletion of liquidity buffers, with government deposits falling from 3.4 percent of GDP at end-2022 to 1.1 percent at end-July 2024.

Economic growth is projected to decline to 3.1 percent in 2024 on account of the impact of the recent floods and a slight decline in oil production but would rebound in the medium term owing to sustained public investment and structural reforms. Inflation is expected to remain temporarily elevated in 2024 and to gradually converge towards the BEAC target of 3 percent over the medium-term as food and fuel prices moderate. Further fiscal consolidation efforts focused on mobilizing non-oil revenue and streamlining non-priority spending would contribute to a reduction in the non-oil primary deficit to 8 percent of non-oil GDP in 2024, 7.2 percent in 2025, and 5 percent over the medium term. Public debt is projected to stabilize at around 32 percent of GDP while net debt would gradually decline to 27½ percent of GDP by 2029, reflecting the gradual build-up of fiscal reserves of 5 percent of GDP. Risks to the outlook are substantial and tilted to the downside and include potential delays in implementing fiscal consolidation measures, a larger-than-expected decline in oil prices, an increase in the influx of Sudanese refugees, and a further increase in the frequency and severity of climate change-related events.

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[1] Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. A staff team visits the country, collects economic and financial information, and discusses with officials the country's economic developments and policies. On return to headquarters, the staff prepares a report, which forms the basis for discussion by the Executive Board.

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Washington, DC 20431
USA

Executive Board Assessment[2]

Executive Directors agreed with the thrust of the staff appraisal. They noted the negative impact of recent severe shocks—including historical floods and the continuous inflows of refugees from Sudan—on Chad's economic growth and on an already difficult food security situation. Against this background, they welcomed the authorities' reengagement with the Fund and their commitment to promoting economic and social development, notably by broadening access to public services, strengthening governance, and improving the business environment. Directors encouraged the authorities to work with the IMF and other development partners to finalize their new national development plan (PND) and articulate the macroeconomic policies and reforms to reach these objectives.

Directors stressed that a prudent and sustainable fiscal policy—aimed at creating the necessary fiscal space for social and investment spending—should be a key component of the PND. They stressed the importance of anchoring the fiscal stance on a net debt target and a buildup of fiscal buffers, which would also increase resilience to shocks. Directors encouraged the authorities to accelerate structural reforms to digitalize tax administration, strengthen public finance and investment management, and improve SOE management.

Directors called for intensified efforts to strengthen the financial sector. They emphasized the importance of accelerating the adoption and implementation of restructuring plans to improve the operational and financial performance of the two systemic public banks and provide for their recapitalization.

Directors agreed on the importance of diversifying the economy to reduce reliance on the oil sector, and underscored that reforms to strengthen the business environment, enhance governance, and reduce gender gaps are essential to achieving a sustained and inclusive growth over the medium term. To strengthen the business environment, they encouraged the authorities to implement governance and anti-corruption frameworks, together with measures to improve education, increase access to basic infrastructure, and promote formalization and financial inclusion. Directors also underlined the importance of improving women's educational outcomes and increasing female labor force participation to boost growth and reduce poverty.

Directors noted that the increasing frequency of climate related shocks underlined the importance of advancing Chad's adaptation strategy. They stressed the need to integrate climate change into the PND to enhance public investment management capacity and to reactivate the High Interministerial Committee for the Environment to strengthen policy coordination and facilitate access to international climate funding.

Directors emphasized that improvements in the quality and timely provision of economic statistics are necessary to better inform surveillance and economic analysis. They welcomed the capacity development strategy and called for close alignment of delivery planning with demand from the authorities and continued coordination with other technical assistance providers.

[2] At the conclusion of the discussion, the Managing Director, as Chairman of the Board, summarizes the views of Executive Directors, and this summary is transmitted to the country's authorities. An explanation of any qualifiers used in summing ups can be found here: http://www.IMF.org/external/np/sec/misc/qualifiers.htm .

Chad. Selected Economic Indicators, 2023-25

Population (millions, 2023):	18.3	Quota (millions of SDRs):	140.2
GDP per Capita ($USD, 2023):	1051	Quota (Percent of Total):	0.03
Main Products and Exports:	Crude Oil; Livestock	Poverty Rate (Percent, 2022):	38.7
Key Export Markets:	USA; Nigeria		

	2023	2024	2025
	Prel.	Proj.	Proj.
Output (annual percentage change)			
GDP at constant prices	4.8	3.2	3.4
Oil GDP	7.6	-0.5	-1.4
Non-oil GDP	4.5	3.7	4.2
Prices (annual percentage change)			
Consumer price index (period average)	4.1	8.7	4.4
General Government Finance (percent of non-oil GDP)			
Revenue and grants	18.6	20.2	19.6
Expenditure	20.4	20.4	20.7
Overall fiscal balance (commitment)	-1.8	-0.1	-1.1
Non-oil primary balance (commitment basis)	-11.2	-7.5	-6.8
Total debt (percent of GDP)	30.3	29.5	29.5
Money and credit (annual percentage change)			
Credit to the economy	11.0	9.0	9.5
Broad money	14.6	10.3	10.8

External sector (percent of GDP)			
Current account balance, including official transfers	-0.7	-1.3	-4.2
External debt	16.1	15.8	17.0

Sources: Chadian authorities and IMF staff estimates and projections.

INTERNATIONAL MONETARY FUND

CHAD

STAFF REPORT FOR THE 2024 ARTICLE IV CONSULTATION

November 21, 2024

KEY ISSUES

Context. Chad is a fragile state facing daunting development challenges. One of the least developed countries in the world, it has been affected by severe shocks, including floods, the continuous arrival of refugees from Sudan, security threats, and food insecurity. With the end of the political transition period, the authorities committed to tackle these challenges, including through broadening access to public services, strengthening governance, and improving the business environment. The preparation of their national development plan (PND) will be an opportunity to articulate the macroeconomic policies and reforms that they intend to implement over the medium term to reach these objectives.

Key policy recommendations:

- **Fiscal policy.** Fiscal policy should aim at creating the fiscal space necessary for social and investment spending while rebuilding buffers and be anchored by a resilient medium-term fiscal framework. This will require an acceleration of reforms to boost non-oil revenues, streamline non-priority spending, and strengthen public financial management. The new legal framework for SOEs needs to be implemented promptly.

- **Financial sector.** Restructuring plans aimed at improving the operational and financial performance of the two systemic public banks while providing for their recapitalization need to be adopted and implemented expeditiously.

- **Climate change.** The increased frequency of climate-related shocks underlines Chad's vulnerability to climate change and the importance of advancing an adaptation strategy. The reactivation of the High Interministerial Committee for the Environment will help strengthen policy coordination and facilitate access to climate funding.

- **Gender.** Improving women's educational outcomes and increasing female participation in the labor force, particularly in formal sectors, would help boost growth and reduce poverty.

- **Business environment and governance.** Strengthening governance and anti-corruption frameworks, together with measures to improve education, increase access to basic infrastructure, and promote formalization and financial inclusion, will be essential to create a favorable business environment.

- **Data issues.** Further improvements are necessary in the quality and timely provision of data to facilitate surveillance and economic analysis.

Approved By
Vitaliy Kramarenko (AFR) and Fabian Valencia (SPR)

Discussions took place in N'Djamena from October 3–15 and in Washington, DC from October 23-25, 2024. The staff team comprised Messrs. Martin (head), Mikhael, Retana De La Peza, Vardy and Ms. Ibrahim, (all AFR), Mr. Marsilli (SPR), Mmes. Cavalleri (FAD) and Ms. Viseth (Resident Representative), and Mr. Topeur (local Economist). Mr. Kramarenko (AFR) joined the mission from October 10–15, 2024, as did Mr. Kibassim (OED) from October 3–15, 2024. The mission met with the President, the Prime Minister, the Minister of State for Finance, Budget, Economy and Planning, and the Minister of Oil, Mines, and Geology, the national director of the regional central bank (BEAC), as well as senior government officials, representatives of the private and financial sectors, civil society, and technical and financial partners of Chad. Mmes. Lehmann and Delcambre provided research and editorial assistance for the preparation of this report.

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CONTEXT

1. **Since the 2019 Article IV consultation, the COVID-19 pandemic, oil price volatility, heightened insecurity, and climate-related shocks have durably impacted growth and inflation.** A drop in oil prices and production stemming from technical and labor challenges saw oil GDP growth average only 1.7 percent from 2020–23, in sharp contrast with the 9.9 percent projected under the 2019 Article IV. Average non-oil growth also underperformed expectations (1.4 vs 3.7 percent) as the COVID-19 pandemic shock and difficulties in agriculture caused non-oil activity to stagnate from 2020–22 before recovering in 2023. Averaging 3.4 percent over that period, inflation slightly exceeded expectations (3 percent), with significant volatility owing to COVID-19 supply chain issues, climate-related events, Russia's war in Ukraine, and the arrival of Sudanese refugees.

2. **Shocks, along with the need to finance the political transition and the authorities' procyclical fiscal policy**, **led to limited progress in reducing net debt** (Figure 1). The 2019 Article IV envisaged a gradual reduction in the non-oil primary deficit (NOPD), from 3.4 percent of non-oil GDP in 2019 to 2 percent in 2023.[1, 2] While non-oil revenue mobilization improved in line with expectations, spending through 2020–23 substantially exceeded expectations, with the NOPD in 2023 topping 2019 Article IV projections by 9.2 percent of non-oil GDP, driven by spending linked to shocks (notably floods in 2022, the Sudanese refugee crisis in 2023 and persistent food insecurity), as well as significant pre-election pressures during the political transition process. This, along with lower oil revenue stemming from the oil price drop during the COVID period, contributed to a large increase in net public debt[3], to 38.6 percent of GDP at end-2021 (while 23.7 percent had been projected under the 2019 Article IV). The sharp increase in oil revenue in 2022-23 led to a decline in net public debt to 29.4 percent of GDP at end-2023 (compared to a projection of 17.8 percent in 2019 Article IV projections). Overall, net debt declined by 7 percentage points of GDP from end-2019 to end-2023, about half of what was envisaged (13 percentage points) in 2019.

3. **The ECF arrangement approved in December 2021 lapsed on June 22, 2024, reflecting primarily fiscal slippages and delays in the implementation of structural reforms.** Only two reviews were completed under the program, both on December 22, 2022, shortly after an agreement was reached with donors on the restructuring of Chad's external debt. The authorities subsequently implemented a procyclical fiscal policy, with the increase in oil revenue financing a substantial increase in the non-oil primary deficit (NOPD), reflecting to a large extent the use of emergency spending procedures. Most of the structural reforms benchmarks were missed, with very limited progress in terms of governance, and energy sector, and banking sector reforms.

4. **The implementation of the 2019 Article IV's structural reform recommendations has also been limited** (Annex I)**.** Notable progress was made in strengthening tax administration and

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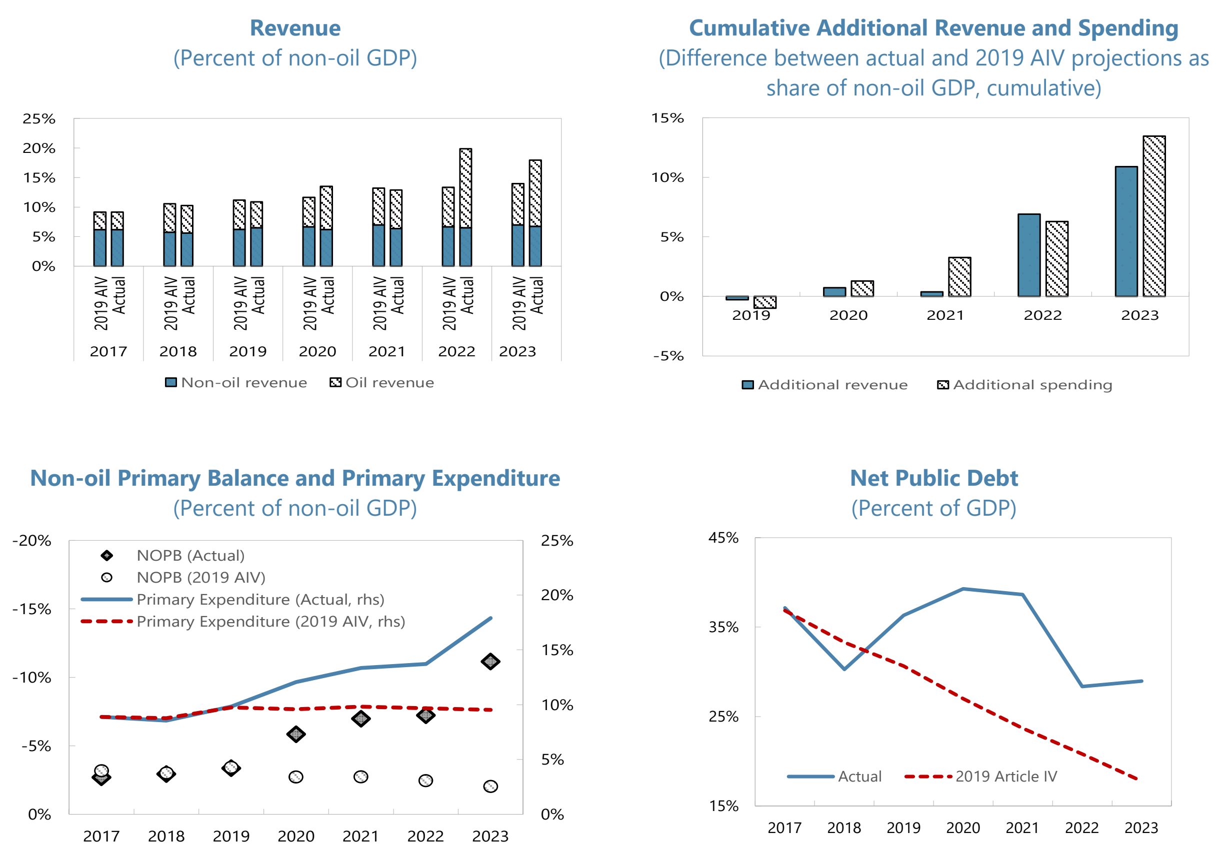
[1] Excluding in-kind subsidies to the SNE, which were not reported in the fiscal projections at that time.

[2] All ratios relative to GDP are estimated using rebased GDP data (with 2017 as the base year), while the staff report for the 2019 Article IV consultation relied on 2005-based GDP data.

[3] Calculated as the difference between gross public debt and government deposits.

improving corporate income tax collection, particularly through the adoption of digital solutions. In 2020, the legal framework for granting tax exemptions was tightened, allowing to lower the ratio of tax expenditures to tax revenues by 5 percentage points. Efforts to gradually reduce the stock of expenditure arrears were made; however, certain arrears were excluded from the clearance plan and new arrears also emerged due to financing constraints. Preliminary steps to establish a Treasury Single Account were taken, with the authorities now moving on to close the empty or inactive bank accounts identified through the census. On the expenditure side, limited progress in curtailing the use of emergency spending procedures (DAOs) and containing the wage bill—coupled with spending pressures from the shocks—contributed to persistent overspending, particularly during 2021–23. The economic and political shocks that hit the country made it difficult to advance key priorities, including economic diversification, inclusive growth, improvements in the business environment, and enhancements in governance and fiscal transparency. Despite the increase in overall spending, social spending did not increase in line with Fund recommendations as it fell from 31 percent of domestically financed primary spending in 2019 to 19 percent in 2023. The authorities also failed to reduce the exposure of the banking system to the government, which amounted to almost 40 percent of commercial banks' total assets at end-2023.

Text Figure 1. Chad: Fiscal Developments Relative to 2019 Article IV Projections, 2017–23



Source: IMF Staff calculations.

5. Overall, Chad remains a fragile state facing daunting development challenges (Annex II). By most metrics, it is one of the least developed countries in the world. Chad ranks 189th out of 193 countries in terms of Human Development Index (HDI), reflecting widespread poverty (with extreme poverty reaching 35.4 percent in 2023), limited access to education, electricity, and water, and poor health outcomes. The ongoing conflict in Sudan and resulting large influx of refugees, as well as the recent floods, have put pressure on limited state capacity and resources while adversely impacting growth and inflation.

6. With the political transition nearing its end, the new government has stated its intention to focus more on tackling these challenges.[4] Following his election in May, President Déby stated his intention to build a just and equitable society. The government formed after the election has been charged of ensuring broader access to electricity, water, education, and health, and it promptly took concrete steps to increase the mobilization of external project financing (essentially grants) and to update the National Development Plan (PND) to reflect these new priorities. Programs have since been launched to increase access to electricity and digital services and improve the quality of higher education.

RECENT ECONOMIC DEVELOPMENTS

7. Economic activity grew by 4.8 percent in 2023, reflecting an increase in oil production, and healthy growth in the non-oil sector, while inflation moderated as food price pressures eased. Non-oil activity increased by 4.5 percent, driven by a rebound in agricultural production and the impact of large public investments. Real oil GDP grew by 7.4 percent as Perenco and CNPC increased their production—especially Perenco, which brought back closed oil fields on-stream. After easing in 2023 (to 4.2 percent from 8.3 percent at end-2022), along with food prices, y-o-y inflation increased to 8.7 percent at end-August, reflecting a further readjustment of domestic oil prices and a rebound in food prices explained in part by the particularly long lean season.

8. After increasing substantially in 2023 (to 11.2 percent of non-oil GDP), the non-oil primary deficit moderated to 3.9 percent of non-oil GDP during the first seven months of 2024, reflecting a reduction in the use of emergency spending procedures (DAOs) and financing constraints. While non-oil revenues were in line with the budget law in 2023, they were slightly above projections at end-July 2024[5], owing primarily to higher-than-expected fuel excise revenues. Meanwhile, oil revenues were in line with projections during the first seven months of 2024. After exceeding budget law projections by 7.5 percent of non-oil GDP in 2023, domestically financed expenditures outpaced projections by a more modest 0.5 percent of non-oil GDP at end-July 2024, owing to a substantial reduction in the use of DAOs—from 55 percent of non-wage primary civilian spending in 2023 to 18 percent at end-July 2024—

[4] President Déby was elected after garnering 61 percent of the votes in the first round. Opposition leader. Succès Masra, who had been Prime Minister since January and finished second with 18.5 percent of the votes, appealed the results to the Constitutional Council but his appeal was rejected. Parliamentary and local elections are scheduled for December 29, 2024.

[5] End-July 2024 projections are based on the expected monthly execution of the 2024 budget law, assuming monthly spending follows historical patterns.

and financing constraints. Current spending slippages were notably lower (0.5 percent of non-oil GDP) than in 2023 (3.5 percent of non-oil GDP) and primarily reflected a persistently elevated wage bill. Domestically financed social spending was 0.6 percent of non-oil GDP below projections, mainly because of the under execution of investment in social sectors, as a result of delays in conducting competitive public procurement processes. In contrast, foreign-financed investment picked up in 2024, with disbursements reaching 1.1 percent of non-oil GDP during January-July, the same level as for 2023 as a whole, thanks to streamlined procurement procedures allowing the minister of finance to approve most projects, and improved coordination and execution following the merger of the ministries of finance and of economy.

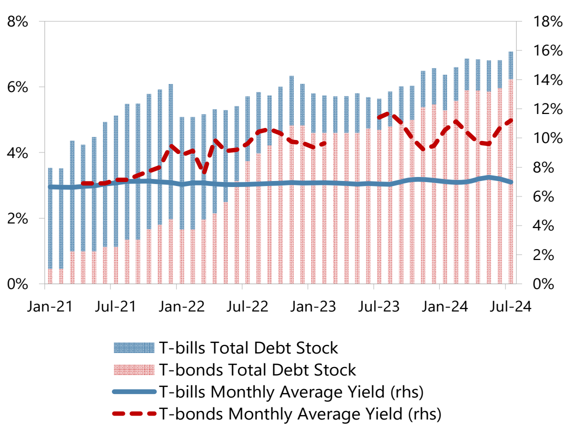
9. This deficit, and a continued reduction in public debt, were financed from persistently elevated oil revenue and a significant decline in government deposits. Total public debt fell from 31.5 percent of GDP in 2022 to 30.3 percent of GDP in 2023 owing to a 1.8 percent of GDP fall in external debt as persistently high oil prices boosted revenue and accelerated repayments to Chad's main external creditor. Domestic debt increased by ½ percent of GDP on account of an increased reliance on the domestic treasury securities market for financing. Meanwhile, government deposits fell from 3.1 percent of GDP at end-2022 to 1 percent at end-July 2024, as liquidity buffers were used to finance the budget despite elevated oil revenue and a US$150-million concessional budget support loan from the UAE in 2023.

10. With limited financing options, the authorities have increasingly relied on the regional market to finance the budget, despite rising yields and signs of market saturation. The stock of T-bills/bonds jumped from 5.1 percent of GDP in early 2022 to 7.1 percent of GDP in July 2024. The increase in the T-bills/bonds stock and the authorities' strategy to lengthen maturities to mitigate rollover risks have come at a significant cost, with the average spread between T-bills and T-bonds yields widening from 0.8 percent in 2021 to 3.4 percent in the first half of 2024, contributing to an increase in the average T-bonds yield from 8.8 to 10.5 percent. Reflecting large financing needs in several CEMAC countries, the regional market showed increasing signs of saturation, with low subscription rates for many auctions and an increased number of failed auctions, in the second half of 2023 and in 2024, leading to the emergence of signs of serious market distress in August. As demand from Chadian banks declined sharply, the government became increasingly reliant on Cameroonian banks, who have purchased virtually all the additional net issuance since 2022 and owned 56 percent of all outstanding Chadian paper as of February 2024. This weak demand resulted in a substantial rise in yields as well as in increased difficulties to roll over existing T-bills/bonds stocks.

11. The banking sector remains undercapitalized. At end-December 2023, the sector's capital adequacy ratio was negative (-1.4 percent), while NPLs amounted to 31.5 percent of total loans. At 135 percent, the ratio of liquid assets to short-term liabilities was, however, largely above the prudential minimum requirement of 100 percent. Large differences existed between private and public banks, with the former respecting most prudential rules while the latter did not. The two systemic public banks have now prepared new restructuring plans, with one having already been approved by COBAC and the second being amended to accommodate COBA's comments.

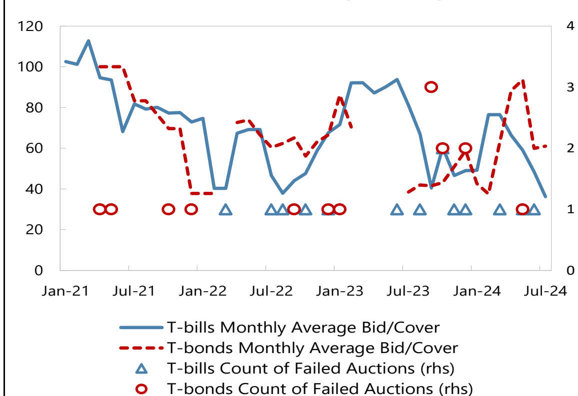
12. Structural fiscal reforms have continued to proceed slowly and unevenly across policy areas. Significant steps have been taken in the digitalization of tax administrations, such as: (i) the launch of a platform, e-tax, for the online declaration and payment of corporate taxes and the start of e-invoicing and e-reporting of VAT; (ii) the compulsory digital registration of procurement processes and property sales from 2023; (iii) the e-payment of custom taxes from 2024; and (iv) the operationalization of a data-sharing platform between the tax and customs administrations. The deployment and expansion of the IFMIS (SIGFiP) continues across the provinces and four laws regulating the governance and oversight of state companies, public establishments, and independent administrative authorities (SOES), prepared with IMF technical assistance (TA), were ratified in October 2024. Progress has also been made in recent months in controlling spending, as the use of DAOs has begun to decline following the adoption last November of a presidential decree aimed at limiting their use. However, progress has been slow in other areas. The wage bill has continued to expand over the years and governance weaknesses continue to limit the efficiency and transparency of the energy sector. Also, progress has been limited in addressing the public investment management weaknesses identified by the PIMA and C-PIMA assessment and in publishing central government procurement contracts, including information on awarded companies and beneficial owners.

Text Figure 2. Chad: T-bills and -Bonds Debt Stock and Yield
(Share of GDP stacked, 3-month moving average)



Source: BEAC and IMF staff calculations.

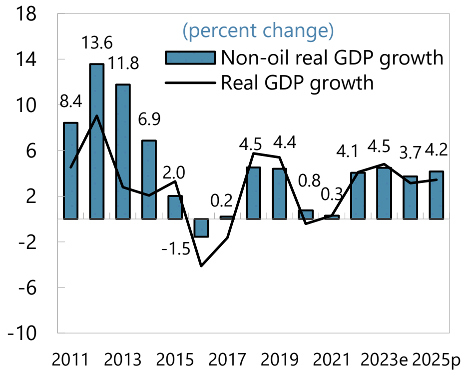
Text Figure 3. Chad: T-bills and -Bonds Coverage Ratio and Count of Failed Auctions
(3-month moving average)



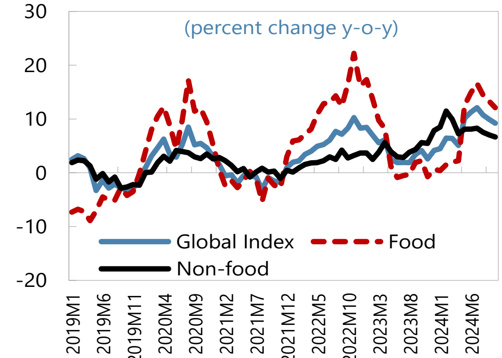
13. The external sector assessment indicates that Chad's position is moderately weaker than suggested by fundamentals and desirable policies (Annex IV). The current account balance returned to a deficit (of 0.7 percent of GDP) in 2023, as oil prices receded and an increase in public investment boosted imports. The nominal effective exchange rate has appreciated since mid-2022, largely reflecting dynamics of the euro—to which the CFA franc is pegged—against the dollar. The Fund's EBA-lite Current Account methodology quantitative assessment reveals an overvaluation of the real effective exchange rate by approximately 4 percent in 2023, although there is a considerable uncertainty surrounding external sector data.

Text Figure 4. Chad: Recent Economic Developments, 2011–25

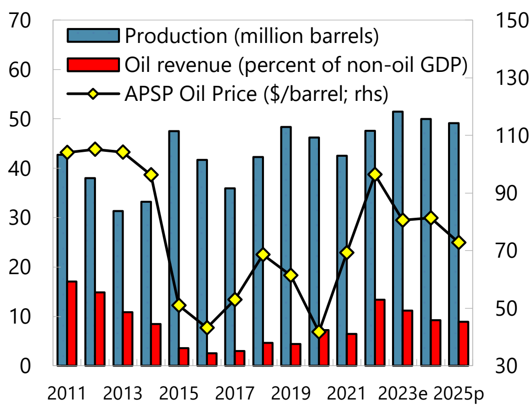
Non-oil GDP growth is expected to continue to recover after stagnating in 2020-22...



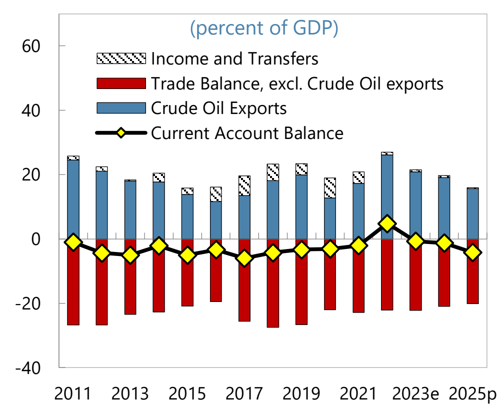
...while inflation rebounded in the first few months of 2024 on account of higher food prices and transportation costs.



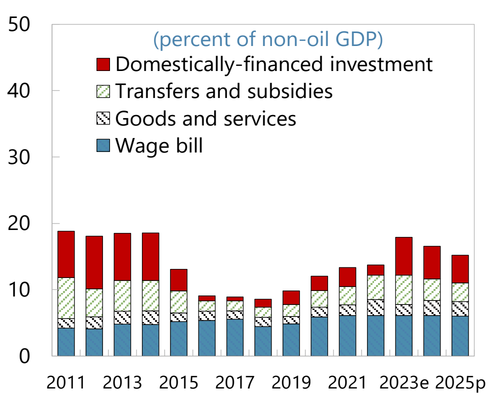
After continuing its recovery in 2023, oil production would stagnate in 2024 owing to delays in bringing new oil fields on online...



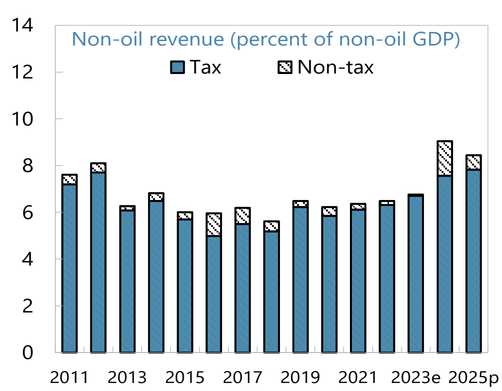
...and the current account is to turn negative – after a large surplus in 2023 – as oil exports fall and imports increase.



Weak fiscal discipline is likely to keep public spending elevated during 2024...



... keeping the non-oil primary deficit high despite steady progress in non-oil revenue mobilization.



Source: Chadian authorities and IMF staff calculations.

OUTLOOK AND RISKS

14. Growth would decline to 3.2 percent in 2024 on account of slowdowns in the agricultural and oil sectors but will rebound in the medium term owing to sustained public investment and structural reforms. Non-oil growth would decline to 3.7 percent in 2024, driven by the floods that covered a large part of the country, in addition to a longer than usual lean season. It would, however rebound to 4.2 percent in the medium term as the authorities accelerate structural reforms, improve the business environment, and increase public investment. Oil production would decline slightly in 2024 and 2025, reflecting delays in bringing new fields onstream. It would then rebound to a 6 -percent growth in 2026, as these new fields become operational, and remain broadly stable over the medium term. Year-on-year inflation is projected to be close to 9 percent in 2024, on account of large increases in food prices and a readjustment of domestic fuel prices. Inflation would then gradually converge to the BEAC target rate of 3 percent towards 2026-2027 as the increase in food prices moderate and no further adjustments in domestic fuel prices are anticipated.

15. A continuation of fiscal consolidation efforts would see the NOPD decline to 7.5 percent of non-oil GDP in 2024, 6.8 percent in 2025, and around 5 percent over the medium term. Oil revenues are expected to be broadly in line with the budget in 2024, while non-oil revenues are expected to exceed 2023 outturns by 2.2 percentage points of non-oil GDP, largely reflecting: the increase in fuel excise taxes (0.7 percent of non-oil GDP); dividends from the central bank, the refinery, and the government oil company created from Exxon and Petronas oil assets (0.5 percent of non-oil GDP); and one-off telecommunications licenses receipts (0.9 percent of non-oil GDP). Domestically financed primary spending is expected to be 1.3 percent of non-oil GDP lower than in 2023, owing to efforts to contain spending on transfers and subsidies and a decline in domestically financed investment, which would be more than offset by an increase in externally financed investment (mostly financed by project grants). While this represents a substantial fiscal consolidation, it is less ambitious than envisaged in the 2024 budget law, which projected an NOPD of 6.3 percent of non-oil GDP on account of lower domestically financed primary spending and non-oil revenue (1.9 and 0.6 percent of non-oil GDP, respectively). The stated commitment to a continuation of efforts to mobilize non-oil revenues, contain non-priority spending and prioritize the mobilization of concessional external financing to fund key investment priorities, would see a further decline in the NOPD, to 6.8 percent of non-oil GDP in 2025 and to below 5 percent by 2029. With oil revenues expected to fall—from 9.3 percent of non-oil GDP in 2024 to 5.8 percent of non-oil GDP in 2029—on account of declining oil prices[6], the overall fiscal deficit is projected to increase from 0.1 percent of non-oil GDP in 2024 to 2.6 percent of non-oil GDP in 2026, before stabilizing at around 1.8 percent of non-oil GDP from 2027–2029.

16. Public debt is expected to increase gradually to 32.6 percent of GDP by 2029 and stabilize at that level in the long term as financing needs would primarily be met by

[6] Oil prices are projected to fall by an average of 3.4 percent per year in 2025-2029, while oil production is expected to increase by 2 percent per year on average.

concessional financing. A concessional budget support loan of US$500 million (2.4 percent of GDP) from the UAE, signed in October 2024 and expected to be disbursed by end-year, will finance short-term liquidity needs and help rebuild cash buffers, with deposits projected at 2.7 percent of GDP by end-2024, compared to 1.5 percent a year earlier. Continued reforms and fiscal consolidation are anticipated to attract significant donor support, with the budget's financing needs primarily met through a combination of project and budgetary concessional external financing. While overall public debt would stabilize around 32.5 percent of GDP, net debt would decline to 27½ percent of GDP by 2029, reflecting the gradual building up of fiscal reserves of 5 percent of GDP. As all public and external debt burden metrics are projected to remain well below their risk thresholds, the Debt Sustainability Analysis (Annex V) concludes that debt would be sustainable under the baseline scenario. Judgment is applied to maintain the assessment of a high risk of debt distress, as the uncertainty surrounding the materialization of the baseline scenario in the medium- to long-term remains.

17. The current account balance is expected to deteriorate further in 2024 and 2025 before stabilizing over the medium term. Exports are projected to increase modestly in 2024 before slowing in 2025 due to temporary reduced oil production. Imports, however, are anticipated to be more robust, driven by high growth in non-oil sector. Consequently, the current account deficit is expected to widen, reaching 1.3 percent of GDP in 2024 and 4.2 percent in 2025, before averaging 3 percent over the medium term. Despite this deterioration, Chad's contribution to the regional accumulation of foreign reserves is expected to increase in 2024, stabilize in 2025 and resume in the medium term, supported by external budget financing and an anticipated rise in foreign direct investment in the oil sector.

18. This outlook is subject to substantial risks that are slanted to the downside (see Annex III)**.** A continuation beyond next year, or an intensification, of the conflict in Sudan would lead to an increase in the number of refugees and heightened social tensions. Also, a larger than-expected decline in oil prices would have a negative impact on oil revenue and could constrain the fiscal space for investment and social spending. The risk stemming from potential global systemic financial instability remains moderate for Chad as the country can attract external concessional financing, under the baseline with reforms, thus leading to less dependence on the domestic market. Under an alternative scenario which assumes no adjustment, debt would increase substantially and with greater reliance on non-concessional debt, putting sustainability at-risk and increasing exposure to global financial conditions. A further increase in the frequency and severity of climate-change related events, such as droughts and floods, could durably affect agricultural production and the well-being of a large swath of the population. On the domestic side, delays in delivering the promised broader access to education, health, energy, and water services could lead to social tensions. The baseline scenario is subject to high uncertainties on the fiscal side, including on the implementation of agreed measures in 2025. Under the alternative scenario which assumes no adjustment, debt would increase substantially, putting sustainability at-risk. On the upside, a sustained increase in oil prices would help the government finance its budget.

Authorities' Views

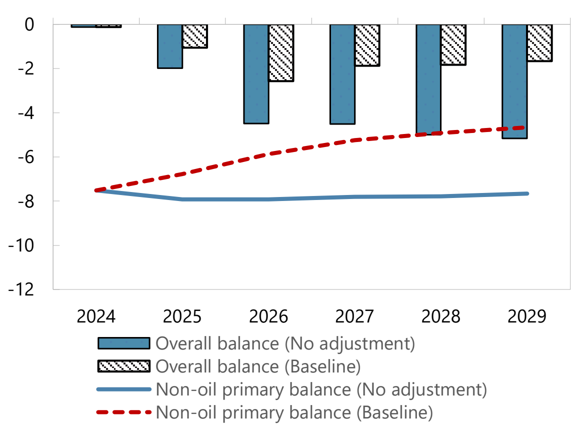
19. The authorities noted that growth could be higher this year, considering that the impact of flooding could be limited. They also recognized that the medium and long-term economic outlook was subject to risks and stressed that measures will be taken under the PND to address these risks, starting with a prudent fiscal policy, a strategy for adaptation to climate change, and measures to further diversify the economy and reduce its dependence on the oil sector and the primary sector in general.

POLICY THEME 1 – DESIGNING A RESILIENT FISCAL FRAMEWORK

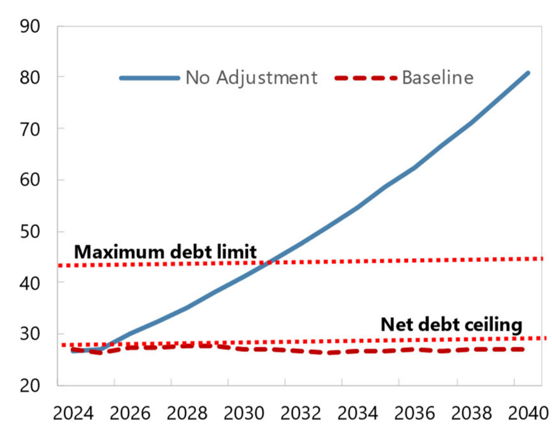
A. Anchoring Fiscal Policy for Resilience

20. The pro-cyclical fiscal policy implemented in 2022-23 made the country less resilient to shocks and could not be sustained in the medium term. A continuation of the high level of spending observed in 2022-23 would rapidly result in a depletion of sustainable financing and likely require a very significant adjustment—possibly through a sharp reduction in domestically-financed investments (similar to past boom-bust investment cycles). Under a no-adjustment scenario discussed with the authorities, there would be a significant build-up of domestic arrears, growth would decline, and net debt would increase by 9 percent of GDP (to 38 percent of GDP) by 2029, making debt unsustainable in the medium term. Such a scenario would also make Chad highly vulnerable to shocks, such as a drop in oil prices.

Text Figure 5. Chad: Fiscal Balance, 2024–29
(Percent of non-oil GDP)



Text Figure 6. Chad: Net Debt, 2024–40
(Percent of GDP)



Source: IMF staff calculations.

21. To increase resilience to shocks, staff recommended that the authorities adopt a more prudent fiscal stance, anchored by a net debt target and a build-up of fiscal buffers (Annex VII). Specifically, staff proposed to anchor the medium-term fiscal framework (MTFF) by a debt target that ensures that public debt remains under a safe maximum debt level (estimated at 42 percent of GDP) even in the face of shocks, thus making sure that Chad's risk of debt distress falls to, and remains, moderate. Since a safety margin of 14 percent of GDP is needed to limit the probability of this safe level being exceeded to 5 percent, this debt target is recommended at 28 percent of GDP. In operational terms, this will require a gradual reduction of the non-oil primary deficit to 4-5 percent of non-oil GDP, which will help bringing the risk of debt distress to moderate over the medium term (see Annex V). To strengthen the resilience of the proposed framework, staff proposed to set a floor on the accumulation of liquid financial assets (in the form of deposits) of up to 5 percent of GDP over the medium term. To monitor the debt target and deposit floor, the fiscal anchor would be based on net debt, calculated as the difference between gross public debt and government deposits. Thus, a deposit stock of 5 percent of GDP and a gross debt target of 33 percent of GDP would be compatible with the net debt anchor of 28 percent of GDP.

Text Table 1. Chad: Baseline Fiscal Stance vs. No Adjustment Scenario, 2024–29

(Percent of non-oil GDP)

	2024	2025		2026		2027		2028		2029	
	Proj.	No Adjustment	Baseline	No Adjustment	Baseline	No Adjustment	Baseline	No Adjustment	Baseline	No Adjustment	Baseline
Total revenue and grants	**20.2**	**19.3**	**19.6**	**16.9**	**17.3**	**17.1**	**17.5**	**16.9**	**17.3**	**16.9**	**17.4**
o/w Oil revenues	9.3	9.0	8.9	6.5	6.4	6.6	6.4	6.2	5.9	6.1	5.8
o/w/ Non-oil revenues	9.0	8.3	8.4	8.4	8.6	8.6	8.9	8.7	9.1	8.9	9.4
Expenditure	**20.4**	**21.2**	**20.7**	**21.4**	**19.9**	**21.6**	**19.4**	**21.8**	**19.1**	**22.1**	**19.1**
o/w Current	13.1	13.1	12.6	12.8	11.6	13.1	11.3	13.3	10.9	13.5	10.5
o/w Wages and salaries	6.1	6.1	6.0	6.2	5.9	6.2	5.7	6.3	5.6	6.3	5.5
o/w Goods and services	2.3	2.3	2.2	2.4	2.1	2.4	2.0	2.5	1.9	2.5	1.8
o/w Transfers and subsidies	3.2	2.9	2.8	2.9	2.7	2.8	2.6	2.8	2.5	2.8	2.4
o/w Domestically financed investment	4.9	4.9	4.2	4.9	3.9	4.9	3.8	4.9	4.0	4.9	4.3
Overall balance (incl. grants, commitment)	**-0.1**	**-2.0**	**-1.1**	**-4.5**	**-2.6**	**-4.5**	**-1.9**	**-5.0**	**-1.8**	**-5.2**	**-1.7**
Non-oil primary balance (excl. grants, commitment)	**-7.5**	**-7.9**	**-6.8**	**-7.9**	**-5.9**	**-7.8**	**-5.2**	**-7.8**	**-4.9**	**-7.7**	**-4.7**
Overall balance (incl. grants, cash)	**-0.3**	**-1.0**	**-1.1**	**-3.5**	**-2.6**	**-3.5**	**-1.9**	**-4.0**	**-1.8**	**-4.2**	**-1.7**
Financing	0.3	1.0	1.1	3.5	2.6	3.5	1.9	4.0	1.8	4.2	1.7
Domestic financing	-1.1	0.7	-2.0	-0.9	-1.1	-0.7	-1.4	-0.5	-1.4	-0.3	-1.9
Deposits	-1.7	1.9	-0.8	0.3	0.1	0.0	-0.7	0.0	-0.8	0.0	-1.5
Treasury bills (net)	0.0	0.1	0.0	0.1	0.0	0.1	0.0	0.1	0.0	0.1	0.0
Treasury bonds (net)	1.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Bank recapitalization	0.0	-0.4	-0.4	-0.4	-0.4	0.0	0.0	0.0	0.0	0.0	0.0
Foreign financing	1.5	0.3	3.1	4.4	3.7	4.3	3.3	4.5	3.2	4.5	3.5
Budget borrowings[1]	2.9	0.0	2.5	3.4	2.3	3.7	2.1	4.1	2.0	4.1	2.0
Financing Gap	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
IMF ECF	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Residual financing gap	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Memorandum items:											
Bank deposits (in percent of GDP)	2.7	1.0	3.3	0.7	3.0	0.7	3.4	0.6	3.9	0.6	5.1
Total debt (in percent of GDP)	29.5	28.0	29.5	30.6	30.4	33.0	30.8	35.7	31.5	38.6	32.6
Net debt (in percent of GDP)	**26.8**	**27.0**	**26.2**	**29.9**	**27.4**	**32.3**	**27.4**	**35.1**	**27.5**	**38.0**	**27.5**

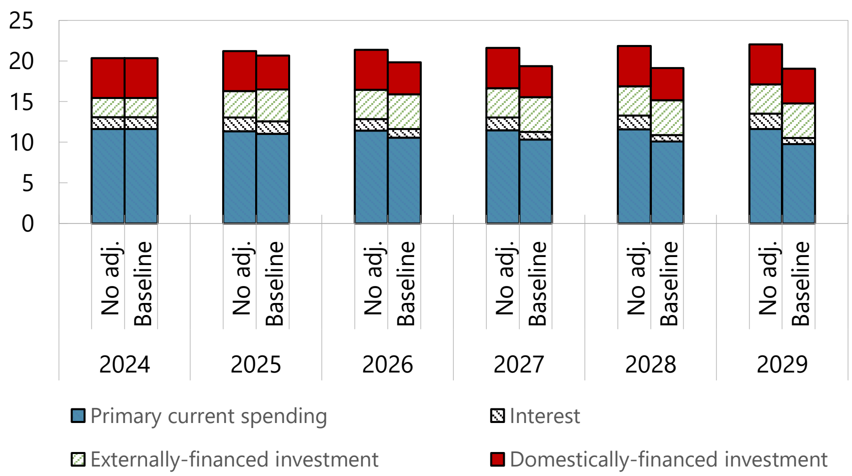
1/For 2025-2029 under the no adjustment scenario this is assumed to be non-concessional borrowing, while it would be concessional under the baseline scenario.

22. Consistent with this approach, staff encouraged the authorities to start implementing in 2025 a gradual fiscal consolidation, focusing on domestic revenue mobilization and the containment of non-priority current spending. Bringing the NOPD under 5 percent of non-oil

GDP by 2029 would keep net debt at the target of 28 percent of GDP while allowing for a build-up of liquidity buffers. If accompanied by a strong commitment to reduce DAOs and to implement structural reforms starting in 2025, this more prudent fiscal stance could elicit donor support, providing sustainable fiscal space for the new government's ambitious social agenda. Specifically, staff recommended the acceleration of revenue administration reforms (see below) without delays, to increase non-oil tax revenues (net of 0.9 percent of non-oil GDP of one-off telecommunications license revenues in 2024) by at least 1.3 percent of non-oil GDP from 2024 to 2029 and compensate for the projected decline in oil revenues in 2025 and 2026. Staff also recommended immediately taking steps to control the wage bill – notably by removing of "ghost workers", improving the payroll database and introducing biometric identification of civil servants – as well as spending on goods and services and transfers and subsidies through the phasing-out of water and electricity subsidies introduced in 2024 as well as the phasing-out of one-off election organization spending (see section B below). Demonstrating fiscal discipline in 2025 and over the medium term would make these expenses decline by at least 0.6 and 1.2 percent of non-oil GDP, respectively, from 2024 to 2029. Finally, continued efforts to mobilize an average of 4 percent of non-oil GDP in concessional project financing (grants and loans) from 2025-29 should allow to maintain overall public investment above 8 percent on average of non-oil GDP during this period.

Text Figure 7. Chad: Public Spending Projections, 2024–29

(Percent of non-oil GDP)



Source: IMF staff calculations.

23. Staff emphasized the importance of protecting critical social spending and to take measures to ensure social budgets are executed. The proposed fiscal consolidation should focus on streamlining non-priority spending while protecting budget allocations to social sectors. It will also be critical to ensure that these allocations are effectively executed through competitive and transparent public procurement processes and to strengthen the overall public investment framework in line with PIMA recommendations (see paragraph 29).

Authorities' Views

24. The authorities agreed on the need to adopt a more resilient MTFF, underpinned by a better control of expenditures and continued efforts to mobilize domestic revenue, thereby enabling the financing of the priorities set under the Head of State's political program in terms of social spending and investment. They also reiterated their determination not to contract external financing on non-concessional terms and to cap the increase in the stock of sovereign securities (OTA/BTA) at CFAF 15 billion per year. The authorities agreed with the fiscal projections, as well as with the recommended measures to increase non-oil revenue and streamline non-priority spending. They also indicated that the NOPD in the 2025 draft budget law will not exceed the one projected in the baseline scenario. The authorities, however, noted that, given the country's considerable needs, they retained the option to resort to additional concessional financing, as long as the external debt service-to-revenue ratio remains below the DSA threshold of 14 percent. They also argued that the recommended accumulation of deposits is not adapted to the Chadian context, owing both to the country's considerable social needs, which make it very complicated politically, and to the security context.

B. Structural Reforms for Resilience

25. Sustained improvements in non-oil revenue mobilization are key to building resilience against shocks and to supporting growth-friendly fiscal consolidation. The authorities should continue to modernize, digitalize, and expand the geographic reach of reforms. The efforts should prioritize: (i) promoting fiscal discipline and strengthening internal fiscal controls (particularly in key sectors such as telecommunications, banking, and oil); (ii) broadening the tax base; and (iii) improving tax arrears recovery. To achieve these objectives, revenue administrations should aim for closer collaboration, leverage the use of existing IT tools and IT system interconnectivity, cross-data exchange, and analysis to identify and target the significant number of unregistered or non-compliant taxpayers. Enhanced and more efficient tax enforcement, along with improved risk management, will also be essential for boosting efficiency. Strengthening cooperation with the custom administrations of neighboring countries, particularly by finalizing the IT connectivity with Cameroon's custom management system (CAMCIS) could support custom revenue growth. The ongoing review of excise rates, including on tobacco and alcohol, performed with support from the World Bank, should provide insights for future tax policy reforms. A similar approach could be adopted to review and streamline custom and tax expenditures, particularly on VAT and including oil companies, to reduce revenues losses while promoting equity and efficiency in the tax system.

26. Reforms to strengthen governance and transparency, particularly in the oil and energy sectors, are essential for promoting accountability and ensuring that fiscal revenues from these industries contribute effectively to economic development. Drawing on IMF TA recommendations, staff reiterated the importance of promoting key reforms in the oil and energy sectors, including further reform of inefficient and costly energy subsidies and transfers (following the increase in fuel and diesel prices of 35 and 14 percent respectively in 2024), and to complete and publish the audit of oil revenue collected by the Treasury, including through the state oil company (*Société des Hydrocarbures du Tchad*, SHT). Following the parliamentary adoption of four laws on SOEs' governance and oversight in October 2024, it will now be critical to expedite their implementation by adopting the necessary implementing decrees. The authorities should also ensure transparency in the awarding of public contracts, particularly in the oil, fuel, and energy sectors, by using competitive bidding processes, expanding the use of digital platforms for procurement processes (e-procurement) and making procurement outcomes publicly available.

27. The more resilient fiscal stance will also require an intensification of efforts to streamline non-priority spending. Spending on transfers and subsidies will remain contained in 2025. A policy to provide free electricity and water for households implemented in 2024, will not continue in 2025, allowing for a reduction in energy subsidies. Expenditure on goods and services is expected to gradually decline with the normalization of Chad's political, security and humanitarian situation. This includes the phasing-out of one-off electoral expenses incurred in 2024 (0.3 percent of non-oil GDP in transfers to the national electoral management agency) and lower planned purchases of military goods as the authorities indicated stocks have been rebuilt. Pressing reforms are needed to rein in wage bill spending notably through: (i) cleaning up the personnel registry and the payroll database through the biometric identification of all civil servants; (ii) removing "ghost workers" permanently; and (iii) enhancing the monitoring of automatic wage adjustments and the allocation of benefits. Over the medium term, the authorities should consider robust measures to ease wage bill growth pressures, such as: (i) regulating promotions by category and grade, with annual promotion rates defined in the budget law; and (ii) developing capacity for staffing and budget planning over the medium term. A gradual implementation of wage bill reforms over time can avoid abrupt adjustments that could cause social unrest, while allowing to durably shift resources from the wage bill towards more productive spending needs, such as social and investment spending.

28. Implementing the proposed fiscal framework successfully will also depend on accelerating reforms to strengthen public finance management (PFM). Staff urged the authorities to accelerate progress on critical reforms, such as: (i) the consolidation of the Treasury Single Account, in line with the strategy and roadmap adopted in 2023; (ii) reducing further the use of DAOs while ensuring their full registration in SIGFiP by implementing strictly the presidential decree adopted in 2023; and (iii) aligning annual budget objectives with a multi-year framework and preparing the transition to program budgeting Renewed efforts are also needed to: (i) improve the content of quarterly budget execution reports; (ii) strengthen internal and external audit, particularly by implementing the new regulation organizing the Cours of Auditors (*Cour des Comptes*) and the General Inspectorate of Finance (*Inspection Générale des Finances*); and (iii) finalize and publish the compliance audits on the execution of the budget law (RELF) for 2021-23.

29. Public investment management needs to be enhanced to improve planning and outcomes. The implementation of the recommendations of the 2022 PIMA and C-PIMA assessment has been delayed, partly due to inter-departmental coordination challenges. However, the introduction of a new organigram consolidating previously dispersed functions is expected to address this issue. Staff emphasized the need to: (i) improve and finalize the three-year public investment plan to be in full alignment with the PIMA principles; (ii) fully operationalize the use of SIGFiP for investment spending and budgeting; (iii) finalized and adopt PIM procedures manuals; and (iv) put in place a unified database of public investment projects.

Authorities' Views

30. The authorities agreed on the need to continue reforms aimed at strengthening domestic revenue mobilization, better controlling expenditure, and improving public finance management. They particularly emphasized the importance of generalizing the digitalization of tax collection processes, the establishment of the single Treasury account, and the territorialization of SIGFiP and its enlargement. They recognize the need to strengthen budgetary surveillance, while promoting the expansion of non-oil sectors, particularly through entrepreneurial initiatives and improving the business climate. They also reaffirm their determination to reduce the use of DAOs, to implement the new regulatory framework for the governance of state companies, public establishments, and independent administrative authorities and to make procurement procedures more transparent and more efficient through progressive digitalization.

POLICY THEME 2 – BUILDING RESILIENCE TO CLIMATE CHANGE

31. Chad faces significant vulnerability to climate change with significant needs to develop adaptation. It is one of the hottest countries in the world, and without decisive action, global temperatures would increase by an estimated 2.7 degrees Celsius by 2100, relative to 1990 (World Bank, 2021). Chad is already experiencing intensified droughts and floods that have led to food insecurity, conflicts between farmers and herders over land, and internal displacement. The situation is dire as most of the population depends on rain-fed agriculture and livestock. As the world transitions to cleaner energy, Chad also needs to reduce its reliance on oil production, diversify its economy, and prepare for a low-carbon future.

32. To confront these challenges, the government developed Nationally Determined Contributions (NDCs) in the context of the Paris Climate Accords and a National Adaptation Plan (NAP) in 2021. However, implementation has been slow and costly, requiring an estimated $11.7 billion for the period 2021 to 2030—$6.7 billion for mitigation (35% of 2024 GDP, to cut emissions by 19.3% by 2030) and $5.0 billion for adaptation (NDC, 2021). Of this amount, $1.7 billion is expected to come from national funding sources. To put this into perspective, Chad's domestic annual environmental budget (including climate change) is only around $23 million (CCDR, 2022).

33. Climate financing constraints are severe and are expected to rise further. From 2010 to 2020, Chad received US$1.3 billion in climate funds (OECD). An order of magnitude more is needed during the current decade. The most promising sources of external financing are grants and concessional loans from international funds like the Green Climate Fund (GCF) and the Global Environment Facility (GEF). However, capacity constraints complicate successfully drawing on these funds, and financing gaps for both mitigation and adaptation remain vast. Financial constraints are further intensified by a decline in oil revenues in the long run and the economic repercussions of climate-related disasters, particularly in agriculture. The upcoming NDC revision, which will include the oil sector's climate impact for the first time, is likely to further raise ambitions and funding needs significantly. In the meantime, the authorities have started developing concrete initiatives in collaboration with development partners, including reforestation and anti-flooding measures. In the capital, the latter appear to have had some success in reducing the damage from the recent floods. Staff recognized that these reforms require expertise, human and financial resources, and that targeted technical assistance will be necessary.

34. Staff emphasized the urgency of reforms and recommended that authorities: (i) institutionalize climate change policies; (ii) enhance efficiency and transparency in public investment management; (iii) reform the energy sector; and (iv) pursue an inclusive adaptation strategy.

a. *Institutionalization* would include integrating climate change into the National Development Plan (2024-2029), as well as into sectoral plans, incorporating climate risk into budget planning, and reactivating the High Interministerial Committee for the Environment, to coordinate policies and push for "direct access" to climate funds.

b. *Efficiency and transparency* would be enhanced by improving the existing medium-term public investment plan, publishing procurement results and beneficiaries, and enhancing institutional capacities for effective planning and execution of public investments. Updating the National Capacity Building Action Plan for Disaster Risk Reduction (2015-2020) would also be advisable.

c. *Energy sector reform* should phase out fossil fuel subsidies and leverage the country's solar and wind potential, partly financed by savings on subsidies. The governance of the sector should be radically reformed in line with Fund technical assistance, to reduce inefficiencies and waste and improve governance.

d. *An inclusive adaptation strategy* would involve further decentralizing investment project management to local communities, accompanied by proper coordination with other levels of government. Completing the unique social registry with support from the World Bank would enhance inclusivity by enabling targeted assistance for vulnerable populations, to be implemented alongside energy subsidy reforms.

Authorities' Views

35. The authorities generally agreed with the mission's recommendations. They highlighted that many structures and laws/regulations were already in place and that it was now important to operationalize them and ensure their implementation. The authorities also stressed that if a reform of the energy sector was indeed necessary, subsidies relating to domestic gas should be maintained because they play an important role in the fight against deforestation. They are calling for the mobilization of funds for reforestation, including in areas receiving refugees and in the Upper Sahel and the Sahara. They highlighted the difficulty of mobilizing financing, owing to limited capacity to meet the required conditions and competition from more advanced countries to obtain this financing. They consider that a financing window should be dedicated to the most vulnerable countries and that they should benefit from TA to increase their capacity to prepare their financing requests within the allotted time frame.

POLICY THEME 3 – CREATING THE CONDITIONS FOR INCLUSIVE GROWTH

A. Enhancing the Business Environment

36. Staff emphasized the need to improve the business environment and promote inclusive growth. Poverty levels are high—particularly in rural areas—the population is young (45 percent is under 15 years) and expanding by more than 3 percent per year, and the government is the main source of formal sector employment in urban areas. Chad notably needs to foster its private sector and job creation, particularly for the young and women. The updated National Development Plan for the 2024-2028 contains many elements to promote inclusiveness and diversification.

37. The authorities have several measures to that effect. They recently adopted a new governance framework for state-owned enterprises and created an independent authority to fight corruption. They also established three industrial zones with one-stop-shops for investors and completed the transition from the SYDONIA++ system to SYDONIA World. In addition, the authorities adopted a decentralization law to encourage local authorities to recruit teachers in their provinces and they are in the process of producing a plan to digitize the public procurement procedures to increase transparency and fight corruption. Finally, they are expanding the access to water with the help of international partners.

38. Staff discussed with the government ways to promote private sector-led growth. It recommended**:** (i) improving governance, including the transparency of procurement procedures and anti-corruption framework; (ii) enhancing the quality of education and strengthening employability of the youth and women through more vocational trainings and private-public partnerships ; (iii) improving access to water, internet, and electricity; (iv) reducing red tape in the customs (where some advances are being recorded); (v) creating incentives for the informal sector to join the formal sector, notably through more active labor market policies; and (vi) promoting financial inclusion and mobile banking while safeguarding financial integrity.

Authorities' Views

39. The authorities were broadly in agreement with the recommendations made by the team. However, they emphasized that numerous initiatives, such as the digitization of tax and customs procedures and the recent adoption of the new governance framework for state-owned enterprises, have already been launched to improve the business climate. A significant improvement in the business climate will also be one of the main objectives of the National Development Plan (PND) for 2024-29.

B. Strengthening the Financial Sector and Financial Inclusion

40. Some vulnerabilities persist in the financial system posing moderate financial stability risks. Staff called for the rapid finalization and implementation of the restructuring plans of the two systemic public banks. At the end of 2023, both banks did not comply with any of the prudential ratios established by COBAC. Their non-performing loans averaged 33 percent and their exposure to sovereign risk was elevated. It is therefore essential that ambitious restructuring plans, clearly identifying the necessary measures and sources of recapitalization, be promptly finalized and implemented.

41. The financing resources in the CEMAC region are drying up, yet the liquidity risk for the government remains moderate as the country has been able to attract external concessional financing, thus leading to less dependence on the domestic market. The authorities are projecting to increase their domestic financing by only CFAF 15 billion per year over the medium terms as yields on domestic securities are increasing at a rapid pace. Staff advised the authorities to adopt a prudent fiscal policy, hence reducing the need to access domestic markets, while, as already planned by the Authorities, combining it with concessional external financing.

42. Staff also encouraged the authorities to adopt a new national financial inclusion strategy, which will align with the next regional strategy currently being developed by BEAC. While household use of financial services has increased with the geographic expansion of banks over the past decade, Chad remains behind its peers among the CEMAC, low-income countries, and sub-Saharan African countries. This low use affects different demographic groups but is particularly severe for women. Staff therefore encouraged the authorities to update its strategy in coordination with their technical partners.

Authorities' Views

43. While noting that one of the two weak banks had already made some progress in restructuring its operations, the authorities agreed on the need to restructure and recapitalize the two systemic public banks, if needed. They intend to assess and update in the coming months the existing restructuring plans. The authorities also agreed on the need to improve financial inclusion—underlying that their recent decisions regarding mobile banking will contribute to it—particularly for women and intend to implement awareness campaigns on the benefits of having accounts and using credit. They also stressed that the microfinance sector will constitute a priority of the PND, with notably a dedicated strategy.

C. Advancing the Governance Reform Agenda

44. Staff highlighted that good governance and the reduction of corruption are macro-critical issues. Indicators of good governance for Chad show that for the last twenty years the country has been the worst performer among Sahel countries, in part reflecting the population's perception. The growth dividend to be reaped from reducing corruption, improving good governance, and greater trust, is therefore significant.

45. Staff noted the authorities' numerous efforts and initiatives to promote greater fiscal governance and transparency and address corruption, including through the digitalization of public services as well as and financial integrity. Digitalization has resulted in significant improvements in revenue collection and public financial management. Chad adhered to the United Nations Convention against corruption in 2018 and created control institutions, such as the General State Inspection and the Independent Authority against Corruption in 2023. The authorities also adopted in September 2024 a bill related to the code of good governance for public companies. They took pertinent measures aiming at improving the quality of market regulations, through the launch of the standardized electronic invoice.

46. However, much remains to be done as the implementation of some measures remains limited. Despite substantial progress, much remains to be done in terms of digitalizing public finances, which, as shown by IMF studies, is essential to ensure greater transparency and reduce opportunities for corruption. The asset declaration and conflict of interest regime remains insufficient to support effective implementation and enforcement. The implementation of the AML/CFT measures is also limited. In practice, impartiality, independence, and access to justice are problematic, resulting in weak protection of property rights. The new legal framework for public enterprises was only recently adopted, and its implementation will require the adoption of accompanying decrees Finally, the lack of infrastructure and limited access to water in most areas remain important constraints to market access, while implementation of the regulatory framework and competition remains limited.

47. The authorities need to continue their efforts and ensure greater implementation. Staff encouraged the authorities to pursue their digitalization efforts to ensure the full operationality of the integrated systems and fully reap the benefits of digital services. The authorities should also continue the efforts to limit the use of DAOs and strengthen budget execution through monitoring mechanism. More efforts are required in: (i) the implementation of the penal code in alignment with the UN Convention, as well as the development of an asset declaration and conflict of interest regime consistent with international good practices; (ii) strengthening the institutional capacity of the Independent anti-corruption authority and the courts to support enforcement; (iii) the identification, collection and publication of information on the beneficial owners of public procurement contracts, which could be supported by the e-procurement procedures; (iv) the implementation of the legal framework allowing more impartiality, independence, and access to justice — this would notably ensure the protection of property rights which could be supported by the creation of a digital public platform such as a land register (v) the implementation of the regulatory framework and competition aiming at improving market access and the simplification of administrative procedures. Staff also encouraged the authorities to quickly finalize the implementing decrees referring to the laws on the governance of public enterprises that were recently adopted so implementation can take place.

Authorities' Views

48. **The authorities recognized the macro-critical nature of governance issues but consider that governance indicators insufficiently take into account the progress already made.** The authorities recognized, however, that progress remains necessary in the implementation of the institutional framework, and requested Fund TA to support their efforts, and reiterated their intention to continue their digitalization efforts, and to ensure good governance and budgetary transparency. To limit abuses, they also consider that judicial convictions should be capped and that seizures and notices to third party holders should comply with the rules of the Organization for the Harmonization of Business Law in Africa (OHADA), including through the revision of codes and laws, and in particular the labor code. The authorities also expressed their interest in having a governance diagnostic mission.

D. Tackling Gender Issues

Text Table 3. Chad: Population and Gender Indicators

Indicator	Last recorded level
Population (millions of persons)	18.3
Percentage of women in the total population	49.8
Gender inequality index	0.671
Maternal mortality ratio (deaths per 100,000 live births)	1 063
Share of population with at least some secondary education (Women, in percent))	1.7

Source: Human Development Report 2023-24

49. **Staff emphasized the macro-criticality of gender gaps in Chad**. Disparities exist in both opportunities (education, finance access, legal system) and outcomes (employment, political empowerment) (See Table 7). Despite progress in educational access in recent years, substantial gender gaps persist, including in secondary school completion rates, adult literacy rates, as well as in terms of labor force participation and poverty rates. Violence against women is prevalent (see Text Table 4) and the maternal mortality rate is among the highest in the world, hampering women's opportunities. Addressing these issues is vital for increased employment, economic growth, and resilience. Using the IMF toolkit, staff estimates that reducing early marriage rates to the SSA average level could help increase GDP growth by 1.2 percentage points.[7] Given the predominant place of Chadian women in the country's poverty rate, which is in part due to the large involvement of women in the informal sector and subsistence agricultural, even more growth dividend can be reaped from greater gender equity in general.

[7] See SIP on Assessing the Macrocriticality of Gender Gaps in Chad.

Text Table 4. Chad: Women's Exposure to Violence
(in percent)

Women aged 15-49 years experiencing intimate partner physical and/or sexual violence at least once in their lifetime	28.6
Women aged 15-49 years experiencing intimate partner physical and/or sexual violence in the last 12 months	17.5
Women aged 20 to 24 years who were first married or in union before age 18	67

Source: WHO data, most recent years. Amnesty International Report 2022/23.

50. Staff noted the authorities' legal efforts to reduce gender inequality. In recent years, the authorities took several measures aiming at promoting gender parity, such as: (i) the 2015 law prohibiting child marriage; (ii) the 2017 revision of the penal code to punish incest, marital rape, genital mutilation and sexual harassment; (iii) the 2018 law on gender parity; (iv) the national policy for the advancement of women and strategies for family planning and female entrepreneurship; and (v) the imposition of quotas on the number of women in decision-making positions.

51. Staff encouraged the authorities to strengthen the implementation of this legal framework. Despite the legal ban on child marriages, early marriages subsist due to social and cultural factors while the implementation of different initiatives is hampered by insufficient fundings. Staff recommended the authorities to continue, in coordination with partners such as UNFPA, their engagement with religious leaders and village chiefs to strengthen the implementation of the legal framework and various programs and ensure sanctions are taken. Staff also advised the authorities to phase the implementation of a gender budgeting in all ministries to facilitate the implementation of the various strategies, programs and national policies, starting with pilot ministries. It encouraged the authorities to include measures to promote women's economic empowerment in the National Development Plan, including through greater access to water, property rights, and agricultural inputs. As women are found to be the dominant groups among refugees, and among the poorest and most impacted by climate change, the deployment of biometric IDs for all, already initiated with the support of partners such as UNICEF and UNHCR, and the establishment of a social registry INSEED, should ensure better targeted social protection notably humanitarian and social transfers, . Staff also emphasized the importance of promoting access to education for girls, especially in rural areas, by supporting school feeding programs and the creation of schools specifically for girls.

Authorities' Views

52. The authorities saw the creation of girls' educational establishments and school canteens as key priorities. They considered, however, that the stylized facts do not reflect the reality of the situation, which they see as less alarming. They considered in particular that the education of girls has improved greatly. They recognize, however, the existence of inequalities between men and women. The authorities emphasized the fact that much has already been done in legal, legislative and strategic matters but that implementation takes time and faces funding constraints and societal problems. They stressed the importance of creating new educational establishments (schools, middle schools, high schools) for girls in order to facilitate their access to education and recognized the importance of school canteens. The authorities stressed that the PND will be an opportunity to mobilize resources and make further progress in implementation.

OTHER ISSUES

53. Staff and the authorities agreed on the need to improve the quality and timely provision of data (Annex X)**.** Chad is considered a case "C" country (i.e., the data provided to the Fund has some shortcomings that somewhat hamper surveillance, see Annex X). The deterioration from the previous ("B") reflects large discrepancies between BEAC's balance of payments estimates and INSEED's national accounts ones. Persistent delays in the transmission of data to the Fund will also need to be addressed. Staff noted that some progress has been recently accomplished in bringing BEAC and INSEED's trade data closer together, which could lead, once BEAC has published the revised balance of payments data series, to an improvement of Chad's Data Adequacy Assessment Rating.

54. In line with the government's strategic goals and the Fund's policy recommendations, the CD strategy prioritizes the areas of PFM, tax policy and revenue administration, expenditure control, debt management, and statistics. The Fund has been providing significant TA to Chad to build capacity, which has enabled progress in many areas (Annex IX). The implementation of some TA recommendations has, however, lagged behind, reflecting limited absorptive capacity, inter-departmental coordination challenges, and high turnover of government staff. To ensure its effectiveness, CD delivery planning will therefore need be closely aligned with demand from authorities and commitment monitored on an ongoing basis, while continuous coordination with other TA providers—such as the World Bank, the African Development Bank, the French Development Agency and the European Union—remains essential.

55. The authorities did not report any change to Chad's exchange system since the 2019 Article IV.

56. Safeguards Assessments. The Bank of the Central African States (BEAC) is the regional central bank of the Central African Economic and Monetary Community (CEMAC). The 2022 safeguards assessment found that BEAC maintained strong governance and external audit arrangements, while internal audit and risk management practices needed strengthening. A safeguards monitoring mission took place at end-2023 to follow up on the outstanding recommendations and developments in the governance arrangements. The mission's recommendations include onboarding for new members of senior management and the Board and an enhanced delegation framework for executive decision-making. The BEAC is in the process of addressing these recommendations, although additional efforts are needed to implement the recommendations of the 2022 assessment.

STAFF APPRAISAL

57. **Chad's economy continues to be affected by severe shocks.** The recent floods, the latest in a series of climate-related shocks, will contribute to a slowdown in growth while exacerbating an already difficult food security situation. Despite the substantial humanitarian support from UN agencies and other donors, the continuous arrival of Sudanese refugees is putting on pressure already limited state capacity and resources while contributing to elevated inflation in the regions bordering Sudan.

58. **With the end of the transition period, the authorities now plan to focus their efforts on ensuring the economic and social development of the country.** Broadening access to public services, strengthening governance, and improving the business environment are worthy objectives for a country that remains among the least developed in the world. In collaboration with the IMF and other development partners, the authorities now need to articulate in the PND the macroeconomic policies and reforms that they intend to implement over the medium term to reach these objectives.

59. **A prudent and sustainable fiscal policy, aimed at creating the necessary fiscal space for social and investment spending while rebuilding buffers, should be a key component of the PND.** The procyclical fiscal policy implemented in 2022-23 cannot be sustained over the medium term without greatly heightening macroeconomic sustainability risks. In this respect, Chad's external and overall public debt continues to be assessed at high risk of distress, with the application of judgment due to uncertainty on the medium- to long-term debt dynamics. To address these risks, it will be essential to implement an MTFF that ensures the accumulation of adequate buffers to help withstand shocks without requiring a disorderly adjustment that could set back hard-earned development gains. The proposed fiscal policy anchoring will provide for the accumulation of sufficient buffers, keep debt on a sustainable path and moderate the risk of distress. Relying on efforts to mobilize non-oil revenue and contain non-priority spending, it will also provide the necessary fiscal space to fund the authorities' socioeconomic development agenda. It should also elicit donor support, providing additional sustainable fiscal space for the authorities' agenda. Finally, it should help moderate the risk stemming from potential global systemic financial instability by reducing the government's reliance on market financing.

60. **This policy should be underpinned by an acceleration of structural fiscal reforms.** Over the medium term, the authorities will need to further reduce the NOPD, from a projected 8 percent of non-oil GDP in 2024 to around 5 percent over the medium term, while protecting social spending. This will require the acceleration of digitalization and other tax administration reforms to boost non-oil revenues as well as of the measures to enhance expenditure controls (and reduce the use of DAOs) and streamline non-priority spending with the aim of containing outlays on the wage bill, goods and services, and transfers and subsidies. Much remains also to be done to strengthen the implementation of budget execution procedures, operationalize the use of SIGFiP for investment spending and budgeting. Lastly, the implementation of the new legal framework for SOEs will be key to increasing their efficiency and reducing their fiscal burden.

61. Some vulnerabilities persist in the financial sector posing moderate financial stability risks. The two weak systemic public banks need to be tackled more forcefully. Restructuring plans should aim at improving their operational and financial performance while providing the necessary financing for their recapitalization. They should also aim at reducing the banks' exposure to sovereign risk, which will help free resources to finance the development of the private sector.

62. The increased frequency of climate-related shocks underlines Chad's vulnerability to climate change and the importance of advancing the adaptation strategy. While the authorities have developed concrete initiatives—notably on reforestation and anti-flood measures—much remains to be done to ensure the NAP can be effectively implemented and funded. To this end, it will be essential to integrate climate change into the new National Development Plan, to enhance public investment management capacity, and to reactivate the High Interministerial Committee for the Environment to strengthen policy coordination and facilitate access to international climate funding.

63. The projected decline in oil prices should serve as a reminder of the importance of diversifying the economy. Chad's external position in 2023 is assessed to be moderately weaker than the level implied by medium-term fundamentals and desirable policies. The current account balance returned to a deficit in 2023 and it is expected to deteriorate further in the coming years. It is imperative to find new, more sustainable, and inclusive sources of growth outside the oil sector. To this end, strengthening governance and anti-corruption frameworks, together with measures to improve education, increase access to basic infrastructure, and promote formalization and financial inclusion, will be essential to create a favorable business environment to attract investment and enable business creation and growth.

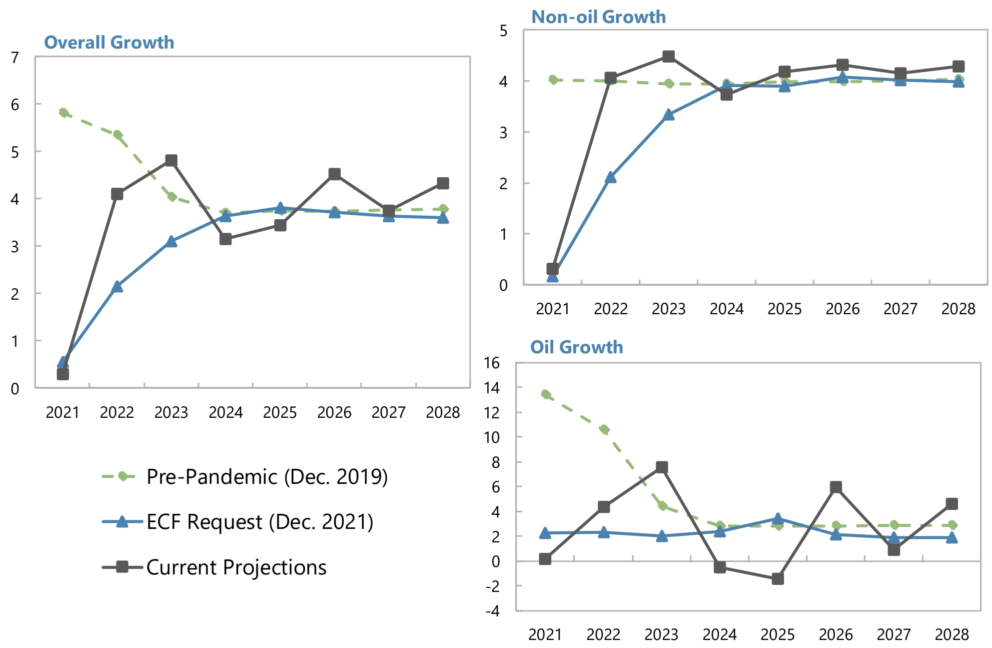
64. Reducing gender gaps must be prioritized to increase employment, economic growth, and resilience. Improving women's educational outcomes and increasing female participation in the labor force, particularly in formal sectors, would help boost growth and reduce poverty. It will therefore be essential to intensify efforts to strengthen the implementation of existing legal frameworks to protect the rights of girls and women, and to facilitate women's access to education, water, and land ownership.

65. Enhanced governance is also key to a more sustainable and inclusive growth. It is critical that these efforts be expanded to include the implementation of a robust asset declaration regime, the digitalization of public procurement, the publication of beneficial ownership information of the legal entities awarded contracts in the procurement process, and judicial reform.

66. Further improvements are necessary in the quality and timely provision of data. Remaining quality issues, most markedly with BoP data, and persistent delays in the transmission of data to the Fund pose challenges to surveillance and to the provision of timely policy advice by staff.

67. Staff recommends that the next Article IV consultation with Chad be held on the 12-month cycle.

Figure 1. Chad: Medium-Term Outlook, 2021-2028



Source: Chadian authorities and IMF staff calculations.

Table 1. Chad: Selected Economic and Financial Indicators, 2022-29

	2022	2023	2024	2025	2026	2027	2028	2029
	Act.	Prel.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
	(Annual percentage change, unless otherwise indicated)							
Real Economy								
GDP at constant prices	4.1	4.8	3.2	3.4	4.5	3.8	4.3	3.7
Oil GDP	4.3	7.6	-0.5	-1.4	6.0	0.9	4.6	-0.8
Non-oil GDP	4.1	4.5	3.7	4.2	4.3	4.2	4.3	4.3
GDP deflator	14.2	0.1	4.4	3.3	1.8	2.1	1.8	2.5
Consumer price index (annual average)	5.8	4.1	8.7	4.4	3.5	3.0	3.0	3.0
Oil prices								
Brent (US$/barrel)[1]	99.0	82.3	82.7	74.7	72.2	70.6	69.7	69.1
Chadian price (US$/barrel)[2]	98.0	77.8	79.7	71.7	69.2	67.6	66.7	66.1
Oil production for exports (millions of barrels)	47.6	51.4	50.0	49.2	52.4	52.8	55.5	54.9
Exchange rate CFAF per US$ (period average)	622.4	606.5	….	….	….	….	….	….
Money and Credit								
Net foreign assets[3]	33.5	-0.9	3.3	2.4	4.1	3.3	4.0	3.3
Net domestic assets[3]	-7.2	15.4	7.0	8.5	6.0	6.7	5.9	7.2
Of which : net claims on central government	-9.2	4.5	-5.5	-8.3	-3.0	-5.2	-6.0	-8.2
Of which : credit to private sector	3.6	11.0	9.0	9.5	9.7	9.8	9.5	9.5
Broad money	26.2	14.6	10.3	10.8	10.1	10.0	9.9	10.5
Velocity (non-oil GDP/broad money)	4.5	4.3	4.3	4.2	4.1	4.0	3.9	3.8
External Sector (valued in US dollars)								
Exports of goods and services, f.o.b.	35.4	-7.5	1.5	-4.8	3.6	1.9	4.9	2.3
Imports of goods and services, f.o.b.	-0.2	9.1	3.5	5.0	4.4	-1.4	3.6	3.2
Overall balance of payments (percent of GDP)	3.4	0.4	-2.1	-2.0	-1.6	-1.6	-1.4	-1.4
Current account balance, including official transfers (percent of GDP)	4.8	-0.7	-1.3	-4.2	-4.0	-2.9	-2.6	-2.8
Terms of trade	10.6	-12.9	1.7	-6.3	-3.2	-0.7	-0.8	1.2
External debt (percent of GDP)[4]	17.9	16.1	15.8	17.0	19.0	20.3	21.6	23.3
NPV of external debt (percent of exports of goods and services)	35.1	41.2	40.3	45.6	50.7	55.3	58.6	65.8
	(Percent of non-oil GDP, unless otherwise indicated)							
Government Finance								
Revenue and grants	20.9	18.6	20.2	19.6	17.3	17.5	17.3	17.4
Of which : oil revenue	13.4	11.2	9.3	8.9	6.4	6.4	5.9	5.8
Of which : non-oil revenue	6.5	6.8	9.0	8.4	8.6	8.9	9.1	9.4
Expenditure	16.3	20.4	20.4	20.7	19.9	19.4	19.1	19.1
Current	13.5	13.5	13.1	12.6	11.6	11.3	10.9	10.5
Capital	2.8	6.8	7.3	8.1	8.2	8.1	8.3	8.6
Non-oil primary balance (commitment basis, excl. grants)[5]	-7.2	-11.2	-7.5	-6.8	-5.9	-5.2	-4.9	-4.7
Overall fiscal balance (incl. grants, commitments basis)	4.6	-1.8	-0.1	-1.1	-2.6	-1.9	-1.8	-1.7
Total debt (in percent of GDP)[4]	31.5	30.3	29.5	29.5	30.4	30.8	31.5	32.6
Of which : domestic debt	13.6	14.2	13.7	12.5	11.4	10.5	9.9	9.3
Memorandum items:								
Nominal GDP (billions of CFA francs)	11,121	11,669	12,572	13,431	14,293	15,139	16,076	17,082
Of which: non-oil GDP	8,687	9,490	10,398	11,310	12,155	13,049	14,020	15,060
Nominal GDP (billions of US$)	17.9	19.2	20.9	22.5	24.0	25.4	26.9	28.6

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.

Table 2. Chad: Fiscal Operations of the Central Government, 2022–29

(In billions of CFA francs, unless otherwise indicated)

	2022	2023		2024		2025	2026	2027	2028	2029
	Act.	2023 Budget	Prel.	2024 Budget	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
Total revenue and grants	**1,814**	**1,875**	**1,762**	**2,016**	**2,105**	**2,219**	**2,103**	**2,286**	**2,426**	**2,621**
Revenue	1,725	1,691	1,703	1,821	1,905	1,966	1,832	1,994	2,113	2,284
Oil[1]	1,162	1,067	1,063	952	965	1,011	781	834	832	870
Non-oil	563	624	641	869	940	955	1,051	1,160	1,281	1,414
Tax	549	598	636	704	787	885	982	1,089	1,208	1,339
Non-tax	14	26	5	166	152	70	68	71	73	76
Grants	89	184	59	195	200	253	271	291	313	336
Budget support	14	64	0	0	0	0	0	0	0	0
Project grants	76	120	59	195	200	253	271	291	313	336
Expenditure	**1,418**	**1,318**	**1,932**	**1,961**	**2,118**	**2,340**	**2,415**	**2,530**	**2,683**	**2,872**
Current	1,176	951	1,283	1,185	1,359	1,423	1,415	1,472	1,525	1,583
Wages and salaries	530	510	580	614	635	679	711	744	791	828
Civil Service	348	337	394		431	460	482	504	536	562
Military	182	173	187		204	219	229	239	255	267
Goods and services	212	104	160	217	239	249	249	262	270	278
Transfers and subsidies[2]	318	238	417	264	334	319	324	339	352	366
Of which: In-kind transfers to National Electricity Company[2]	91	93	89	93	88	87	87	87	87	87
Interest	117	99	125	90	151	176	130	127	113	110
Domestic	61	64	80	55	107	112	111	110	97	98
External	56	35	45	35	44	64	19	17	15	13
Of which: Glencore	*36*	*27*	*34*	*14*	*18*	*49*	*5*	*4*	*1*	*0*
Investment	241	367	650	777	759	916	1,001	1,059	1,158	1,290
Domestically financed[3]	131	160	542	433	513	474	480	500	557	645
Foreign financed	110	207	108	344	246	442	521	559	600	645
Overall balance (incl. grants, commitment)	**397**	**557**	**-170**	**55**	**-13**	**-121**	**-312**	**-245**	**-257**	**-252**
Non-oil primary balance (excl. grants, commitment)[4]	**-628**	**-388**	**-1,058**	**-659**	**-781**	**-766**	**-714**	**-685**	**-688**	**-703**
Float from previous year[5]	-47	-45	-8	-33	-37	-35	-35	-35	-35	-35
Float at end of period[5]	8	35	37	33	35	35	35	35	35	35
Var. of Arrears[6]	-65	-75	-26	-32	-20	0	0	0	0	0
Var. of unaudited arrears	-49	0	0	0	0	0	0	0	0	0
Overall balance (incl. grants, cash)	**243**	**472**	**-167**	**23**	**-35**	**-121**	**-312**	**-245**	**-257**	**-252**
Non-oil primary balance (excl. grants,cash)	**-781**	**-473**	**-1,055**	**-691**	**-803**	**-766**	**-714**	**-685**	**-688**	**-703**
Errors and omissions	**-6**	**...**	**6**	**...**	**...**	**...**	**...**	**...**		
Financing	**-237**	**-566**	**162**	**-118**	**36**	**121**	**312**	**245**	**257**	**252**
Domestic financing	-41	-409	223	-45	-116	-229	-135	-182	-194	-282
Bank financing	-66	-345	147	-110	-220	-161	-67	-164	-207	-302
Central Bank (BEAC)	-5	-345	116	-110	-235	-226	-67	-164	-207	-302
Deposits	-84	-264	142	-29	-196	-160	9	-86	-119	-229
Advances (net)	0	0	-2	0	0	-16	-16	-16	-16	-16
IMF	79	-29	-24	-29	-38	-50	-60	-62	-72	-58
SDR Allocation	0	-52	0	-52	0	0	0	0	0	0
Commercial banks (deposits)	-61	0	31	0	15	65	0	0	0	0
Other financing (net), of which:	28	-64	152	65	104	-68	-68	-18	13	20
Amortization	*-43*	*-97*	*-50*	*-57*	*-13*	*-38*	*-38*	*-38*	*-7*	*0*
Commercial banks loans	*-32*	*109*	*102*	*151*	*5*	*5*	*5*	*5*	*5*	*5*
Non-bank loans (gross)	*0*	*36*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Treasury bills (net)	*-82*	*-53*	*-1*	*-4*	*0*	*5*	*5*	*5*	*5*	*5*
Treasury Bonds (net)	*196*	*-49*	*90*	*-15*	*112*	*10*	*10*	*10*	*10*	*10*
Bank Recapitalization	*0*	*0*	*0*	*0*	*0*	*-50*	*-50*	*0*	*0*	*0*
Stabilization Funds	*-10*	*-10*	*10*	*-10*	*0*	*0*	*0*	*0*	*0*	*0*
Privatization and other exceptional receipts	-3	0	-76	0	0	0	0	0	0	0
Foreign financing	-197	-157	-61	-73	152	350	447	427	450	534
Loans (net)	-225	-187	-89	-102	152	350	447	427	450	534
Disbursements	34	87	140	169	347	470	529	547	567	614
Budget borrowings	0	0	91	20	301	280	280	280	280	305
Project loans	34	87	49	149	46	190	249	267	287	309
Amortization	-260	-274	-229	-271	-195	-120	-82	-121	-117	-80
Of which: Glencore	-187	-184	-159	-206	-114	-37	0	-36	-31	0
Debt relief/rescheduling (HIPC)	29	30	28	30	0	0	0	0	0	0
Financing Gap	**0**	**94**	**-1**	**95**	**-1**	**0**	**0**	**0**	**0**	**0**
CCRT	0	0	0	0	0	0	0	0	0	0
DSSI (Net)	0	-1	-1	-1	-1	0	0	0	0	0
IMF ECF	0	95	0	95	0	0	0	0	0	0
Residual financing gap	0	0	0	0	0	0	0	0	0	0
Memorandum items:										
Non-oil GDP	8,687	9,490	9,490	10,398	10,398	11,310	12,155	13,049	14,020	15,060
Bank deposits (including BEAC)	345	619	162	201	344	438	429	516	635	864
(In months of domestically-financed spending)	3.2	6.7	1.1	1.5	2.2	2.8	2.7	3.1	3.7	4.7
BEAC advances	480		477		477	461	445	429	413	397

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 transfers of oil derivatives in-kind to the national electricity company (SNE) starting from 2020; value based on fixed price of $46.90 per barrel (in line with the average Brent oil price in 2015-16).

[3]The 2023 budget allocated CFAF 391bn for domestic investment, but the authorities had agreed to cap execution at CFAF 160bn under the ECF program unless there was an agreement with the IMF on additional fiscal space.

[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]Including audited arrears and recognized arrears based on the Treasury table "restes à payer".

Table 3. Chad: Fiscal Operations of the Central Government, 2022–29
(In percent of non-oil GDP, unless otherwise indicated)

	2022	2023		2024		2025	2026	2027	2028	2029
	Act.	2023 Budget	Prel.	2024 Budget	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
Total revenue and grants	**20.9**	**19.8**	**18.6**	**19.4**	**20.2**	**19.6**	**17.3**	**17.5**	**17.3**	**17.4**
Revenue	19.9	17.8	18.0	17.5	18.3	17.4	15.1	15.3	15.1	15.2
Oil[1]	13.4	11.2	11.2	9.2	9.3	8.9	6.4	6.4	5.9	5.8
Non-oil	6.5	6.6	6.8	8.4	9.0	8.4	8.6	8.9	9.1	9.4
Tax	6.3	6.3	6.7	6.8	7.6	7.8	8.1	8.3	8.6	8.9
Non-tax	0.2	0.3	0.1	1.6	1.5	0.6	0.6	0.5	0.5	0.5
Grants	1.0	1.9	0.6	1.9	1.9	2.2	2.2	2.2	2.2	2.2
Budget support	0.2	0.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Project grants	0.9	1.3	0.6	1.9	1.9	2.2	2.2	2.2	2.2	2.2
Expenditure	**16.3**	**13.9**	**20.4**	**18.9**	**20.4**	**20.7**	**19.9**	**19.4**	**19.1**	**19.1**
Current	13.5	10.0	13.5	11.4	13.1	12.6	11.6	11.3	10.9	10.5
Wages and salaries	6.1	5.4	6.1	5.9	6.1	6.0	5.9	5.7	5.6	5.5
Goods and services	2.4	1.1	1.7	2.1	2.3	2.2	2.1	2.0	1.9	1.8
Transfers and subsidies[2]	3.7	2.5	4.4	2.5	3.2	2.8	2.7	2.6	2.5	2.4
Of which: Transfers to National Electricity Company[2]	1.0	1.0	0.9	0.9	0.8	0.8	0.7	0.7	0.6	0.6
Interest	1.3	1.0	1.3	0.9	1.5	1.6	1.1	1.0	0.8	0.7
Domestic	0.7	0.7	0.8	0.5	1.0	1.0	0.9	0.8	0.7	0.6
External	0.6	0.4	0.5	0.3	0.4	0.6	0.2	0.1	0.1	0.1
of which: Glencore	*0.4*	*0.3*	*0.4*	*0.1*	*0.2*	0.4	0.0	0.0	0.0	0.0
Investment	2.8	3.9	6.8	7.5	7.3	8.1	8.2	8.1	8.3	8.6
Domestically financed	1.5	1.7	5.7	4.2	4.9	4.2	3.9	3.8	4.0	4.3
Foreign financed[3]	1.3	2.2	1.1	3.3	2.4	3.9	4.3	4.3	4.3	4.3
Overall balance (incl. grants, commitment)	**4.6**	**5.9**	**-1.8**	**0.5**	**-0.1**	**-1.1**	**-2.6**	**-1.9**	**-1.8**	**-1.7**
Non-oil primary balance (excl. grants, commitment)[4]	**-7.2**	**-4.1**	**-11.2**	**-6.3**	**-7.5**	**-6.8**	**-5.9**	**-5.2**	**-4.9**	**-4.7**
Float from previous year[5]	-0.5	-0.5	-0.1	-0.3	-0.4	-0.3	-0.3	-0.3	-0.2	-0.2
Float at end of period[5]	0.1	0.4	0.4	0.3	0.3	0.3	0.3	0.3	0.2	0.2
Var. of Arrears[6]	-0.8	-0.8	-0.3	-0.3	-0.2	0.0	0.0	0.0	0.0	0.0
Var. of unaudited arrears	-0.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance (incl. grants, cash)	**2.8**	**5.0**	**-1.8**	**0.2**	**-0.3**	**-1.1**	**-2.6**	**-1.9**	**-1.8**	**-1.7**
Non-oil primary balance (excl. grants, cash)	**-9.0**	**-5.0**	**-11.1**	**-6.6**	**-7.7**	**-6.8**	**-5.9**	**-5.2**	**-4.9**	**-4.7**
Errors and omissions	**-0.1**	**…**	**0.1**	**…**	**…**	**…**	**…**	**…**	**…**	**…**
Financing	**-2.7**	**-6.0**	**1.7**	**-1.1**	**0.3**	**1.1**	**2.6**	**1.9**	**1.8**	**1.7**
Domestic financing	-0.5	-4.3	2.3	-0.4	-1.1	-2.0	-1.1	-1.4	-1.4	-1.9
Bank financing	-0.8	-3.6	1.5	-1.1	-2.1	-1.4	-0.6	-1.3	-1.5	-2.0
Central Bank (BEAC)	-0.1	-3.6	1.2	-1.1	-2.3	-2.0	-0.6	-1.3	-1.5	-2.0
Deposits	-1.0	-2.8	1.5	-0.3	-1.9	-1.4	0.1	-0.7	-0.8	-1.5
Advances (net)	0.0	0.0	0.0	0.0	0.0	-0.1	-0.1	-0.1	-0.1	-0.1
IMF	0.9	-0.3	-0.3	-0.3	-0.4	-0.4	-0.5	-0.5	-0.5	-0.4
SDR Allocation	0.0	-0.5	0.0	-0.5	0.0	0.0	0.0	0.0	0.0	0.0
Commercial banks (deposits)	-0.7	0.0	0.3	0.0	0.1	0.6	0.0	0.0	0.0	0.0
Other financing (net)	0.3	-0.7	1.6	0.6	1.0	-0.6	-0.6	-0.1	0.1	0.1
Privatization and other exceptional receipts	0.0	0.0	-0.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Foreign financing	-2.3	-1.7	-0.6	-0.7	1.5	3.1	3.7	3.3	3.2	3.5
Loans (net)	-2.6	-2.0	-0.9	-1.0	1.5	3.1	3.7	3.3	3.2	3.5
Disbursements	0.4	0.9	1.5	1.6	3.3	4.2	4.4	4.2	4.0	4.1
Amortization	-3.0	-2.9	-2.4	-2.6	-1.9	-1.1	-0.7	-0.9	-0.8	-0.5
Debt relief/rescheduling (HIPC)	0.3	0.3	0.3	0.3	0.0	0.0	0.0	0.0	0.0	0.0
External arrears	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financing gap	**-0.1**	**1.0**	**0.1**	**0.9**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
CCRT	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
DSSI (Net)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
IMF ECF	0.0	1.0	0.0	0.9	0.0	0.0	0.0	0.0	0.0	0.0
Residual financing gap	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum items:										
Non-oil GDP	8,687		9,490		10,398	11,310	12,155	13,049	14,020	15,060
Net debt (in percent of GDP)	28.3		29.0		26.8	26.2	27.3	27.4	27.5	27.5
Bank deposits (including BEAC, in percent of GDP)	3.1		1.4		2.7	3.3	3.0	3.4	3.9	5.1
(In months of domestically-financed spending)	3.2		1.1		2.2	2.8	2.7	3.1	3.7	4.7
BEAC advances	5.5		5.0		4.6	4.1	3.7	3.3	2.9	2.6

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 transfers of oil derivatives in-kind to the national electricity company (SNE) starting from 2020; value based on fixed price of $46.90 per barrel (in line with the average Brent oil price in 2015-16).

[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]Including audited arrears and recognized arrears based on the Treasury table "restes à payer".

Table 4. Chad: Balance of Payments, 2022–29
(In percent of GDP, unless otherwise indicated)

	2022	2023	2024	2025	2026	2027	2028	2029
	Act.	Prel.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
Current account, excl. budget grants	**4.7**	**-0.7**	**-1.3**	**-4.2**	**-4.0**	**-2.9**	**-2.6**	**-2.8**
Trade balance	16.9	10.5	9.2	6.2	5.8	5.4	5.3	4.9
Exports, f.o.b.	33.6	28.1	26.2	22.9	22.2	21.4	21.2	20.3
Of which : oil	26.1	20.8	19.1	15.7	15.1	14.1	13.7	12.7
Imports, f.o.b.	-16.7	-17.6	-16.9	-16.7	-16.5	-16.0	-15.9	-15.4
Services (net)	-13.0	-12.0	-11.2	-10.7	-10.3	-8.8	-8.4	-8.1
Income (net)	-2.7	-2.3	-1.9	-2.0	-1.4	-1.2	-1.1	-1.0
Transfers (net)	3.5	3.0	2.6	2.3	2.0	1.8	1.6	1.4
Official (net)	0.9	0.9	0.7	0.7	0.7	0.8	0.8	0.8
Private (net)	2.6	2.1	1.8	1.5	1.3	1.1	0.9	0.7
Financial and capital account	**-1.4**	**0.4**	**-0.9**	**2.2**	**2.3**	**1.3**	**1.2**	**1.4**
Capital transfers	0.6	0.5	1.6	1.9	1.9	1.9	1.9	1.9
Foreign direct investment	1.7	1.9	1.7	2.5	2.2	2.1	0.7	0.1
Other medium and long term investment	-2.7	-2.0	-2.2	-1.1	-0.9	-1.5	-0.7	-0.4
Public sector (excl. budget support loans)	-2.0	-1.5	-1.2	0.4	0.7	-0.2	0.8	1.3
Private sector	-0.7	-0.4	-1.0	-1.5	-1.6	-1.3	-1.5	-1.7
Short-term capital	-1.0	-0.1	-1.9	-1.1	-0.8	-1.2	-0.7	-0.3
Errors and omissions	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Overall balance	**3.3**	**-0.3**	**-2.1**	**-2.0**	**-1.6**	**-1.6**	**-1.4**	**-1.4**
Financing	**-4.3**	**-0.4**	**-0.3**	**-0.1**	**-0.3**	**-0.2**	**-0.4**	**-0.4**
Change in official reserves (decrease +)	-4.5	0.0	-0.3	-0.1	-0.3	-0.2	-0.4	-0.4
Exceptional Financing	0.2	-0.4	0.0	0.0	0.0	0.0	0.0	0.0
of which: Debt relief	0.3	0.2	0.0	0.0	0.0	0.0	0.0	0.0
Exceptional Financing	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other Exceptional Receipt	0.0	-0.6	0.0	0.0	0.0	0.0	0.0	0.0
External arrears accumulation	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financing gap	**1.0**	**0.8**	**2.4**	**2.1**	**2.0**	**1.8**	**1.7**	**1.8**
Expected financing (excl. IMF; incl. expected budget loans and grants)	0.1	0.8	2.4	2.1	2.0	1.8	1.7	1.8
Budget support loans	0.0	0.8	2.4	2.1	2.0	1.8	1.7	1.8
Program grants (current transfers)	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Debt Relief	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
DSSI (Net)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
IMF financing, *of which*	0.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0
IMF ECF	0.8	0.0	0.0	0.0				
Residual gap	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum items								
Nominal GDP (USD bn)	17.9	19.2	20.9	22.5	24.0	25.4	26.9	28.6
Current account balance, including official transfers (percent of GDP)	4.8	-0.7	-1.3	-4.2	-4.0	-2.9	-2.6	-2.8
Overall Balance of Payment (incl. expected budget support; percent of GDP)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Gross imputed reserves (billions of USD)	1.0	1.0	1.1	1.1	1.2	1.3	1.4	1.5

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

Table 5. Chad: Monetary Survey, 2022–29
(In billions of CFA francs, unless otherwise indicated)

	2022	2023	2024	2025	2026	2027	2028	2029
		Q4						
	Act.	Prel.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
Net foreign assets	**163**	**146**	**219**	**277**	**386**	**484**	**614**	**733**
Central bank	18	61	134	192	301	399	529	648
Foreign assets	633	636	670	677	726	763	821	883
Foreign liabilities	-615	-575	-536	-486	-426	-364	-292	-234
IMF financing	-461	-424	-386	-335	-275	-214	-142	-84
SDR allocation	-154	-150	-150	-150	-150	-150	-150	-150
Commercial banks	145	85	85	85	85	85	85	85
Foreign assets	220	130	130	130	130	130	130	130
Foreign liabilities	-76	-45	-45	-45	-45	-45	-45	-45
Net domestic assets	**1,760**	**2,056**	**2,211**	**2,416**	**2,579**	**2,778**	**2,972**	**3,230**
Domestic claims	1,982	2,163	2,128	2,025	2,055	2,022	1,956	1,805
Claims on the government (net)	1,126	1,212	1,091	890	810	655	459	167
Central bank	896	1,014	781	555	464	300	94	-207
Claims on general government	1,109	1,068	1,032	966	865	787	700	628
Statutory advances[1]	479	479	480	464	448	432	416	400
Repurchase facility	24	24	24	24	0	0	1	2
IMF financing	461	424	386	335	275	214	142	84
SDR allocation	145	140	142	142	142	142	142	142
Liabilities to general government	-213	-54	-250	-410	-401	-488	-606	-835
Commercial banks	229	198	310	335	346	356	365	374
Claims on general government	375	309	421	446	458	467	477	485
Liabilities to general government	-146	-111	-111	-111	-111	-111	-111	-111
Credit to the economy	857	951	1,036	1,135	1,245	1,367	1,497	1,639
Other items (net)	-222	-107	-318	-318	-318	-318	-318	-318
Money and quasi money	**1,922**	**2,202**	**2,429**	**2,693**	**2,965**	**3,262**	**3,586**	**3,963**
Currency outside banks	850	920	1,085	1,203	1,324	1,457	1,601	1,770
Demand deposits	881	1,057	1,095	1,214	1,336	1,470	1,616	1,786
Time and savings deposits	191	224	249	276	304	335	368	407
Memorandum items:								
Broad money (annual percentage change)	26.2	14.6	10.3	10.8	10.1	10.0	9.9	10.5
Credit to the economy (annual percentage change)	6.8	11.0	9.0	9.5	9.7	9.8	9.5	9.5
Credit to the economy (percent of GDP)	7.7	8.1	8.2	8.4	8.7	9.0	9.3	9.6
Credit to the economy (percent of non-oil GDP)	9.9	10.0	10.0	10.0	10.2	10.5	10.7	10.9
Velocity (non-oil GDP)	4.5	4.3	4.3	4.2	4.1	4.0	3.9	3.8
Velocity (total GDP)	5.8	5.3	5.2	5.0	4.8	4.6	4.5	4.3

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

[1] Includes statutory and exceptional advances.

Table 6. Chad: Financial Soundness Indicators, 2016–23
(In percent, unless otherwise indicated)

	2016	2017	2018	2019	2020	2021	2022	2023
Capital adequacy								
Total bank regulatory capital to risk-weighted assets[1]	13.2	18.0	16.8	6.8	2.9	9.1	6.0	-1.4
Total capital (net worth) to assets	7.7	8.8	7.5	2.8	1.6	5.0	4.0	-1.0
Total assets (growth)	14.7	-3.2	-1.4	10.8	5.3	26.0	9.4	9.6
Asset quality								
Non-performing loans (gross) to total loans (gross)	20.9	25.8	28.6	22.9	25.9	26.0	27.7	31.5
Non-performing loans less provisions to regulatory capital	65.7	77.4	96.5	154.0	373.3	122.0	154.7	-581.9
Provisions to non-performing loans	52.4	50.1	53.0	57.4	61.1	62.9	63.8	72.4
Earnings and profitability								
Return on equity[2]	13.7	0.7	2.3	-2.8	-7.2	0.0	5.8	16.9
Return on assets	1.4	0.3	0.5	0.1	-0.3	0.1	0.7	1.4
Non interest expense to gross income	62.5	76.7	84.7	80.4	83.0	81.4	74.4	74.3
Liquidity								
Liquid assets to total assets	23.1	27.5	20.2	26.1	25.7	25.0	23.6	30.5
Liquid assets to short-term liabilities	155.0	188.9	117.9	123.6	122.2	115.3	103.4	135.1
Total deposits to total (noninterbank) loans	94.8	84.5	85.9	101.9	101.1	97.0	108.6	119.1
Credit								
Gross loan (banks' book) - bn FCFA	732	711	723	762	884	1047	1121	1193.0
Gross loan - annualized growth rate	6.6	-2.9	1.7	5.3	16.0	18.5	7.0	6.9
Other								
Foreign-currency-denominated loans to total loans	0.9	0.7	0.3	0.0	0.0	0.0	0.0	0.0
Foreign-currency-denominated liabilities to total liabilities	5.1	8.9	7.0	5.8	4.3	2.7	3.7	3.8

Source: Banking Commission of Central Africa (COBAC).

[1] Calculated according to the Basel I guidance

[2] Return in ROE is calculated based on annualized net profit before tax.

Table 7. Chad: Selected Macro-Critical Gender Related Indicators, 2018-2023

(In percent, unless otherwise indicated)

							AFR Countries 1 /				
	2018	2019	2020	2021	2022	2023	Latest year available	25th Percentile	75th Percentile	Median	Average
Composite Gender Indices											
Female Human Capital Index (HCI) 2/	0.29	...	0.29	...	...	...	2020	0.37	0.43	0.40	0.39
Gender Development Index (GDI)	0.79	0.77	0.77	0.78	0.78	...	2022	0.88	0.95	0.92	0.92
Gender Inequality Index (GII) 3/	0.70	0.70	0.70	0.66	0.67	...	2022	0.50	0.61	0.54	0.54
Global Gender Gap Index 2/	0.58	...	0.60	0.59	0.58	...	2022	0.64	0.73	0.69	0.69
Women Business and the Law Index (WBL) 4/	66.25	66.25	66.25	66.25	66.25	66.25	2023	67.50	83.75	79.38	76.10
Labor and Income											
Gender Gap (F-M) in Employment-to-Population Ratio, Modeled ILO Estimate (15+ yrs)	-22.48	-22.22	-21.54	-21.49	-23.11	-23.12	2023	-11.40	-10.44	-11.18	-11.10
Gender Wage Gap 5/	...	...	...	...	...	...	...	...	...	...	...
Gender Gap (F-M) in Informal Employment Rate	3.76	...	...	...	...	...	...	...	...	...	...
Gender Gap (F-M) in Labor Force Participation Rate, Modeled ILO Estimate (15+ yrs)	-23.10	-22.79	-22.57	-22.33	-23.71	-23.66	2023	-13.02	-9.78	-13.62	-10.72
Gender Gap (F-M) in Unemployment Rate, Modeled ILO Estimate (15+ yrs)	-0.63	-0.59	-1.12	-0.80	-0.58	-0.57	2023	0.45	1.81	0.91	1.47
Gender Gap in Gross Pension Replacement Rate (as share of average worker earnings)	...	...	...	...	...	...	...	...	...	...	...
Leadership and Social											
Proportion of Seats Held By Women in National Parliaments	15.25	14.88	15.43	32.26	25.89	25.89	2023	14.57	33.81	24.49	25.64
Proportion of Women in Managerial Positions	...	...	...	...	...	...	...	...	...	...	...
Prevalence of Intimate Partner Violence among Ever-partnered Women (in percent)	29.00	...	...	...	...	...	2018	26.00	39.00	34.00	32.86
Access to Finance											
Gender Ratio: Number of Household Loan Accounts with Commercial Banks (Females' Accounts for 1,000 Female Adults / Males' Accounts per 1,000 Male Adults)	0.15	0.14	0.15	...	0.19	...	...	...	...	...	...
Gender Ratio: Number of Household Deposit Accounts with Commercial Banks (Females' Accounts per 1,000 Female Adults/ Males' Accounts per 1,000 Male Adults)	0.18	0.19	0.25	0.24	0.25	...	...	...	...	...	...
Gender Gap in Adults Who Borrowed From a Financial Institution (Share of Female - Share of Male, percentage points)	...	...	...	...	...	...	2021	-2.10	-2.35	-2.37	-1.83
Gender Gap in Adults Who Own a Financial Institution Account (Share of Female - Share of Male, percentage points)	...	...	...	...	...	...	2021	-9.71	-15.49	-10.13	-11.69
Gender Gap in Adults with Mobile Money Account (Share of Female - Share of Male, percentage points)	...	...	...	...	...	...	2021	-11.11	-10.60	-8.87	-6.40
Gender Gap in Adults Who Made or Received Digital Payments in the Past Year (Share of Female - Share of Male, percentage points)	...	...	...	...	...	...	2021	-10.45	-4.09	-12.87	-12.04
Education											
Gender Gap (F-M) in Adult Literacy Rate	...	...	...	...	-16.91	...	2022	-24.00	-5.31	-9.49	-10.94
Gender Gap (F-M) in Mean Years of Schooling	-2.11	-2.14	-2.18	-2.18	-2.18	...	...	...	...	...	...
Gender Gap (F-M) in Primary Gross Enrollment Rate	-19.82	-19.54	...	-17.81	-16.88	...	2021	-3.17	-7.82	-1.68	-3.03
Gender Gap (F-M) in Secondary Gross Enrollment Rate	-12.54	-12.34	...	-12.13	...	...	...	...	...	...	...
Gender Gap (F-M) in Tertiary Gross Enrollment Rate	...	...	-3.93	...	...	...	2018	-2.47	-2.70	-2.44	-2.72
Health											
Gender Gap (F-M) in Adult Mortality Rate per 1,000 Adults 6/	-57.12	-62.50	-63.91	-71.43	-71.34	...	2022	-74.02	-88.86	-63.69	-83.53
Gender Gap (F-M) in Life Expectancy at Birth	2.95	3.24	3.18	3.44	3.47	...	2022	4.02	5.20	4.45	4.46
Maternal Mortality Ratio per 100,000 Live Births, Modeled Estimate (15-49 yrs)	1076.00	1047.00	1063.00	...	...	...	2020	219.50	487.00	303.00	372.43
Total Fertility Rate (Births Per Woman)	6.46	6.41	6.35	6.26	6.22	...	2022	3.48	4.62	4.08	4.51

1/ Group aggregates are calculated where data are available for at least 50 percent of countries for a given indicator, and for weighted averages, where the relevant weights are also available. Data are reported for the latest year for which aggregates are available. Detailed metadata, including weights used for averages, are available on the Gender Data Hub.

2/ This index is scored on a scale of 0-1, with a higher score corresponding to better outcomes for women.

3/ This index is scored on a scale of 0-1, with a higher score corresponding to higher inequality (worse outcomes for women).

4/ The Women, Business, and the Law Index is reported on a scale of 0-100, with a higher score corresponding to better outcomes for women.

5/ The Gender Wage Gap is the difference between average earnings of men and average earnings of women expressed as a percentage of average earnings of men (as calculated by the International Labor Organization). The gap listed here is for Occupation = "Total" under the ICSO 08 Classification.

6/ The adult mortality rate refers to the probability that those who have reached age 15 will die before reaching age 60 (shown per 1,000 persons). In other words, a value of 150 means that out of 1,000 persons who have reached age 15, 150 are expected to die before reaching age 60, and 850 are expected to survive to age 60. This is based on a "synthetic cohort": current life-table mortality rates are applied to the current cohort of 15 year olds, assuming no changes in mortality.

Source: GenderDataHub. See Gender Data Hub metadata for original data sources and definitions.

Annex I. Status of Key Recommendations from the 2019 Article IV Consultation

Recommendations	Implementation
Reforming the granting of tax exemptions to prevent automatic renewal and centralizing the granting of exemptions at the ministry of finance, assess their impact on revenue, and prohibit granting of tax exemptions on VAT.	Tax exemptions are no longer automatically renewed, and the granting of exemptions have been centralized at the ministry of finance. The fiscal impact of tax exemptions granted to non-oil companies has been assessed for the period 2020 to 2022.
Strengthening tax administration notably for personal income tax and corporate income.	The tax administration has been implementing a medium-term strategy rooted in digitalization and capacity building to boost efficiency and the collection of non-oil corporate income taxes and VAT. Reforms targeting the personal income tax are expected in the medium term.
Auditing of domestic arrears and implementing a comprehensive strategy for clearing them and avoid further accumulation going forward.	An audit was concluded in 2019 but proved not to be exhaustive. A plan for clearing audited arrears has been launched but not fully implemented.
Limiting the use of emergency spending procedures	The recourse to emergency spending procedures (DAO) increased strongly in 2022–23. The use of DAOs has since somewhat declined, following the adoption in November 2023 of a presidential decree aiming at limiting their use, but remains elevated.
Reducing the exposure of the banking system to government debt.	This has not been achieved as the banking system exposure to the state rose to almost 40 percent of banks' total assets in 2022 (by far the highest in CEMAC).
Increasing social spending envelope while improving the efficiency of these expenditures	Social spending declined as a share of domestically financed primary spending from 31 percent in 2019 to 19 percent in 2023, even as it grew as a share of non-oil GDP (from 2.6 percent in 2019 to 3.1 percent in 2023). Two-thirds of social spending were allocated to the payment of wages and salaries and only 10 percent to investment.
Establishing a single treasury account (TSA), starting with a census of all accounts in commercial banks that could be covered by the TSA	While the TSA has still to be established, the authorities have adopted a strategy and a roadmap for its gradual consolidation. An agreement between the Ministry of Finance and the regional central Bank (BEAC) for the creation of a joint team in charge of steering and implementing the TSA is awaiting formal adoption by both parties.
Maintaining the wage bill under control	The efforts have not been successful, as the wage bill to non-oil GDP has continued to grow over the period.
Fostering inclusive growth and economic diversification by implementing the priorities of the 2017-2021 NDP, including improving the business environment and strengthening financial inclusion.	Progress has been limited in these areas. A new NDP is being finalized taking into consideration the new government' priorities, including improving the business environment.

Annex II. Social and Development Indicators

1. By most measures, Chad is among the least developed nations globally, and faces daunting challenges related to poverty, access to basic needs, and education. Like other countries in the region, Chad's HDI of 0.4 has remained stagnant in recent years. With a GDP per capita of $1,969 in purchasing power parity terms, and the share of population living in extreme poverty surpassing 35 percent in 2023, widespread poverty is interconnected with low development indicators in most areas. Chad has one of the lowest life expectancies in the world, at just 54 years at birth. Even after declining by 25 percent over the previous decade, infant mortality amounted to 64.1 per 1,000 live births in 2022. Access to infrastructure covering basic needs remains critically limited. Hence, basic drinking water services are only accessible to around half of the population. 11.7 percent have access to electricity, a figure that drops to 1.3 percent when only considering the rural population. Furthermore, challenges to human capital are evident in various indicators. For example, the World Bank's Human Capital Index estimates the potential human capital that a child born today can expect to attain by age 18, considering the risks associated with poor health and limited education. Chad's index stands at 0.3 out of 1, placing it at rank 172 out of 173 countries, with Niger in the last position. Disaggregated indicators reveal shortcomings in education provision, such as a literacy rate of only 27.3 percent. Finally, measures of gender inequality in Chad are amongst the highest globally, and women's exposure to violence is substantial (see paragraph 46). To address some of these challenges, the recently elected government announced its strategic priority to focus social spending on electricity, water, education, and health access.

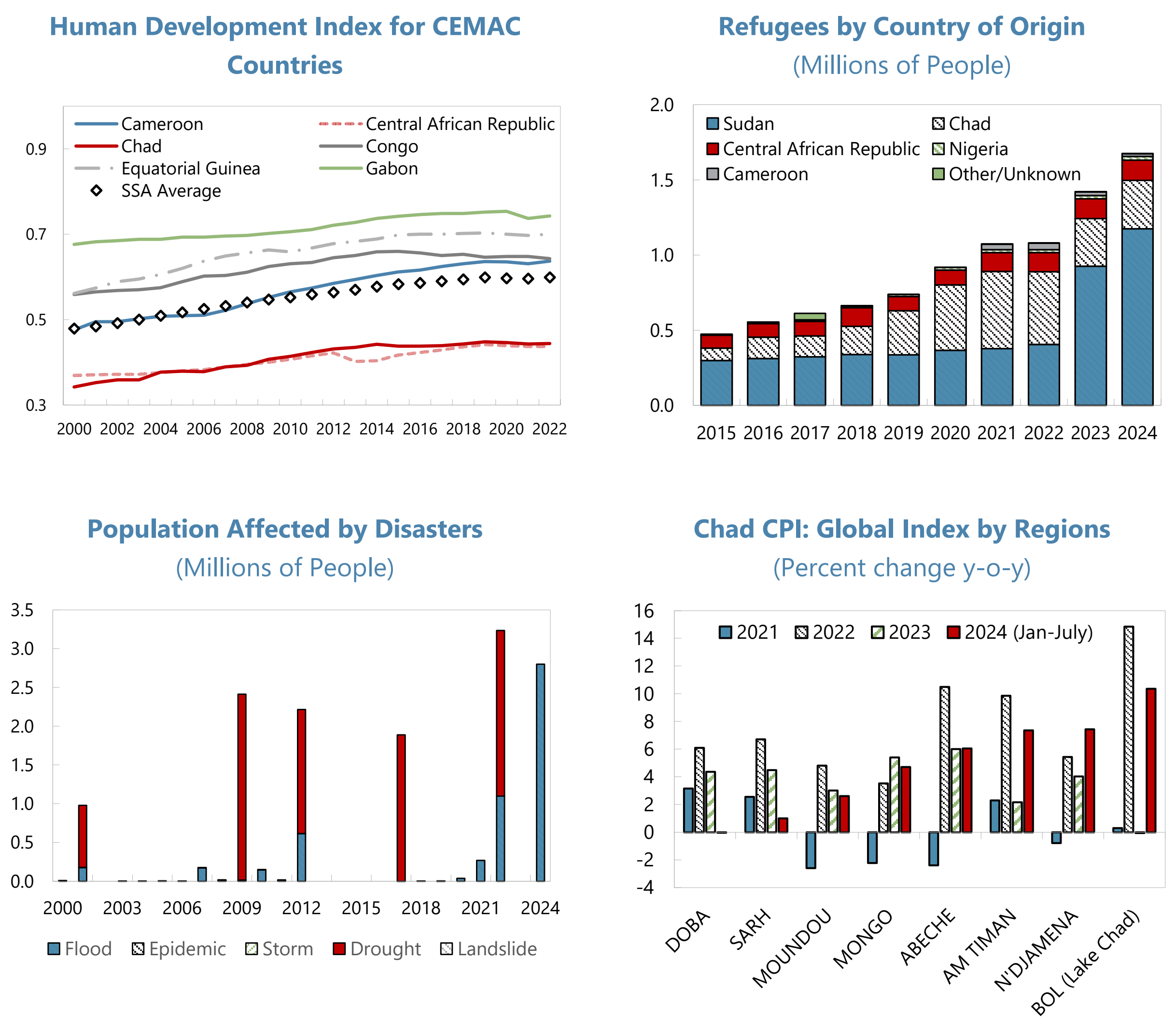
Text Table II.1. Chad: Social and Development Indicators

	2018	2019	2020	2021	2022	2023
Human Development Index (scale 0-1)	0.40	0.40	0.40	0.39	0.39	-
GDP per capita (PPP, US$)	1,691	1,847	1,623	1,764	1,882	1,969
Extreme poverty rate (percent of population)	31.2	-	-	34.9	-	35.4
Life expectancy (years)	52.8	53.3	52.8	52.5	53.0	54.0
Infant mortality rate (per 1,000 live births)	70.6	69.0	67.3	65.7	64.1	-
Basic drinking water services access (percent of population)	49.8	50.5	51.2	51.9	52.0	-
Electricity access (percent of population)	10.1	8.4	10.9	11.3	11.7	-
Human Capital Index (scale 0-1)	0.3	-	0.3	-		-
Literacy rate (percent of people ages 15 and above)	-	-	-	-	27.3	-

Sources: World Bank, UNDP, and IMF staff calculations.

2. Chad is confronted with dramatic external shocks, notably the ongoing refugee crisis on the border with Sudan and extreme weather events exacerbated by climate change. Owing to the ongoing conflict in Sudan, Chad is currently hosting almost 1.2 million Sudanese refugees. Concerns about humanitarian spillovers are rising, as pressure on already limited state capacity and resources is reinforced while inflation has been rising in regions bordering Sudan. Furthermore, Chad is widely considered one of the most vulnerable countries to climate change. Natural disasters, of which droughts and floods are most frequent, regularly plague Chad. Since July 2024, devastating floods struck all of the country's provinces, affecting 1.7 million people. The macroeconomic consequences of these disasters are quite severe, as economic activity is reduced, agricultural operations destroyed, and additional fiscal pressure is created. Both the influx of refugees and these extreme weather events contribute to an unprecedented level of food insecurity in the country. The World Food Program estimates that 3.4 million people suffered from food insecurity during this year's lean season.

Text Figure II.1. Chad: Social Conditions



Note: Data for 2024 is preliminary.

Sources: UNDP, UNHCR, EMDAT and IMF staff calculations.

3. The authorities have collaborated with partners to address the ongoing crises, however limited capacity and fiscal space have hampered efforts to promote sustainable and inclusive economic development. In partnership with organizations such as FAO, WFP, and various international NGOs, they developed the National Response Plan (NRP) for 2023/24, aimed at enhancing food and nutrition security for populations experiencing nutritional insecurity. The government has also worked with international partners, led by UNHCR, to address the Sudanese refugee crisis in the East of the country and has continued to provide a safe haven for refugees including by providing land and security for refugee camps. However, the government's limited financial means and technical capacity has resulted in very slow progress in designing and implementing initiatives aimed at promoting long-term economic development. The administration formed following the recent presidential elections has acknowledged the need to accelerate socioeconomic development with the aim of improving the lives of the population. The new national development plan, currently under preparation, presents an opportunity to articulate their ambitious development agenda and detail the necessary policies and reforms required for their effective implementation, notably by creating much-needed fiscal space, enhancing public expenditure quality, and strengthening public investment management.

Annex III. Risk Assessment Matrix[1]

Sources of Risks	Relative Likelihood	Impact if realized	Recommended Policy Response
External Risks			
Intensification of regional conflicts. Escalation or spread of the conflict in Gaza and Israel, Russia's war in Ukraine, and/or other regional conflicts or terrorism disrupt trade (e.g., energy, food, tourism, supply chains), remittances, FDI and financial flows, payment systems, and increase refugee flows.	**High**	**High.** Chad is directly affected by the conflict in Sudan. Continued large influx of refugees from Sudan could lead to a humanitarian and social crisis.	Protecting social spending and transfers to the National food security office (ONASA) and seeking donor support.
Commodity price volatility. Supply and demand fluctuations (e.g., due to conflicts, export restrictions, OPEC+ decisions, and green transition) cause recurrent commodity price volatility, external and fiscal pressures and food insecurity in EMDEs, cross-border spillovers, and social and economic instability.	**High**	**High.** Chad is highly dependent on its oil exports. Volatility in oil price results in higher uncertainty in fiscal revenue.	Adopting a resilient fiscal policy anchored in the medium term to improve capacity to absorb shocks. Implementing structural measures to diversify the economy.
Climate change. Extreme climate events driven by rising temperatures cause loss of life, damage to infrastructure, food insecurity, supply disruptions, lower growth, and financial instability. A disorderly transition to net-zero emissions and regulatory uncertainty lead to stranded assets and low investment.	**Medium**	**High.** Chad is one of the most vulnerable countries to climate change. The incidence of floods and droughts has already increased significantly and could severely affect agricultural production, crops and livestock, increasing inflationary pressures and food insecurity.	Adopting climate adaptation and mitigation policies, by securing road and energy network, particularly in economic centers, and for transition by decentralizing and switching to renewable energy production.
Global growth surprises. Slowdown. Growth slowdown in major economies, including due to supply disruptions, tight monetary policy, rising corporate bankruptcies, or a deeper-than-envisaged real estate sector contraction, with adverse spillovers through trade and financial channels, triggering sudden stops in some EMDEs.	**Medium**	**Medium.** A slowdown of the global economy could lead to an oil price drop, weaker external demand, and lower financial inflows.	Implementing fiscal consolidation to reverse buffer depletion and limit debt accumulation and prioritizing targeted social spending to the most vulnerable. Building buffers to prevent against such deterioration of the current and the financial account.

[1] The Risk Assessment Matrix (RAM) shows events that could materially alter the baseline path (the scenario most likely to materialize in the view of IMF staff). The relative likelihood is the staff's subjective assessment of the risks surrounding the baseline ("low" is meant to indicate a probability below 10 percent, "medium" a probability between 10 and 30 percent, and "high" a probability between 30 and 50 percent). The RAM reflects staff views on the source of risks and overall level of concern as of the time of discussions with the authorities. Non-mutually exclusive risks may interact and materialize jointly. "Short term (ST)" and "medium term (MT)" are meant to indicate that the risk could materialize within 1 year and 3 years, respectively.

Sources of Risks	Relative Likelihood	Impact if realized	Recommended Policy Response
External Risks			
Systemic financial instability. High interest rates and risk premia and asset repricing amid economic slowdowns and elevated policy uncertainty (including from elections) trigger market dislocations, with cross-border spillovers and an adverse macro-financial feedback loop affecting weak banks and NBFIs.	**Medium**	**Medium.** The drying up of financing resources in the CEMAC region could lead to higher financing costs for member countries and hence to debt sustainability problems.	Prudent fiscal policies that will reduce the need to access domestic markets, combined with concessional external financing.
Domestic Risks			
Political instability / Security. Failure to deliver on its social objectives could result in an increase in social tensions	**Medium**	**Medium.** While social tensions have been contained since the October 2022 demonstrations, they could flare up again if the government does not deliver on its objectives of providing access to energy, water, education, and health.	Creating the necessary fiscal space through domestic revenue mobilization reforms and the streamlining of non-priority expenditures.

Annex IV. External Sector Assessment

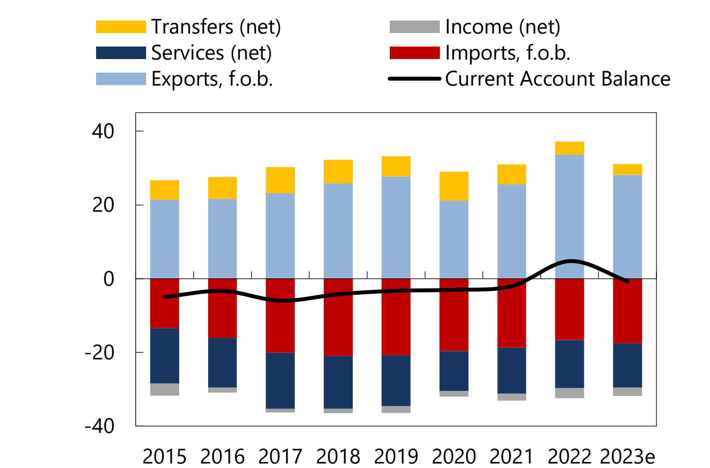
Overall Assessment: *The current account balance returned to a deficit in 2023, following a historic surplus in 2022. Although substantial exports, bolstered by high oil prices, persisted, they were offset by strong imports and service debits. The capital and financial account surplus was insufficient to counterbalance the current account deficit and to contribute to the accumulation of foreign exchange. Consequently, Chad's external position in 2023 is assessed as moderately weaker than the level implied by fundamentals and desirable policies. The quantitative assessment of the exchange rate, using the Fund's EBA-lite Current Account methodology, indicates an overvaluation of Chad's real effective exchange rate by approximately 4 percent in 2023. A large uncertainty surrounds these estimates and analysis due to the absence of consistent external sector data.* [1]

Potential Policy Responses*: A stronger external position coupled with improved reserve buffers and sustainable capital inflows in the medium term requires a transparent fiscal strategy and structural governance reforms to boost the non-oil sector and strengthen financial inclusion.*

Current Account

Background. The historic current account surplus in 2022, driven by oil export revenues, did not persist into 2023 (Figure IV.1). Oil revenue remain the main driver of the current account, accounting for 85 percent of goods exports. In 2023, while declining, oil exports remained elevated. They amounted to 20.8 percent of GDP, down from the 2022 exceptional level of 26.1 percent, but substantially higher than the 2015-2021 average of 15.3 percent. Oil market dynamics also indirectly impact imports, through machines and equipment for the oil industry (which constitute about 20 percent of import) and services related to transportation costs like shipping, freight, and insurance (which account for about 15 to 20 percent of net services). In 2023, the high exports were offset by strong imports of goods and services, resulting in a current account deficit of 0.7 percent of GDP. This deficit is below the 4 percent average over 2015-2021, but significantly worse than the exceptional surplus of 4.8 percent in 2022.

Figure IV.1. Chad: Current Account (Percent of GDP)



Sources: Chadian Authorities, BEAC, IMF Staff Estimates.

Assessment. The CA model compares Chad's actual adjusted account balance with the model-estimated current account "norm" to reflect the latest desirable policies in five areas: (i) fiscal strategy; (ii) health expenditures; (iii) FX reserves; (iv) private sector credit; and (v) capital controls. The gap implied by current policies, with respect to fundamentals and desired policies is of -0.9 percent of GDP (Text Table IV.1).

The approach and methodology for the external sector assessment are based on the revised EBA-Lite Current Account model. The estimation of the 2023 current account balance accounts adjusted for cyclical contributions, including terms-of-trade adjustments, which were particularly limited in 2023 and are estimated to have contributed approximately +0.1 percentage points. The model also incorporates the impact of natural disasters and conflicts, which accounts for -0.1 percentage point but remains difficult to estimate.

Chad's external position is moderately weaker than the level implied by medium-term fundamentals and desirable policies. This weakness in external position is, in particular, related to the low level of social safety nets and to weak foreign reserves accumulation during the current period of high oil prices.

Text Table IV.1. Chad: EBA-Lite Model Results, 2023

	CA model 1/	**REER model**
	(in percent of GDP)	
CA-Actual	**-0.7**	
Cyclical contributions (from model) (-)	0.1	
Natural disasters and conflicts (-)	-0.1	
Adjusted CA	**-0.8**	
CA Norm (from model) 2/	**0.1**	
Adjustments to the norm (+)	0.0	
Adjusted CA Norm	**0.1**	
CA Gap	**-0.9**	**-1.4**
o/w Relative policy gap	-2.9	
Elasticity	-0.2	
REER Gap (in percent)	**4.3**	**7.0**

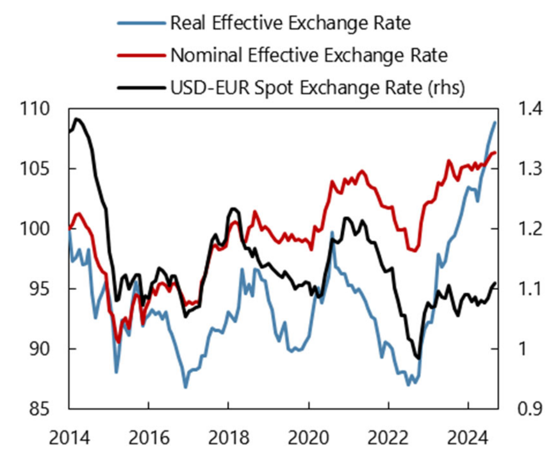
1/ Based on the EBA-lite 3.0 methodology
2/ Cyclically adjusted, including multilateral consistency adjustments.

Increasing fiscal credibility, by improving governance and establishing a long-term fiscal policy strategy, would strengthen the business climate, attract external investments, and support private sector development and financial inclusion. Currently, oil prices remain high, but growing uncertainty about a weaker-than-expected global growth, driven by a slowdown in the global economy, could lead to a larger decline in oil prices, widening the current account deficit and deepening the external financing gap. Therefore, implementing fiscal policy targets is crucial to build buffers, improve resilience, and create fiscal space to support sustainable development goals achievements.

Real Exchange Rate

Background. The nominal effective exchange rate has appreciated since mid-2022. Largely reflecting the fluctuations of the euro—to which the CFA franc is pegged—against the US dollar, Chad's nominal effective exchange rate appreciated from mid-2022 before stabilizing at a historically high level since August 2023 (Figure IV.2). Exchange rates against the Chinese yuan and the Indian rupee also play a growing role, as China and India became among the main trading partners of Chad, respectively, accounting for estimated 30 and 10 percent of bilateral trade on average over the last years. The appreciation of the real effective exchange rate has been also amplified by the CPI inflation, which remains elevated.

Figure IV.2. Chad: Effective Exchange Rate (Index. Jan. 2014 = 100)

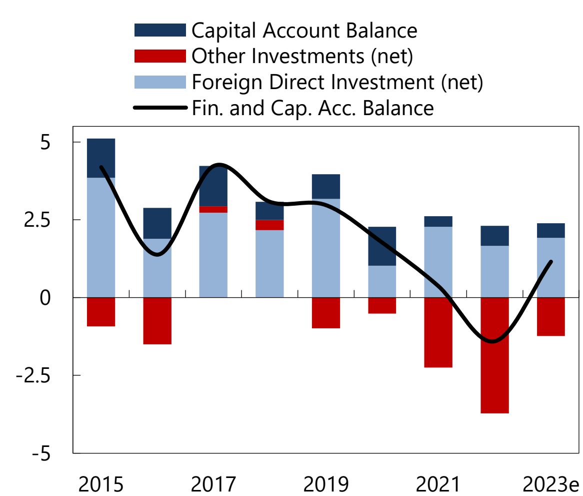


Note: Increase in indices is an appreciation of the CFA Franc.
Sources: Chadian Authorities, BEAC, IMF Staff Estimates.

Assessment. the EBA-Lite CA model assesses real effective exchange rate to be overvalued by 4.3 percent, under a trade semi-elasticity assumption of -0.2. The REER model comes to a similar conclusion as it indicates an overvaluation of 7.0 percent. The final assessment is anchored on the CA model, which is generally regarded as producing more relevant results for low-income countries because current accounts tend to exhibit stronger theoretically consistent relationships with other economic phenomena than exchange rates. Furthermore, the estimated 2023 REER overvaluation, though somewhat lower, is comparable with the 2019 Article IV assessment of an 11-percent overvaluation.

Capital and Financial Accounts: Flows and Policy Measures

Figure IV.3. Chad: Current Account (Percent of GDP)



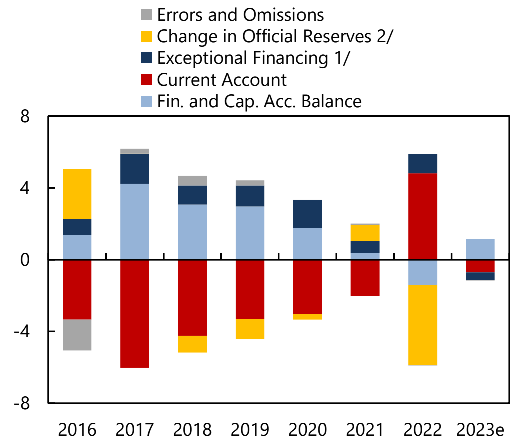
Sources: Chadian Authorities, BEAC, IMF Staff Estimates.

The capital and financial account returned to a surplus in 2023 (Figure IV.3). Foreign direct investment, primarily directed toward the oil sector, has slightly slowed since the COVID-19 pandemic but remains a substantial source of funding for the economy, amounting to approximately 2 percent of GDP in net terms. In 2022 and 2023, loan repayments have generated larger net outflows of other and long-term investments. These outflows partly reflect accelerated repayments to the largest commercial creditor resulting from a cash-sweep clause in the debt contract, which were partly offset in 2023 by UAE's loan disbursement inflows. Capital transfers, including grants for capital projects, particularly in the public sector in Chad, slowed in 2021 and 2022 due to uncertainty and delays in this post-COVID/political transition period, but rebounded somewhat in 2023.

Reserves Level

The current account surplus in 2022, supported by elevated oil exports, contributed to the accumulation of foreign exchange reserves after falling in 2021 due to government liquidity constraints. Chad's contribution to the regional accumulation of foreign reserves was limited in 2023 in line with current account deficit and should resume 2024 supported by external budget financing. Chad is expected to contribute to the regional efforts to accumulate foreign exchange reserves in 2024.

Figure IV.4. Chad: Balance of Payments (Percent of GDP)



1/ Including IMF disbursements;

2/ Positive corresponds to a decrease.

Sources: Chadian Authorities, BEAC, IMF Staff Estimates.

Authorities' Views

The authorities concur with the IMF team's findings. The authorities intend to pursue the necessary reforms to develop the non-oil economy and hope to achieve the regular publication of balance of payments figures swiftly.

[1] Recent GDP rebasing by the Chadian National Statics Institute (INSEED) has highlighted some large discrepancies in external sector aggregates with the BEAC numbers, covering 2018-2022. Consistent estimates are expected to be published swiftly with the support of IMF technical assistance (see Annex VIII and Annex IX).

Annex V. No-Adjustment Scenario

1. **Developing a scenario that illustrates the impact of not implementing the proposed fiscal adjustment is key to highlight the importance and urgency of putting in place a more prudent policy framework**. This scenario assumes that expenditure and revenue policies would remain unchanged, with both spending and non-oil revenue increasing in line with historical patterns. It also assumes that such a procyclical policy stance would not elicit support from donors and the budget would therefore have to be financed through a combination of non-concessional financing and an accumulation of domestic arrears in the context of increasingly constrained financing. This would in turn negatively impact the private sector and lead to a slow-down of non-oil GDP growth to 3 percent over the medium term.

Table V.1. Chad: Growth Assumptions in the No-Adjustment Scenario, 2025-2029

	2025	2026	2027	2028	2029
Non-oil GDP					
No-Adjustment	3.5	3.2	3.0	3.0	3.0
Resilient	4.2	4.3	4.2	4.3	4.3
GDP					
No-Adjustment	2.9	3.5	2.7	3.2	2.5
Resilient	3.4	4.5	3.8	4.3	3.7

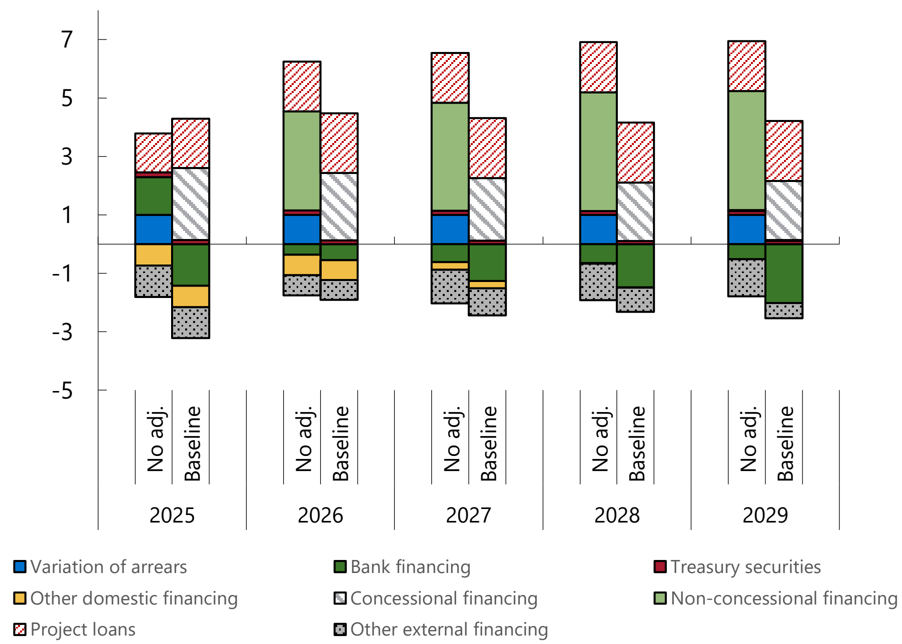
Source: IMF staff calculations

2. **If the authorities' fiscal consolidation efforts were to stall and spending were to remain elevated, fiscal buffers would be quickly depleted, and a disorderly adjustment could become inevitable.** Under a scenario with no additional adjustment in 2025 and over the medium term, any remaining liquidity buffers would be depleted by the end of 2025, including the US$500m budget support loan from the UAE expected to be disbursed by the end of 2024. With declining oil revenues over the medium term, a sharp change in policy direction—such as a sharp reduction in domestically financed investment (similar to those of past boom-bust investment cycles)—and/or significant additional borrowing would become inevitable. It is highly uncertain that the authorities would be able to finance such a fiscal stance—given the saturation of the regional market and the limited external non-concessional financing options available— which could force a disorderly fiscal adjustment.

3. **Even if the authorities were able to raise the necessary financing, a scenario with unchanged policies would lead to an unsustainable debt accumulation with a high risk of distress.** The declining trend in public debt would be expected to reverse in 2026 with no change in policies. Total public debt would quickly increase to 38.6 percent of GDP by 2029 and to 56 percent of GDP by 2034. All public and external debt burden metrics would be projected to rise from 2026 onwards, and exceed their risk thresholds, reflecting high vulnerabilities to shocks and weak debt-carrying capacity. Under such a scenario, debt would be unsustainable (See Annex V).

Text Figure V.1. Chad: Financing Assumptions under No-Adjustment and Baseline Scenarios, 2025-2029

(Percent of non-oil GDP)



Source: IMF staff projections.

4. **To avoid such outcomes, the authorities should continue to implement a resilient fiscal policy, providing for the build-up of adequate external and fiscal buffers.** Strengthening tax administration to increase non-oil revenue mobilization and enhancing spending controls to contain non-priority spending would allow for the accumulation of buffers while providing fiscal space for critical social spending and investment. The steady accumulation of deposits – from 1.6 percent of GDP at end-2023 to 5 percent of non-oil GDP by end-2029 – would provide significant buffers to cover short-term financing needs in the face of a shock, while providing space for the mobilization of debt buffers and an orderly policy response. The baseline scenario in the Staff Report is in line with these recommendations.

Table V.2. Chad: No-Adjustment Scenario: Fiscal Operations of Central Government, 2025-2029

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

	2025	2026	2027	2028	2029
	Proj.	Proj.	Proj.	Proj.	Proj.
Total revenue and grants	**19.3**	**16.9**	**17.1**	**16.9**	**16.9**
Revenue	17.3	15.0	15.2	14.9	15.0
Oil[1]	9.0	6.5	6.6	6.2	6.1
Non-oil	8.3	8.4	8.6	8.7	8.9
Tax	7.7	7.9	8.0	8.2	8.4
Non-tax	0.6	0.6	0.6	0.5	0.5
Grants	1.9	1.9	1.9	1.9	1.9
Budget support	0.0	0.0	0.0	0.0	0.0
Project grants	1.9	1.9	1.9	1.9	1.9
Expenditure	**21.2**	**21.4**	**21.6**	**21.8**	**22.1**
Current	13.1	12.8	13.1	13.3	13.5
Wages and salaries	6.1	6.2	6.2	6.3	6.3
Goods and services	2.3	2.4	2.4	2.5	2.5
Transfers and subsidies[2]	2.9	2.9	2.8	2.8	2.8
Of which: Transfers to National Electricity Company[2]	0.8	0.7	0.7	0.6	0.6
Interest	1.7	1.4	1.6	1.7	1.9
Domestic	1.0	0.9	0.9	0.7	0.7
External	0.7	0.5	0.7	1.0	1.2
of which: Glencore	0.4	0.0	0.0	0.0	0.0
Investment	8.2	8.6	8.6	8.6	8.6
Domestically financed	4.9	4.9	4.9	4.9	4.9
Foreign financed[3]	3.3	3.6	3.6	3.6	3.6
Overall balance (incl. grants, commitment)	**-2.0**	**-4.5**	**-4.5**	**-5.0**	**-5.2**
Non-oil primary balance (excl. grants, commitment)[4]	**-7.9**	**-7.9**	**-7.8**	**-7.8**	**-7.7**
Float from previous year[5]	-0.3	-0.3	-0.3	-0.3	-0.2
Float at end of period[5]	0.3	0.3	0.3	0.3	0.2
Var. of Arrears[6]	1.0	1.0	1.0	1.0	1.0
Var. of unaudited arrears[7]	0.0	0.0	0.0	0.0	0.0
Overall balance (incl. grants, cash)	**-1.0**	**-3.5**	**-3.5**	**-4.0**	**-4.2**
Non-oil primary balance (excl. grants, cash)	**-6.9**	**-6.9**	**-6.8**	**-6.8**	**-6.7**
Errors and omissions	**…**	**…**	**…**	**…**	**…**
Financing	**1.0**	**3.5**	**3.5**	**4.0**	**4.2**
Domestic financing	0.7	-0.9	-0.7	-0.5	-0.3
Bank financing	1.3	-0.4	-0.6	-0.7	-0.5
Central Bank (BEAC)	1.3	-0.4	-0.6	-0.7	-0.5
Deposits	1.9	0.3	0.0	0.0	0.0
Advances (net)	-0.1	-0.1	-0.1	-0.1	-0.1
IMF	-0.4	-0.5	-0.5	-0.5	-0.4
SDR Allocation	0.0	0.0	0.0	0.0	0.0
Commercial banks (deposits)	0.0	0.0	0.0	0.0	0.0
Other financing (net)	-0.6	-0.5	-0.1	0.1	0.2
Privatization and other exceptional receipts	0.0	0.0	0.0	0.0	0.0
Foreign financing	0.3	4.4	4.3	4.5	4.5
Loans (net)	0.3	4.4	4.3	4.5	4.5
Disbursements	1.3	5.1	5.4	5.8	5.8
Amortization	-1.1	-0.7	-1.1	-1.2	-1.3
Debt relief/rescheduling (HIPC)	0.0	0.0	0.0	0.0	0.0
External arrears	0.0	0.0	0.0	0.0	0.0
Financing gap	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
CCRT	0.0	0.0	0.0	0.0	0.0
DSSI (Net)	0.0	0.0	0.0	0.0	0.0
IMF ECF	0.0	0.0	0.0	0.0	0.0
Residual financing gap	0.0	0.0	0.0	0.0	0.0
Memorandum items:					
Non-oil GDP	11,237	11,936	12,665	13,448	14,272
Net debt (in percent of GDP)	27.0	29.9	32.3	35.1	38.0
Bank deposits (including BEAC, in percent of GDP)	1.0	0.7	0.7	0.7	0.7
(In months of domestically-financed spending)	0.8	0.6	0.5	0.5	0.5
BEAC advances	4.1	3.7	3.4	3.1	2.8

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 transfers of oil derivatives in-kind to the national electricity company (SNE) starting from 2020; value based on fixed price of $46.90 per barrel (in line with the average Brent oil price in 2015-16).

[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]Including audited arrears and recognized arrears based on the Treasury table "restes à payer".

[7]Unaudited arrears include arrears to contractors (decomptes).

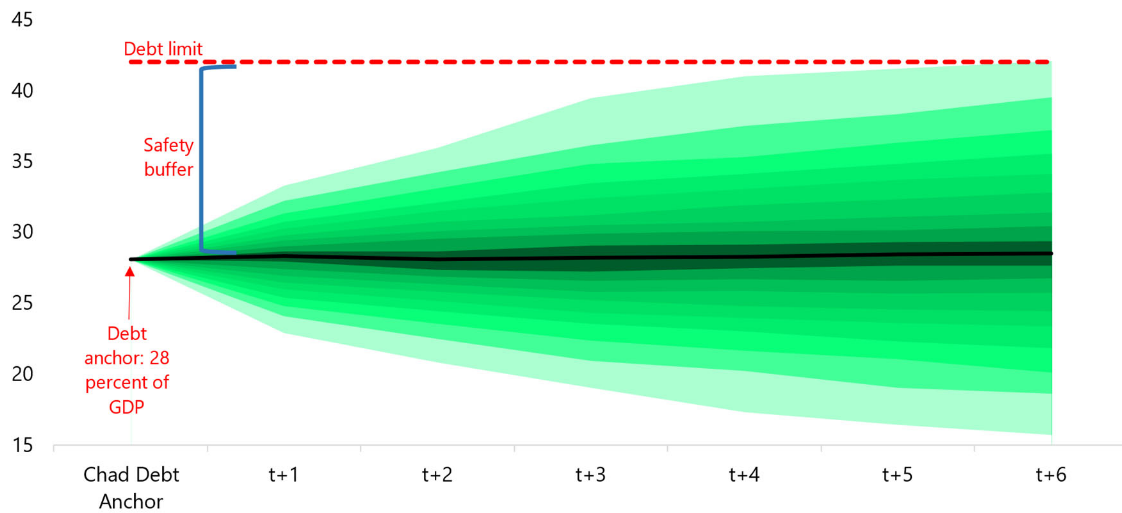
Annex VI. Anchoring Fiscal Policy in Chad – Towards a Medium-Term Fiscal Framework—Summary

1. Chad's dependence on the volatile oil sector, coupled with its recent history of procyclical fiscal policy, poses a risk to growth and fiscal sustainability. The oil sector's contribution to the country's output and government revenues is substantial and has fluctuated significantly over the years. Fiscal policy has been closely linked to oil price changes, with a high positive correlation between oil prices and both government revenues and expenditures. However, slower fiscal adjustment during oil price slumps than fiscal expansion during booms, has led to asymmetric impacts on fiscal balances and resulted in increased public debt and reduced fiscal buffers. These procyclical fiscal policies, have led to suboptimal economic and development outcomes, including boom-bust cycles in public investment.

2. To address these issues, staff propose a debt anchor as part of a robust medium-term fiscal framework. The proposed fiscal framework aims to achieve economic stabilization and provide insurance against economic shocks. While rules focused on asset accumulation and providing a permanent income from extractives are analytically sound and intellectually appealing, their implementation presents a number of challenges, including: (i) it is often politically non-feasible to justify the accumulation of large financial assets in a context of very high short-term development needs; (ii) it requires reliable estimates of wealth which are highly dependent on volatile oil price projections and the results will vary considerable depending on the assumptions made; and (iii) it normally requires a more complex institutional set-up, including potentially a sovereign wealth fund, which can be difficult to set up and operate in a context of low capacity and weak governance. A debt anchor provides more flexibility to utilize oil revenues to fund critical development spending while mitigating the impact of oil price volatility by incentivizing the accumulation of fiscal buffers during periods of oil price booms and their utilization to smoothen the fiscal stance during downturns.

3. Staff propose a medium-term debt target of 28 percent of GDP. The proposed debt target is determined through a three-stage process: establishing the maximum debt limit, estimating the required safety buffer, and inferring the debt target as the difference between the maximum debt limit and the safety buffer. In line with the debt burden thresholds of the Fund's Debt Sustainability Framework for low-income countries the maximum debt limit is set at 42 percent of GDP in nominal face value terms, which is broadly consistent with the NPV debt threshold of 35 percent for public debt in countries with low credit-carrying capacity. The safety buffer – calibrated based on past shocks and stochastic simulations of future debt trajectories – is estimated at 14 percent of GDP with a risk tolerance of 5 percent. Thus, the proposed medium-term debt target would require public debt to be at or under 28 percent of GDP.

Text Figure VI.1. Chad: Calibrated Debt Anchor and Safety Buffer
(Percent of GDP)



Source: IMF staff estimates

4. Performance against the proposed medium-term debt target would be monitored using net debt to enable enhanced asset-liability management. Focusing on net debt – which is computed as the difference between the stock of liquid financial assets and gross public debt – provides more flexibility to optimize asset and liability management and enhances the target's shock insurance effectiveness given tightening financing conditions during busts. Based on a simulation of oil price shocks, staff recommends the accumulation of 5 percent of GDP in precautionary liquid financial assets.

5. The framework would be implemented through an operational rule targeting a non-oil primary deficit of between 4 and 5 percent of non-oil GDP. The operational rule should be set at a level that ensures convergence of the net debt level towards the anchor of 28 percent of GDP. Once convergence with the debt anchor is achieved, the NOPB that stabilizes net public debt at the target level over the medium term is estimated to be between -4 and -5 percent of non-oil GDP.

6. Chad would need to build on the fiscal consolidation efforts started in 2024 to reach this operational target over the medium term. By establishing and adhering to a clear fiscal public debt target the country can mitigate boom-bust cycles, move towards long-term fiscal sustainability, and more effectively mobilize resources to fund its large development needs. The end of the political transition process provides an opportunity to implement a robust fiscal framework that balances fiscal prudence with mobilizing the resources to fund the new authorities' investment agenda. The successful implementation of fiscal consolidation measures in 2024 already marks a strong start in this direction and it will be essential to continue on this path.

7. Effective implementation of the medium-term fiscal framework hinges on structural reforms to strengthen key institutions and encompasses several reforms in fiscal planning, risk management, expenditure control, and revenue administration. Overcoming political and economic resistance to these changes necessitates understanding the country's political economy, contextually tailored policies, strategic policy sequencing, and transparent communication.

Annex VII. Country Engagement Strategy[1]

The IMF's strategy for Chad focuses on fostering stability and inclusive economic growth. A "pivotal moment" is key to success—where leadership and society recognize the limits of past policies and the need for change. The recent presidential election could signal such a moment, with authorities indicating a stronger focus on addressing social needs. They now need to articulate a consistent policy and reform agenda as part of their national development plan and show further progress in implementing a resilient fiscal policy. In the meantime, Fund engagement will prioritize capacity building, policy dialogue, consensus-building, contingency planning, and a transition to a new financing program.

A. Country Overview

1. Chad, in north-central Africa, borders six nations and hosts around 18 million people across varied ethnic groups. Despite its rich cultural tapestry, it is one of the world's poorest and least-developed countries, with over 30 percent of the population living in absolute poverty. Chad has been riddled with fragility, conflict, and vulnerability to climate change. Its economy leans heavily on oil, which accounts for a significant portion of its GDP and exports. Most of its population (around 70 percent) is under 24, and Chad's Human Development Index ranking is a concerning 189th out of 193 countries.

B. Historical and Recent Political Context

Pre-Independence:

2. The region has witnessed powerful empires, such as the Kanem-Bornu, which controlled trans-Saharan trade routes. With the advent of Islam in the 11th century, there was increased cultural amalgamation. European exploration commenced in the 19th century, with the French later dominating, bringing in their colonial rule, thereby shaping the socio-political landscape.

Post-Independence:

3. Since gaining independence in 1960, Chad has experienced multiple periods of civil war, coups, and authoritarian rule. After the death of long-time President Idriss Déby in 2021, an 18-month transition to democracy was announced, and his son, General Mahamat Déby, was appointed transitional president by a military council. After the transition period was extended by a further 18 months, presidential elections were held in May 2024. Transitional President Déby won the election, whose results were disputed by opposition leader and runner-up Succès Masra. The parliamentary and local elections scheduled for December 2024 will mark the end of the transition period.

[1] This is a summary of the CES that has been developed in line with the Board-endorsed Fund strategy with Fragile and Conflict-Affected States.

C. Key Drivers of Fragility and Conflict

- *Political Structures:* Centralized power, patronage networks, and reliance on oil hinder reforms and stability.
- *Ethnic Divide:* North-South ethnic and religious differences create challenges for national unity and policy consensus.
- *Urban-Rural Divide:* Great disparities exist between urban and rural populations in access to resources and services.
- *Climate Change Challenges:* Climate change, floods, drought, and a shrinking Lake Chad exacerbate economic vulnerability and conflict.
- *Farmer-Herder Conflicts:* Competition for land and water resources, as well as population growth, fuel conflicts between factions of the rural population.
- *Security Issues:* Regional instability from conflicts in Sudan, Libya, and other neighboring countries strain resources.

D. Constraints to Reform Implementation

4. During the transition period, the authorities focused on maintaining stability rather on the implementation of ambitious reforms, which could have proven unpopular. Ethnic and regional tensions further complicate consensus on policy changes, and capacity issues—such as high staff turnover and weak infrastructure—impede progress.

E. Recommended Policies and Sequencing

5. To ensure sustainable development, reforms must be locally driven. Immediate priorities include fiscal consolidation, financial sector policies, and governance improvements, while medium- and long-term efforts should focus on human capital development, climate resilience, and private sector growth. The IMF should continue to provide technical assistance, build capacity, and engage in dialogue with Chad's authorities to support these reforms. Upcoming discussions on the authorities' request for a Fund-supported financing program present an opportunity to deepen the dialogue and traction on policy priorities. Collaboration with international partners, such as the World Bank, AfDB, and NGOs. is essential for implementing reforms.

F. Risks

6. Near-term risks include political instability, security concerns, governance issues, economic shocks, capacity constraints, and social unrest. Medium- to long-term risks encompass challenges in economic diversification, human capital development, climate-related concerns, and ongoing conflicts. The observed cycle in Chad-Fund relations underscores risks of IMF engagement.

G. Conclusion

7. Reform efforts in Chad cannot be imposed externally. Successful engagement will depend on a clear policy agenda and local consensus. The Fund should continue capacity-building efforts, monitor progress, and provide technical assistance while engaging the authorities to finalize a consistent policy and reform agenda as part of their national development plan and show further progress in implementing a resilient fiscal policy. The upcoming Fund financing program discussions could provide a useful framework for the dialogue with the authorities.

Annex VIII. Capacity Development Strategy

A. Context and Progress

1. The Fund's capacity development strategy is aligned with the authorities' new priorities. Shortly after his election in May 2024, President Mahamat Déby announced his focus on promoting socioeconomic development, strengthening governance, and enhancing the business environment. While the authorities have recently made progress on mobilizing non-oil revenue and containing non-priority spending, further efforts will be required to sustainably create the fiscal space for this ambitious agenda while rebuilding fiscal buffers. The Fund's capacity development (CD) strategy is aimed at supporting the authorities in these efforts and to do so prioritizes technical assistance (TA) targeted at improving public financial management (PFM), revenue administration, national statistics, expenditure control as well as debt management.

2. Despite some challenges to its implementation, the TA support provided to Chad in recent years enabled progress in many areas. In PFM and revenue administration, two long-term experts have been providing TA locally, and new long-term experts in tax administration were recently appointed to support in digitalizing government solutions, managing tax risks, and addressing fragility-related risk in AFRITAC Central countries. TA missions both from headquarters and AFRITAC Central have offered support in many areas, including energy subsidies, the wage bill, tax policy, oil revenue forecasts, national accounts, government finance statistics, debt management, PIMA, and C-PIMA (see Text Table IX.1 below). Achievements include the re-establishment of an independent Court of Accounts, the establishment of a joint tax-customs committee and the regular production of public debt forecasts and scenarios by means of a Public Debt Dynamics Tool through TA provided by ICD. Furthermore, significant progress was made on the National Statistics and External Sector fronts, with support from AFRITAC Central and STA missions. For example, the GDP rebasing to 2017 has been completed for data from 2005 until 2022, and the CPI was rebased to 2019. Regarding the external sector, Fund TA helped resolve the large discrepancies that existed between BEAC and INSEED numbers and unified BOP data, covering 2018-2022, is now expected to be published in the coming months. However, the implementation of some TA recommendations has lagged behind, reflecting limited absorptive capacity, inter-departmental coordination challenges, and high turnover of government staff.

B. CD Strategy

3. In line with the government's strategic goals and the Fund's policy recommendations, the CD strategy prioritizes the areas of PFM, Revenue Administration, Statistics, Expenditure Control, and Debt Management. PFM is a core CD topic for Chad, with prioritizing and ensuring the efficiency and transparency of public spending being one of the Fund's central policy recommendations. As detailed in Text Table IX.1, the Fund will continue to support efforts to implement the 2022-2027 PFM strategy (SRFP). Measures to streamline non-priority expenditures, notably fuel subsidies, wage bill and emergency spending procedures, will also be key to ensuring the efficiency of public spending. Improving non-oil revenue mobilization by strengthening revenue administration will also be crucial to enhancing Chad's resilience against shocks, thus supporting the new government's policy objectives. Furthermore, the preparation and implementation of a Medium-Term Debt Management Strategy (MTDS) will be critical to enhancing concessional financing mobilization, increasing the disbursement rate of funds from international partners' allocated projects, and ultimately ensuring debt to remain sustainable. Finally, Statistics TA is required to enhance the authorities' capacity to analyze macroeconomic developments and produce sound national statistics as a basis for accurate policy planning.

4. Besides these priorities, the CD strategy identifies governance and anticorruption, integrating climate change, regional policy coordination, and economic diversification, as key areas for support in the medium term. CD to support the implementation of measures to strengthen AML/CFT frameworks and enhance the effectiveness of regulatory and oversight bodies, will be central to increase accountability and reduce leakages. Furthermore, capacity needs to be built to integrate climate change adaptation and mitigation measures into policy development as well as to continue efforts in climate-related PFM. To advance regional integration, the Fund is planning to provide CD to accompany the implementation of the CEMAC authorities' Regional Strategy Framework. Finally, policy design should be further supported to promote economic diversification and private sector growth. Priority areas there include improving the business environment, access to finance and infrastructure development.

C. Main Risks and Mitigation

5. To maximize the impact of TA efforts, local absorptive capacities, authorities' demand, and synergies with development partners must be considered. With CD supply amply available both from the Fund and development partners, the authorities' limited absorptive capacity could be stretched, thus undermining ownership. This results in a high risk of delays in the implementation of TA recommendations. Consequently, CD delivery planning must be closely aligned with demand from authorities and commitment monitored on an ongoing basis. Given the high turnover of officials, support from field-based long-term experts has been a mitigating factor to ensure knowledge transfer. Furthermore, cooperation with development partners such as the World Bank, the African Development Bank, the French Development Agency and the European Union, is crucial both in terms of aligning the content provided and its delivery schedule and avoiding redundancies. Finally, the ongoing evaluation of CD interventions should be maintained to revise and adjust projects continuously.

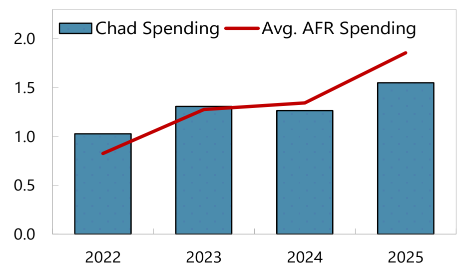
Table VIII.1. Chad: Capacity Development Priorities		
Strategic Priorities	**Progress and Objectives**	**Key Project Indicators**
Public Financial Management	**Traction:** The implementation of the 2022-2027 PFM reform strategy (SRFP), the establishment of the Treasury Single Account (TSA) and the deployment and expansion of the IFMIS (SIGFIP) are ongoing, with delays reflecting coordination issues and limited absorptive capacity. PIMA and C-PIMA were conducted in 2022, with a slow adoption of recommendations, partly due to inter-departmental coordination challenges. A follow-up climate budgeting mission was completed recently. The use of emergency spending procedures (DAO) has declined recently, thanks to constraints introduced via a presidential decree in November 2023. Another achievement was the recent re-establishment of an independent Court of Accounts ("*Cour des Comptes*"). Legislation to regulate the governance and oversight of SOEs has recently been adopted by Parliament. **Going Forward:** Further TA is needed to strengthen the authorities' capacity to implement their PFM strategy and creating a Treasury single account as well as to enhance transparency through improved financial reporting and auditing practices. Another goal is to implement the new legislation on the governance and fiscal oversight of public enterprises.	*Projects in Execution:* 8 *Total Budget (Mio. USD):* 2.4 *Providers:* AFRITAC Central, FAD
Revenue Administration	**Traction:** Current projects focus on increasing tax revenue, with achievements in the digitization of tax processes, such as the launch of a platform for the e-payment of custom taxes in February 2024 and of the e-invoicing/reporting of VAT since July 2024. Chad's custom offices have gradually updated their management system from ASYCUDA++ to ASYCUDA World, which is now used by over 90 percent of custom offices. A joint tax-customs committee was established to promote data exchange and implement common strategies. Furthermore, the IT interconnection between Chad and Cameroon's customs information systems to jointly manage customs transit operations is under development. A Global Public Finance Partnership (GPFP) project on revenue administration started in February 2024. **Going Forward:** The efforts to increase tax revenues and broaden the tax base, including the strengthening of fiscal control, should continue, supported by better governance and HR management of revenue administrations. The enforcement of tax and customs laws will improve taxpayer compliance and strengthen exemptions control. Further modernization of the administration's IT systems and the expansion of digital tools across local offices will support increased tax collection. These efforts will be supported as part of the GPFP project.	*Projects in Execution:* 4 *Total Budget (Mio. USD):* 2.3 *Providers:* AFRITAC Central, FAD
Expenditure Control	**Traction:** Although some progress on the revision of fuel and diesel prices has been achieved, the implementation of TA recommendations on market pricing of energy products and controlling the wage bill has lagged behind. **Going Forward:** Efforts to contain the wage bill and emergency spending procedures must be continued. The size of energy subsidies needs to be further understood and a plan to gradually remove inefficient and costly subsidies and to improve electricity generation efficiency by promoting renewable energies should be established.	*Projects in Execution:* 2 *Total Budget (Mio. USD):* 0.3 *Providers:* AFRITAC Central, FAD

Table VIII.1. Chad: Capacity Development Priorities (concluded)		
Strategic Priorities	**Progress and Objectives**	**Key Project Indicators**
Debt Management	**Traction:** Substantial progress in developing the government securities markets has been achieved. The production of public debt forecasts and scenarios by means of a Public Debt Dynamics Tool was put into operation with TA support provided by ICD. TA to formulate and implement the MTDS is ongoing.	*Projects in Execution:* 2 *Total Budget (Mio. USD):* 0.3 *Providers:* AFRITAC Central, MCM, FAD
	Going Forward: An AFRITAC mission will – among other topics – cover debt management from the treasury cash management perspective in coordination with AfDB. This topic is also part of the SRFP adopted in 2022 and the plan is to develop a roadmap with clear implementation steps to modernize the debt management system. Furthermore, the debt management system (SYGADE, developed with UN) needs to be fully effective and adapted to staff usage. Forward looking, its connection to SIGFIP will ensure a proper flow of information between the budget, treasury and debt management teams to improve debt service payments in particular regarding the timing.	
Statistics	**Traction:** Several projects are currently in execution with the objective to strengthen the compilation and dissemination of external sector and national accounts statistics. GDP data was rebased to 2017 for data from 2017 to 2022, while CPI was rebased to 2019, including a larger list of products and having a wider geographic coverage. For external sector data, Fund TA helped resolve large discrepancies that existed between BEAC and INSEED numbers, especially regarding exports of the livestock sector.	*Projects in Execution:* 8 *Total Budget (Mio. USD):* 1.4 *Providers:* AFRITAC Central, ICD, STA
	Going Forward: The capacity of Chad's authorities to analyze macroeconomic developments and produce reliable forecasts should be further enhanced. The quality and timeliness of national accounts, government finance and balance of payments data will be further improved with TA support. Planned milestones include the production of quarterly GDP numbers and the publication of a unified BOP covering 2018-2022, which is expected to be published in the coming months. A TA project is also ongoing to strengthen the compilation and dissemination of International Investment Position statistics.	
Note: Key project indicators are staff calculations based on projects in stage "Execution" in CDMap as of September 2024.		

Figure VIII.1. Chad: Capacity Development Overview

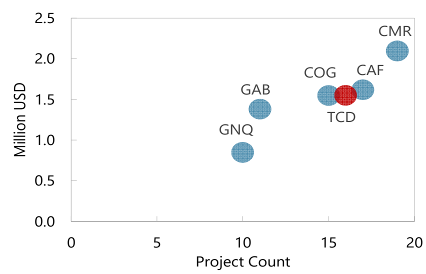
Actual CD spending on Chad is in line with the AFR average, with planned spending for FY25 slightly lower…

Single Country CD Spending, FY22-25
(Million USD)



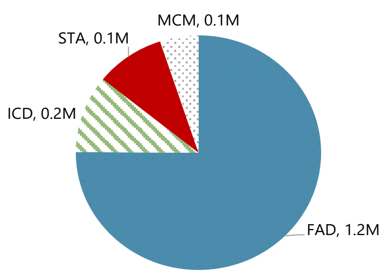
… but spending and project count in FY25 roughly corresponding to the CEMAC average.

CD Spending and Project Count in CEMAC, FY25
(Million USD and Count)



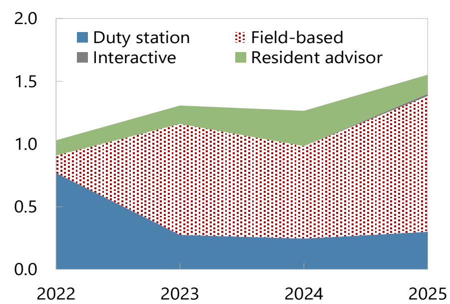
FAD is delivering most CD by planned spending…

CD Spending by Delivery Department, FY25
(Million USD)



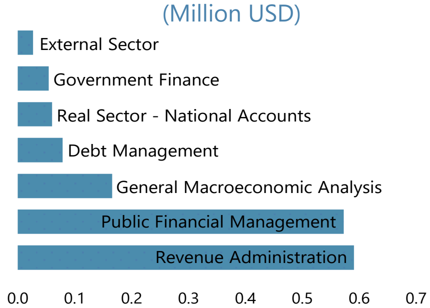
… and the majority of post-Covid TA has been field-based.

CD Spending by Modality, FY22-25
(Million USD)



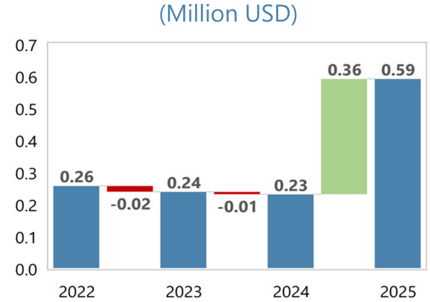
Revenue Administration is the workstream with the most planned spending …

CD Spending by Portfolio Workstream, FY25
(Million USD)



… as it received a large increase in budget for FY25.

CD Spending on Revenue Administration, FY22-25
(Million USD)



Source: IMF staff calculations based on CDMAP data.
Notes: Years denote fiscal years. Data for FY22 to FY24 is actual data, data for FY25 is based on planned activities in CDMAP as of October 2024. Only projects in the stages "Approval", "Execution" and "Complete" are included. Average spending includes all single country spending in AFR divided by 45. Duty station-based work includes preparation and delivery of CD support without involving travel.

Annex IX. Data Issues

Table IX.1. Chad: Data Adequacy Assessment Rating[1/]

C							
Questionnaire Results 2/							
Assessment	National Accounts	Prices	Government Finance Statistics	External Sector Statistics	Monetary and Financial Statistics	Inter-sectoral Consistency	Median Rating
	B	B	C	D	B	C	C
Detailed Questionnaire Results							
Data Quality Characteristics							
Coverage	B	B	C	D	B		
Granularity 3/	B		C	D	B		
			B		B		
Consistency			C	D		C	
Frequency and Timeliness	B	B	C	D	B		

Note: When the questionnaire does not include a question on a specific dimension of data quality for a sector, the corresponding cell is blank.

1/ The overall data adequacy assessment is based on staff's assessment of the adequacy of the country's data for conducting analysis and formulating policy advice, and takes into consideration country-specific characteristics.

2/ The overall questionnaire assessment and the assessments for individual sectors reported in the heatmap are based on a standardized questionnaire and scoring system (see IMF *Review of the Framework for Data Adequacy Assessment for Surveillance*, January 2024, Appendix I).

3/ The top cell for "Granularity" of Government Finance Statistics shows staff's assessment of the granularity of the reported government operations data, while the bottom cell shows that of public debt statistics. The top cell for "Granularity" of Monetary and Financial Statistics shows staff's assessment of the granularity of the reported Monetary and Financial Statistics data, while the bottom cell shows that of the Financial Soundness indicators.

A	The data provided to the Fund is adequate for surveillance.
B	The data provided to the Fund has some shortcomings but is broadly adequate for surveillance.
C	The data provided to the Fund has some shortcomings that somewhat hamper surveillance.
D	The data provided to the Fund has serious shortcomings that significantly hamper surveillance.

Rationale for staff assessment. Data weaknesses, particularly regarding BoP data, are partially affecting staff's ability to conduct an in-depth analysis of macroeconomic and financial development and risks.

Table IV.1. Chad: Data Adequacy Assessment Rating (Concluded)

Changes since the last Article IV consultation.
On the General front: Data provision capacity has deteriorated from a previous assessment of B to an overall assessment now of C.
National statistics: National accounts were rebased, using 2017 as the new base year. The rebasing of the CPI, using 2019 as the new base year, required several iterations to address inconsistencies.
Fiscal data: There have been improvements on some previously identified data weaknesses especially regarding revenues and expenditures statistics and producing the TOFE. Most data, including the TOFE, are, however, provided to staff only during missions and often require follow-up discussions to ensure their consistency.
Monetary statistics: The same shortcomings of the previous assessment persist, with significant delays in the preparation of these data.
Balance of payments: The last published balance of payments data for Chad are from 2018, with data from 2013 to 2018 still considered preliminary. Additionally, the balance of payment trade data from BEAC (both imports and exports) differs significantly from the official GDP numbers provided by the national statistics office. The authorities have indicated that all trade data (from 2005) will be revised to improve consistency, with the assistance of IMF technical assistance.

Corrective actions and capacity development priorities.
The authorities should promptly implement the recommendations of the recent Fund TA mission on external data, which will help them address the trade data differences between the BEAC and the national statistics office.
Staff regularly discuss data issues with the authorities during missions and coordinate with them to identify data-related CD priorities. A better implementation of existing recommendations, including on national accounts and BoP statistics, is necessary.

Use of data and/or estimates different from official statistics in the Article IV consultation.
To enhance our financial account estimates, we utilize data and projections from a leading foreign oil company concerning their investments in Chad, enabling us to estimate Foreign Direct Investment more accurately.
Data estimates on climate change, income and gender inequality, and digitalization are provided by other institutions, including the World Bank.

Other data gaps.
Large gaps remain in some areas, such as climate change and income and gender inequality.

Table IX.2. Chad: Data Standards Initiative

Chad participates in the Enhanced General Data Dissemination System (e-GDDS) and publishes the data on its National Summary Data Page since July 2022.

Table IX.3. Chad: Common Indicators Required for Surveillance
(As of November 2024)

	Data Provision to the Fund				Publication under the Data Standards Initiatives through the National Summary Data Page			
	Date of Latest Observation	Date Received	Frequency of Data[8]	Frequency of Reporting[8]	Expected Frequency[8,9]	Chad[10]	Expected Timeliness[8,9]	Chad[10]
Exchange Rates					D	D	…	D
International Reserve Assets and Reserve Liabilities of the Monetary Authorities[1]	Jul-24	Oct-24	M	M	M	M	1M	1M
Reserve/Base Money	Jul-24	Oct-24	M	M	M	M	2M	1M
Broad Money	Jul-24	Oct-24	M	M	M	M	1Q	1M
Central Bank Balance Sheet	Jul-24	Oct-24	M	Q	M	M	2M	1M
Consolidated Balance Sheet of the Banking System	Jul-24	Oct-24	M	Q	M	M	1Q	1Q
Interest Rates[2]					M	Q	…	1Q
Consumer Price Index	Aug-24	Oct-24	M	M	M	M	2M	1M
Revenue, Expenditure, Balance and Composition of Financing[3]–General Government[4,5]	NA	NA	NA	NA	A	…	3Q	…
Revenue, Expenditure, Balance and Composition of Financing[3]–Central Government	Jul-24	Oct-24	Q	Q	Q	Q	1Q	1Q
Stocks of Central Government and Central Government-Guaranteed Debt[6]	2023	Feb-24	A	Q	Q	Q	2Q	1Q
External Current Account Balance[7]	2017	Jun-23	A	A	Q	Q	1Q	1Q
Exports and Imports of Goods and Services[7]	2017	Aug-23	A	A	M	A	12W	2Q
GDP/GNP	Dec-22	Oct-24	A	A	Q	A	1Q	A
Gross External Debt	2023	Feb-24	A	Q	Q	Q	2Q	1Q
International Investment Position	NA	NA	NA	NA	A	…	3Q	…

[1] Includes reserve assets pledged or otherwise encumbered, as well as net derivative positions.

[2] Both market-based and officially determined, including discount rates, money market rates, rates on treasury bills, notes and bonds.

[3] Foreign, domestic bank, and domestic nonbank financing.

[4] The general government consists of the central government (budgetary funds, extra budgetary funds, and social security funds) and state and local governments.

[5] Data for central government is reported as indicated in the line below. Data for state and local governments has never been reported due to capacity constraints. The authorities should request technical assistance to address this.

[6] Including currency and maturity composition.

[7] Data should be reported annually however, due to capacity constraints this data has not been regularly reported. This issue is expected to be resolved in 2025 with technical assistance support from the Fund.

[8] Frequency and timeliness: ("D") daily; ("W") weekly or with a lag of no more than one week after the reference date; ("M") monthly or with lag of no more than one month after the reference date; ("Q") quarterly or with lag of no more than one quarter after the reference date; ("A") annual.; ("SA") semiannual; ("I") irregular; ("NA") not available or not applicable; and ("NLT") not later than.

[9] Encouraged frequency of data and timeliness of reporting under the e-GDDS and required frequency of data and timeliness of reporting under the SDDS and SDDS Plus. Any flexibility options or transition plans used under the SDDS or SDDS Plus are not reflected. For those countries that do not participate in the IMF Data Standards Initiatives, the required frequency and timeliness under the SDDS are shown for New Zealand, and the encouraged frequency and timeliness under the e-GDDS are shown for Eritrea, Nauru, South Sudan, and Turkmenistan.

[10] Based on the information from the Summary of Observance for SDDS and SDDS Plus participants, and the Summary of Dissemination Practices for e-GDDS participants, available from the IMF Dissemination Standards Bulletin Board (https://dsbb.imf.org/). For those countries that do not participate in the Data Standards Initiatives, as well as those that do have a National Data Summary Page, the entries are shown as "..."

INTERNATIONAL MONETARY FUND

CHAD

November 21, 2024

STAFF REPORT FOR THE 2024 ARTICLE IV CONSULTATION—DEBT SUSTAINABILITY ANALYSIS

Approved By
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Prepared by the Staff of the International Monetary Fund (IMF) and the International Development Association (IDA).

Joint 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 judgment	*Yes*

Despite significant improvement, Chad's external and overall public debt continues to be assessed at high risk of distress, with the application of judgment due to uncertainty on the medium- to long-term debt dynamics.[1]

The implementation of the debt treatment under the G20 Common Framework and accelerated repayments to the government's main private creditor have significantly lowered short-term debt service and moderated the risk of distress. However, the shift from a currency-based to a residency-based debt coverage for loans only has mechanically increased the external debt stock and debt service, leading to a breach of the 14-percent external debt service-to-revenue ratio threshold in 2024.

Under the baseline scenario, which relies on continued reform implementation, mechanical signals suggest a moderate risk of debt distress. In the medium to long term, debt should remain sustainable with an expected transition to a moderate risk of distress, as reforms are implemented and related uncertainty dissipates.

[1] With a score of 2.34, Chad's composite indicator, which is based on the October 2024 WEO and the June 2024 CPIA, signals a weak debt-carrying capacity.

Controlling public spending, improving revenue mobilization, and identifying additional external funding sources with concessional terms are necessary to safeguard debt sustainability and promote accelerated development. Conversely, under an adverse scenario of no reforms and fiscal adjustment, the projected fiscal slippages, comparable to the 2023 fiscal stance, could lead to a resumption of debt accumulation in 2025, possibly under non-concessional terms for external debt. In this scenario, from 2027 onwards, all public and external debt burden metrics would rise substantially, exceeding their thresholds and jeopardizing debt sustainability. Owing to of the large significant divergence in between debt trajectories under in the two scenarios considered in the analysis, a judgment is applied to maintain the assessment of a high risk of debt distress. The adoption by the parliament of a 2025 budget law and a continued fiscal prudence would significantly reduce the uncertainty surrounding baseline projections and could warrant a moderate debt assessment at the next review.

DEBT COVERAGE

1. **Public debt coverage includes central government debt, as well as government guaranteed external debt owed by the public oil company** (Société des Hydrocarbures du Tchad or SHT). Almost all other public sector entities (including other state-owned enterprises—SOEs) do not have access to external financing. The exception is the N'Djamena Oil Refinery (Société de Raffinage de N'Djaména, or SRN), which has two loans with CNPC Finance and EXIM Bank China. The SRN is minority government-owned (40 percent share) with managerial independence from the government. Contrary to previous DSAs, which used to define external debt on a currency basis, this DSA considers external debt on a residency basis for loans only, following Debt Sustainability Framework best practices.[2] Therefore, CFAF-denominated loans contracted with the regional development bank (BDEAC)[3] and with bilateral creditors in the currency union (Cameroon, Equatorial Guinea, and the Republic of Congo) are now considered external debt. Debt owed to Angola, which is being repaid in kind[4], is also classified as external debt.

2. **The contingent liability stress test accounts for vulnerabilities associated with nonguaranteed SOE debt and contingent fiscal liabilities associated with financial sector recapitalization** (Text Table 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 size of the contingent liabilities for the SOE debt is set at 5.5 percent,

[2] See 2018 Guidance Note on the Bank-Fund Debt Sustainability Framework for Low Income Countries.

[3] The *Banque de Développement des Etats de l'Afrique Centrale* (BDEAC) is the development bank of the CEMAC region. The main shareholder is BEAC (33.43 percent). CEMAC countries, including Chad, are equal shareholders (8.48 percent each). All government securities, also when held by non-residents in the regional market, are classified as domestic debt due to data limitations on the residency of the securities' holders. Revision in perimeter has also been applied on historical data from 2017 onwards.

[4] Debt owed to Angola is repaid in kind, by head of cattle, mainly zebus, following terms and conditions agreed by Angola and Chad, including price and transport.

reflecting the liabilities of SRN, Société Nationale d'Electricité (SNE), and Société Nationale de Ciment (SONACIM) following the results of a 2017 SOE Census supported by the World Bank.

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

Public debt coverage

Subsectors of the public sector	Coverage
1 Central government	X
2 State and local government	
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)	X
7 Central bank (borrowed on behalf of the government)	X
8 Non-guaranteed SOE debt	

Public debt coverage and the magnitude of the contingent liability tailored stress test

1 The country's coverage of public debt	The central government, central bank, government-guaranteed debt			
	Default		Used for the analysis	Reasons for deviations from the default settings
2 Other elements of the general government not captured in 1.	1.5	percent of GDP	1.5	Accounting for the reclassification of some public arrears in 2022.
3 SoE's debt (guaranteed and not guaranteed by the government) 1/	2	percent of GDP	5.5	From SOE census, 2017 levels.
4 PPP	35	percent of PPP stock	0.0	
5 Financial market (the default value of 5 percent of GDP is the minimum value)	5	percent of GDP	5.0	
Total (2+3+4+5) (in percent of GDP)			12.0	

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%.

BACKGROUND

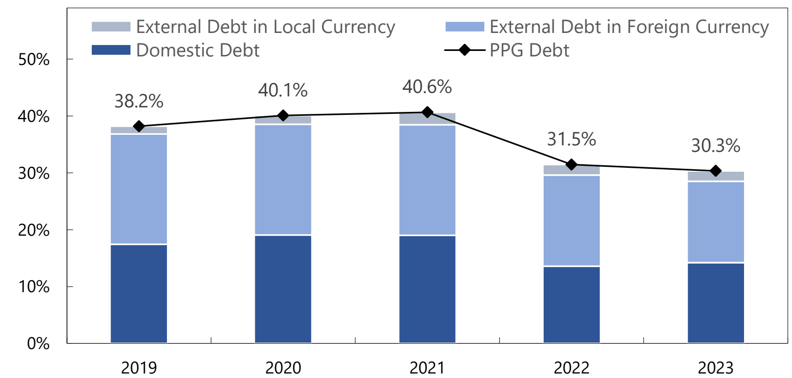
A. Evolution and Composition of Debt

3. After rising continuously from 2019–21, Chad's public and publicly guaranteed (PPG) debt declined in 2022 and 2023 in nominal terms. Gross public debt decreased from 40.6 percent of GDP at end-2021 to 31.5 percent of GDP at end-2022 (Text Figure 1), reflecting declines in both domestic and external debt stocks. The reduction in external debt has been triggered by the accelerated payments linked to high-oil prices to the main commercial creditor. At end-2023, outstanding PPG external and domestic debt stood at nearly US$6 billion, 30.3 percent of GDP. In comparison with the previous DSA (December 2022), the new framework incorporates a rebasing of GDP estimates, now about 45 percent higher in nominal terms (on average for 2021-2022).[5] For 2021, the debt-to-GDP ratio was of 57.4 percent with the previous GDP estimates, while it is now at 40.6 percent.

[5] The GDP rebasing by the Chadian National Statics Institute (INSEED) has led to a significant re-evaluation of the value added in the agricultural sector, now 74 percent higher in 2022 than previously estimated, and in the oil sector value added, revised up by 23 percent.

4. Domestic debt has declined since 2021 relative to GDP despite an increase in the stock of Treasury securities. At end-2021, domestic arrears stood at CFAF 491 billion, approximately 5.2 percent of GDP. By the end of 2022, this amount had declined to CFAF 164 billion (1.5 percent of GDP) after authorities had determined that part of the debt was owed by regional and local governments rather than central government. Since then, the stock of domestic arrears has remained roughly unchanged in nominal terms and decreased to 1.2 percent relative to GDP by end-July 2024. Conversely, the stock of Treasury securities, including bills and bonds, has more than doubled from 2019 to 2023, increasing from CFAF 333 billion (3.8 percent of GDP) to CFAF 767 billion (6.6 percent of GDP). The issuance of sovereign securities was particularly high in 2021, with the stock increasing by 50 percent. This trend is expected to continue in 2024, with an anticipated increase of CFAF 112 billion (0.4 percent of GDP).

Text Figure 1. Chad: PPG Debt
(percent of GDP)



5. Treasury security issuances have progressively shifted from bills to bonds to mitigate rollover risk, while the regional market has recently shown signs of saturation. In recent years, the government has increasingly relied on the regional market to fund the budget with Cameroonian banks now holding 56 percent of all outstanding Chadian paper. To mitigate rollover risks, the authorities have prioritized the issuance of T-bonds over T-bills, leading their share to jump from 54 percent in 2021 to 84 percent of the public security portfolio at end-July 2024. The shift from T-bills to T-bonds has come at a significant cost, as the average spread between T-bill and T-bond yields has widened from 0.8 percent in 2021 to 3.4 percent in 2024 (on average from January to July). In addition, the regional market has recently shown signs of saturation, with low subscription rates for many auctions, and an increased number of failed auctions, owing to a large increase in issuance from other CEMAC member states in recent years. Interest rate recently climbed, T-bill rates reaching 7.5 percent and T-Bonds 11.7 percent, on average over 2024. Room for additional domestic issuance appears very limited, with rollovers possibly at risk in this context.

6. The composition of external PPG debt is dominated by multilateral organizations and non-Paris Club lenders as the debt owed to private creditors has been gradually settled (Text Table 2). The debt due to the IMF has more than doubled since the start of the COVID pandemic, accounting for 31 percent of total external debt in 2023, up from 15 percent in 2019. Accelerated debt repayments to Chad's main private creditor, Glencore, triggered by high oil prices in 2022 and

2023, have significantly reduced the overall debt stock owed to the company. In contrast, debt to non-Paris Club bilateral creditors has recently increased, mainly because of a new loan contracted from the Abu Dhabi Fund for Development in 2023. This trend is expected to continue in 2024, as the government recently secured various concessional loans with the European Investment Bank and various bilateral partners: from the French Treasury, the Hungarian Development Bank for project financing, and a new loan of US$500 million from the Abu Dhabi Fund for Development for budget support.

Text Table 2. Chad: Public Debt and Debt Service by Creditor, end-2023 1/

	Debt Stock			Debt Service					
	2023		Share of	2023		2024		2025	
	US$	% GDP	total debt	US$	% GDP	US$	% GDP	US$	% GDP
Total	**5,885**	**30.3**	100	**823**	**4.2**	**651**	**3.1**	**638**	**2.8**
External	**3,132**	**16.1**	53.2	**459**	**2.4**	**467**	**2.2**	**396**	**1.8**
Multilateral Creditors 2/	**1,227**	**6.3**	20.9	61	0.3	91	0.4	111	0.5
IMF	959	4.9	16.3						
PRGT Outstanding Credit	708	3.7	12.0						
SDR Position	251	1.3	4.3						
World Bank IDA	151	0.8	2.6						
African Development Bank	91	0.5	1.5						
International Fund for Agricultural Development	26	0.1	0.4						
Bilateral Creditors	**1,080**	**5.6**	18	**46**	**0.2**	**108**	**0.5**	**94**	**0.4**
Paris Club	**118**	**0.6**	2.0	**4.4**	**0.0**	**7.2**	**0.0**	**8.2**	**0.0**
o/w: France	106	0.5	1.8						
Non-Paris Club	**962**	**5.0**	16	**41**	**0.2**	**101**	**0.5**	**86**	**0.4**
o/w: Libya	294	1.5	5.0						
o/w: China	259	1.3	4.4						
o/w: UAE	150	0.8	2.5						
o/w: Regional Bilateral Creditors	101	0.5	1.7						
Commercial Creditors	**375**	**1.9**	6.4	**319**	**1.6**	**222**	**1.1**	**145**	**0.6**
o/w: Glencore Energy	364	1.9	6.2						
o/w: Mega International (Taiwan, PoC)	8	0.0	0.1						
Other International Creditors 2/	**449**	**2.3**	7.6	**33**	**0.2**	**45**	**0.2**	**47**	**0.2**
o/w: Development Bank of the Central African Countries	260	1.3	4.4						
o/w: Islamic Development Bank	101	0.5	1.7						
o/w: Arab Bank for Economic Development in Africa	72	0.4	1.2						
Domestic	**2,754**	**14.2**	47	**364**	**1.9**	**184**	**0.9**	**242**	**1.1**
Public Securities	**1,275**	**6.6**	21.7	**137**	**0.7**	**16**	**0.1**	**8**	**0.0**
Treasury Bills (net)	233	1.2	4.0						
Bonds	1,042	5.4	17.7						
Other Domestic Debt	**1,201**	**6.2**	20.4	**46**	**0.2**	**44**	**0.2**	**70**	**0.3**
Commercial Bank	404	2.1	6.9						
BEAC 3/	798	4.1	13.6						
Arrears	**277**	**1.4**	4.7	**181**	**0.9**	**124**	**0.6**	**164**	**0.7**

1/Public debt includes official and commercial debt as reported by Chadian authorities, and corresponds to the DSA debt coverage.
2/"Multilateral creditors" are institutions with more than one official shareholder and may not necessarily align with creditor classification under other IMF policies (e.g. Lending Into Arrears). In their classification, Chadian authorities report "Other international creditors as "multilateral creditors".
3/The debt owed to the BEAC primarily comprises "avances statutaires", which were disbursed up until 2017.

7. **The debt treatment under the G20 Common Framework has been implemented and has significantly reduced short-term risks.** Following the Memorandum of Understanding signed

with the Chadian authorities in December 2022, Glencore reprofiled part of the debt service due to ensure total Chad's external debt service-to-revenue ratio falls below 14 percent in 2024.[6]

8. The integration of CFAF-denominated loans from non-residents into the DSA's external debt perimeter resulted in the reclassification of about US$400 million in liabilities as external debt. This inclusion of the bilateral debt to Cameroon, Congo, and Equatorial Guinea, and to the Central African States' Development Bank (BDEAC) has raised the external debt stock by US$401 million at end-2023, representing a 15-percent increase from the currency-criteria numbers. This also translates into additional external debt service for 2024 of about US$20 million, equivalent to 0.6 percent of government revenue.

9. While some discussions with bilateral creditors are still ongoing, negotiations to restructure some old outstanding loans have recently concluded. A debt restructuring agreement with Belgium Credendo has been signed to settle the arrears in 2025 and 2026. The proposed restructuring of the large debt to Libya has yet to be ratified. Regarding CFAF-denominated bilateral debt, discussions for debt restructuring with Congo and for undisbursed debt cancellation with Equatorial Guinea are currently underway, while arrears with Cameroon are expected to be settled soon. Debt to the BDEAC has been characterized by significant irregular debt service payments and arrears in recent years, partly explaining the institution's low level of disbursement in Chad. Discussions are ongoing with the institution regarding future repayments.

B. Macroeconomic Forecasts

10. The macroeconomic framework reflects an updated fiscal scenario and the October 2024 WEO assumptions. Compared to the previous DSA (December 2022), the new framework incorporates a rebasing of GDP estimates, about 45 percent higher in nominal terms, which has mechanically reduced all debt-to-GDP ratios. This increase primarily reflects revaluations of the contributions of the agricultural and oil sectors and resulted in a significant decrease in all ratios over GDP. Real GDP growth in 2023 is higher than previously projected (4.9 vs. 3.5 percent), reflecting both faster-than-expected oil growth – owing to a rebound in oil production – and higher non-oil activity, driven by a rebound in agricultural production and a large increase in public investment (Text Table 3). The overall fiscal balance turned into a deficit in 2023, reflecting higher-than-expected investment despite stable revenue. The non-oil primary deficit moderated to 3.9 percent of non-oil GDP during the first seven months of 2024 (down from 11.2 percent in 2023), while revenue from the oil sector stabilized, reflecting the evolution in prices and production. In the coming years, oil production should remain mostly stable close to its 2023 high level of around 55 million barrels (compared to a projection of 52 million barrels in the previous DSA). Increased output from new oil fields will offset gradually declining production from older wells, before gradually falling over the medium to long term. Based on current projections, production is expected to peak in 2029, and gradually decline afterwards, which coupled with a projected fall in

[6] Following a currency-based approach, which was used when the agreement was reached, the external debt service-to-revenue ratio is projected to fall below the 14-percent threshold in 2024. However, under a residency basis, the ratio is projected to slightly exceed this threshold.

Brent oil prices from US$82 per barrel in 2023 to below US$70 by 2028, will lead to a reduction in fiscal revenue. Non-oil growth would decline to 3.7 percent in 2024, on account of the floods affecting a large part of the country and a longer than usual lean season. It would rebound to 4.2 percent in the medium term owing to the implementation of structural reforms, improvements in the business environment, and high levels of public investment. Imports are anticipated to rebound, driven by non-oil sector growth and the public investment. While exports are expected to see modest growth in 2024, they are likely to slow in 2025 due to temporarily reduced oil production. As a result, the current account deficit is expected to widen, reaching 1.3 percent of GDP in 2024 and 4.2 percent in 2025, before averaging 3 percent over the medium term.

11. Given the risks surrounding the authorities' intentions to tighten fiscal policies, two scenarios are developed to conduct the analysis. The bearish outlook for oil prices and calls for fiscal prudence and reform implementation, with the aim of pursuing the fiscal adjustment initiated in the first seven months of 2024 and gradually reducing the non-oil primary deficit to below 5 percent of non-oil GDP over the medium term. In contrast, maintaining the 2023's level of expenditure would inevitably lead to further debt accumulation. Two macro frameworks with diverging assumptions over the short and long terms are therefore considered to analyze debt sustainability: (i) the *baseline* scenario, which is based on a preliminary draft of the 2025 budget law and assumes that reforms continue to be implemented, thereby enhancing external concessional financing support and economic resilience; and (ii) a *no-adjustment* scenario involving resumed fiscal slippages, leading to an increase in arrears and non-concessional debt, and a decline in growth.

12. The baseline scenario relies on prudent fiscal policy and the implementation of Public Financial Management (PFM) and governance reforms. The baseline scenario would be underpinned by the acceleration of tax administration reforms to increase non-oil tax revenues by at least 1.3 percent of non-oil GDP by 2029, as well as measures to reduce current spending—focused on wage bill reduction as well as phasing out water and electricity subsidies and transfers linked to the political transition and the organization of elections—by 1.8 percent of non-oil GDP by 2029. Alongside prudent fiscal policy, the scenario assumes a medium-term operational target of 4-5 percent of non-oil GDP for the non-oil primary fiscal deficit, ensuring that the level of net debt converges towards, and then stabilizes at approximately 28 percent of GDP (consistent with the recommended medium-term fiscal framework that would anchor net debt in order to build a safety buffer).[7] This allows the government to build buffers to increase the fiscal resilience to adverse shocks (such as a larger-than-projected decline in oil prices and climate shocks); the baseline scenario assumes a steady accumulation of deposits – from 1.6 percent of GDP at end-2023 to 5.1 percent of non-oil GDP at end-2029. Sound fiscal policies, with key structural reforms, will help build

[7] Net debt is calculated as the difference between gross public debt and government deposits. A deposit stock of 5 percent of GDP and a gross debt target of 33 percent of GDP would be compatible with the net debt anchor of 28 percent of GDP.

institutional credibility and create a pro-growth environment.[8] This will contribute to improved tax revenue mobilization, higher disbursement rates for the implementation of key projects, and potentially more financing from external creditors and new investors.

13. An alternative scenario assumes no fiscal adjustments (see Annex V). The projected fiscal balance would gradually deteriorate, reflecting continuously high spending. This situation would lead to an accumulation of domestic arrears (about 0.7 percent of non-oil GDP per year on average, with the stock reaching 5 percent of GDP by the end of the period), progressively slowing down economic activity (about 1 percentage point difference in 2029 in the non-oil sector with respect to the baseline scenario). In the absence of a credible fiscal framework and, external financing options would be limited, and additional external budget support would be provided on non-concessional terms (about 4 percent of non-oil GDP per year on average). As in the baseline scenario, the government would have very limited room to increase treasury security issuance because of market saturation in the short term.

Text Table 3. Chad: Macroeconomic Assumptions, 2017–29

	2017-20	2021	2022	2023	2024	2025-29
Real GDP growth						
Baseline Scenario	**2.1**	**-0.9**	**3.6**	**4.9**	**3.2**	**3.9**
No-Adjustment Scenario					3.2	3.0
December 2022 DSA 1/	0.3	-1.1	2.5	3.5	3.7	3.6
Oil GDP Growth						
Baseline Scenario	**3.1**	**-7.2**	**10.7**	**7.4**	**-0.5**	**1.8**
No-Adjustment Scenario					-0.5	1.8
December 2022 DSA 1/	2.0	-6.9	5.6	5.6	2.0	1.3
Non-oil GDP Growth						
Baseline Scenario	**2.5**	**0.3**	**4.1**	**4.5**	**3.7**	**4.2**
No-Adjustment Scenario					3.7	3.1
December 2022 DSA 1/	0.0	0.2	1.8	3.1	4.1	4.1
Current Account (percent of GDP)						
Baseline Scenario	**-4.1**	**-2.0**	**4.7**	**-0.7**	**-1.3**	**-3.3**
No-Adjustment Scenario					-1.3	-3.8
December 2022 DSA 1/	-5.0	-4.5	2.8	-1.4	-5.2	-5.2
Overall Budget Balance 2/ (percent of non-oil GDP)						
Baseline Scenario	**0.3**	**-1.8**	**4.6**	**-1.8**	**-0.1**	**-1.8**
No-Adjustment Scenario					-0.1	-4.2
December 2022 DSA	0.3	-1.6	4.0	5.4	3.2	3.6
Expenditure						
Baseline Scenario	**13.1**	**15.5**	**16.3**	**20.4**	**20.4**	**19.6**
No-Adjustment Scenario					20.4	21.6
December 2022 DSA	13.0	15.3	14.1	14.3	12.8	7.2
Revenue and Grants						
Baseline Scenario	**13.3**	**13.7**	**20.9**	**18.6**	**20.2**	**17.8**
No-Adjustment Scenario					20.2	17.4
December 2022 DSA	13.3	13.7	18.2	19.6	16.1	14.7
Non-Oil Primary Balance (excl. Grants)						
Baseline Scenario	**-3.8**	**-7.3**	**-7.2**	**-11.2**	**-7.5**	**-5.5**
No-Adjustment Scenario					-7.5	-7.8
December 2022 DSA	-3.8	-7.1	-4.8	-4.3	-3.2	-1.5
Grant element of new external borrowing						
Baseline Scenario	...	...	...	...	**42.7**	**43.1**
No-Adjustment Scenario					14.3	10.7
December 2022 DSA	...	...	36.8	36.7	46.3	50.5

Source: Country authorities, IMF staff projections.
1/ Data based on pre-rebasing GDP series.
2/ Commitment basis, including grants and expected grants.

[8] To further reduce the non-oil primary deficit, staff recommends an acceleration of structural fiscal reforms, including tax administration reforms (including digitalization) to boost non-oil revenues as well as measures to enhance expenditure controls (and reduce the use of DAOs) and streamlining non-priority spending.

14. Both scenarios are surrounded by substantial uncertainty and risks related to oil price fluctuations, climate shocks, and security issues. Chad's heavy dependency on oil export revenues has increased economic volatility as evidenced by four recessions since 2006 with significant consequences for debt sustainability. Additionally, the effectiveness of spending in terms of GDP growth is highly uncertain (see Figure 5). The increasing frequency and severity of climatic shocks are exacerbating an already fragile economic environment. The regional security situation remains a source of concern, notably as the conflict in Sudan could prolong or intensify.

15. Financing assumptions have been updated to reflect most recent information. With respect to external financing, the DSA includes IDA project grant financing during the period July 2022-June 2024 while no World Bank budget support was provided over this period. In addition, Chad is eligible for an annual Prevention and Resilience Allocation (PRA) contingent on the successful attainment of PRA milestones. Chad also has access to additional IDA resources under the Regional Window, Crisis Response Window, Window for Host Communities and Refugees, and the Private Sector Window, subject to meeting the respective window eligibility criteria. Subsequently, annual IDA allocations assume a similar level of resources as the IDA19 performance-based allocation. Recently, the disbursement rates from World Bank and other partners have increased thanks to some easing in administrative procedures. Continuing implementation of PFM and governance reforms in fiscal planning, risk management, expenditure control, and revenue administration strengthen donors' engagement and provide additional financing support. In the baseline scenario, the financing needs are limited and assumed to be secured on concessional external borrowing (about 2 percent of non-oil GDP per year on average). The higher financing needs of the no-adjustment scenario are assumed to be covered on non-concessional terms (about 4 percent of non-oil GDP per year on average from 2026 to 2030). Projects and budget support grants are assumed to average 2.1 percent of non-oil GDP in the baseline scenario and 1.5 percent in the no-adjustment scenario. Under both scenarios, domestic debt should gradually decline relative to GDP in the coming years owing to limited room for new domestic issuance, before stabilizing at about 10 percent of GDP over the medium to long term (see Text Figure 4).

C. Country Classification and Determination of Stress Test Scenarios

16. The composite indicator (CI) indicates weak debt carrying capacity for Chad (Text Table 5). The CI is calculated based on the CPIA score, a proxy of external conditions defined by world economic growth, and country-specific factors. Data as of June 2024 indicate weak debt carrying capacity, mainly reflecting a low CPIA, very low remittances, and a low level of foreign reserves. Debt-carrying capacity was also rated as weak prior to the latest update. The relevant external debt burden high-risk thresholds are: (i) 30 percent for the present value (PV) of external debt-to-GDP ratio; (ii) 140 percent for the PV of debt-to-exports ratio; (iii) 10 percent for the debt service-to-exports ratio; and (v) 14 percent for the debt service-to-revenue ratio. In the case of Chad, the two most relevant debt indicators are the external debt service-to-revenues (excluding grants) ratio and the stock of public debt-to-GDP ratio. Consequently, the analysis of results focuses on these two indicators.

17. The debt sustainability analysis relies on six standard stress tests and a customized oil commodity price shock stress test. Of the stress tests, the natural disaster and the commodity price shock have the most relevance for Chad (Figure 1 and 3). The commodity price shock assumes a one-standard deviation decline in oil prices from 2024-2029, corresponding to a 58 percent fall in the price of oil. Despite the severity of most of the simulated shocks, the analysis will focus on the commodity price shock, to which Chad is particularly vulnerable.

Text Table 4. Chad: CI Score

Debt Carrying Capacity	Weak

Final	Classification based on current vintage	Classification based on the previous vintage	Classification based on the two previous vintage
Weak	Weak 2.34	Weak 2.30	Weak 2.40

Calculation of the CI Index

Components	Coefficients (A)	10-year average values (B)	CI Score components (A*B) = (C)	Contribution of components
CPIA	0.39	2.72	1.05	45%
Real growth rate (in percent)	2.72	2.32	0.06	3%
Import coverage of reserves (in percent)	4.05	28.15	1.14	49%
Import coverage of reserves^2 (in percent)	-3.99	7.92	-0.32	-14%
Remittances (in percent)	2.02	1.07	0.02	1%
World economic growth (in percent)	13.52	2.86	0.39	16%
CI Score			2.34	100%
CI rating			Weak	

Reference: Thresholds by Classification

EXTERNAL debt burden thresholds	Weak	Medium	Strong
PV of debt in % of			
Exports	140	180	240
GDP	30	40	55
Debt service in % of			
Exports	10	15	21
Revenue	14	18	23

TOTAL public debt benchmark	Weak	Medium	Strong
PV of total public debt in percent of GDP	35	55	70

18. Adaptation to climate change presents a significant challenge for Chad, potentially impacting country's debt and necessitating substantial international financial support. As one of the most vulnerable nations to climate change, Chad faces severe environmental degradation, including the drying up of Lake Chad, increased desertification, frequent droughts, and floods. The DSA natural disaster module assumes a one-off 10 percentage points of GDP shock to the external debt-to-GDP ratio in the first year of the projection period; it also involves a real GDP growth shock of 1.5 percent and an exports growth shock of 3.5 percent. This natural disaster shock, even if unlikely with the current calibration, illustrates the potential adverse impact of such an event on debt dynamics. Chad's Nationally Determined Contribution (NDC), submitted in October 2021, outlines considerable financial requirements to meet its climate objectives. Mitigation efforts, estimated to cost approximately US$6.7 billion (about 35 percent of 2024 GDP) to reduce emissions by 19.3 percent by 2030, are likely to be difficult to achieve due to financial constraints, despite aligning with sustainable development goals. On the adaptation front, Chad needs around US$5 billion (about 26 percent of 2023 GDP) by 2030 to enhance resilience against climate impacts. The authorities have committed to financing US$1.2 billion (6.2 percent of 2023 GDP) domestically towards these efforts, which will result in additional financing needs in the coming years. Substantial and crucial international financial support will also be required to achieve its climate goals.

DEBT SUSTAINABILITY

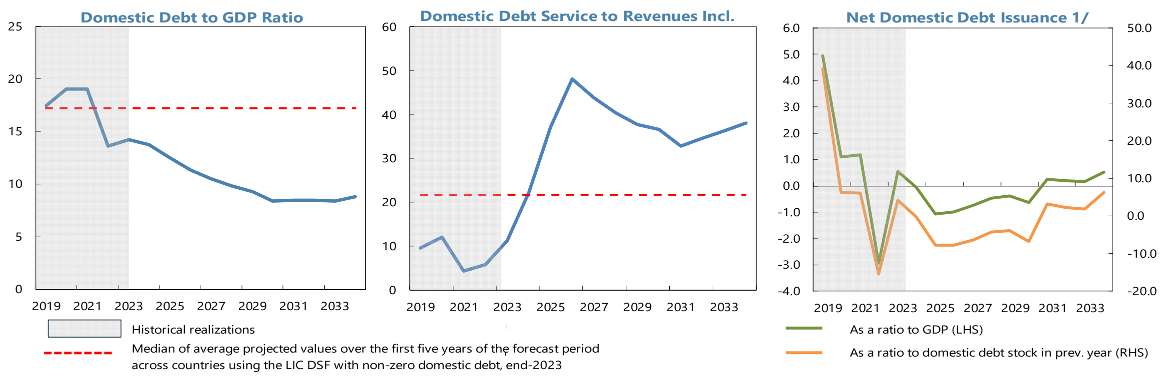
19. Chad continues to be assessed as presenting a "high risk" of external debt distress, as in the previous DSA of December 2022. The PV of external debt-to-GDP ratio improved substantially in 2023, thanks to the accelerated repayments to Glencore. However, external debt service remains elevated, particularly under the extended debt coverage, which now includes foreign-held CFAF-denominated debt. In the baseline scenario, the declining trend in external debt is expected to be reversed, but without driving debt service above the threshold, as the additional debt is assumed to be contracted under concessional terms. This would result in the external debt service-to-revenue remaining below 14 percent from 2025 onwards, eventually leading to a moderate risk of distress (Table 1 and Figure 1). In the no-adjustment scenario, on the other hand, the widening fiscal deficit over the entire forecasting horizon significantly increases debt service, causing the external debt service-to-revenue ratio to exceed the 14-percent threshold from 2027 onwards (Table 5 and Figure 6). Due to the significant uncertainty surrounding the realism of the baseline scenario in the medium to long term, which could deteriorate into the unsustainable no-adjustment scenario should fiscal prudence and necessary reforms fail to materialize, judgement is applied to continue assessing the risk of external debt distress as high.

20. Chad's overall risk of public debt distress also remains high. In 2022 and 2023, total public debt declined rapidly, with reductions in both domestic and external debts. Moving forward, debt is expected to stabilize at about 30 percent of GDP over the next 10 years, with a stable share of domestic and external debt, at approximately 10 and 20 percent of GDP, respectively (Table 2 and Figure 2). The progressive decline of the debt service, as external debt becomes more concessional, leads to a moderate risk assessment of overall public debt distress. However, in the no-adjustment scenario, the trends differ drastically as higher budget deficits would lead to further debt accumulation. In this scenario, the PV of total public debt-to-GDP ratio would breach the 35 percent high-risk benchmark in 2029 and continue to rise over the long term (Table 6 and Figure 7). Due to the wide divergence of debt trajectories in the two scenarios, judgement is also applied to maintain the risk assessment of public debt distress as high.

21. A commodity price shock represents the main vulnerability of overall public and external debt. Adverse scenario analysis indicates that a commodity price shock could lead to a significant deterioration in outstanding debt stock and debt service in the baseline scenario. The external debt service-to-revenue ratio would exceed the risk threshold at multiple times, exacerbating liquidity pressure. The public debt-to-GDP ratio would exceed its benchmark in the near future by 2026 and remain well above thereafter.

22. In contrast, the stress resulting from a natural disaster shock event could be contained in the baseline scenario. Although the debt stock would significantly increase after the shock, additional debt service would remain limited. However, in the no-adjustment scenario, any shocks, including the natural disaster shock, would dramatically increase both domestic and external debt, leading to higher debt and debt service ratios over the entire forecast period, jeopardizing debt sustainability.

Text Figure 2. Chad: Baseline Scenario: Indicators of Domestic Public Debt, 2019-2034



Borrowing Assumptions (average over 10-year projection)	Value
Shares in new domestic debt issuance	
Medium and long-term	40%
Short-term	60%
Borrowing terms	
Domestic MLT debt	
Avg. real interest rate on new borrowing	3.6%
Avg. maturity (incl. grace period)	3
Avg. grace period	0
Domestic short-term debt	
Avg. real interest rate	5.0%

Sources: Country authorities; and staff estimates and projections.

1/ Net domestic debt issuance is an estimate based on the calculated public gross financing need net of gross external financing, drawdown of assets, other adjustments and domestic debt amortization. It excludes short-term debt that was issued and matured within the calendar year.

23. **Overall, debt remains sustainable.** Given the anticipated decline in oil export revenue over the medium to long term, the implementation of prudent fiscal policies is essential to significantly reduce debt and debt service and the risk of distress. The recent improvement in fiscal policy and commitments made by the authorities contribute to establish an appropriate framework to preserve debt sustainability and promote accelerated economic development. On the other hand, persistent elevated spending, as projected in the no-adjustment scenario, would increase the stock of debt in an uncontrolled manner, breaching all risk thresholds. Although uncertainties persist as to whether the recommended fiscal prudence and the implementation of essential reforms will fully materialize, the baseline scenario involves debt remaining sustainable over the entire forecast horizon.

Authorities' Views

24. **The authorities concurred with staff's assessment that debt remains sustainable and reiterated their commitment to implement a prudent fiscal policy and to contract external debt on concessional terms only.** The authorities highlighted the efforts made to reduce the level of external debt following the restructuring of part of the external debt in 2022. They remain committed to improving revenue mobilization and controlling spending, by continuing implementing structural reforms. They also intend to continue contracting new loans only at

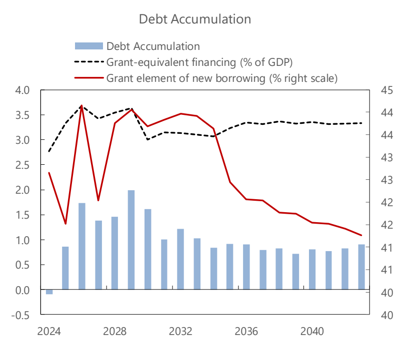
concessional terms, indicating that maintaining the external debt service-to-revenue ratio below the 14-percent threshold is now a key fiscal policy objective. With regard to domestic debt, the authorities shared staff's concerns about regional securities market saturation and intend to limit net sovereign issuance to approximately CFAF 15 billion per year.

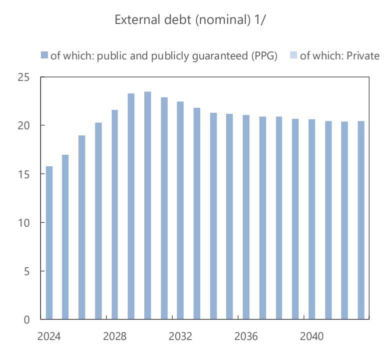
Table 1. Chad: External Debt Sustainability Framework, Baseline Scenario, 2021-2044

(In percent of GDP, unless otherwise indicated)

	Actual			Projections								Average 8/	
	2021	2022	2023	2024	2025	2026	2027	2028	2029	2034	2044	Historical	Projections
External debt (nominal) 1/	**21.6**	**17.9**	**16.1**	**15.8**	**17.0**	**19.0**	**20.3**	**21.6**	**23.3**	**21.3**	**20.6**	**20.2**	**20.8**
of which: public and publicly guaranteed (PPG)	**21.6**	**17.9**	**16.1**	**15.8**	**17.0**	**19.0**	**20.3**	**21.6**	**23.3**	**21.3**	**20.6**	**20.2**	**20.8**
Change in external debt	0.6	-3.8	-1.7	-0.4	1.2	2.0	1.3	1.3	1.7	-0.5	0.2		
Identified net debt-creating flows	**-2.7**	**-7.7**	**-2.5**	**-0.9**	**1.2**	**1.0**	**0.1**	**1.1**	**1.9**	**1.7**	**2.6**	**0.0**	**1.2**
Non-interest current account deficit	**1.6**	**-5.2**	**0.4**	**0.9**	**3.7**	**3.8**	**2.7**	**2.5**	**2.7**	**2.1**	**2.3**	**1.9**	**2.5**
Deficit in balance of goods and services	5.6	-3.9	1.4	1.9	4.5	4.5	3.5	3.1	3.2	2.9	2.8	**6.1**	**3.3**
Exports	27.4	35.1	30.1	28.2	24.9	24.2	23.3	23.1	22.2	18.0	12.0		
Imports	33.1	31.2	31.6	30.1	29.4	28.7	26.8	26.2	25.4	20.9	14.9		
Net current transfers (negative = inflow)	-5.5	-3.6	-3.0	-2.6	-2.3	-2.0	-1.8	-1.6	-1.4	-0.9	-0.4	**-5.6**	**-1.6**
of which: official	-1.1	-0.9	-0.8	-0.5	-0.5	-0.5	-0.6	-0.6	-0.6	-0.7	-0.8		
Other current account flows (negative = net inflow)	1.5	2.3	1.9	1.5	1.5	1.3	1.1	1.0	0.9	0.1	-0.1	**1.4**	**0.8**
Net FDI (negative = inflow)	**-2.3**	**-1.7**	**-1.9**	**-1.7**	**-2.5**	**-2.2**	**-2.1**	**-0.7**	**-0.1**	**0.4**	**0.9**	**-2.5**	**-0.8**
Endogenous debt dynamics 2/	**-2.0**	**-0.8**	**-0.9**	**-0.1**	**0.0**	**-0.6**	**-0.5**	**-0.7**	**-0.7**	**-0.7**	**-0.7**		
Contribution from nominal interest rate	0.4	0.4	0.4	0.4	0.5	0.2	0.1	0.1	0.1	0.0	0.0		
Contribution from real GDP growth	-0.1	-0.8	-0.8	-0.5	-0.5	-0.7	-0.7	-0.8	-0.7	-0.7	-0.7		
Contribution from price and exchange rate changes	-2.3	-0.4	-0.5	...	...	...	...	...	...	...	...		
Residual 3/	**3.3**	**3.9**	**0.8**	**0.5**	**0.0**	**1.0**	**1.2**	**0.2**	**-0.2**	**-2.2**	**-2.4**	**0.1**	**-0.7**
of which: exceptional financing	-0.7	-1.1	-0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Sustainability indicators													
PV of PPG external debt-to-GDP ratio	**...**	**...**	**12.4**	**11.4**	**11.4**	**12.3**	**12.9**	**13.5**	**14.6**	**15.2**	**14.7**		
PV of PPG external debt-to-exports ratio	**...**	**...**	**41.2**	**40.3**	**45.6**	**50.7**	**55.3**	**58.6**	**65.8**	**84.0**	**122.3**		
PPG debt service-to-exports ratio	**6.5**	**7.3**	**7.6**	**7.9**	**7.1**	**4.8**	**5.7**	**5.6**	**4.1**	**7.2**	**10.2**		
PPG debt service-to-revenue ratio	**16.3**	**16.5**	**15.8**	**14.8**	**12.1**	**9.0**	**10.2**	**9.8**	**6.7**	**10.3**	**10.5**		
Gross external financing need (Million of U.S. dollars)	186.3	-767.7	143.5	294.3	671.2	660.5	496.9	830.2	995.3	1471.4	3170.9		
Key macroeconomic assumptions													
Real GDP growth (in percent)	0.3	4.1	4.8	3.2	3.4	4.5	3.8	4.3	3.7	3.2	3.5	**2.0**	**3.5**
GDP deflator in US dollar terms (change in percent)	12.6	1.7	2.7	5.2	4.0	2.1	1.9	1.7	2.5	2.5	2.6	**-0.7**	**3.1**
Effective interest rate (percent) 4/	2.2	1.9	2.1	2.6	3.4	1.0	0.8	0.6	0.5	-0.1	0.1	**3.0**	**0.7**
Growth of exports of G&S (US dollar terms, in percent)	33.4	35.4	-7.5	1.5	-4.8	3.6	1.9	4.9	2.3	3.3	2.4	**4.5**	**2.0**
Growth of imports of G&S (US dollar terms, in percent)	14.8	-0.2	9.1	3.5	5.0	4.4	-1.4	3.6	3.2	2.5	2.7	**1.7**	**2.9**
Grant element of new public sector borrowing (in percent)	...	...	...	42.7	41.5	44.2	42.0	43.8	44.1	43.6	41.1	**...**	**43.4**
Government revenues (excluding grants, in percent of GDP)	10.8	15.5	14.6	15.1	14.6	12.8	13.2	13.1	13.4	12.6	11.7	**10.7**	**13.3**
Aid flows (in Million of US dollars) 5/	233.3	198.9	178.0	857.4	1155.9	1366.2	1322.1	1452.1	1581.8	1627.9	3388.9		
Grant-equivalent financing (in percent of GDP) 6/	0.7	0.8	0.5	2.8	3.3	3.7	3.4	3.5	3.6	3.1	3.4	**...**	**3.3**
Grant-equivalent financing (in percent of external financing) 6/	100.0	100.0	100.0	63.6	62.0	62.1	62.4	63.3	63.3	72.9	69.2	**...**	**66.8**
Nominal GDP (Million of US dollars)	16881	17867	19241	20885	22472	23991	25364	26914	28598	39685	71167.4		
Nominal dollar GDP growth	12.9	5.8	7.7	8.5	7.6	6.8	5.7	6.1	6.3	5.9	6.2	**1.3**	**6.8**
Memorandum items:													
PV of external debt 7/	...	...	12.4	11.4	11.4	12.3	12.9	13.5	14.6	15.2	14.7		
In percent of exports	...	...	41.2	40.3	45.6	50.7	55.3	58.6	65.8	84.0	122.3		
Total external debt service-to-exports ratio	6.5	7.3	7.6	7.9	7.1	4.8	5.7	5.6	4.1	7.2	10.2		
PV of PPG external debt (in Million of US dollars)			2387.5	2371	2551.7	2941	3271	3640	4175.2	6013.9	10461.9		
(PVt-PVt-1)/GDPt-1 (in percent)				-0.1	0.9	1.7	1.4	1.5	2.0	0.8	1.0		
Non-interest current account deficit that stabilizes debt ratio	1.0	-1.4	2.1	1.2	2.5	1.8	1.4	1.2	1.0	2.6	2.2		

Definition of external/domestic debt	**Residency-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) + Ɛα (1+r)]/(1+g+ρ+gρ) times previous period debt ratio, with r = nominal interest rate; g = real GDP growth rate, ρ = growth rate of GDP deflator in U.S. dollar terms, Ɛ=nominal appreciation of the local currency, and α= share of local currency-denominated external debt in total external debt.

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

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

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

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

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

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

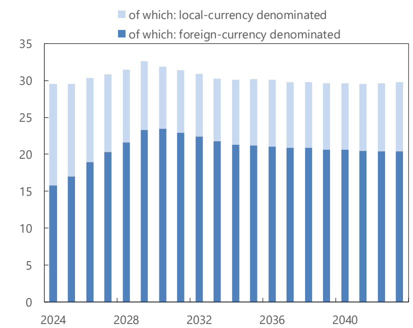
Table 2. Chad: Public Sector Debt Sustainability Framework, Baseline Scenario, 2021-2044

(In percent of GDP, unless otherwise indicated)

	Actual			Projections								Average 6/	
	2021	2022	2023	2024	2025	2026	2027	2028	2029	2034	2044	Historical	Projections
Public sector debt 1/	40.6	31.5	30.3	29.5	29.5	30.4	30.8	31.5	32.6	30.1	30.1	**35.4**	**30.8**
of which: external debt	21.6	17.9	16.1	15.8	17.0	19.0	20.3	21.6	23.3	21.3	20.6	**20.2**	**20.8**
Change in public sector debt	0.6	-9.2	-1.1	-0.8	0.0	0.9	0.5	0.7	1.1	-0.1	0.3		
Identified debt-creating flows	1.0	-7.7	-1.7	-0.5	0.2	0.5	0.3	0.4	0.9	0.1	0.5	**-0.5**	**0.1**
Primary deficit	0.8	-4.6	0.4	-1.1	-0.4	1.3	0.8	0.9	0.8	1.2	1.6	**-0.2**	**0.7**
Revenue and grants	11.5	16.3	15.1	16.7	16.5	14.7	15.1	15.1	15.3	14.8	14.0	**12.3**	**15.3**
of which: grants	0.7	0.8	0.5	1.6	1.9	1.9	1.9	1.9	2.0	2.2	2.3		
Primary (noninterest) expenditure	12.3	11.7	15.5	15.6	16.1	16.0	15.9	16.0	16.2	16.0	15.6	**12.0**	**16.0**
Automatic debt dynamics	-1.0	-4.3	-0.9	-0.9	-0.5	-1.0	-1.0	-1.3	-1.2	-1.2	-1.1		
Contribution from interest rate/growth differential	-1.8	-4.3	-1.0	-0.9	-0.5	-1.0	-1.0	-1.3	-1.2	-1.2	-1.1		
of which: contribution from average real interest rate	-1.7	-2.7	0.4	0.0	0.5	0.2	0.1	0.0	-0.1	-0.2	-0.1		
of which: contribution from real GDP growth	-0.1	-1.6	-1.4	-0.9	-1.0	-1.3	-1.1	-1.3	-1.1	-0.9	-1.0		
Contribution from real exchange rate depreciation	0.8	0.0	0.1	...	...	...	...	...	...	...	...		
Other identified debt-creating flows	1.3	1.2	-1.2	1.4	1.1	0.3	0.6	0.7	1.3	0.0	0.0	**-0.6**	**0.5**
Privatization receipts (negative)	0.0	0.0	0.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Recognition of contingent liabilities (e.g., bank recapitalization)	0.2	0.0	0.0	0.0	0.4	0.3	0.0	0.0	0.0	0.0	0.0		
Debt relief (HIPC and other)	-0.2	-0.3	-0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Deposit accumulation/withdrawals	1.3	1.4	-1.6	1.4	0.7	-0.1	0.6	0.7	1.3	0.0	0.0		
Residual	-0.4	-1.4	0.6	-0.3	-0.2	0.3	0.1	0.3	0.2	-0.1	-0.1	**1.3**	**-0.1**
Sustainability indicators													
PV of public debt-to-GDP ratio 2/	...	...	26.5	25.0	23.9	23.6	23.4	23.4	23.9	24.0	24.2		
PV of public debt-to-revenue and grants ratio	...	...	175.5	149.4	144.4	160.7	155.1	154.9	155.6	162.2	173.5		
Debt service-to-revenue and grants ratio 3/	19.7	21.6	26.5	35.6	47.8	56.0	52.7	49.0	43.7	46.9	65.3		
Gross financing need 4/	4.3	0.1	3.2	4.9	7.5	9.5	8.7	8.3	7.5	8.2	10.7		
Key macroeconomic and fiscal assumptions													
Real GDP growth (in percent)	0.3	4.1	4.8	3.2	3.4	4.5	3.8	4.3	3.7	3.2	3.5	**2.0**	**3.5**
Average nominal interest rate on external debt (in percent)	2.0	2.0	2.1	2.5	3.4	1.0	0.8	0.6	0.5	-0.1	0.1	**3.0**	**0.7**
Average real interest rate on domestic debt (in percent)	-6.1	-9.4	5.2	0.2	2.3	3.0	2.6	2.4	1.7	1.9	2.1	**1.6**	**1.5**
Real exchange rate depreciation (in percent, + indicates depreciation)	3.7	0.1	0.5	...	...	...	...	...	...	...	...	**4.4**	**...**
Inflation rate (GDP deflator, in percent)	8.5	14.2	0.1	4.4	3.3	1.8	2.1	1.8	2.5	2.5	2.6	**1.1**	**3.0**
Growth of real primary spending (deflated by GDP deflator, in percent)	-6.8	-1.1	38.8	4.2	6.5	3.7	3.1	5.0	4.8	3.8	3.7	**3.4**	**3.9**
Primary deficit that stabilizes the debt-to-GDP ratio 5/	0.2	4.6	1.5	-0.3	-0.4	0.4	0.3	0.2	-0.3	1.3	1.3	**2.1**	**0.8**
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		

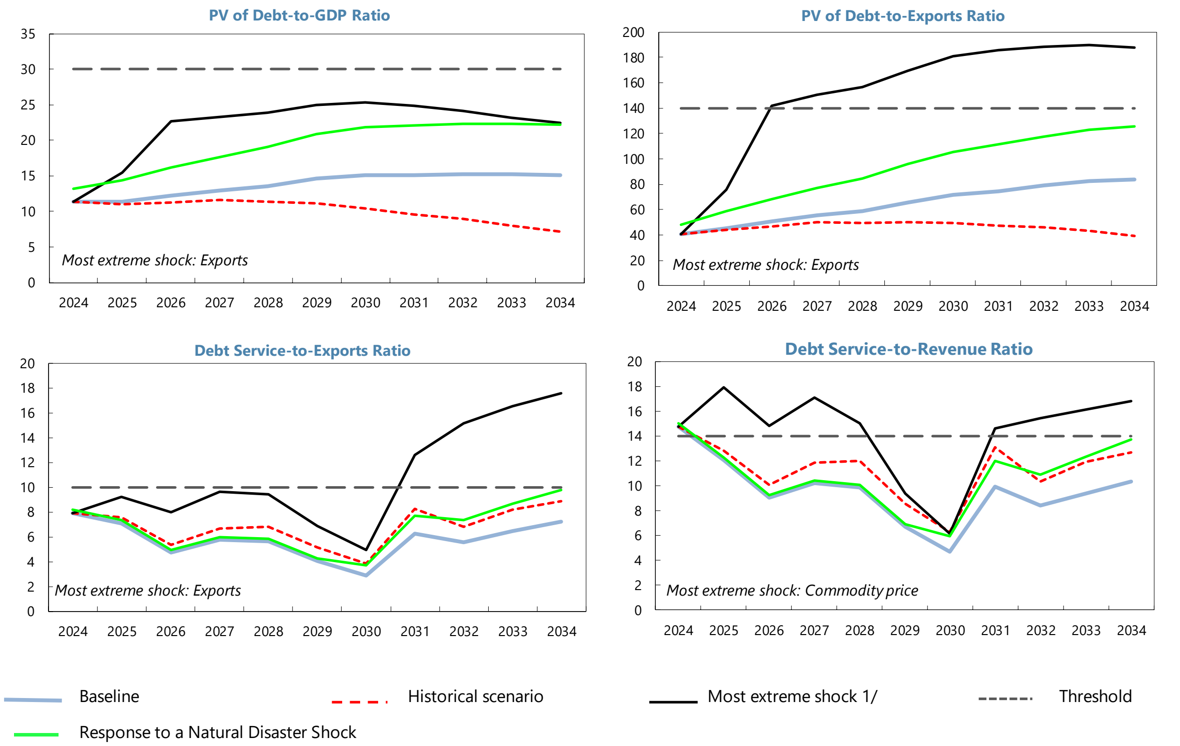
Definition of external/domestic debt	**Residency-based**
Is there a material difference between the two criteria?	**Yes**

Public sector debt 1/



Sources: Country authorities; and staff estimates and projections.
1/ Coverage of debt: The central government, central bank, government-guaranteed debt . Definition of external debt is Residency-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.

Figure 1. Chad: Indicators of Public and Publicly Guaranteed External Debt under Alternatives Scenarios, Baseline Scenario, 2024-2034



Customization of Default Settings	Size	Interactions
Tailored Stress		
Combined CL	Yes	
Natural disaster	n.a.	n.a.
Commodity price	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 on additional financing needs resulting from the 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	0.2%	0.2%
USD Discount rate	5.0%	5.0%
Avg. maturity (incl. grace period)	20	20
Avg. grace period	5	5

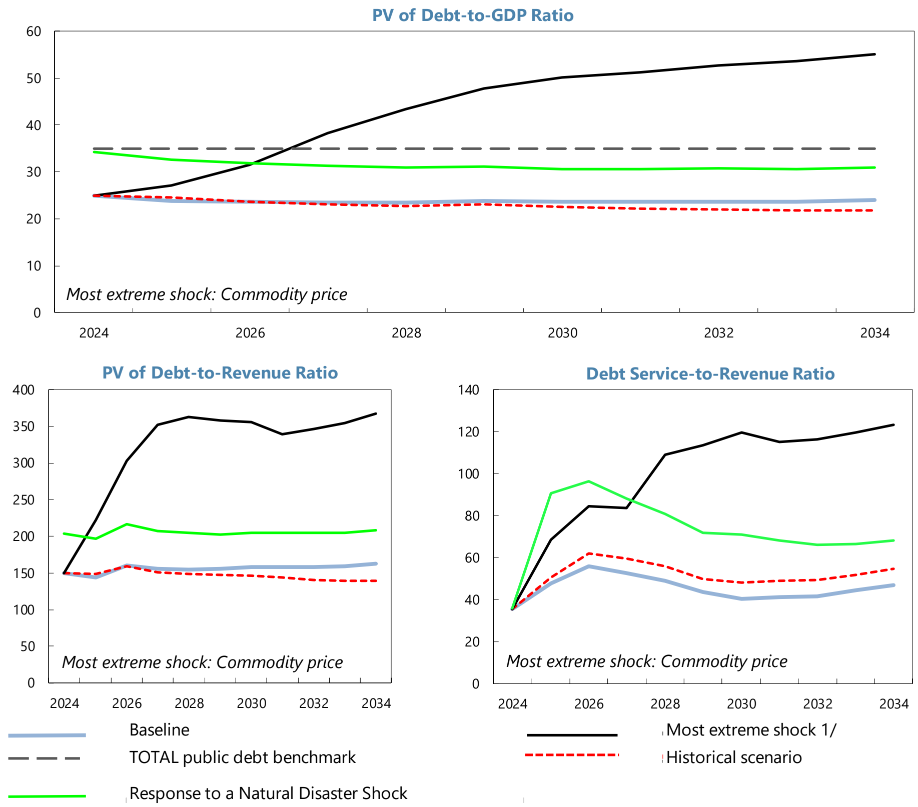
* Note: All the additional financing needs generated by the shocks under the stress tests are assumed to be covered by PPG external MLT debt in the external DSA. Default terms of marginal debt are based on baseline 10-year projections.

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 2034. 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.

Note: Consistent with the 2018 contract with Glencore, the 4 million barrels transferred to the refinery are valued at market prices when estimating the revenue and external debt service in 2024.

Figure 2. Chad: Indicators of Public Debt Under Alternative Scenarios, Baseline Scenario, 2024-2034



Borrowing assumptions on additional financing needs resulting from the stress tests*	Default	User defined
Shares of marginal debt		
External PPG medium and long-term	35%	26%
Domestic medium and long-term	26%	26%
Domestic short-term	39%	48%
Terms of marginal debt		
External MLT debt		
Avg. nominal interest rate on new borrowing in USD	0.2%	0.2%
Avg. maturity (incl. grace period)	20	20
Avg. grace period	5	5
Domestic MLT debt		
Avg. real interest rate on new borrowing	3.6%	3.6%
Avg. maturity (incl. grace period)	1	3
Avg. grace period	0	0
Domestic short-term debt		
Avg. real interest rate	-1.0%	5.0%

* 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 2034. 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.

Table 3. Chad: Sensitivity Analysis for Key Indicators of Public and Publicly Guaranteed External Debt, Baseline Scenario, 2024-2034

	Projections 1/										
	2024	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**	**2031**	**2032**	**2033**	**2034**
	PV of debt-to GDP ratio										
Baseline	11	11	12	13	14	15	15	15	15	15	15
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2024-2034 2/	11	11	11	12	11	11	10	10	9	8	7
A2. Alternative Scenario: Natural Disaster Shock	13	14	16	18	19	21	22	22	22	22	22
B. Bound Tests											
B1. Real GDP growth	11	12	15	15	16	17	18	18	18	18	18
B2. Primary balance	11	12	13	14	15	17	18	18	18	18	18
B3. Exports	11	15	23	23	24	25	25	25	24	23	22
B4. Other flows 3/	11	13	15	15	16	17	18	17	17	17	17
B5. Depreciation	11	14	13	14	15	16	17	17	17	17	18
B6. Combination of B1-B5	11	15	17	18	18	20	20	20	20	20	19
C. Tailored Tests											
C1. Combined contingent liabilities	11	13	16	17	19	20	22	22	22	23	23
C2. Natural disaster	11	13	15	17	18	20	21	22	22	22	23
C3. Commodity price	11	16	21	22	23	25	25	24	23	22	21
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	40	46	51	55	59	66	71	75	79	82	84
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2024-2034 2/	40	44	46	50	49	50	49	47	46	44	39
A2. Alternative Scenario: Natural Disaster Shock	48	59	68	77	84	96	105	111	118	123	126
B. Bound Tests											
B1. Real GDP growth	40	46	51	55	59	66	71	75	79	82	84
B2. Primary balance	40	48	55	62	67	77	84	89	95	99	101
B3. Exports	40	76	**142**	**151**	**156**	**170**	**181**	**186**	**188**	**190**	**188**
B4. Other flows 3/	40	51	61	66	69	77	83	86	89	92	93
B5. Depreciation	40	46	44	48	51	58	64	67	72	75	78
B6. Combination of B1-B5	40	63	59	81	85	95	102	105	110	113	115
C. Tailored Tests											
C1. Combined contingent liabilities	40	54	64	73	80	92	102	108	116	122	126
C2. Natural disaster	40	55	65	74	81	93	103	110	118	124	129
C3. Commodity price	40	87	115	119	119	123	125	126	127	126	124
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	8	7	5	6	6	4	3	6	6	6	7
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2024-2034 2/	8	8	5	7	7	5	4	8	7	8	9
A2. Alternative Scenario: Natural Disaster Shock	8	7	5	6	6	4	4	8	7	9	10
B. Bound Tests											
B1. Real GDP growth	8	7	5	6	6	4	3	6	6	6	7
B2. Primary balance	8	7	5	6	6	4	3	7	6	7	8
B3. Exports	8	9	8	10	9	7	5	**13**	**15**	**17**	**18**
B4. Other flows 3/	8	7	5	6	6	4	3	7	7	8	8
B5. Depreciation	8	7	5	6	6	4	3	6	5	6	7
B6. Combination of B1-B5	8	8	6	7	7	5	4	9	8	9	**10**
C. Tailored Tests											
C1. Combined contingent liabilities	8	7	5	6	6	4	3	6	6	7	7
C2. Natural disaster	8	7	5	6	6	4	3	7	6	7	8
C3. Commodity price	8	**10**	7	8	8	5	4	10	**11**	**12**	**12**
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	**15**	12	9	10	10	7	5	10	8	9	10
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2024-2034 2/	**15**	13	10	12	12	9	6	13	10	12	13
A2. Alternative Scenario: Natural Disaster Shock	15	12	9	10	10	7	6	12	11	12	14
B. Bound Tests											
B1. Real GDP growth	**15**	13	11	12	12	8	6	12	10	11	12
B2. Primary balance	**15**	12	9	10	10	7	5	10	9	10	12
B3. Exports	**15**	13	10	11	11	8	5	13	**15**	**16**	**17**
B4. Other flows 3/	**15**	12	9	10	10	7	5	11	10	11	12
B5. Depreciation	**15**	**15**	11	13	12	8	6	12	9	10	12
B6. Combination of B1-B5	**15**	13	11	12	12	8	6	14	11	13	14
C. Tailored Tests											
C1. Combined contingent liabilities	**15**	12	9	10	10	7	5	10	9	10	10
C2. Natural disaster	**15**	12	9	10	10	7	5	10	8	10	10
C3. Commodity price	**15**	**18**	**15**	**17**	**15**	9	6	**15**	**15**	**16**	**17**
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	14	14	14	14	14	14	14	14	14	14	14

Sources: Country authorities; and staff estimates and projections.

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

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

3/ Includes official and private transfers and FDI.

Table 4. Chad: Sensitivity Analysis for Key Indicators of Public Debt, Baseline Scenario, 2024-2034

	Projections 1/										
	2024	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**	**2031**	**2032**	**2033**	**2034**
PV of Debt-to-GDP Ratio											
Baseline	25	24	24	23	23	24	24	24	24	24	24
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2024-2034 2/	25	25	24	23	23	23	23	22	22	22	22
A2. Alternative Scenario: Natural Disaster Shock	34	33	32	31	31	31	31	31	31	31	31
B. Bound Tests											
B1. Real GDP growth	25	27	31	32	34	**36**	**38**	**39**	**41**	**42**	**44**
B2. Primary balance	25	26	26	25	25	25	25	25	25	25	25
B3. Exports	25	27	32	32	32	32	32	31	31	30	29
B4. Other flows 3/	25	25	26	26	26	26	26	26	26	25	26
B5. Depreciation	25	25	23	21	20	19	18	17	17	16	16
B6. Combination of B1-B5	25	25	22	23	23	24	23	23	23	23	24
C. Tailored Tests											
C1. Combined contingent liabilities	25	34	33	32	32	32	31	31	31	30	31
C2. Natural disaster	25	33	32	32	31	31	31	31	31	31	31
C3. Commodity price	25	27	32	**38**	**43**	**48**	**50**	**51**	**53**	**54**	**55**
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.
TOTAL public debt benchmark	35	35	35	35	35	35	35	35	35	35	35
PV of Debt-to-Revenue Ratio											
Baseline	149	144	161	155	155	156	158	158	158	159	162
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2024-2034 2/	149	148	159	151	148	147	147	144	141	140	140
A2. Alternative Scenario: Natural Disaster Shock	204	196	217	207	205	202	204	205	205	205	209
B. Bound Tests											
B1. Real GDP growth	149	159	205	210	221	231	245	256	266	276	290
B2. Primary balance	149	155	175	168	167	166	168	168	168	169	172
B3. Exports	149	164	218	211	210	209	211	209	204	199	198
B4. Other flows 3/	149	153	178	172	171	172	174	173	172	171	173
B5. Depreciation	149	150	156	141	131	122	120	117	115	112	112
B6. Combination of B1-B5	149	149	152	150	151	153	154	155	156	157	161
C. Tailored Tests											
C1. Combined contingent liabilities	149	207	226	214	210	206	207	206	205	204	207
C2. Natural disaster	149	200	219	209	206	204	206	206	206	206	211
C3. Commodity price	149	223	303	352	363	359	356	339	346	354	367
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	36	48	56	53	49	44	41	41	42	44	47
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2024-2034 2/	36	51	62	59	56	50	48	49	49	52	55
A2. Alternative Scenario: Natural Disaster Shock	36	90	97	88	81	72	71	68	66	67	68
B. Bound Tests											
B1. Real GDP growth	36	52	76	80	83	84	90	91	93	97	102
B2. Primary balance	36	49	71	67	63	58	58	55	54	55	56
B3. Exports	36	48	56	53	49	44	41	43	46	49	51
B4. Other flows 3/	36	48	56	53	49	44	41	42	43	46	48
B5. Depreciation	36	48	57	53	50	44	42	43	42	45	47
B6. Combination of B1-B5	36	49	58	55	54	52	55	54	54	56	58
C. Tailored Tests											
C1. Combined contingent liabilities	36	49	109	92	85	75	72	67	62	61	61
C2. Natural disaster	36	50	103	89	83	74	72	67	64	63	63
C3. Commodity price	36	69	85	84	109	113	120	115	116	120	123
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.

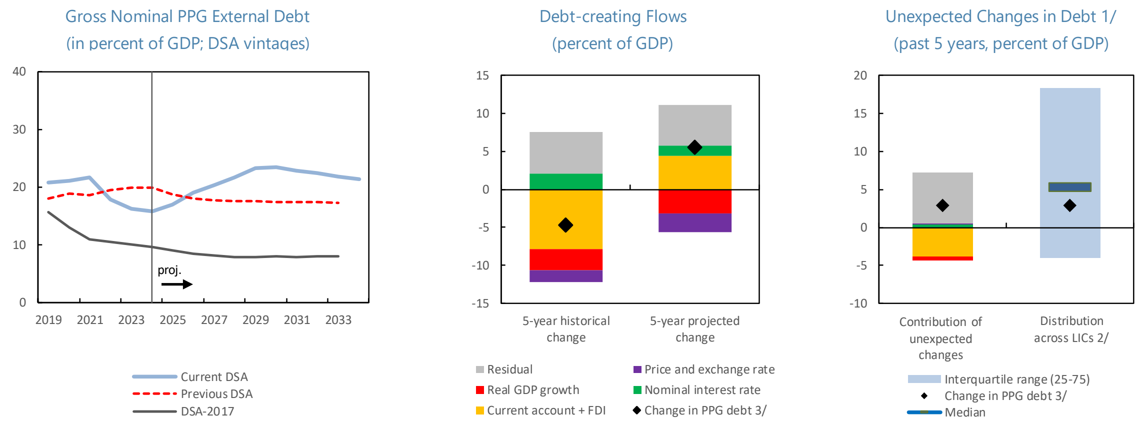
1/ A bold value indicates a breach of the benchmark.

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

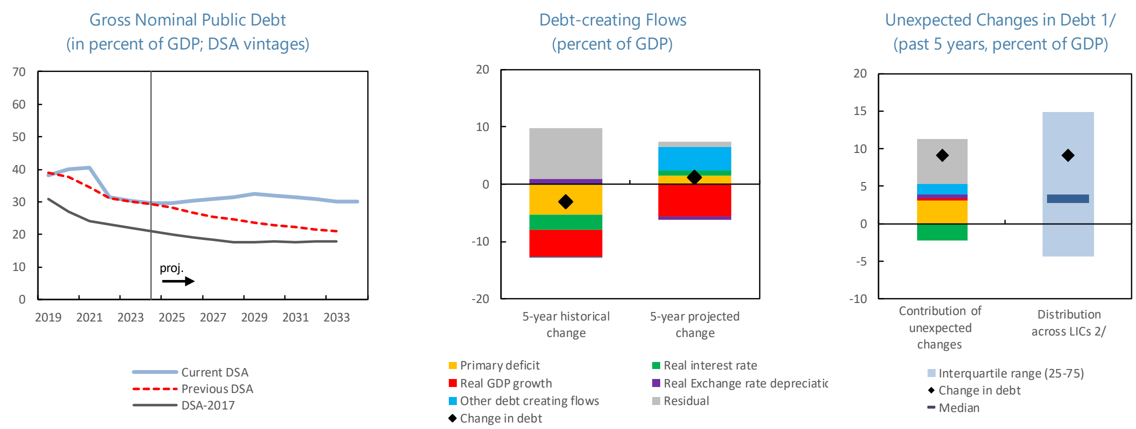
3/ Includes official and private transfers and FDI.

Figure 3. Chad: Drivers of Debt Dynamics, Baseline Scenario, 2024-2034

External debt



Public debt



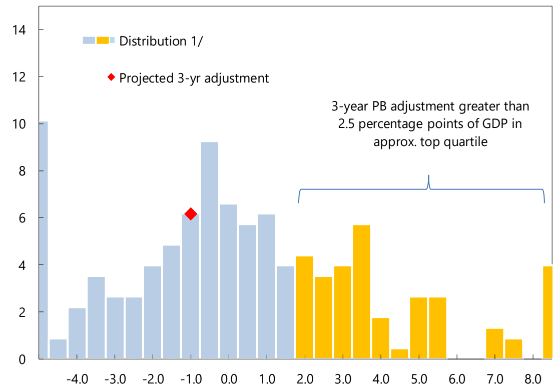
1/ Difference between anticipated and actual contributions on debt ratios.

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.

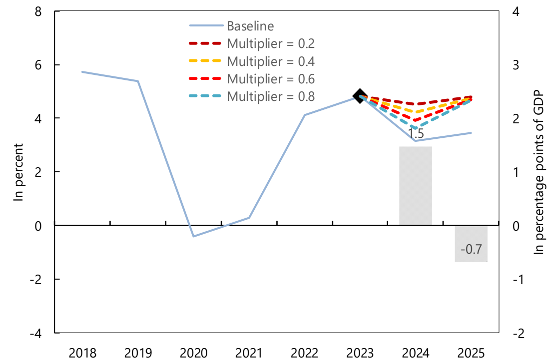
Figure 4. Chad: Realism Tools, Baseline Scenario

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



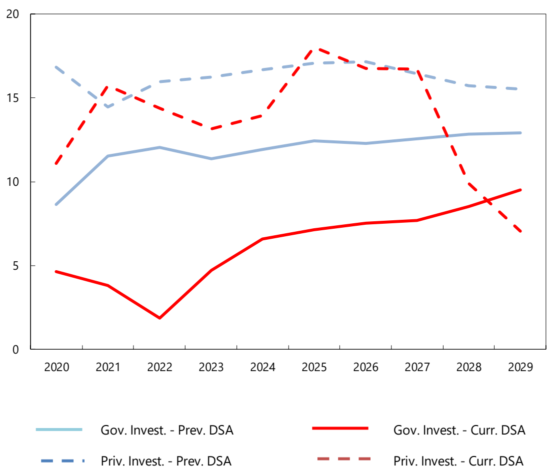
1/ Data cover Fund-supported programs for LICs (excluding emergency financing) approved since 1990. The size of 3-year adjustment from program inception is found on the horizontal axis; the percent of sample is found on the vertical axis.

Fiscal Adjustment and Possible Growth Paths 1/

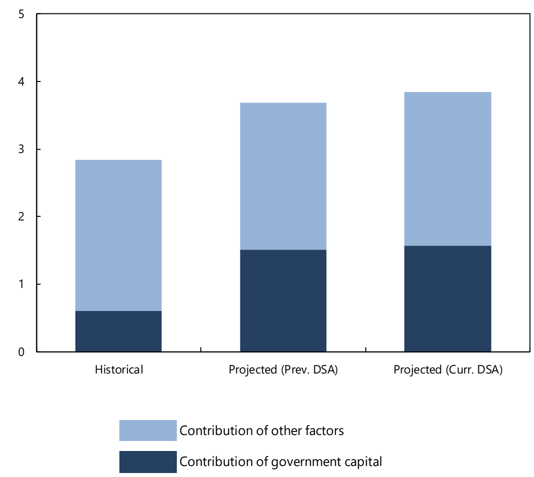


1/ Bars refer to annual projected fiscal adjustment (right-hand side scale) and lines show possible real GDP growth paths under different fiscal multipliers (left-hand side scale).

Public and Private Investment Rates
(percent of GDP)



Contributions to Real GDP Growth
(percent, 5-year average)



DSA Results for the No-Adjustment Scenario

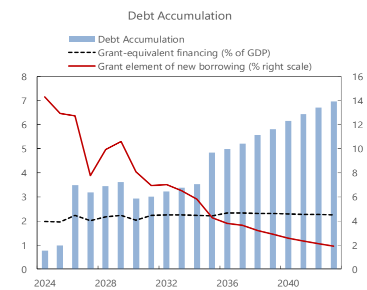
(see Annex V of the Staff Report for the 2024 Article IV Consultation)

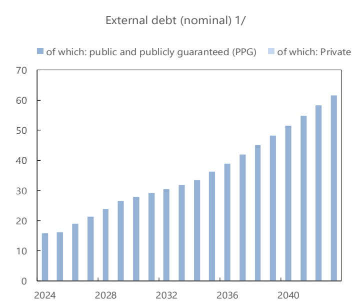
Table 5. Chad: External Debt Sustainability Framework, No-Adjustment Scenario, 2021-2044

(In percent of GDP, unless otherwise indicated)

	Actual			Projections								Average 8/	
	2021	2022	2023	2024	2025	2026	2027	2028	2029	2034	2044	Historical	Projections
External debt (nominal) 1/	21.6	17.9	16.1	15.8	16.1	18.9	21.3	23.9	26.5	33.4	64.7	20.2	25.0
of which: public and publicly guaranteed (PPG)	21.6	17.9	16.1	15.8	16.1	18.9	21.3	23.9	26.5	33.4	64.7	20.2	25.0
Change in external debt	0.6	-3.8	-1.7	-0.4	0.3	2.8	2.3	2.6	2.6	1.5	3.1		
Identified net debt-creating flows	-2.7	-7.7	-2.5	-0.9	0.9	1.3	1.3	2.2	3.2	2.0	3.4	0.0	1.7
Non-interest current account deficit	1.6	-5.2	0.4	0.9	3.2	3.7	3.3	2.7	2.9	1.1	0.7	1.9	2.2
Deficit in balance of goods and services	5.6	-3.9	1.5	1.9	4.0	4.4	4.1	3.4	3.5	2.0	1.7	6.1	3.1
Exports	27.4	35.1	30.1	28.2	25.1	24.5	23.8	23.7	22.8	19.6	13.3		
Imports	33.1	31.2	31.6	30.1	29.1	29.0	27.9	27.1	26.3	21.5	15.1		
Net current transfers (negative = inflow)	-5.5	-3.6	-3.0	-2.6	-2.3	-2.1	-1.9	-1.7	-1.5	-1.0	-0.5	-5.6	-1.6
of which: official	-1.1	-0.9	-0.8	-0.5	-0.5	-0.5	-0.5	-0.6	-0.6	-0.7	-0.8		
Other current account flows (negative = net inflow)	1.5	2.3	1.9	1.5	1.5	1.3	1.1	1.0	1.0	0.1	-0.6	1.4	0.8
Net FDI (negative = inflow)	-2.3	-1.7	-1.9	-1.7	-2.5	-2.2	-2.2	-0.8	-0.2	0.2	0.8	-2.5	-0.8
Endogenous debt dynamics 2/	-2.0	-0.8	-0.9	-0.1	0.2	-0.1	0.2	0.2	0.5	0.7	1.9		
Contribution from nominal interest rate	0.4	0.4	0.4	0.4	0.6	0.4	0.6	0.9	1.1	1.7	3.9		
Contribution from real GDP growth	-0.1	-0.8	-0.8	-0.5	-0.4	-0.5	-0.5	-0.6	-0.6	-1.0	-2.0		
Contribution from price and exchange rate changes	-2.3	-0.4	-0.5	...	...	...	...	...	...	...	...		
Residual 3/	3.3	3.9	0.8	0.5	-0.6	1.5	1.0	0.4	-0.6	-0.5	-0.3	0.1	-0.1
of which: exceptional financing	-0.7	-1.1	-0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Sustainability indicators													
PV of PPG external debt-to-GDP ratio	...	...	12.4	12.1	12.3	14.9	17.3	19.7	22.2	30.9	62.9		
PV of PPG external debt-to-exports ratio	...	...	41.2	43.1	48.9	60.7	72.7	83.3	97.3	158.0	471.6		
PPG debt service-to-exports ratio	6.5	7.3	7.6	7.9	7.6	5.8	8.6	10.2	11.1	22.0	68.2		
PPG debt service-to-revenue ratio	16.3	16.5	15.8	14.8	13.1	11.3	15.7	18.6	19.4	34.7	80.6		
Gross external financing need (Million of U.S. dollars)	186.3	-770.0	145.8	294.6	588.8	679.3	786.5	1137.3	1437.9	1986.7	6558.4		
Key macroeconomic assumptions													
Real GDP growth (in percent)	0.3	4.1	4.8	3.2	2.9	3.5	2.7	3.2	2.5	3.2	3.5	2.0	3.1
GDP deflator in US dollar terms (change in percent)	12.6	1.7	2.8	5.2	4.0	2.1	1.9	1.8	2.5	2.2	2.4	-0.7	2.6
Effective interest rate (percent) 4/	2.2	1.9	2.1	2.6	4.4	2.8	3.5	4.3	4.8	5.6	6.7	3.0	4.3
Growth of exports of G&S (US dollar terms, in percent)	33.4	35.4	-7.6	1.5	-4.8	3.5	1.4	4.7	1.3	3.1	2.3	4.5	1.7
Growth of imports of G&S (US dollar terms, in percent)	14.8	-0.2	9.2	3.5	3.2	5.4	0.6	2.1	2.1	2.2	2.3	1.7	2.1
Grant element of new public sector borrowing (in percent)	...	...	...	14.3	12.9	12.7	7.8	9.9	10.6	5.8	1.8	...	9.3
Government revenues (excluding grants, in percent of GDP)	10.8	15.5	14.6	15.1	14.6	12.7	13.0	12.9	13.1	12.4	11.3	10.7	13.1
Aid flows (in Million of US dollars) 5/	233.3	198.9	178.0	443.1	455.7	571.4	504.4	606.7	662.7	848.6	1437.7		
Grant-equivalent financing (in percent of GDP) 6/	...	...	...	2.0	1.9	2.2	2.0	2.2	2.2	2.2	2.2	...	2.1
Grant-equivalent financing (in percent of external financing) 6/	...	...	...	45.6	46.6	35.4	32.2	32.0	32.3	29.0	16.2	...	34.8
Nominal GDP (Million of US dollars)	16881	17867	19250	20889	22349	23623	24720	25955	27279	35490	61804.1		
Nominal dollar GDP growth	12.9	5.8	7.7	8.5	7.0	5.7	4.6	5.0	5.1	5.5	6.0	1.3	5.7
Memorandum items:													
PV of external debt 7/	...	...	12.4	12.1	12.3	14.9	17.3	19.7	22.2	30.9	62.9		
In percent of exports	...	...	41.2	43.1	48.9	60.7	72.7	83.3	97.3	158.0	471.6		
Total external debt service-to-exports ratio	6.5	7.3	7.6	7.9	7.6	5.8	8.6	10.2	11.1	22.0	68.2		
PV of PPG external debt (in Million of US dollars)			2387.5	2534.7	2741.8	3518.5	4271.9	5124.6	6063.2	10967	38870.9		
(PVt-PVt-1)/GDPt-1 (in percent)				0.8	1.0	3.5	3.2	3.4	3.6	3.5	6.9		
Non-interest current account deficit that stabilizes debt ratio	1.0	-1.4	2.1	1.2	2.9	0.9	1.0	0.2	0.3	-0.4	-2.4		

Definition of external/domestic debt	**Residency-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) + Ɛα (1+r)]/(1+g+ρ+gρ) times previous period debt ratio, with r = nominal interest rate; g = real GDP growth rate, ρ = growth rate of GDP deflator in U.S. dollar terms, Ɛ=nominal appreciation of the local currency, and α= share of local currency-denominated external debt in total external debt.

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.

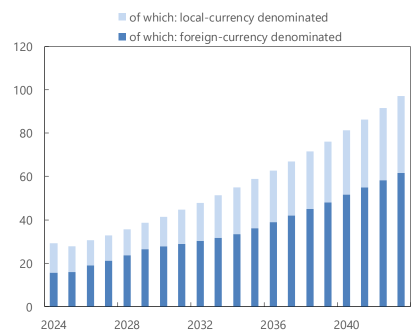
Table 6. Chad: Public Sector Debt Sustainability Framework, No-Adjustment Scenario, 2021-2044

(In percent of GDP, unless otherwise indicated)

	Actual			Projections								Average 6/	
	2021	2022	2023	2024	2025	2026	2027	2028	2029	2034	2044	Historical	Projections
Public sector debt 1/	40.5	31.3	30.2	29.4	28.0	30.6	33.0	35.7	38.6	55.1	102.8	35.4	39.6
of which: external debt	21.6	17.9	16.1	15.8	16.1	18.9	21.3	23.9	26.5	33.4	64.7	20.2	25.0
Change in public sector debt	0.6	-9.2	-1.1	-0.8	-1.4	2.6	2.3	2.8	2.9	3.7	5.7		
Identified debt-creating flows	1.0	-7.7	-1.7	-0.5	-1.1	2.2	2.2	2.5	2.7	3.9	6.0	-0.5	2.3
Primary deficit	0.8	-4.6	0.4	-1.1	0.2	2.6	2.5	2.9	2.9	4.0	5.7	-0.2	2.6
Revenue and grants	11.5	16.3	15.1	16.7	16.2	14.3	14.7	14.6	14.8	14.3	13.3	12.3	14.8
of which: grants	0.7	0.8	0.5	1.6	1.6	1.6	1.7	1.7	1.7	1.9	2.0		
Primary (noninterest) expenditure	12.3	11.7	15.5	15.6	16.4	17.0	17.2	17.5	17.7	18.3	19.0	12.0	17.4
Automatic debt dynamics	-1.0	-4.3	-0.9	-0.9	-0.1	-0.5	-0.3	-0.4	-0.1	-0.1	0.4		
Contribution from interest rate/growth differential	-1.8	-4.3	-1.0	-0.9	-0.1	-0.5	-0.3	-0.4	-0.1	-0.1	0.4		
of which: contribution from average real interest rate	-1.7	-2.7	0.4	0.1	0.7	0.4	0.5	0.7	0.7	1.5	3.6		
of which: contribution from real GDP growth	-0.1	-1.6	-1.4	-0.9	-0.8	-0.9	-0.8	-1.0	-0.9	-1.6	-3.3		
Contribution from real exchange rate depreciation	0.8	0.0	0.1	...	...	...	...	...	...	...	...		
Other identified debt-creating flows	1.3	1.2	-1.2	1.4	-1.2	0.1	0.0	0.0	0.0	0.0	0.0	-0.6	0.0
Privatization receipts (negative)	0.0	0.0	0.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Recognition of contingent liabilities (e.g., bank recapitalization)	0.2	0.0	0.0	0.0	0.4	0.4	0.0	0.0	0.0	0.0	0.0		
Debt relief (HIPC and other)	-0.2	-0.3	-0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Deposit accumulation/withdrawals	1.3	1.4	-1.6	1.4	-1.6	-0.2	0.0	0.0	0.0	0.0	0.0		
Residual	-0.4	-1.4	0.6	-0.3	-0.2	0.3	0.1	0.3	0.2	-0.1	-0.4	1.3	0.0
Sustainability indicators													
PV of public debt-to-GDP ratio 2/	...	...	26.4	25.7	24.2	26.6	29.0	31.6	34.4	52.6	100.9		
PV of public debt-to-revenue and grants ratio	...	...	174.7	153.4	149.1	185.3	197.4	216.5	231.9	368.5	758.5		
Debt service-to-revenue and grants ratio 3/	19.7	21.6	26.5	35.6	44.7	44.2	44.5	44.1	42.8	123.0	307.4		
Gross financing need 4/	4.3	0.1	3.2	4.9	7.5	9.0	9.1	9.3	9.2	21.6	46.6		
Key macroeconomic and fiscal assumptions													
Real GDP growth (in percent)	0.3	4.1	4.8	3.2	2.9	3.5	2.7	3.2	2.5	3.2	3.5	2.0	3.1
Average nominal interest rate on external debt (in percent)	2.0	2.0	2.1	2.5	4.3	2.8	3.6	4.3	4.8	5.6	6.7	3.0	4.3
Average real interest rate on domestic debt (in percent)	-6.1	-9.4	5.2	0.3	2.3	2.5	1.8	1.4	0.6	1.7	2.2	1.6	1.4
Real exchange rate depreciation (in percent, + indicates depreciation)	3.7	0.1	0.5	...	...	...	...	...	...	...	...	4.4	...
Inflation rate (GDP deflator, in percent)	8.5	14.2	0.1	4.4	3.3	1.8	2.1	1.8	2.5	2.2	2.4	1.1	2.4
Growth of real primary spending (deflated by GDP deflator, in percent)	-6.8	-1.1	38.7	4.2	8.0	6.9	4.1	4.9	3.7	3.8	3.7	3.4	4.7
Primary deficit that stabilizes the debt-to-GDP ratio 5/	0.2	4.5	1.5	-0.3	1.6	0.0	0.2	0.1	0.0	0.3	0.0	2.1	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	**Residency-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, government-guaranteed debt . Definition of external debt is Residency-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.

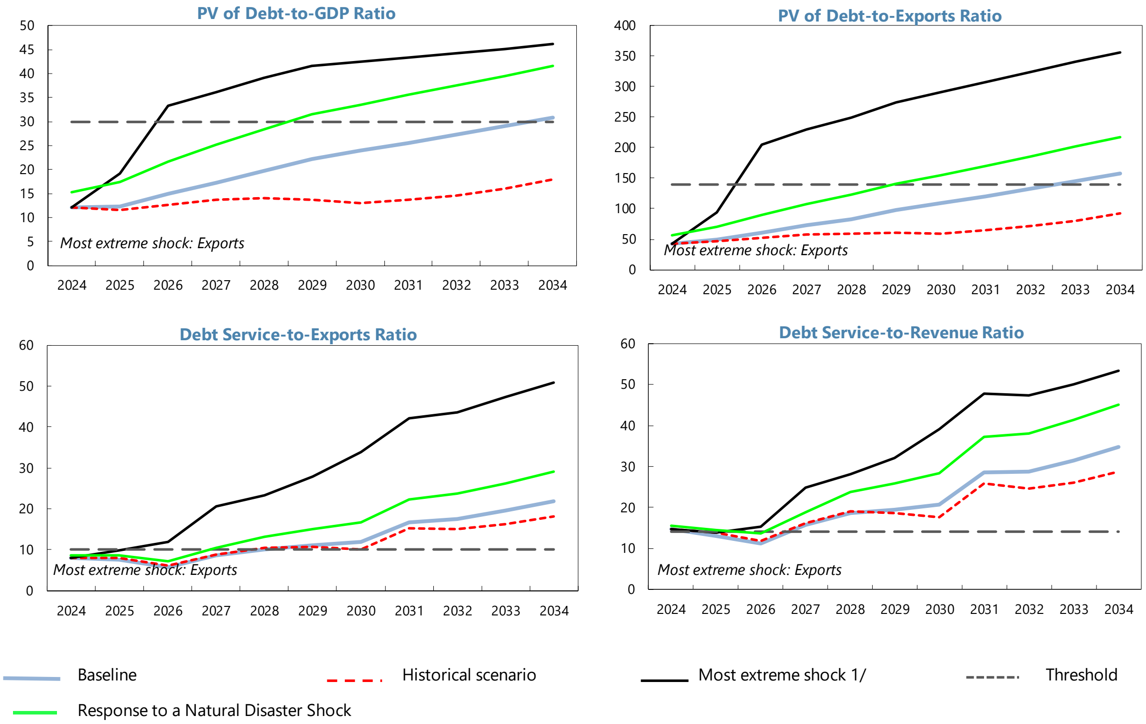
3/ Debt service is defined as the sum of interest and amortization of medium and long-term, and short-term debt.

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.

Figure 5. Chad: Indicators of Public and Publicly Guaranteed External Debt under Alternatives Scenarios, No-Adjustment Scenario, 2024-2034



Customization of Default Settings	Size	Interactions
Tailored Stress		
Combined CL	Yes	
Natural disaster	n.a.	n.a.
Commodity price	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 on additional financing needs resulting from the 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	6.2%	6.2%
USD Discount rate	5.0%	5.0%
Avg. maturity (incl. grace period)	16	16
Avg. grace period	3	3

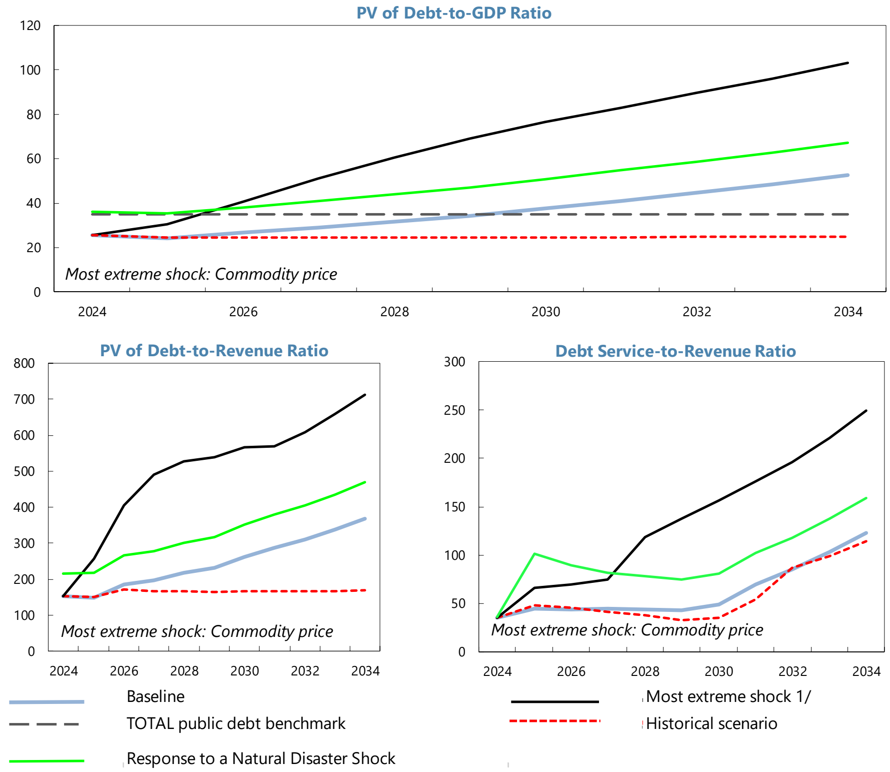
* Note: All the additional financing needs generated by the shocks under the stress tests are assumed to be covered by PPG external MLT debt in the external DSA. Default terms of marginal debt are based on baseline 10-year projections.

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 2034. 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.

Note: Consistent with the 2018 contract with Glencore, the 4 million barrels transferred to the refinery are valued at market prices when estimating the revenue and external debt service in 2024.

Figure 6. Chad: Indicators of Public Debt Under Alternative Scenarios, No-Adjustment Scenario, 2024-2034



Borrowing assumptions on additional financing needs resulting from the stress tests*	Default	User defined
Shares of marginal debt		
External PPG medium and long-term	42%	26%
Domestic medium and long-term	21%	21%
Domestic short-term	38%	53%
Terms of marginal debt		
External MLT debt		
Avg. nominal interest rate on new borrowing in USD	6.2%	6.2%
Avg. maturity (incl. grace period)	16	16
Avg. grace period	3	3
Domestic MLT debt		
Avg. real interest rate on new borrowing	4.2%	4.2%
Avg. maturity (incl. grace period)	1	1
Avg. grace period	0	0
Domestic short-term debt		
Avg. real interest rate	0.0%	5.0%

* 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 2034. 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.

INTERNATIONAL MONETARY FUND

CHAD

November 21, 2024

STAFF REPORT FOR THE 2024 ARTICLE IV CONSULTATION—INFORMATIONAL ANNEX

Prepared By | The African Department

CONTENTS

FUND RELATIONS

(As of October 31, 2024)

Membership Status: Joined: July 10, 1963 | Article VIII

General Resources Account:	**SDR Million**	**%Quota**
Quota	140.20	100.00
IMF's Holdings of Currency (Holdings Rate)	136.93	97.67
Reserve Tranche Position	3.29	2.35

SDR Department:	SDR Million	%Allocation
Net cumulative allocation	188.00	100.00
Holdings	2.01	1.07

Outstanding Purchases and Loans:	SDR Million	%Quota
RCF Loans	133.19	95.00
ECF Arrangements	361.86	258.11

Latest Financial Commitments:

Arrangements:

Type	Date of Arrangement	Expiration Date	Amount Approved (SDR Million)	Amount Drawn (SDR Million)
ECF	Dec 10, 2021	Jun 21, 2024	392.56	168.24
ECF	Jun 30, 2017	Jul 22, 2020	224.32	196.28
ECF	Aug 01, 2014	Jun 29, 2017	140.20	98.34

Outright Loans[1/]:

Type	Date of Commitment	Date Drawn/Expired	Amount Approved (SDR Million)	Amount Drawn (SDR Million)
RCF	Jul 22, 2020	Jul 24, 2020	49.07	49.07
RCF	Apr 14, 2020	Apr 16, 2020	84.12	84.12

[1/] Undrawn outright disbursements (RFI and RCF) expire automatically 60 days following the date of commitment, i.e. Board approval date.

Overdue Obligations and Projected Payments to Fund[1/]
(SDR Million; based on existing use of resources and present holdings of SDRs):

		Forthcoming			
	2024	**2025**	**2026**	**2027**	**2028**
Principal	12.01	62.68	74.78	77.11	89.03
Charges/Interest	1.73	6.40	6.40	6.40	6.41
Total	13.74	69.08	81.18	83.51	95.43

[1/] When a member has overdue financial obligations outstanding for more than three months, the amount of such arrears will be shown in this section.

Implementation of HIPC Initiative:

	Enhanced Framework
I. Commitment of HIPC assistance	
Decision point date	May 2001

Assistance committed by all creditors (US$ Million) 1/	170.12
Of which: IMF assistance (US$ million)	18.02
(SDR equivalent in millions)	14.26
Completion point date	Apr 2015

II. Disbursement of IMF assistance (SDR Million)	II. Disbursement of IMF assistance (SDR Million)
Assistance disbursed to the member	14.26
Interim assistance	8.55
Completion point balance	5.71
Additional disbursement of interest income 2/	2.77
Total disbursements	17.03

Decision point - point at which the IMF and the World Bank determine whether a country qualifies for assistance under the HIPC Initiative and decide on the amount of assistance to be committed.
Interim assistance - amount disbursed to a country during the period between decision and completion points, up to 20 percent annually and 60 percent in total of the assistance committed at the decision point (or 25 percent and 75 percent, respectively, in exceptional circumstances).
Completion point - point at which a country receives the remaining balance of its assistance committed at the decision point, together with an additional disbursement of interest income as defined in footnote 2 above. The timing of the completion point is linked to the implementation of pre-agreed key structural reforms (i.e., floating completion point).

1/ Assistance committed under the original framework is expressed in net present value (NPV) terms at the completion point, and assistance committed under the enhanced framework is expressed in NPV terms at the decision point. Hence these two amounts cannot be added.
2/ Under the enhanced framework, an additional disbursement is made at the completion point corresponding to interest income earned on the amount committed at the decision point but not disbursed during the interim period.

Implementation of Multilateral Debt Relief Initiative (MDRI): Not Applicable

Implementation of Catastrophe Containment and Relief (CCR):

Date of Catastrophe	Board Decision Date	Amount Committed (SDR million)	Amount Disbursed (SDR million)
N/A	Oct 02, 2020	2.00	2.00
N/A	Apr 01, 2021	4.06	4.06
N/A	Oct 06, 2021	4.06	4.06

As of February 4, 2015, the Post-Catastrophe Debt Relief Trust has been transformed to the Catastrophe Containment and Relief (CCR) Trust.

Exchange Rate Arrangement

Chad maintains an exchange system that is free from restrictions and multiple currency practices on payments and transfers for current international transactions. The BEAC common currency is the CFA franc which, since January 1, 1999, has been pegged to the euro at the rate of EUR 1 = CFAF 655.957.

Article IV Consultations

Chad is on the standard 12-month cycle for Article IV consultations. The last Article IV consultation was concluded on July 3, 2019.

Technical Assistance Received Since January 2023 (As of November 2024)		
Department	**Purpose**	**Time of Delivery**
FAD – AFC	Strengthening cash and debt management	November – December 2024
FAD/MCM – AFC	Debt and cash management coordination	November – December 2024
FAD	GovTech	November 2024
FAD – AFC	Improving public investment budgeting CA-PA	November 2024
STA	SUT compilation, backcasting and quarterly national accounts	October – November 2024
ICD	Macroframework Foundations Tool mission 2	October 2024
FAD – AFC	Follow-up revenue forecasting	September 2024
FAD	Climate budgeting	September 2024
FAD – AFC	Trade facilitation/Develop tax-customs cooperation and follow-up AFC support initiatives	August 2024
STA	BOP – International Investment Position	July – August 2024
FAD – AFC	Tax administration - VAT	July – August 2024
FAD	GPFP Tax mission on CRM	July – August 2024
FAD – AFC	Implementing commitment plan for budget execution and controls	April 2024
MCM	Sovereign debt portfolio risk management	April 2024
STA – AFC	Government Finance Statistics – Coverage expansion	April 2024
FAD	Enforcement/follow-up support on customs litigation	March – April 2024
STA	Quarterly National Accounts	March 2024
FAD	Follow-up support on customs litigation	February 2024
FAD	Ongoing quality review of SIGFiP's accounting processes	February 2024
FAD – AFC	Improving cash management and TSA	December 2023
ICD	Debt Dynamic Tool	November 2023
FAD – AFC	Support to transposition of Stock Accounting directive	November 2023
STA	Compilation of rebased 2020 national accounts	October – November 2023
STA – AFC	Government Finance Statistics – FY21-22 compilation and coverage expansion	October – November 2023
STA	Public Sector Debt Statistics – FY 21-22 compilation and coverage expansion	October – November 2023
STA	GDP – Quarterly National Accounts	July – August 2023
FAD	Compliance of customs litigation and support the development of a database	July 2023

Technical Assistance Received Since January 2023 (concluded) (As of November 2024)		
FAD – AFC	Strengthening Revenue Forecasting	July 2023
FAD	Review of the revenue mobilization reform program	July 2023
MCM	Developing Medium Term Debt Strategy	May 2024
FAD/LEG/FIN	Fiscal Safeguard Review FY24	April 2023
FAD – AFC	Setting up a first opening balance sheet in SIGFIP	April 2023
FAD	Development of CIP for medium taxpayers	March – April 2023
FAD	Energy subsidy reform	March 2023
FAD/LEG/FIN	Fiscal Safeguard Review FY23	March 2023
FAD	Tax Administration – VAT collection	February – March 2023
STA	Expanding Public Sector Debt Statistics coverage	February – March 2023
STA – AFC	Government Finance Statistics – Data compilation	February – March 2023
FAD – AFC	Reinforcing the Macrofiscal Forecasting Model (SIGNET)-Phase 2	February 2023
FAD	Monitoring exemptions and suspensive regimes trough Asycuda	January 2023

RELATIONS WITH THE WORLD BANK

Staff closely coordinates with the World Bank on a broad range of issues, including the DSA, technical assistance, and the monitoring of policies and reforms. Bank's staff regularly attend Fund missions.

Projects of the World Bank in Chad

Project Title	Country	Project ID	Commitment Amount (USD Million)	Status	Approval Date	Last Updated Date	Last Stage Reached
Chad Connectivity and Integration Project	Chad	P180915	200	Pipeline	9-Dec-24	23-Jun-23	CONCEPT REVIEW
Chad Digital Transformation Project	Chad	P180000	92.2	Pipeline	25-Sep-24	6-Jun-23	BEGIN NEGOTIATION
Chad Adaptive and Productive Safety Nets Project	Chad	P502142	120	Active	21-Jun-24		BANK APPROVED
Chad Agribusiness and Rural Transformation Project	Chad	P179238	150	Active	25-Apr-24	18-Aug-23	BANK APPROVED
Chad Health Emergency Preparedness and Response Additional Financing	Chad	P180680	3.9	Active	30-Jun-23	7-Jul-23	BANK APPROVED
Chad Territorial Development and Resilience Project	Chad	P177163	140	Active	14-Jun-23	25-Jan-24	BANK APPROVED
N'Djamena Urban Resilience Project	Chad	P177044	150	Active	31-Mar-23	25-Jan-24	BANK APPROVED
Additional Financing-Health System Performance Strengthening Project	Chad	P180039	150	Active	21-Dec-22	26-Feb-23	BANK APPROVED

Source: World Bank.

More detailed information is available at: https://www.worldbank.org/en/country/chad

Statement by Mr. Regis N'Sonde, Mr. Mbuyamu Matungulu, and Mr. Madjiyam Bangrim Kibassim on Chad Executive Board Meeting
December 6, 2024

I. Introduction

1. Our Chadian authorities would like to express their appreciation to the IMF Executive Directors, Management, and staff for the continued support to Chad. They are particularly grateful for the assistance provided under the recently expired 2021-24 ECF arrangement, which contributed to the implementation of some of the 2019 Article IV recommendations, notably on public financial management, and a significant reduction in the debt-to-GDP ratio following a critically important debt restructuring operation under the G-20 Common Framework. The implementation of the 2021-24 ECF arrangement helped to safeguard macroeconomic stability. However, growth has been constrained and the execution of the Fund-supported reform program complicated in the face of multiple domestic and external shocks, including the COVID-19, continuing security and military challenges, oil price volatility, as well as a difficult refugee and humanitarian situation. Against this background, the authorities welcome the constructive policy discussions held with staff in the context of the 2024 Article IV Consultation.

2. **Chad continues to face costly security, food insecurity and humanitarian challenges.** The difficult humanitarian circumstances have been aggravated by the conflict in Sudan. Recent floods have spared none of the country's 23 provinces and impacted close to 1.8 million people (10 percent of the population). Also, refugees from Sudan are estimated by UN OCHA at more than 700,000 people, in addition to returnee Chadians and refugees from other neighboring countries. According to the UN OCHA agency, the total number of persons in need of emergency assistance currently stands at 6 million, including internally displaced Chadians, requiring a budget of about $1.125 billion. In response, the authorities with support from development partners are implementing a National Response Plan (NRP) aimed at addressing pervasive food insecurity. The financing gap in support of the refugees from Sudan and other internally displaced people amounts to 602.5 million dollars. Having experienced a similar situation in the past, the Chadian authorities are welcoming the Sudanese newcomers with solidarity and expect partners' support to help empower the refugees and make them active development actors in the country. On the upside, the refugees include well-trained professionals who are sharing their knowledge and skills.

3. **Despite the challenges they face, the authorities are endeavoring to build the blocks of a resilient and diversified economy to reduce fragility, overreliance on the oil sector, and vulnerabilities to climate change.** While addressing long-lasting structural challenges takes time, the authorities remain focused on the country's development objectives, notably building human capacity and education, fostering the development of the non-oil sector, providing responses to populations needs and contributing to the security and economic stability of the region. Investments in defense and security forces and the resumption of large public projects have helped to restore confidence and provide access to basic public services. Achievements in these areas are part of Presidential commitments aiming at decisively addressing the Chadian people's emergency needs. In this context, and

more generally, the authorities appreciate staff's recommendations on policies to best tap the development opportunities offered by the country's substantial oil reserves and growing population. The authorities also value staff's views on the complex regional and external environments and the challenges facing the Economic and Monetary Community of Central African States (CEMAC) notably as regards the saturated regional financial market that limits potential development financing from within the region.

II. Recent Economic Developments and Outlook

4. **The political transition process that started in 2021 is at its last stage with the forthcoming legislative and local elections scheduled for end-December 2024.** The Sovereign and Independent National Dialogue (DNIS) carried out in this context has gotten the majority of armed groups into the political process, permitted the adoption of a new Constitution, and made possible a generally peaceful election of the President in May 2024. Since the beginning of the transition, the authorities have prioritized the promotion of national reconciliation and the allocation of adequate resources to the conduct of the national dialogue, the constitutional referendum, and the elections.

5. **The Chadian economy remains dependent on the oil sector.** Buoyant activity in latter supported a 4.9 percent expansion in 2023. In contrast, reflecting a slight contraction of oil output and a weaker growth in the non-oil sector, real GDP growth is projected to decline to 3.2 percent in 2024, before inching up to 3.4 percent in 2025. Inflation accelerated to 12.1 percent in July 2024 (y-o-y) notably fueled by food, alcohol, and tobacco price increases, but should decline to 8.7 percent at end-year, compared to 4.1 percent in 2023. Price pressures are projected to further ease going forward, with inflation decelerating to 4.4 percent and 3.5 percent in 2025 and 2026, respectively. The current account is expected to deteriorate in 2024 due to lower oil exports, and to widen further with the anticipated increase in foreign direct investment in the oil sector.

6. **The fiscal and debt sustainability situation is improving.** The non-oil primary balance (NOPB) is projected to decline from -12.7 percent of GDP in 2023 to -7.5 percent in 2024, supported by a reduction in the use of emergency procedures expenditures (DAO) and improved control of the wage bill. It should narrow further to -6.8 percent in 2025 as the budget consolidation efforts in train continue. As a result, public debt is expected to decline from 30.3 percent of GDP in 2023 to below 30 percent in 2024 and 2025.

7. **Some advances have been made in the implementation of reforms to address domestic arrears, modernize public financial management, increase spending efficiency, and strengthen domestic revenue mobilization.** Although progress was delayed and implementation of the reforms has been constrained by multiple shocks, the overall situation has, indeed, improved. Tax exemptions creating distortions in tax collection have been streamlined. The implementation of the Treasury Single Account (TSA) started in 2022 is advancing well with the gradual centralization of government's accounts previously kept in commercial banks. Moreover, it should be noted that in 2024 social spending have increased in the context of renewed efforts to address rising emergency population needs and beef up basic infrastructure. With support from the Banking Commission for Central Africa (COBAC) and IMF, the government continues endeavoring to address identified vulnerabilities in the banking system.

8. **Looking ahead, the economic outlook is generally positive with the development and coming on stream of promising oil fields in the south-east of the country**. However, downside risks remain significant and include a slowdown in reforms implementation, the intensification of refugee flows and security challenges from the conflict in Sudan, oil volatility, a deeper food and humanitarian crisis from severe floods and delays in the materialization of development objectives.

III. Medium-Term Policies

9. The government's medium-term policies give priority to ensuring debt sustainability while creating the fiscal space required for addressing development objectives, strengthening governance, and achieving an inclusive growth and a diversified economy.

Fiscal Policy and Debt Management

10. **The authorities will pursue fiscal consolidation over the medium-term to further reduce the NOPB deficit to 5 percent by 2029**. In this perspective, they are committed to accelerating the implementation of policy actions aimed at strengthening revenue mobilization, advancing digitalization, enhancing spending efficiency and increasing externally financed development projects. On the revenue side, the ongoing implementation of a Medium-Term Tax Strategy is expected to further improve the collection of corporate and personal income taxes. In this context, a focus is placed on fiscal structural reforms seeking to enhance the efficiency of the tax (DGI) and customs (DGDDI) administrations and the directorate of domains (DGD). Areas of priority include (i) the upgrading of institutional organization, operational capacity, and capacity development; (ii) extension of the tax base; and (iii) determined actions to enhance fiscal civism, governance, and transparency. The expansion of electronic platforms (e-platforms) and their interconnexion to other national services, including the justice department, city halls, liberal professionals, and land registry, will contribute to notably strengthening public service availability and quality, increase traceability and boost revenue collection, while reducing corruption vulnerabilities.

11. **On the expenditure side, priority is placed on improving spending efficiency while preserving social spending given the fragile social context and increased vulnerable populations.** Although challenging in a difficult domestic and social environment, the reduction of expenditures by emergency procedures (DAO) and control of the wage bill remains key priorities. The authorities will pursue public investment management reforms in line with the recommendations of past technical assistance and PIMA missions. To ensure transparency, they concur about the need to elaborate a specific reform roadmap to address partners' expectations and include all projects in the integrated financial management information system (SIGFIP). The implementation of the 2024-28 National Development Plan (PND 2024-28) will offer the opportunity to address remaining PFM reforms, including the implementation of SIGFIP's accounting module to increase support from external partners.

12. **The authorities are committed to a prudent debt management policy**. Key levers include observing an annual borrowing limit of CFA 15 billion on the domestic financial market and a 14 percent ceiling for the debt service-to-revenue ratio, as well as prioritizing

concessional financing. To improve debt management, the authorities are determined to strengthen the country's debt management institutional framework and reinforce capacity building in this critical area. To these ends, a decree governing public debt policy and debt management was signed in June 2024 and will complement previous related measures and regulatory texts; and the authorities plan to upgrade the debt management software SYGADE to modernize related institutional processes in the debt directorate and reinforce the entity's operational and analysis reliability. Regarding the second objective, the authorities are implementing a Medium-Term Debt Strategy (MTDS) for 2024-26 with technical assistance from the African Development Bank (AfDB) and the World Bank. They have expressed interest in IMF technical assistance to help improve debt projection methodologies based on actual loan disbursements. Going forward, capacity building activities, a functional and operational audit of debt management, and the interconnection of SYGADE with other platforms used for public finances are expected to accelerate the dematerialization process and enhance e-management of new debts. Furthermore, it should be mentioned that the authorities have maintained a dialogue in good faith with all of Chad's creditors.

Financial Sector Policy

13. **The authorities attach importance to enforcing banks' compliance with international standards and regional regulations, ensuring quality financial services, and preserving financial sector stability.** They remain committed to implement the recommendations of the banking commission, COBAC, and complete the restructuring and capitalization of the two public banks in difficulty, Commercial Bank Tchad (CBT) and Banque Commerciale du Chari (BCC). The recent legal actions undertaken against members of the current and former management teams of the two institutions underscore the authorities' commitment to transparency and accountability in this process and to address identified irregularities. Going forward, a focus is placed on reducing the sovereign-banks nexus and advancing reforms to support the implementation of the national financial inclusion strategy, the development of an interbank market, and the creation of a credit bureau and a credit registry.

Oil Sector Management

14. **The authorities are committed to decisively improving the performance of the oil sector, a key driver of economic growth and revenue performance in Chad.** The authorities are concerned that the high oil prices of recent years have benefited oil companies but not the Treasury. They are therefore undertaking an audit on the profitability of the *Société de Raffinage de N'Djamena* (SRN)—a joint venture between Chad and China National Petroleum Company (CNPC). In this context, a first draft of the audit report for the National Hydrocarbon Company (SHT) is expected by end-2024 and reforms aimed at enhancing company performance and promoting the development of local content in the oil sector are under preparation. Also, the "5 percent mechanism" originally designed to channel 5 percent of oil resources to oil producing regions and direct dedicated resources to the central bank, is under review for prompt implementation of proposed reforms in due course. Moreover, the authorities are working on the feasibility study of a second refinery, an export convention with the Republic of Niger and the construction of a new Chad-Niger oil pipeline. On the other hand, two litigation processes opposing Chad and a private oil company are still pending following the strategic nationalization of ESSO Chad's assets.

IV. Structural Reforms

15. **In the continuation of their efforts to stabilize the economy, the authorities will take advantage of the PND 2024-28 to further promote the development of the non-oil sector and advance progress in securing inclusive growth**. In this context, priority is given to improving the business environment notably by securing gains in economic governance and enhancing the efficiency of public investments, scaling up infrastructures, boosting employment opportunities and addressing financial inclusion challenges, in addition to enhancing the effectiveness of the country's capacity building strategies. In the quest for diversified and stronger growth drivers and to improve the attractivity of the mining and geology sectors and generate interest from partners, the authorities are also undertaking a thorough three-year mining sector inventory review.

Advancing Governance and Business Climate Reforms

16. **In the last decades, Chad has developed a number of institutions and adopted numerous laws promoting good governance.** Relevant undertakings in this respect include the country's penal code, civil and commercial codes, and adherence to the UN Convention Against Corruption; in addition to the establishment of the national agency for financial investigation (ANIF) and the national commission for human rights (CNDH). More recently, an Independent Authority for the Fight Against Corruption was created in August 2023, replacing an earlier anti-corruption entity called Inspectorate General of State (IGE). In addition, a new law governing public enterprises was adopted in September 2024. Determined and orderly actions are needed to ensure the effective and efficient implementation of these crucial levers of enhancing good governance in Chad. Importantly, the authorities are requesting technical assistance from AFRITAC Center to that effect.

17. **The authorities share the view that economic diversification is better supported by a vibrant private sector-led development process.** They are therefore pursuing notable efforts to improve the business climate. The authorities have committed to clearing domestic payment arrears to suppliers and addressing critical structural obstacles to growth with a focus on boosting infrastructure in the energy, transport, telecommunication, and financial services sectors. The authorities are also developing mechanisms to support private investment and partnerships and strengthen the operational capacity of private sector stakeholders through policy actions in human capacity, managerial skills, and business know-how development. In the context of the PND 2024-28, a public-private consultation framework will be established, and the legal and regulatory procedures relating to private sector operations improved.

Macro-Criticality of Gender Gap in Chad

18. **Considering that the reduction of the gender gap positively impacts macroeconomic performance, full priority has been given to improving women's rights.** In this context, the authorities will notably maintain the efforts in train to empower women, enhance their participation to the labor force, and support girls' education. In October 2024, free access to higher education was decreed for women except for institutions requiring an entrance exam. Also, a fund dedicated to women empowerment has been set up with support

from the UNDP. These actions are guided by the National Gender Policy.

Addressing the Impact of Climate Change

19. **The authorities are endeavoring to boost their country's resilience to climate change.** According to the Notre-Dame Index, Chad is the world's most vulnerable country to climate change despite being one of the smallest gas emitters. The country faces raising temperatures, relies on a rainfed agriculture and has one of the largest bovine populations in the region. This underscores the importance of accelerating the implementation of adaptation mechanisms and international agreements to prevent the impact of natural disasters on economic growth and conflicts linked to access to natural resources. Chad has elaborated several climate strategies, but implementation is constrained by weak capacities notably preventing adequate access to much-needed climate financing. The total cost of climate initiatives for the period 2021-2030 is estimated at 11.7 billion US dollars. The government is committed to reactivate the High Interministerial Committee of the Environment in charge of promoting policy coordination and access to climate financing; and to allocate annually 3 percent of GDP to climate actions in this context. A review of the CDN is expected for end-2024, permitting the incorporation of the impact of oil and mining sectors on gas emissions in the country's broad economic governance framework. While climate issues are well considered in the PND 2024-28, due attention will more systematically be given to related budget management issues going forward; and preliminary evaluations of climate impacts will be made for all public investment projects. In this context, efforts will be pursued to eliminate fuel subsidies in due course, reinforce the governance of oil and electricity sectors, and advance the use of solar and wind energy, including in agriculture irrigation systems.

Improving Data Quality

20. **The authorities are pursuing reforms to ensure high-quality macroeconomic data for more effective policy design and implementation, focusing on the quality of the country's statistical production system.** They concurred about the need for national accounts data to be available on a quarterly basis and for coordination between the central bank (BEAC) and the national institute of statistics (INSEED) to be strengthened to improve external sector and monetary data quality and timeliness. The authorities appreciate the support already received from the Fund and other development partners in this critical area and would welcome continued partners' technical assistance to the two institutions.

V. Conclusion

21. **The Chadian authorities are grateful to Executive Directors, Management, and staff for the much-appreciated IMF financial and technical assistance to their country, including in the context of the last ECF arrangement.** To forcefully address the multifaceted development challenges they face, the authorities are committed to decisive and orderly implementation of their national development plan under preparation. They consider comprehensive IMF support essential to the successful deployment of their policy and reform efforts in the period ahead. The authorities have therefore expressed interest in securing a new UCT program in due course. In the meantime, they would appreciate Executive Directors' positive consideration of their request for the completion of the 2024 Article IV Consultation.