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Statement of an IMF Staff Mission at the Conclusion of a Visit to Chad

An International Monetary Fund (IMF) staff mission led by Mr. Christian Josz, Deputy Division Chief in the African Department, visited Chad during April 2-15, 2009, to conduct discussions on a Staff Monitored Program. The mission held constructive discussions with Prime Minister Yousouf Saleh Abbas, cabinet ministers, including Finance Minister Gata Ngoulou and Infrastructure Minister Adoum Younousmi, the National Deputy Director of the Banque des Etats de l'Afrique Centrale, Christian Ngardoum, Members of the Finance Commission of the National Assembly and other senior officials, as well as representatives of the private sector, trade unions, civil society and the donor community.

Mr. Josz issued the following statement today in N'djamena:

“Macroeconomic developments in Chad in 2008 were dominated by weak economic activity, a large fiscal expansion, and an increase in inflation. Real GDP contracted by 0.2 percent as a result of a drop in oil production and sluggish non-oil activity in the aftermath of the February rebel attack on the capital. High oil revenues led to a significant increases in expenditure—notably capital expenditures—and the non-oil primary fiscal deficit swelled to about 29 percent of non-oil GDP, largely above its low single digits sustainable level. The average inflation rate increased to 8.3 percent owing to food price increases. Higher oil prices strengthened balance of payments and foreign exchange reserves rose to about 4.8 months of imports of goods and services.

“Chad has been adversely affected by the global financial crisis mainly through the sharp decline in oil prices. Oil revenues, which represented ¾ of domestic fiscal revenue over the period 2006-08, are expected to decline from about 38 percent of non-oil GDP in 2008 to only 4 percent of non-oil GDP in 2009 because of the fall in oil prices and changes in oil taxation implemented in 2008. Real non-oil GDP is expected to grow by 3 percent in 2009 driven by services. A more favorable harvest is expected to reduce inflation to about 4 percent in 2009. The fall in oil prices will trigger a sharp deterioration of the current account balance that will be financed by a drawdown of foreign exchange reserves.

“Against this background, the government and the mission have started discussions on a new Staff Monitored Program for the period April-October 2009. The cornerstone of this program will be the elaboration of supplementary budget for 2009 in light of the sharp fall of oil revenue in 2009 and the slow recovery of oil prices expected in 2010 and beyond. A key component of this budget should be a rephasing of the pace of investment expenditure over the next few years with a view to completing the large number of projects that have already been started. This will require an exhaustive inclusion of all ongoing projects in the budget, the postponement of new projects to later years, and the implementation of only the projects for which there is a budget allocation. The supplementary budget should also aim to raise non oil revenue, reduce expenditure in areas that are not critical for the implementation of the National Strategy for Poverty Reduction, and use available sources of financing while duly taking into account the tight budgetary outlook over the next few years. Discussions will continue during the upcoming IMF and World Bank Spring Meetings in Washington at end-April 2009.

“The mission would like to thank the authorities for their excellent cooperation and the frank and constructive discussions.”