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July 21, 2020

**Statement by Ms. Liu and Mr. Huang on Chad
(Preliminary)
Executive Board Meeting 20/80
July 22, 2020**

We thank staff for the well-written set of reports and Mr. Raghani and Mr. Bangrim Kibassim for their Buff statement. The COVID-19 pandemic and drop in international oil prices continue to hit the Chadian economy, which is confronting a series of daunting challenges even before the pandemic outbreak. We take positive note that the Fund's emergency financing in April has helped to catalyze additional support from other multilateral and bilateral donors. Given the widen balance of payments financing gap, we support the authorities' request for a second disbursement under the Rapid Credit Facility (RCF).

On fiscal policy, we continue to support the measures that the authorities have taken to help businesses and households. A supplementary budget reflecting the temporary increase in the fiscal deficit is appropriate. The authorities' commitment on strengthening transparency of COVID-related expenditures is commendable. Chad's public debt remains sustainable, but risks of external and overall debt distress are high. We welcome the authorities' commitment to prudent borrowing and take positive note of the progress made in clearing both domestic and external arrears.

On the financial sector, we continue to support the measures taken by the regional central bank and financial regulatory agencies. With banking sector's vulnerabilities worsened, we join staff in encouraging the authorities to closely monitor the banking sector and ensure the compliance of prudential regulations. *We note that part of the fiscal deficit will be financed by credit from banks. Staff's comments on its impact on financial stability and the potential crowding out effect on credit to private sector are welcome.*

On program modality, with the ECF program approved in 2017 on track and its broadly satisfactory implementation, we are regretted to see the authorities request to cancel it amid this highly uncertain situation. *Could staff elaborate more on the reasons of request for a second RCF instead of the augmentation of access of the last disbursement of ECF?* We underscore the importance of communication regarding this cancellation, to avoid any misunderstanding by the market.

With these remarks, we wish the authorities every success in their policy endeavors.