

The contents of this document are preliminary and subject to change.

GRAY/16/3348

November 9, 2016

**Statement by Mr. McGrath and Ms. Zorn on Chad
(Preliminary)
Executive Board Meeting
November 11, 2016**

As outlined in the staff's well-focused report and Mr. Sembene's helpful Buff statement, Chad has been facing increasingly harsh economic and financial circumstances, largely owing to regional security tensions and an over-reliance on volatile oil revenues. Sizable debt payment obligations and limited scope for new domestic financing have left little space for spending on much-needed social programs and capital investment. In addition, the risk of external debt distress remains high.

Given the unexpected worsening of an already challenging environment, the strong remedial measures taken by the authorities, and outperformance on several program targets, **we support the completion of the 3rd and 4th reviews and the waivers of non-observance of performance criteria.** Further, with the recent demonstrated progress on structural reforms and the commitment by the authorities to maintain budget prudence, **we agree with the request for augmentation of access and changes to program timelines.** We note that the Fund arrangement is critical for catalyzing donor support to address Chad's protracted balance of payment needs. At the same time, the Chadian authorities must intensify their efforts to ameliorate the situation, and we wish to emphasize a few points in this regard.

A tight fiscal stance is necessary until sustainable budgetary resources are in place. The authorities have taken welcome steps to adjust the 2016 and 2017 budgets to ensure that they are fully financed and that domestic arrears are contained. We also take positive note of their intentions to make medium-term spending decisions conditional on a sustainable fiscal trajectory, and to improve the flexibility of debt servicing through a liability management operation. We urge the authorities to utilize the findings of recent technical assistance to develop a realistic plan for expeditious reduction of domestic arrears, both for economic and budgetary reasons, and to further enhance treasury and debt management systems.

Complementary actions to diversify the economy and increase private sector activity are critical for stronger and more inclusive growth, as well as sustainable public finances. We have emphasized on several past occasions the need to improve the business environment, reduce infrastructure bottlenecks, and increase financial access as a means to unlock the country's growth and social development potential. With a new government and a new National Development Plan, we agree with staff that the time is ripe now to take decisive action towards improving the Chadian economy and living standards.