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INFORMATION

March 16, 1984

To: Members of the Executive Board

From: The Secretary

Subject: Chad - Staff Report for the 1983 Article IV Consultation

The attached supplement to the staff report for the 1983 Article IV consultation with Chad has been prepared on the basis of additional information.

If Executive Directors have technical or factual questions relating to this paper prior to the Board discussion on Monday, March 19, 1984, they should contact Mr. Cronquist (ext. (5)8731)

Att: (1)

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INTERNATIONAL MONETARY FUND

CHAD

Staff Report for the 1983 Article IV Consultation
Supplementary Information

Prepared by the Staff Representatives for
the 1983 Consultation with Chad

Approved by J.B. Zulu and W.A. Beveridge

March 15, 1984

At the time of the consultation discussions, the Chad authorities expressed doubts as to the Government's ability in 1984 to service the external debt without further rescheduling and/or cancellation of debt by the official creditors, since its scheduled debt service obligations, including repurchases to the Fund, totaled nearly SDR 7.0 million, equivalent to more than 25 percent of anticipated budgetary receipts even under the most optimistic revenue scenario. Chad is at present overdue in discharging payments to the Fund totaling SDR 656,821, comprising two Trust Fund repayments of SDR 224,900, due January 25, 1984, and SDR 313,917, due January 26, 1984, and quarterly charges of SDR 118,004, due February 6, 1984. The BEAC, as Chad's fiscal agent, has proposed rescheduling of the Trust Fund repayments noted above. The staff is in communication with the authorities on the matter.

The 1984 Budget

The 1984 budget was adopted at the end of January, with expenditures totaling CFAF 37.6 billion and revenues anticipated at CFAF 9.2 billion (Table 1). However, as was the case in 1983, the authorities foresee that the execution of the budget will proceed on the basis of scaled-down appropriations, totaling CFAF 14.8 billion, implying that the budgeted deficit will be equivalent to about 38 percent of expenditures. There is no provision for debt service payments by the Autonomous Amortization Fund (CAA), or for any investment outlays. When scheduled interest payments on public debt are taken into account, the overall deficit is equivalent to 40 percent of the expenditures. The budget does not provide information on the proposed financing of this deficit.

The budget calls for the introduction of a national reconstruction tax, a tax on the sale of livestock, and a tax on the domestic production of sugar. It also calls for increases in the turnover tax and the tax on imports of petroleum products. However, the budget does not include any proceeds from the reconstruction tax, which are earmarked for the financing of a future reconstruction program and are to be deposited with the banking system. The yield from the other tax measures is estimated at CFAF 0.6 billion in 1984.

Table 1. Chad: Summary of Central Government Operations, 1983-84

(In billions of CFA francs)

	1983		1984	
	Budget	Est. outcome	Budget	Official estimate
Budgetary revenue	8.3	7.4	9.2	9.2
Expenditures	<u>36.8</u>	<u>13.3</u>	<u>37.6</u>	<u>14.8</u>
Current	36.8	13.3	37.6	14.8
Of which: personnel	(20.0)	(6.4)	(20.7)	(7.1)
goods and services	(15.4)	(4.8)	(15.5)	(7.0)
scheduled interest <u>1/</u>	(--)	(0.6)	(--)	(--)
Capital	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Overall deficit (commitment basis)	-28.5	-5.9	-28.4	-5.6
Arrears (reduction -)	--	3.8	--	--
Domestic	--	1.2	--	--
Foreign	<u>--</u>	<u>2.6</u>	<u>--</u>	<u>--</u>
Overall deficit (cash basis)	-28.5	-2.1	-28.4	-5.6
Financing	<u>...</u>	2.1		
Foreign		0.7		
Grants		(3.0)		
Scheduled amortization		(-2.3)		
Domestic		1.4		
Central bank advances		(1.1)		
Other		(0.3)		

Sources: Data provided by the Chad authorities; and staff estimates.

1/ Excluding debt service on guaranteed debt. The 1984 budget does not make any provisions for debt servicing. As indicated in the staff report, the Government's scheduled debt service in 1984, including repurchases to the Fund, totals about CFAF 2.8 billion (SDR 7.0 million), of which scheduled interest and Fund charges total CFAF 0.6 billion (SDR 1.5 million).

With respect to cotton taxation, the administrative details had not been completed at the time the budget was adopted. The budget document specifies, however, that cotton taxation in 1984 will continue to be based on a standard unit value rather than on the f.o.b. value of cotton exports. Preliminary information indicates that the unit value for taxation purposes will be increased from CFAF 140 per kilogram to CFAF 350 per kilogram, and that the export tax per kilogram will be adjusted from CFAF 21.5 in 1983 to CFAF 59.8 in 1984. The staff estimates that, on the basis of projected cotton exports of 43,000 tons in 1984, total additional receipts for the government would amount to about CFAF 1.6 billion, which, ceteris paribus, would reduce the foreseen deficit from CFAF 5.6 billion as shown in Table 1 to CFAF 4 billion, equivalent to 27 percent of expenditures.

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