

DOCUMENT OF INTERNATIONAL MONETARY FUND
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**FOR
AGENDA**

EBS/84/141
Supplement 1

CONFIDENTIAL

July 25, 1984

To: Members of the Executive Board

From: The Acting Secretary

Subject: Chad - Overdue Financial Obligations to the Fund - Report
and Complaint Under Rule K-1 and Notice of Failure to Settle
Trust Fund Obligations

The attached supplement to the paper on the overdue financial obligations of Chad to the Fund has been prepared on the basis of additional information.

This subject has been scheduled for discussion on Friday, July 27, 1984.

Att: (1)

INTERNATIONAL MONETARY FUND

Chad - Overdue Financial Obligations to the Fund - Report
and Complaint Under Rule K-1 and Notice of
Failure to Settle Trust Fund Obligations

Prepared by the Treasurer's and Legal Department
(in consultation with the African Department)

Approved by David Williams and G.P. Nicoletopoulos

July 25, 1984

1. As was reported to Members of the Executive Board on June 29, 1984, Chad is at present overdue in discharging several payments to the Fund. Since the staff memorandum on this matter was issued two further obligations totaling SDR 900,338 have become overdue to the Fund, i.e., a Trust Fund interest payment of SDR 12,838 due June 29, 1984 and a compensatory financing repurchase obligation of SDR 887,500 due July 11, 1984. A revised table of Chad's overdue obligations as of July 24, 1984 is presented in Attachment I showing total overdue obligations of SDR 2,559,889.

2. A revised memorandum by the Managing Director to the Executive Board that takes into account the newly overdue compensatory financing repurchase obligation and unpaid Trust Fund interest is appended as Attachment II.

Also attached for information of Executive Directors are communications (Attachments III and IV) received by the Managing Director from the Minister of Finance and Procurement (on June 30, 1984) and from the Ambassador of Chad in Washington (on July 9, 1984) concerning Chad's overdue obligations and the Managing Director's reply dated July 13, 1984 (Attachments V and VI).

Attachments

Chad - Overdue Payments to the Fund

<u>Type of Obligation</u>	<u>Date of Purchase</u>	<u>Due Date</u>	<u>SDR Amount</u>
<u>General Department</u>			
Quarterly charges		February 6, 1984	118,004
CF repurchase*	January 12, 1981	April 11, 1984	887,500
Quarterly charges		May 7, 1984	115,230
CF repurchase*	January 12, 1981	July 11, 1984	887,500
Subtotal			<u>2,008,234</u>
<u>Trust Fund</u>			
	<u>Date of Loan</u>		
Repayment*	January 26, 1978	January 25, 1984	224,900
Repayment*	July 27, 1978	January 26, 1984	313,917
Interest		June 29, 1984	<u>12,838</u>
Subtotal			<u>551,655</u>
Total			2,559,889

* Note The repurchase that is overdue is still within the period of 5 years from the date of the purchase. The Trust Fund loan repayments that are overdue are still within the period of 10 years from the dates of the disbursements.

July 25, 1984

To: Members of the Executive Board

From: The Managing Director

Subject: Chad - Overdue Financial Obligations to the Fund - Report and Complaint under Rule K-1 Regarding Obligations in the General Department and Notice of Failure to Settle Trust Fund Obligations

1. Repeated communications have been addressed by the International Monetary Fund to Chad, and repeated contacts have taken place with the Chadian authorities concerning the nonobservance of certain obligations under the Articles of Agreement of the Fund and under the Trust Fund. The communications and contacts have not resulted in a resumption of the observance of such obligations.

2. The following complaint is made in accordance with Rule K-1 of the Fund's Rules and Regulations. It appears to me that Chad is not fulfilling obligations under the Articles of Agreement relating to repurchases and charges in the General Department. As of July 24, 1984 these obligations were as follows:

(a) To repurchase the equivalent of SDR 1,775,000 of which SDR 887,500 was due April 11, 1984 and SDR 887,500 was due on July 11, 1984 in respect of a purchase made under the Compensatory Financing Facility on January 12, 1981.

(b) To pay charges of SDR 233,234, of which SDR 118,004 was due on February 6, 1984, and SDR 115,230 was due on May 7, 1984, under Article V, Section 8(b).

3. The following notice is provided in accordance with the Fund's responsibility as Trustee of the Trust Fund established by Executive Board Decision No. 5069-(76/72). It appears to me that Chad is not fulfilling obligations under Section II, paragraph 4(a) and 4(b) of that decision to repay disbursements and to pay interest under its Trust Fund loans. As of July 24, 1984, these obligations were to repay SDR 224,900, due on January 25, 1984, and SDR 313,917, due on January 26, 1984, and to pay Trust Fund interest of SDR 12,838 due on June 29, 1984.

BACEBAC 522OKD

JUNE 30, 1984

THE MINISTER OF FINANCE AND PROCUREMENT
B.P. 144 N'DJAMENA

TO THE MANAGING DIRECTOR, IMF, WASHINGTON

HONOR TO REMIND YOU OF TELEX OF MAY 29, 1984 FROM MINISTER OF
FINANCE IN WHICH PROMISE WAS MADE TO YOU THAT ARREARS WOULD BE
PAID IN INSTALLMENTS.

TO FIND AN OVERALL SOLUTION, DELEGATION FROM CHAD IS PREPARED
TO MEET WITH YOU IN WASHINGTON ON DATE SUITABLE FOR YOU.

REGARDS

ELIE ROMBA

Received in Cable Room: June 30, 1984

SEC-84/3692
Translated by P. Motton
Reviewed by R. Renfield
489146

REPUBLIC OF CHAD

Washington, July 6, 1984

THE AMBASSADOR

138/ART/84

Mr. Jacques de Larosière
Managing Director
International Monetary Fund
Washington, D.C. 20431

Sir:

The competent authorities of Chad have been apprised of the problem posed by the delay in settling Chad's debts to the International Monetary Fund. My authorities have asked me to transmit to you their sincere thanks for all the assistance that the Fund has kindly provided them during the difficult period our country is passing through.

As you are aware, the difficulties that Chad is facing in its struggle to preserve its territorial integrity are imposing heavy losses in export earnings, among other things. Natural disasters such as drought have further aggravated the situation. It is evident that all these different factors, as well as the country's landlocked position, are beyond the authorities' control.

Despite the various obstacles facing Chad, the Government firmly intends to fulfill its obligation to its creditors, particularly the International Monetary Fund. In this process, however, time is of the essence.

The Government of Chad strongly hopes that, as in the past, you will use your good offices to persuade the appropriate authorities of the International Monetary Fund to grant it a stay of 45 days during which it would find a concrete solution to the current overdue payment problem. The Chadian Authorities would need this time to resolve the problem satisfactorily. The Government would go so far as to hope that Chad's very special situation would allow you to invoke the particular clause for granting it such a respite.

I am expecting to make a special trip to N'Djamena by July 12 at the latest in connection with this problem and would appreciate a meeting with you before my departure, if your very busy schedule permits.

Accept, Sir, the assurances of my high consideration.

Very truly yours,

/s/

Mahamat Ali Adoum
Ambassador

July 13, 1984

Dear Mr. Minister,

1. I have received your telex of June 30, 1984 regarding Chad's overdue payments to the Fund and the possibility of sending a delegation to Washington to discuss the matter, and also a letter dated July 6, 1984 from Ambassador Ali Adoum conveying Chad's request for a 45 day postponement to enable it to find a concrete solution to the overdue payment problem. I am heartened by Chad's expressions of its intention to fulfill its obligations to the Fund, and I very much hope that the arrears can be settled quickly. Let me respond first to the matters raised in your telex and then comment on the request in the Ambassador's letter.

2. The Fund is, of course, willing to discuss at any time matters of common concern with your representatives. For such discussions to be useful, I should explain the legal and policy framework in which they would need to be held, particularly in light of recent Executive Board discussions of overdue payments to the Fund.

3. You will recall that in a message dated March 26, 1984, I explained the Fund's law and practice with respect to rescheduling or postponement of payments due to the Fund, and indicated that I was not in a position to recommend Executive Board approval of a request for rescheduling of repayments of Trust Fund loans by Chad. Since that time, the Executive Board has considered the matter of rescheduling or postponement of payments due in the SDR and general departments of the Fund. Part of the conclusion of that discussion was recorded as follows: Quote. The Executive Board clearly does not wish to open the way for rescheduling of obligations. The staff arguments on the point were clearly found convincing and were supported by the Board. This does not mean that the relevant Articles, and particularly Article V, Section 7(G) cannot be resorted to in exceptional cases if the Board so decides. But while the Board would have to satisfy itself that discharge on the due date would result in exceptional hardship, the burden of proof that such hardship would result must be on the country, and I did not sense much support in the Board for the use of this provision. There is a very strong sentiment against the idea that the Fund should match the rescheduling operations of the Paris Club or any other group, and it is useful that the Board was so clear on this point. The Fund could certainly not adopt such a course. Unquote While obligations to the Trust Fund, which constitute a part of Chad's arrears, are not subject to the provision of the Articles cited above, they are subject to a comparable provision in the Trust Fund instrument regarding serious hardship. Particularly in view of the Fund's responsibilities as Trustee, it is my view that with respect to rescheduling of Trust Fund

obligations, the Executive Board would adopt a position similar to the one expressed above.

4. It may also be important for you to be aware that it is the Fund's policy not to engage in discussions with a member on the possible use of Fund resources while the member is in arrears to the Fund. The Fund has refrained from entering into such discussions in those circumstances, and discussions already in progress have had to be interrupted on occasion until overdue payments were settled. This general policy, as well as that explained above regarding rescheduling, has been discussed and firmly endorsed by the Executive Board.

5. I am sure you will understand in light of these explanations that neither a rescheduling of obligations nor use of Fund resources could be a topic for discussion with your delegation. We would, accordingly, expect that any discussions would concentrate on measures to eliminate promptly the arrears to the Fund. In this connection, I noted in your telex of May 29, 1984 an indication that a payment would be made within a few days, and it is disturbing that no payments have yet been received. I am aware that arrangements have been proposed to advance a distribution of profits from the BEAC to Chad in order to facilitate prompt settlement of the arrears to the Fund, and it is most disappointing that such settlement has not yet been made.

6. In these circumstances, as you know, I have been obliged to issue to the Executive Board a report and complaint regarding Chad's overdue obligations to the General Department of the Fund and a notice of Chad's failure to repay Trust Fund loans. These matters are scheduled for initial consideration by the Executive Board on July 27, 1984, and it is expected that the Board will at that meeting determine a date in the near future, probably toward the end of August, for substantive discussion of Chad's financial relations with the Fund, which a representative of Chad would be invited to attend.

7. The policies and practices of the Fund that I have outlined reflect the depth of the Executive Board's concerns about the matter of overdue payments and its determination to take the steps necessary to safeguard the Fund's credibility and financial standing.

8. Consideration of the complaint vis-a-vis Chad could result in a decision by the Executive Board to limit Chad's rights to use the general resources of the Fund, or in a declaration that Chad is ineligible to use those resources, pursuant to the relevant provisions of the Fund's Articles of Agreement. Chad's failure to repay its loans from the Trust Fund, while not subject to those specific provisions, would not be disregarded by the Fund in any appraisal of Chad's standing vis-a-vis the Fund for any reason, including decisions on any request to use the Fund's resources, and could therefore affect future relations between the Fund and Chad. Prompt payment by Chad of the overdue

obligations is necessary to obviate the need for Executive Board consideration of the steps mentioned above. I therefore reiterate most strongly my earlier advice that Chad should make prompt settlement of the obligations in question. I would urge in particular that Chad give early and favorable consideration to the proposal regarding the advance of profits from the BEAC. Given the prospective timetable for Executive Board consideration of this matter, it would appear that Chad should have sufficient time to complete settlement of the arrears to the Fund.

9. If, in light of these explanations of the Fund's policies on overdue payments, you feel that discussions in the framework described above would lead to prompt elimination of the arrears, I would be pleased to arrange discussions between a delegation from Chad and members of the Fund staff at an early date.

High regards,

/s/

de Larosiere
Managing Director

M. Elie Romba
S.E. Le Ministre des Finances et Materiels
Ministere des Finances et Materiels
N'Djamena, Chad

Note:

Not sent in the above form. The Managing Director, in a meeting on July 13, 1984 handed to the Ambassador of Chad in Washington, a letter which was translated into French from the above English text. The text of the letter is reproduced in Attachment VI below.



MANAGING DIRECTOR

INTERNATIONAL MONETARY FUND
WASHINGTON, D. C. 20431

CABLE ADDRESS
INTERFUND

le 13 juillet 1984

Monsieur le Ministre,

1. J'ai reçu votre telex du 30 juin 1984 concernant les arriérés de paiements du Tchad envers le Fonds et la possibilité d'envoyer une délégation à Washington pour étudier la question, ainsi qu'une lettre de l'Ambassadeur Ali ADOUM, en date du 6 juillet 1984, sollicitant, au nom du Gouvernement tchadien, un délai de 45 jours qui permettrait à ce dernier d'apporter une solution concrète au problème du retard de paiement. J'accueille avec satisfaction l'intention exprimée à plusieurs reprises par le Tchad de remplir ses obligations envers le Fonds, et j'espère vivement que les arriérés pourront être réglés rapidement. Permettez-moi tout d'abord de répondre aux points soulevés dans votre telex et de présenter ensuite mes observations sur la requête formulée dans la lettre de l'Ambassadeur.

2. Il va de soi que le Fonds est toujours disposé à examiner avec vos représentants des questions d'intérêt commun. Pour qu'un tel examen soit utile, il convient de préciser le cadre juridique et de politique générale dans lequel il doit avoir lieu, en particulier à la lumière des débats que le conseil d'administration a récemment consacrés à la question des impayés au titre d'obligations financières envers le fonds.

3. Vous vous souviendrez que, dans un message en date du 26 mars 1984, j'ai expliqué les règles et la pratique du Fonds en matière de rééchelonnement ou de report des règlements de montants dus au Fonds, et indiqué que je n'étais pas en mesure de recommander au conseil d'administration qu'il approuve la demande, présentée par le Tchad, de rééchelonnement de ses remboursements au titre de prêts du fonds fiduciaire. Depuis lors, le conseil d'administration a examiné la question du rééchelonnement ou du report des paiements exigibles dans le cadre du département des DTS et du département général du Fonds. Une partie de la conclusion qui se dégage de cet examen a été consignée comme suit :

Citation

Le conseil d'administration ne veut pas, de toute évidence, ouvrir la voie au rééchelonnement des obligations. Les arguments avancés par les services du Fonds ont été clairement jugés convaincants et ont été approuvés par le conseil. Ceci ne signifie pas qu'on ne puisse pas recourir dans des cas exceptionnels aux dispositions pertinentes, notamment à l'alinéa g) de la section 7 de l'article V, si le conseil d'administration en décide ainsi. Le conseil d'administration devrait, certes, avoir la conviction que l'exécution de l'obligation dans les délais impartis entraînerait pour l'Etat membre des difficultés exceptionnelles, mais la charge de prouver ces difficultés reviendrait au pays; il ne m'est d'ailleurs pas apparu que le conseil d'administration était très favorable à l'application de cette disposition. Il existe une très forte opposition à l'idée que le Fonds devrait imiter les opérations de rééchelonnement du Club de Paris ou de tout autre groupe, et il est bon que le conseil d'administration ait été aussi clair sur ce point. Le Fonds ne peut certainement pas s'engager dans une telle voie.

Fin de citation

Les obligations du Tchad envers le fonds fiduciaire, qui constituent une partie de ses arriérés, ne sont pas soumises à la disposition susmentionnée des statuts, mais elles sont soumises à une disposition analogue de l'instrument du fonds fiduciaire en ce qui concerne les difficultés exceptionnelles. Compte tenu tout particulièrement des responsabilités du Fonds en sa qualité de mandataire, je pense qu'en ce qui concerne le rééchelonnement des obligations envers le fonds fiduciaire, le conseil d'administration adopterait une position comparable à celle qui est exposée ci-dessus.

4. Par ailleurs, il importe sans doute que vous sachiez que le Fonds a pour politique de ne pas aborder avec un pays membre la question de l'utilisation éventuelle des ressources du Fonds tant que ce pays a des arriérés envers l'institution. Le Fonds s'est abstenu d'aborder cette question en pareilles circonstances, et des entretiens qui étaient déjà en cours ont parfois du être suspendus jusqu'à ce que les paiements en retard aient été réglés. Cette politique générale, de même que la politique exposée ci-dessus et concernant le rééchelonnement, a été examinée par le conseil d'administration, qui l'a approuvée sans réserve.

5. Je suis certain que vous comprendrez, à la lumière de ces explications, qu'il ne saurait être question que nous abordions avec votre délégation la question du rééchelonnement des obligations ou de l'utilisation des ressources du Fonds. Nous estimons, par conséquent, que toute discussion devrait porter essentiellement sur les mesures à prendre pour éliminer rapidement les arriérés dus au Fonds. A cet égard, j'ai noté dans votre telex du 29 mai 1984 qu'un règlement devait intervenir dans les quelques jours qui suivraient, et il est regrettable qu'aucun paiement n'ait encore été reçu. Je sais que des dispositions

ont été proposées pour que la BEAC procède à une distribution anticipée de bénéfices en faveur du Tchad afin de permettre le règlement rapide des arriérés envers le Fonds, et il est très décevant qu'un tel règlement n'ait pas encore été effectué.

6. Dans ces conditions, comme vous le savez, j'ai été obligé de présenter au conseil d'administration un rapport et une plainte en ce qui concerne les impayés du Tchad au titre de ses obligations financières envers le département général du Fonds ainsi qu'une notification de non-remboursement par le Tchad de prêts du fonds fiduciaire. Le conseil d'administration procédera à un premier examen de ces questions le 27 juillet 1984 et on s'attend qu'à cette réunion il fixera une date assez rapprochée, probablement vers fin août, pour examiner au fond les relations financières entre le FMI et le Tchad. Un représentant du Tchad serait invité à assister aux réunions.

7. Les politiques et pratiques du Fonds dont j'ai exposé les grandes lignes témoignent de l'importance que le conseil d'administration attache à la question des arriérés de paiements et de sa détermination de prendre les mesures nécessaires pour sauvegarder la crédibilité et la solvabilité du Fonds.

8. L'examen de la plainte concernant le Tchad pourrait aboutir à une décision du conseil d'administration de limiter les droits de ce pays à utiliser les ressources générales du Fonds ou à une déclaration indiquant que le Tchad est irrecevable à utiliser ces ressources, conformément aux dispositions pertinentes des statuts du Fonds. Bien que le non-remboursement par le Tchad des prêts du fonds fiduciaire ne relève pas de ces dispositions spécifiques, le Fonds ne pourra pas ne pas en tenir compte dans toute évaluation de l'état de ses relations avec le Tchad effectuée pour une raison quelconque, y compris les décisions sur toute demande d'utilisation des ressources du Fonds, et cela pourrait donc modifier les relations futures du Tchad avec le Fonds. Il est nécessaire que le Tchad s'acquitte sans délai de ses arriérés de paiements pour éviter que le conseil d'administration ne soit amené à envisager les mesures mentionnées ci-dessus. Je recommande donc de nouveau instamment que le Tchad règle dans les meilleurs délais les obligations en question. En particulier, j'estime qu'il est impérieux que le Tchad étudie au plus tôt et de façon favorable la proposition concernant l'avance sur bénéfices de la BEAC. Etant donné le calendrier prévu pour l'examen de cette question par le conseil d'administration, il semble que le Tchad devrait avoir suffisamment de temps pour procéder au règlement des arriérés envers le Fonds.

9. Si, à la lumière de ces explications sur les politiques du Fonds concernant les arriérés de paiements, vous estimez que des entretiens dans le cadre décrit ci-dessus permettraient d'éliminer rapidement les arriérés, je serais heureux d'organiser très prochainement des entretiens entre une délégation du Tchad et des membres des services du Fonds.

Je vous prie de croire, Monsieur le Ministre, à l'assurance de ma haute considération.

Lanon

Monsieur Elie ROMBA
Ministre des Finances et Matériels
Ministère des Finances et Matériels
N'Djamena, Tchad

