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July 20, 2020

**Statement by Mr. Tan and Mr. Chea on Chad
(Preliminary)
Executive Board Meeting
July 22, 2020**

We thank staff for the well-written reports and Messrs. Raghani and Bangrim Kibassim for their helpful Buff statement.

We support Chad's request under the Rapid Credit Facility (RCF) in the amount of SDR 49.07 million and cancellation of the Extended Credit Facility (ECF) arrangement. Chad's economy continues to be severely disrupted by the twin shocks of the Covid-19 pandemic and the collapse of international oil prices. With the growth outlook projected to further deteriorate, the ill-equipped healthcare system and fragile socioeconomic conditions pose significant challenges to the authorities and large balance of payment and financing needs. We welcome the additional steps taken since RCF-1 to mitigate the impact of the ongoing crisis and hope that the latest RCF arrangement will continue to play a catalytic role in securing additional resources from other multilateral and bilateral partners to help Chad weather the crisis. With this, we would like to offer the following comments for emphasis.

We welcome the authorities' request for debt service suspension under the G20 debt service suspension initiative (DSSI) and debt service relief under the Catastrophe Containment and Relief Trust. We also understand the authorities' temporary relaxation of the fiscal deficit to ensure adequate government spending for healthcare and other priorities given the urgent financing needs to support the poor and most vulnerable. While debt is assessed to be sustainable and the capacity to repay the Fund is adequate, the risk of overall debt distress remains high, with significant downside risk in the event of the most extreme scenario. In this context, we agree with staff on the need for the authorities to commit to a zero limit on non-concessional borrowing consistent with their commitments under the DSSI and return to their medium-term fiscal consolidation measures once the crisis abates. Notwithstanding the progress made on external arrears since RCF-1, continued efforts to

strengthen revenue mobilization, rationalize spending as well as enhance public financial management and transparency will be equally important.

Close coordination with regional bodies and proactive supervision are warranted in light of worsening banking sector vulnerability. We welcome the measures by the BEAC and COBAC to ease monetary policy and cushion the banking sector, including the utilization of the capital conservation buffer and adoption of a restrictive policy for dividend distribution. *Could staff elaborate on the role of the regional bodies on domestic arrears clearance?* While we take due note of the central bank's issuance of the FY 2019 audited financial statements and the Ministry of Finance monthly repayment of arrears owed to the two large public banks, we join staff in encouraging the authorities to remain vigilant of any buildup of risks within the banking sector build up through effective banking supervision and governance.

We note the motivation for the cancellation of the ECF arrangement and the authorities' interest for a successor arrangement. While the duration and scale of the pandemic remain highly uncertain, it is imperative that staff work expediently with the authorities to overcome the associated difficulties in continuing comprehensive policy discussions given the context of rising regional and domestic insecurity and already fragile social situation facing Chad. *Staff's comments are welcome.*

With these comments, we wish the Chad authorities success in their endeavors.