

**EXECUTIVE
BOARD
MEETING**

EBS/20/49

April 9, 2020

To: Members of the Executive Board

From: The Secretary

Subject: **Chad—Requests for Disbursement Under the Rapid Credit Facility, Extension of the Extended Credit Facility Arrangement, and Rephasing of Access**

Board Action:	Executive Directors' consideration (Formal)
Tentative Board Date:	To be announced
Proposed Decisions:	Pages 13-14
Publication:	Yes*
Questions:	Mr. Gemayel, AFR (ext. 39330) Mr. Ben Hassine, AFR (ext. 34299)
Document Transmittal in the Absence of an Objection and in accordance with Board policy:	After Board Consideration—African Development Bank, Islamic Development Bank, Organisation for Economic Cooperation and Development, World Trade Organization

*The authorities have indicated that they consent to the Fund's publication of this paper.



CHAD

April 9, 2020

REQUESTS FOR DISBURSEMENT UNDER THE RAPID CREDIT FACILITY, EXTENSION OF THE EXTENDED CREDIT FACILITY ARRANGEMENT, AND REPHASING OF ACCESS

EXECUTIVE SUMMARY

Context. The outbreak of COVID-19 and concurrent collapse in oil prices are having a severe economic and social impact on Chad and could jeopardize the gains achieved under the current Extended Credit Facility (ECF) arrangement. By end-March, several cases of Covid-19 had been reported. Chad has a weak and seriously under-resourced healthcare system. Economic activity has slowed down and large fiscal and external financing needs have emerged.

Program performance. The fifth review under the current ECF arrangement was completed on December 13, 2019. Preliminary data indicate that prior to the pandemic outbreak performance under the ECF arrangement had been on track.

The authorities' request. As a result of the large and urgent balance of payments needs arising from the COVID-19 pandemic and the oil price shock, the authorities are seeking financial assistance under the "exogenous shocks window" of the Rapid Credit Facility (RCF) and an immediate disbursement of SDR 84.12 million, equivalent to 60 percent of quota, provided that the Executive Board also approves the request for an extension of the ECF arrangement, due to expire on June 29, 2020, to September 30, 2020 with a rephasing of access. The RCF disbursement would help bridge the significant financing needs that have emerged in the wake of the outbreak. The authorities' initial response to the outbreak has focused on mitigating measures and donor mobilization. Staff assesses that Chad meets the eligibility requirements for an RCF and supports its request for a disbursement under the RCF and for an extension and rephasing of the ECF arrangement. External and overall debt distress remain high but sustainable. Chad's capacity to repay the Fund is adequate. The risk to the outlook is to the downside, particularly if the crisis turns out worse than projected. The authorities have requested grant assistance under the Catastrophe Containment and Relief Trust (CCRT).

Approved By
**David Owen and
Gavin Gray**

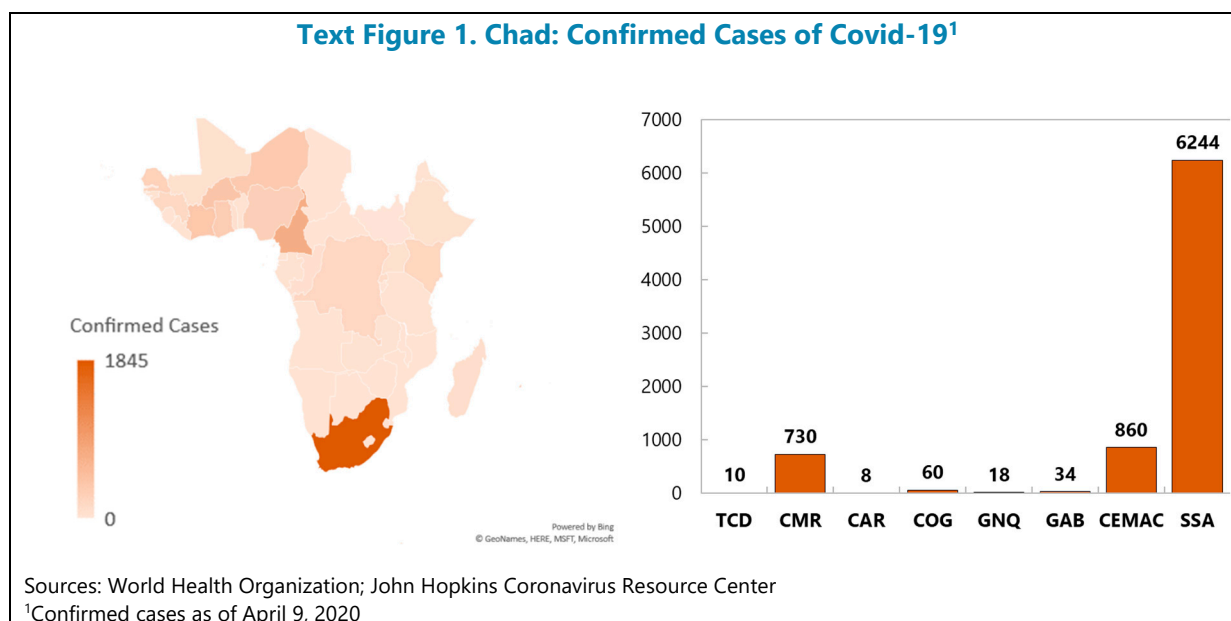
Prepared by the Chad team, comprising Mr. E. Gemayel (head), Messrs. M. Ben Hassine and M. Ahmed, Ms. S. Abdelrazek (all AFR), Mr. R. Green (SPR), Mr. J. Ntamatungiro (Resident Representative) and Mr. B. Topeur (local economist). Discussions took place during April 3-4, 2020 through video and teleconference. Meetings were held with Mr. Ngulin, Minister of Finance and Budget, and other senior officials. Ms. V. Lucidi and Ms. N. Massou assisted with translation services. Ms. G. Badkoubi and Ms. M. Perera provided technical support for the virtual meetings. Ms. V. Pilouzoue and Ms. N. Margevich supported the preparation of the Staff Report.

CONTENTS

BACKGROUND	3
PRE-COVID-19 DEVELOPMENTS	4
THE AUTHORITIES' RESPONSE TO COVID-19 AND DONOR SUPPORT	5
ECONOMIC IMPACT OF COVID-19 AND POLICY RESPONSE	5
REQUEST FOR DISBURSEMENT UNDER THE RAPID CREDIT FACILITY	10
STAFF APPRAISAL	11
FIGURE	
1. Recent Economic Developments, 2012–2020	15
TABLES	
1. Selected Economic and Financial Indicators, 2017–24	16
2. Fiscal Operations of the Central Government, 2017–21 (In billions of CFAF)	17
3. Fiscal Operations of the Central Government, 2017–21 (Percent of non-oil GDP)	18
4. Balance of Payments, 2017–21	19
5. Monetary Survey, 2017–21	20
6. Financial Soundness Indicators, 2011–19	20
7. Indicators of Capacity to Repay the Fund, 2020–34	21
8a. Original Schedule of Disbursement Under new ECF Arrangement, 2017–2020	22
8b. Proposed Schedule of Disbursement Under new ECF Arrangement, 2017–2020	22
APPENDIX	
I. Letter of Intent	23

BACKGROUND

1. The COVID-19 pandemic is closing in on Chad, putting pressure on an already weak and seriously under-resourced health system. So far, several cases have been declared in Chad, as well as in neighboring countries. Beyond preventive measures, additional efforts will be needed to contain the spread of a potential outbreak of the virus, which will require appropriate equipment, the mobilization of health personnel and an extension of health services in remote regions that are not covered. These efforts will put pressure not only on government resources but also on an already weak health system.



2. Chad has a weak and fragile public health system. Public health capacities are generally constrained, with deficient medical equipment and trained personnel, as well as limited territorial coverage. Urgent upgrades to the healthcare system will be needed to respond to a pandemic. Accordingly, increased demand for health-related services would require substantial donor financial and technical support.

3. The outbreak is generating significant hardship for the Chadian economy and has created an urgent balance of payments need. The large drop in international oil prices will result in large fiscal and external financing needs. In the absence of external financing, government spending plans will be curtailed, which will negatively impact growth and poverty reduction. Disturbances in international trade combined with the closure of neighboring borders has already led to shortages in imported goods and begun to push up prices for basic necessities. Restrictions on gatherings and public transportation have also increased the hardship on households and businesses.

4. The pandemic is also adding pressure to an already fragile social situation and a worsening security environment. Legislative elections, delayed since 2015, are now scheduled for mid-December 2020. In January, an agreement with labor unions to restore some benefits for public

sector workers cut following the 2014 crisis, helped avert a generalized public strike. Students have recently been demonstrating and have called for the reestablishment of scholarships and improved education and transport benefits. The state of emergency declared last August in three provinces was repealed in January, but renewed clashes with rebels were recently reported in one of those provinces. Boko Haram has intensified attacks in the Lake Chad region. Chad's involvement in the regional (G5 Sahel) fight against terrorism will further increase following the January Pau Summit in France. Altogether, these developments are very likely to put significant pressure on the 2020 budget.

5. Accordingly, the authorities are seeking financial assistance from the IMF. In the attached Letter of Intent (LOI), the authorities are requesting IMF financing through the "exogenous shocks window" of the RCF to address an urgent balance of payments need generated by the pandemic.

PRE-COVID-19 DEVELOPMENTS

6. Economic activity continued to recover in 2019. The non-oil economy continued to recover, backed by higher public investment and domestic arrears repayment as well as a pick-up in cotton and livestock, with non-oil GDP growth estimated at 2 percent. Oil GDP is estimated to have increased by 7.6 percent. Inflation was in negative territory (-1 percent), reflecting subdued food and transport prices. The current account deficit narrowed compared to projections driven by lower FDI-financed capital imports related to oil field development. Preliminary data suggest that fiscal performance was in line with the ECF arrangement. Non-oil revenues significantly exceeded projections, which offset the under-performance of oil revenues. Domestic investment exceeded projections due to higher security spending.

7. Chad's external debt has stabilized at about 25 percent of GDP at end 2019. Outstanding PPG external debt stood at about \$2.8 billion (24.2 percent of GDP), nearly unchanged from \$2.6 billion (25.6 percent of GDP) in 2018. Only three creditors remain with outstanding arrears: Equatorial Guinea, Republic of Congo—both of which the debt is in CFA—and Mega International Commercial Bank from Taiwan Province of China. All are in active negotiations and those with Mega Bank are nearing completion.

8. Performance under the ECF arrangement was satisfactory in 2019. All but one end-December quantitative performance criteria were likely met. The net domestic financing from the BEAC could be missed mainly due to delays in budget support disbursements from the World Bank and the European Union (CFAF 40 billion). The indicative target on social spending appears to have been missed partly due to procurement problems. Some progress has been made on structural reforms despite some delays. The semi-annual note, which lists all new exemptions, due for end-January is yet to be published. The implementation of the audit's recommendations for the 47 exemptions due for end-February has not been completed.

THE AUTHORITIES' RESPONSE TO COVID-19 AND DONOR SUPPORT

9. The authorities' initial response to the outbreak has focused on mitigating measures and donor mobilization. Preemptive measures have been taken, with the assistance of the World Health Organization (WHO). All travelers entering the territory via the airport and border posts are screened upon arrival and all individuals presenting symptoms of Covid-19 infections are quarantined and tested. An instruction was issued on mandatory quarantine for all visitors from five countries affected by the virus. A contingency plan has been prepared, with a list of activities aimed at containing the spread of the virus. An inter-ministerial management committee meets daily to monitor developments. A hospital in N'Djamena was designated to receive infected cases.

10. As the situation escalated in March 2020, additional measures were taken. All passenger flights were suspended starting from March 19. Additionally, borders with CAR and Sudan were closed. The measures also included the cancellation of events and gatherings of more than 50 people as well as planned forums and major meetings. All schools and universities were closed.

11. To help them address the unfolding situation, the authorities actively engaged with Donors, which have provided some support to contain the pandemic. WHO has been providing updated information on the pandemic and providing technical assistance from the onset. Germany provided a mobile laboratory and detection kits. Other donors, including the World Bank, AFD, and UN agencies, have committed to provide financial support and technical assistance, including with setting up a data base and a tracking system of infected people.

ECONOMIC IMPACT OF COVID-19 AND POLICY RESPONSE

12. Prior to the outbreak of COVID-19, the outlook for 2020, as projected at the time of the 5th ECF arrangement review, was favorable. Non-oil growth was projected to increase to 3 percent, with stronger contributions from cotton and livestock production beginning this year. Oil production was expected to increase as a result of new extraction technologies. Inflation was projected to remain below 3 percent. Continuing fiscal consolidation would have resulted in a narrowing of the non-oil primary balance and a gradual reduction in public debt. The current account deficit was forecast to remain around 6 percent of GDP.

13. Amid the Covid-19 pandemic and sharp fall in international oil prices, the outlook for the Chadian economy has radically changed and could further worsen, particularly if the crisis turns out worse than projected. The non-oil economy is now expected to decrease by 0.7 percent despite a good harvest this year, while the recovery in 2021 is likely to be slow on account of capacity constraints. Oil GDP growth is also expected to drop this year by 5 percentage points compared to the fifth review, reflecting temporary suspension of activity by a small oil producer due to the contraction in global demand and by the refinery who has reached its storage capacity. Should

international oil prices drop below cost recovery,¹ oil producers may decide to further cut production. The drop in oil prices will also result in a significant deterioration of the fiscal and external positions.

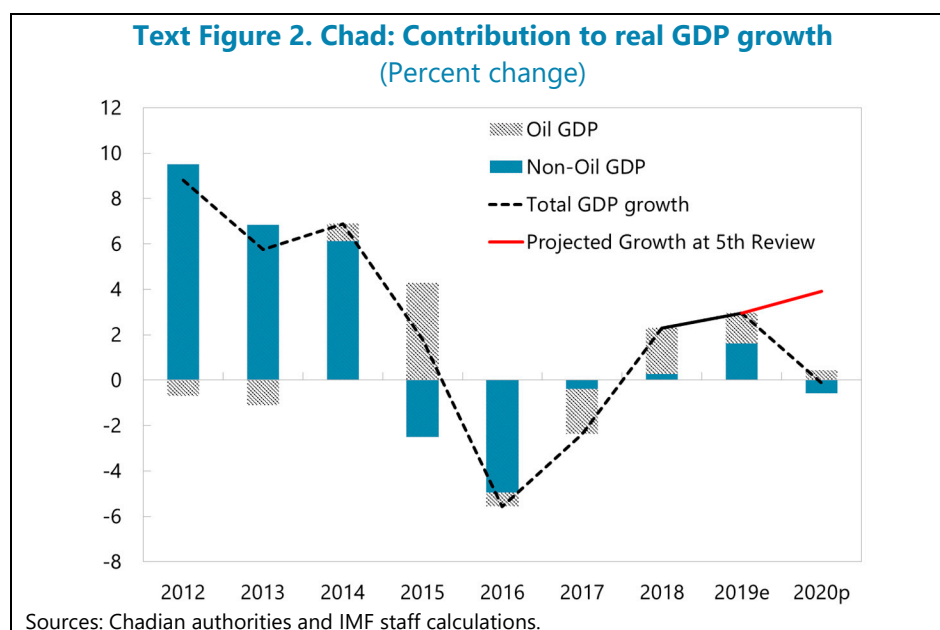
Text Table 1. Chad: Effects of the Economic Shock¹
(growth y/y, unless specified otherwise)

	2019	2020	2021	2022	2023	2024
Real GDP						
Before Shock	3.0	3.9	5.8	5.4	4.0	3.7
After Shock	3.0	-0.1	6.1	4.9	4.0	3.8
Non-oil GDP						
Before Shock	2.0	3.0	4.0	4.0	3.9	3.9
After Shock	2.0	-0.7	3.0	3.4	3.8	4.1
Oil GDP						
Before Shock	7.6	7.5	13.4	10.6	4.4	2.8
After Shock	7.6	2.4	19.2	10.6	4.4	2.8
Total Revenue						
Before Shock	10.7	28.1	9.4	7.0	10.9	2.2
After Shock	9.3	-2.1	0.7	17.2	16.3	0.7
Total Expenditure						
Before Shock	19.5	8.9	9.8	3.8	4.0	7.0
After Shock	12.9	18.5	7.4	2.3	4.3	5.9
Public Debt						
Before Shock	-3.4	-4.5	-3.7	-4.5	-5.4	-2.9
After Shock	-4.5	2.1	7.4	4.8	4.7	5.0
Current Account Deficit						
Before Shock	-83.5	-6.1	-16.1	-17.9	4.8	-1.6
After Shock	-245.6	-155.0	13.8	17.4	-8.7	2.0
Export of Goods						
Before Shock	8.8	3.2	7.3	9.7	5.5	4.8
After Shock	8.8	-32.7	23.8	15.9	9.8	8.3
Import of Goods						
Before Shock	15.1	5.5	4.4	11.7	1.0	3.9
After Shock	12.1	-1.6	8.0	6.5	7.2	6.5
Memorandum items: (Percent of GDP, unless otherwise indicated)						
Nominal GDP (Billions CFAF)						
Before Shock	6443	6880	7502	8131	8602	9178
After Shock	6406	6062	6584	7154	7659	8192
External Debt						
Before Shock	25.1	25.1	23.2	20.5	18.2	16.3
After Shock	25.1	24.4	27.0	24.2	21.5	19.1
Overall Balance (incl. grants, commitment)						
Before Shock	0.4	2.8	2.3	2.6	3.7	3.0
After Shock	-0.2	-0.9	-2.5	-0.6	0.9	0.2
Overall Balance (incl. grants, cash)						
Before Shock	-0.5	1.6	1.0	1.3	2.2	2.0
After Shock	-1.0	0.4	1.5	1.9	2.9	2.2
Non-oil Primary Balance (excl. grants)						
Before Shock	-8.1	-8.0	-7.9	-7.2	-6.6	-6.3
After Shock	-6.9	-10.5	-10.2	-9.0	-8.3	-7.7

Source: Chadian Authorities and IMF staff calculations

¹Before Shock represents figures reported during 5th ECF Review in December 2019

¹ The cost recovery price for Chadian oil is about US\$28.



14. As a result of the COVID-19 outbreak, the Chadian non-oil economy is being affected through several channels:

- **Lower trade and remittances.** the spread of COVID-19 has led to a disruption in global trade and its related activities. This includes economic activities in Chad, which rely on imports, such as manufacturing and agriculture. Additionally, the drop in global demand is expected to take its toll on Chad's export (including cotton) and to lead to a decline in Chadians' remittances.
- **Containment measures.** The containment measures implemented by the authorities (such as restricting flights and limiting domestic mobility) are going to have an immediate negative impact on Chad's non-oil economy. Sectors that could be affected include information technology, hotel, health services, construction, energy (solar), and agriculture.
- **Government revenues.** customs and domestic tax revenues are expected to drop due to slowdown in economic activity.
- **Foreign direct investment.** In case of a prolonged pandemic, foreign direct investments could drop, adversely impacting Chad's growth.
- **Banking sector.** Banks' asset quality and liquidity could deteriorate as the impact of COVID-19 on small and medium-sized enterprises (SMEs) could impact their loan performance.

15. In their efforts to contain the pandemic, the authorities will increase health-related spending by about 0.3 percent of non-oil GDP (CFAF 15 billion) of which 60 percent is expected to be financed by donors. A detailed contingency plan was put in place by the ministry of health in mid-March, to mitigate the impact of the pandemic. It includes training of medical and technical staff,

purchase of necessary medical equipment, the construction of seven health centers in remote areas, the construction of three mobile hospitals, and securely managing entry points.

16. The authorities are also in the process of implementing measures to help soften the impact of the crisis on the economy (LOI, 113 and 4). For small and medium-sized enterprises, the authorities will, among other things, reduce the business license fees and the presumptive tax. Tax breaks such as carryforward losses and delays in tax payments will also be examined on a case-by-case basis. Additionally, some arrears will be repaid to suppliers as part of the clearance strategy recently adopted by the government. Measures will also be taken to alleviate the hardship on households, including temporary suspension of payments of electricity and water bills, and the establishment of a Youth Entrepreneurship Fund.

Text Table 2. Chad: Estimated Cost of Covid-19 Contingency Plan
(In billions of CFAF, unless otherwise indicated)

Area of Intervention	Government	Partners (TBD)	Total
Response Coordination	0.33	0.20	0.53
Surveillance	0.24	0.65	0.89
Laboratory	0.04	0.19	0.23
Treatment	0.51	0.75	1.26
Communication	0.11	0.29	0.39
PCI	0.21	0.60	0.81
Logistics and Purchases	4.08	5.18	9.26
Management of Entry Posts	0.27	0.81	1.08
Enhanced Response Scenario ¹	0.15	0.42	0.57
Total	5.93	9.07	15.01
Percent of non-oil GDP	0.11	0.17	0.28

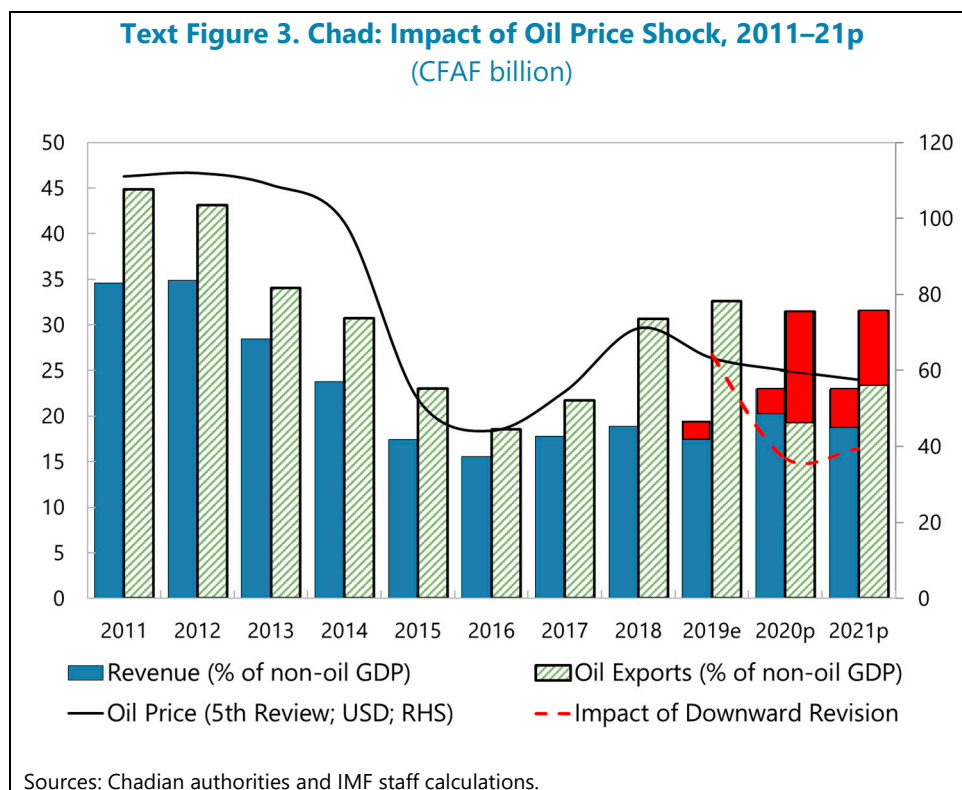
Source: Chadian Authorities

1/Additional cost of response to scenario where imported cases spread to local population

17. Lower oil prices will result in a large fiscal gap in 2020. Oil revenues are projected to decline by CFAF 200 billion (around 3.3 percent of non-oil GDP) relative to the fifth review. This drop will be mitigated by (i) the payment of the 2020 corporate income tax by the largest oil company, which is based on 2019 profits, and (ii) projected deferred debt service payment to Glencore (CFAF 12 billion).² Non-oil revenues will be revised downward by around 0.6 percent of non-oil GDP due to the expected slowdown in economic activity and the impact of expected fiscal measures (0.3 percent of non-oil GDP) to alleviate pressures on the private sector. On the spending side, while the recent increase in the wage bill will be offset by cuts in non-health-related goods and services and non-priority investment, health-related spending is expected to increase by 0.3 percent of non-oil GDP. In addition, transfers and subsidies are expected to increase by 0.2 percent of non-oil GDP as a

² Under the Glencore debt restructuring agreement, mandatory amortization could be deferred up to US\$75 million mainly if (i) government oil export receipts are lower than Glencore debt service, and (ii) oil prices are lower than US\$42 per barrel for the period 2021-2026

result of new measures to help households. Overall, the NOPB is expected to widen by about 1.9 percent of non-oil GDP relative to the 2020 budget, while the overall 3 percent surplus will now turn into a deficit of -1.5 percent of non-oil GDP. As a result, a financing-gap of 4.6 percent of non-oil GDP will emerge due to the limited access to domestic financing and lower fiscal buffers.



18. The authorities indicated, that they will allow the fiscal deficit to increase in order to accommodate the impact of the pandemic. Staff supports this approach. The authorities are committed to returning to the medium-term fiscal adjustment path once the crisis abates. Staff encouraged the authorities to reach out to donors to seek financial assistance.

19. The current account deficit is expected to widen in 2020, mainly reflecting the sharp drop in international oil prices. Exports will likely fall by 30.2 percent driven by lower oil proceeds. Imports are forecast to fall by 2.1 percent, despite additional imports to meet medical needs and capital equipment for new health centers. Overall, the current account deficit is expected to widen to 13.2 percent of GDP and will most likely be financed by oil companies borrowing to cover their tax obligations, given the expected drop in their revenues this year. The overall balance of payments is now projected to shift from a surplus to a deficit. Taking into account the programmed reserve accumulation of CFA 28 billion, a financing gap equivalent to the fiscal gap will emerge.

20. Chad's risks of external and overall debt distress have risen due to the impact of the COVID-19 pandemic but remains sustainable under the baseline. The debt sustainability assessment assumes sizable financing gaps will be closed with concessional financing, which has not yet been identified. Fiscal pressures in the near term push the forecast present value (PV) of total public debt-to-GDP ratio above benchmark level of 35 percent from 2020 to 2024. In the medium-

term, though, both external and domestic public debt is projected to gradually decline, both in nominal terms and in present value terms as a share of GDP. The baseline debt service-to-revenue ratio forecast exceeds the key risk benchmark of 14 percent through 2027, peaking at 18.3 percent in 2022. The ratio remains close to the target level for the 2018 Glencore debt renegotiation, so staff view the baseline level of debt service to be sustainable. However, all external debt risk indicators exceed their thresholds under the most extreme shock scenarios.

REQUEST FOR DISBURSEMENT UNDER THE RAPID CREDIT FACILITY

21. Given the sudden exogenous shock that is affecting the Chadian economy, the authorities are requesting a disbursement under the RCF equivalent to 60 percent of quota. The proposed disbursement of SDR 84.12 million will cover about 30 percent of the estimated BOP financing gap through indirect budget support and would provide timely support to address the urgent fiscal needs emerging as a result of the pandemic. The remaining gap is expected to be covered by loans and grants from Chad's multilateral and bilateral partners with whom the authorities are actively engaged.

22. Chad's capacity to repay the Fund is adequate (Table 7). Chad is assessed as having adequate capacity to repay the Fund and debt is sustainable. The RCF would bring outstanding IMF credit based on existing and prospective drawings to 5.3 percent of GDP and 20.7 percent of exports in 2020. Debt service to the IMF would peak in 2026 at 1.9 percent of exports and in 2025 at 7.0 percent of revenue.

23. Chad has an existing ECF arrangement, which was approved on June 30, 2017, with an access level of 160 percent of quota. Given the high degree of uncertainty regarding the duration and scale of the COVID-19 impact and the practical difficulties of holding comprehensive policy discussions with the authorities in the current environment, an augmentation to the current ECF arrangement is not currently feasible. To allow more time for completion of the final review under the ECF arrangement, the authorities are requesting an extension of the arrangement, due to expire on June 29, 2020, to September 30, 2020 with a rephasing of access. Access under the RCF of 60 percent of quota will then be within the applicable normal access limits under the PRGT.

24. The authorities reiterated their commitment to the existing ECF arrangement, which remains the anchor for Chad's macroeconomic policymaking. Given the current volatile and uncertain environment, the authorities immediate priorities will be to focus on containing and mitigating the impact of the virus, addressing some of the weaknesses in the health sector, and prioritizing social spending.

25. The BEAC has implemented most of the recommendations from the 2017 safeguards assessment. In particular, the alignment of the BEAC's secondary legal instruments with its Charter was recently concluded. Work is advancing as planned on the full transition to IFRS for FY 2019.

26. The risk to the outlook is to the downside. The outlook is based on the temporary nature of the pandemic with a gradual pickup in global economic activity later this year. The main downside risks include rising insecurity, a further drop in oil prices, a drop in oil production should oil prices fall below cost recovery, and the authorities' inability to control the propagation of the virus. Upside risks include an increase in international oil prices.

27. The authorities also requested access to resources under the Catastrophe Containment and Relief Trust (CCRT) to cover future debt service to the Fund. Chad also requests a grant under the CCR Trust to cover future debt service to the Fund. Chad, a PRGT-eligible country with an annual per capita income level well-below the prevailing IDA eligibility cutoff, is eligible and qualifies for debt relief under the CCR Trust. The COVID-19 outbreak, which was declared a pandemic by WHO in March 2020 has severely affected the Chadian economy, resulting in a substantial external financing gap, as well as severe real GDP and fiscal revenue loss and high expenditure pressure. Staff considers that the authorities' commitment and policy intentions to address the balance of payments needs created by the pandemic, as stated in the relevant letter of intent, are appropriate.

28. Debt relief under the CCRT will help improve reserve build up and mitigate the impact of external shocks. Chad has scheduled repayments to the Fund of SDR 10.1 million (about 0.1 percent of GDP) in 2020 and 2021. The authorities noted that in present circumstances, these repayments will be an unwelcome burden and any relief that could be provided under the CCRT would make an important further contribution to closing Chad's large financing gaps. They also noted that debt relief from the Fund could also form the basis for additional relief from other official and private creditors.

STAFF APPRAISAL

29. Chad is facing a triple shock arising from COVID-19, the collapse in international oil prices, and a deteriorating security situation, which is causing significant economic and social hardship. These shocks could wipe out the gains achieved under the current ECF arrangement. Economic activity has slowed down and large financing needs have emerged as a result of the significant decline in oil prices, and there are downside risks to growth. The already weak healthcare system will be severely strained by a widespread outbreak of the disease.

30. Staff commends the authorities' quick response following the pandemic outbreak. The initial and subsequent measures adopted have helped to contain and mitigate the spread of the virus so far. Donors' swift support was instrumental in helping the authorities in their endeavor.

31. Further substantial support from the international community will be needed to help Chad overcome this pandemic. Addressing the challenges generated by this outbreak will require significant resources for a fragile country like Chad with a weak healthcare system. To contain the pandemic and mitigate its social and economic impact, Chad urgently needs increased support from the international community in terms of financial resources and healthcare assistance. The large financing gaps without identified financing highlight the magnitude of support Chad will require. If downside risks materialize, the authorities would likely need to identify additional measures and approach creditors and development partners for additional debt relief or financing.

32. Staff welcomes the authorities' continuing commitment to the broad objectives under the current ECF arrangement. Staff supports the temporary relaxation of the fiscal deficit to allow for the scaling up of health care spending and the impact of the sharp drop in oil prices. It welcomes the authorities' resolve to return to the medium-term fiscal path and implement the needed adjustment measures as soon as the current crisis abates. While recognizing the current difficult environment, staff encourages the authorities to maintain sound policies, including by continuing to strengthen governance and fight corruption.

33. Against this background, staff supports the authorities' request for assistance under the RCF in the amount of SDR 84.12 million (60 percent of quota), provided that the Board approves the requested extension of the arrangement and rephasing of access. Staff support for the RCF is based on the large and urgent balance of payments needs and the catalytic effect of IMF support for other external financing. While risks have risen sharply, staff assesses that debt remains sustainable—contingent on identifying sufficient concessional resources to close the identified financing gaps—and Chad's capacity to repay the Fund remains adequate. Staff supports extension of the ECF arrangement from June 29, 2020 to September 30, 2020 and rephasing of access, which will provide enough time to complete the sixth and final review under the ECF arrangement, given the current difficult and volatile environment.

Proposed Decisions

The following decisions, which may be adopted by a majority of the votes cast, are proposed for adoption by the Executive Board. Decision 2 is proposed for adoption only if Decision 1 is adopted by the Executive Board.

Decision 1: Extension and Rephrasing of Access under the ECF Arrangement

1. The letter dated April 9, 2020 from the Minister of Finance and Budget (the "April 2020 Letter") shall be attached to the ECF Arrangement, and the letter dated June 16, 2017 from the Minister of Finance and Budget, together with its attachments, as supplemented and modified, shall be read as further supplemented and modified by the April 2020 Letter.
2. Accordingly, the ECF Arrangement for Chad shall be amended as follows:
 - (a) Paragraph 1(a) of the ECF arrangement shall be amended by replacing the reference to "For a period of three years from the date of approval of this arrangement" with "For a period from the date of approval of this arrangement to September 30, 2020".
 - (b) Paragraph 2(g) of the ECF Arrangement shall be amended by replacing the reference to "April 15, 2020" with "July 15, 2020"

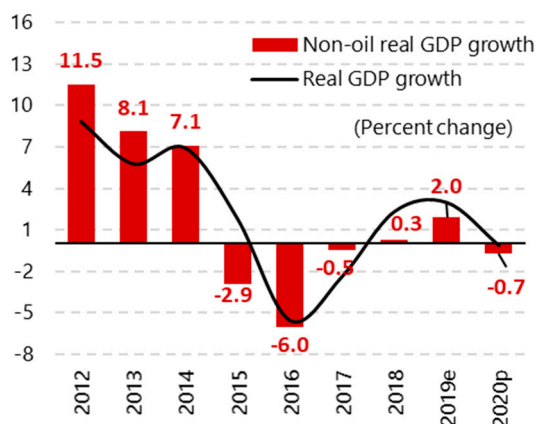
Decision 2: Request for Disbursement under the Rapid Credit Facility

1. Chad has requested a loan disbursement in an amount equivalent to SDR 84.12 million (60 percent of quota) under the Rapid Credit Facility of the Poverty Reduction and Growth Trust.

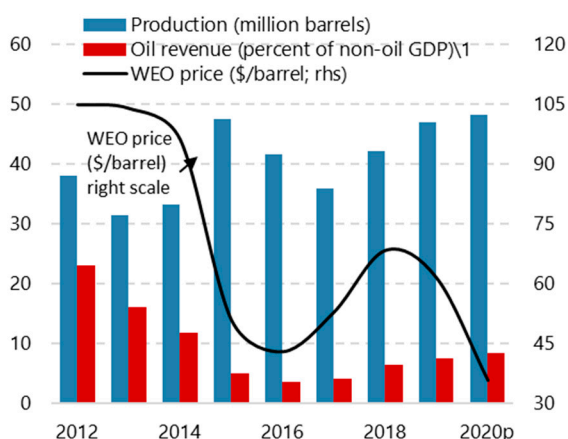
2. The Fund notes the intentions of Chad as set forth in the letter from the Minister of Finance and Budget, dated April 9, 2020, and approves the disbursement in accordance with the request.

Figure 1. Chad: Recent Economic Developments, 2012–2020

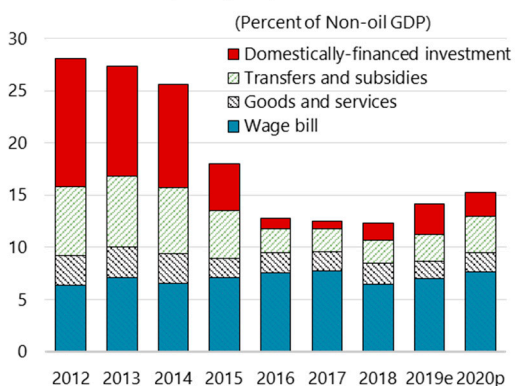
Amid the global Covid-19 pandemic, non-oil GDP growth is expected to contract in 2020...



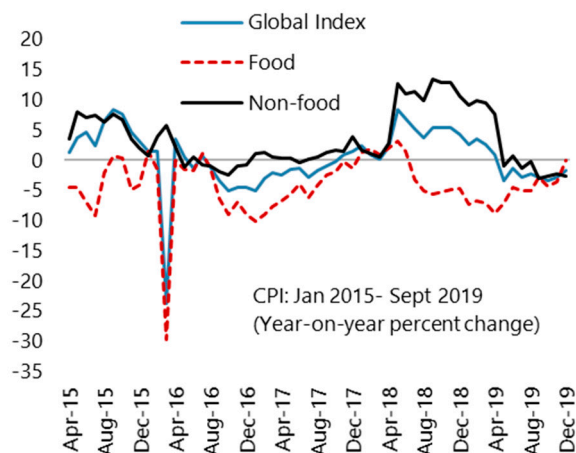
Oil production is expected to grow by 2.4 percent in 2020 given the drop in international oil prices ...



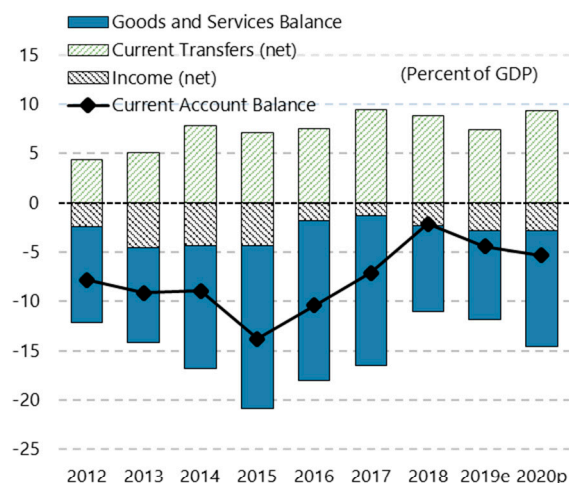
Public spending is expected to increase in 2020 in order to accommodate the impact of the pandemic...



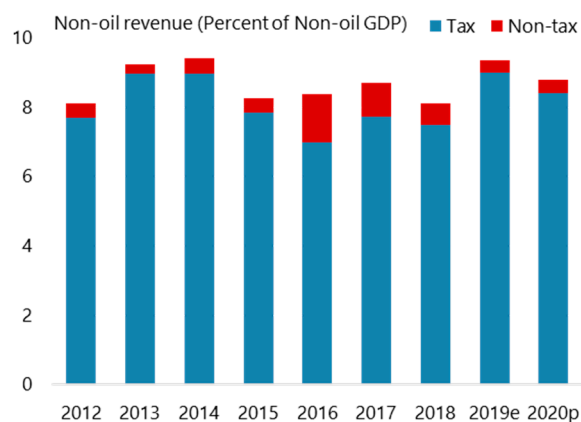
...following negative inflation in 2019.



...accordingly, the current account is expected to worsen.



... and non-oil tax revenue projections have been revised down due to the expected economic slowdown.



Sources: Chadian authorities; and IMF staff calculations.

1/ Oil revenue is net of operational costs linked to government participation in oil companies, and transportation cost.

Table 1. Chad: Selected Economic and Financial Indicators, 2017–24

	2017	2018	2019		2020		2021		2022		2023		2024
	Prel.	Prel.	5th Rev.	Est.	5th Rev.	Proj.	5th Rev.	Proj.	5th Rev.	Proj.	5th Rev.	Proj.	Proj.
(Annual percentage change, unless otherwise indicated)													
Real economy													
GDP at constant prices	-2.4	2.3	3.0	3.0	3.9	-0.1	5.8	6.1	5.4	4.9	4.0	4.0	3.8
Oil GDP	-11.2	12.7	7.6	7.6	7.5	2.4	13.4	19.2	10.6	10.6	4.4	4.4	2.8
Non-oil GDP	-0.5	0.3	2.0	2.0	3.0	-0.7	4.0	3.0	4.0	3.4	3.9	3.8	4.1
GDP deflator	-0.8	2.3	1.9	1.5	2.8	-5.2	3.0	2.4	2.9	3.6	1.7	3.0	3.0
Consumer price index (annual average)	-0.9	4.0	1.0	-1.0	3.0	2.2	3.0	2.9	3.0	3.0	3.0	3.0	3.0
Oil prices													
Brent (US\$/barrel) ¹	54.4	71.1	64.4	64.0	60.5	36.9	58.0	39.5	57.3	42.7	57.4	45.1	47.1
Chadian price (US\$/barrel) ²	49.4	65.1	61.4	61.0	57.5	34.9	54.0	37.5	53.3	39.7	53.4	42.1	44.1
Oil production for exportation (millions of barrels)	36.0	42.2	47.0	47.0	51.1	48.3	58.9	58.9	65.9	65.9	69.1	69.1	71.3
Exchange rate CFA franc per US\$ (period average)	580.9	555.2	...	...	...	...	...	...	...	...	...	...	...
Money and credit													
Net foreign assets	0.5	11.3	11.9	7.2	11.2	1.5	11.1	1.3	5.2	1.9	9.8	5.6	6.3
Net domestic assets	-4.8	-14.6	-0.9	19.1	1.2	-1.6	-1.8	4.7	2.3	3.6	-3.7	1.3	0.9
Of which: net claims on central government	-4.5	-6.9	6.8	10.6	-1.1	1.7	-3.4	-0.3	0.8	-3.0	-4.7	-5.9	-5.6
Of which: credit to private sector	11.5	0.6	0.3	1.0	2.3	-1.7	1.6	5.1	1.5	6.6	1.1	7.2	6.5
Broad money	-2.9	-2.0	11.0	24.4	12.4	1.4	9.3	6.0	7.5	5.5	6.1	6.9	7.2
Velocity (non-oil GDP/broad money) ³	5.4	5.7	5.1	4.7	4.8	4.7	4.7	4.7	4.7	4.7	4.7	4.7	4.7
External sector (valued in US dollar)													
Exports of goods and services, f.o.b.	14.5	37.6	3.7	3.1	3.0	-30.2	8.2	23.0	10.0	15.2	6.0	9.5	8.2
Imports of goods and services, f.o.b.	5.4	10.3	6.3	4.5	4.1	-2.1	7.2	7.8	10.1	6.7	4.1	7.9	5.9
Export volume	-12.2	11.1	9.9	9.6	8.5	11.4	12.5	19.4	10.2	9.4	4.4	4.0	3.2
Import volume	5.2	8.3	4.9	3.5	3.8	-0.2	6.8	8.3	9.5	6.2	3.3	7.1	4.2
Overall balance of payments (percent of GDP)	-1.4	2.7	1.0	0.2	1.1	-4.1	1.1	-5.2	-0.3	-4.3	0.3	-3.6	-3.2
Current account balance, including official transfers (percent of GDP)	-7.1	-1.4	-6.2	-4.9	-6.2	-13.2	-6.6	-10.4	-7.1	-7.8	-6.3	-7.9	-7.3
Terms of trade	30.3	21.5	-6.9	-6.8	-5.4	-36.2	-4.2	3.4	-0.7	4.7	0.7	4.5	3.2
External debt (percent of GDP) ⁴	25.1	25.1	25.1	24.4	23.2	27.0	20.5	24.2	18.2	21.5	16.3	19.1	17.1
NPV of external debt (percent of exports of goods and services)	94.1	64.2	61.2	60.6	59.1	90.3	53.5	72.0	46.8	60.2	42.0	52.1	45.4
(Percent of non-oil GDP, unless otherwise indicated)													
Government finance													
Revenue and grants	17.1	18.3	18.9	17.3	22.5	19.5	22.5	17.9	22.5	19.3	23.3	20.7	19.6
Of which: oil revenue	4.1	6.7	7.0	6.4	9.7	6.4	9.7	5.2	9.6	6.3	9.9	7.4	5.8
Of which: non-oil revenue	8.7	8.1	8.8	9.4	9.4	8.8	9.8	9.2	10.0	9.5	10.4	9.8	10.4
Expenditure	18.0	16.5	18.9	18.0	19.5	21.0	20.0	21.3	19.4	20.5	18.9	20.0	19.8
Current	13.7	12.0	12.7	12.5	13.1	14.4	13.3	14.4	12.7	13.6	12.1	13.0	12.6
Capital	4.4	4.5	6.3	5.6	6.4	6.6	6.7	7.0	6.7	6.9	6.8	7.0	7.1
Non-oil primary balance (commitment basis, excl. grants) ⁵	-3.8	-4.2	-4.9	-4.8	-4.9	-6.8	-5.0	-6.6	-4.3	-5.5	-3.3	-4.6	-3.9
Overall fiscal balance (incl. grants, commitments basis)	-0.9	1.9	-0.1	-0.8	3.0	-1.5	2.5	-3.4	3.0	-1.2	4.3	0.7	-0.1
CEMAC reference fiscal balance (in percent of GDP) ⁶	0.5	-0.8	-2.1	-2.1	-1.1	-2.6	-0.3	-2.6	0.9	-1.9	2.0	-1.6	-4.6
Total debt (in percent of GDP) ⁴	49.8	48.4	44.4	44.2	39.7	47.7	35.1	47.1	30.9	45.5	27.6	44.5	43.6
Of which: domestic debt	24.7	23.2	19.3	19.7	16.6	20.7	14.5	23.0	12.8	24.0	11.3	25.3	26.5
Memorandum items:													
Nominal GDP (billions of CFA francs)	5,855	6,127	6,443	6,406	6,880	6,062	7,502	6,584	8,131	7,154	8,602	7,659	8,192
Of which: non-oil GDP	4,830	4,961	5,166	5,130	5,466	5,206	5,850	5,517	6,249	5,869	6,675	6,276	6,728
Nominal GDP (billions of US\$)	10.1	11.0	11.0	10.9	11.8	10.3	12.9	11.3	14.1	12.3	15.0	13.2	14.2

Sources: Chadian authorities; and IMF staff estimates and projections.

¹WEO projections for Brent crude oil price.²Chadian oil price is Brent price minus quality discount.³Changes as a percent of broad money stock at the beginning of period.⁴Central government, including government-guaranteed debt.⁵Total revenue excluding grants and oil revenue, minus total expenditure excluding net interest payments and foreign-financed investment.⁶The CEMAC reference fiscal balance is calculated as the overall fiscal balance minus the savings from oil revenue, which is the sum of 20 percent of oil revenue of the current year and 80 percent of the oil revenue in excess of the average oil revenues in the previous three years.

Table 2. Chad: Fiscal Operations of the Central Government, 2017–21
(In billions of CFAF, unless otherwise indicated)

	2017	2018	2019		2020		2021	
	Prel.	Prel.	5th Rev.	Est.	5th Rev.	Proj.	5th Rev.	Proj.
Total revenue and grants	826	910	975	885	1,230	1,015	1,316	988
Revenue	620	737	816	806	1,045	789	1,143	795
Oil ¹	200	335	359	326	531	331	569	286
Non-oil	420	403	457	480	515	458	574	508
Tax	373	372	421	461	477	438	534	486
Non-tax	47	31	35	19	37	20	40	22
Grants	206	173	159	79	185	226	172	193
Budget support	102	119	46	7	64	105	38	58
Project grants	103	53	113	72	121	121	135	135
Expenditure	871	818	978	924	1,065	1,095	1,170	1,177
Current	659	595	655	639	715	751	776	793
Wages and salaries	376	319	357	360	368	399	373	417
Civil Service	291	238	247	248	256	286	259	301
Military	86	82	110	111	112	113	115	116
Goods and services	88	100	102	83	106	97	138	111
Transfers and subsidies ²	103	109	131	133	179	191	204	204
Interest	92	67	65	64	62	64	61	61
Domestic	34	29	23	21	25	27	26	24
External	58	38	42	43	37	37	35	37
Of which: Glencore loan (after restructuring)	51	30	30	31	26	27	24	26
Investment	212	223	323	285	350	344	394	384
Domestically financed	36	84	118	153	130	124	149	139
Foreign financed ³	176	138	205	132	220	220	245	245
Overall balance (incl. grants, commitment)	-46	92	-3	-39	165	-80	146	-189
Non-oil primary balance (excl. grants, commitment) ⁴	-183	-211	-251	-249	-268	-353	-290	-363
Float from previous year ⁵	-80	-12	-49	-49	-80	-90	-79	-79
Float at end of period ⁵	12	49	80	90	79	79	91	91
Var. of Arrears ⁶	6	-35	-60	-64	-45	-45	-40	-40
Repayment of other arrears ⁷	-13	-54	0	0	-10	-10	-40	0
Overall balance (incl. grants, cash)	-121	40	-32	-62	110	-146	77	-217
Non-oil primary balance (excl. grants, cash)	-259	-262	-281	-272	-324	-419	-358	-391
Financing	122	-40	32	62	-110	-24	-78	-97
Domestic financing	45	-73	22	35	-78	-85	-38	-65
Bank financing	9	-81	123	179	19	19	-39	-29
Central Bank (BEAC)	-11	-74	123	179	19	19	-39	-29
Deposits	-24	-129	49	105	-2	-3	-32	-22
Advances (net)	-14	0	0	0	0	0	0	0
IMF	27	55	74	74	21	21	-7	-7
Commercial banks (deposits)	20	-6	0	0	0	0	0	0
Other financing (net), of which:	-37	-2	-101	-143	-97	-104	1	-36
Amortization	-71	-169	-109	-74	-142	-144	-70	-28
Commercial banks loans	11	59	0	0	-9	-9	10	10
Non-bank loans (gross) ⁸	2	0	32	0	35	35	39	39
Treasury bills (net)	-6	108	-25	-70	-64	17	-13	-45
Treasury Bonds (gross)	27	0	0	0	97	0	47	0
Bank Recapitalization	0	0	0	0	-3	-3	-2	-2
Stabilization Funds	0	0	0	0	-10	0	-10	-10
Privatization and other exceptional receipts	73	9	0	0	0	0	0	0
Foreign financing	77	33	11	27	-32	-7	-39	-33
Loans (net)	30	10	-17	-1	-58	-34	-66	-59
Disbursements	159	111	73	72	73	70	72	72
Budget borrowings	88	26	13	13	9	6	0	0
Project loans	71	85	60	59	64	64	72	72
Amortization	-128	-101	-90	-73	-131	-104	-137	-131
Of which: Glencore loan (after restructuring)	-59	-40	-27	-24	-62	-35	-62	-55
Debt relief/rescheduling (HIPC)	30	27	28	28	26	26	26	26
External arrears ⁹	17	-3	0	0	0	0	0	0
Prospective RCF	...	...	...	...	...	68	...	0
Financing Gap	-1	0	0	0	0	170	0	315
Memorandum items:								
Non-oil GDP	4,830	4,961	5,166	5,130	5,466	5,206	5,850	5,517
Poverty-reducing social spending	202	182	241	241	...	...	...	...
Bank deposits (including BEAC)	119	254	205	149	207	152	239	174
(In months of domestically-financed spending)	2.0	4.5	3.2	2.3	2.9	2.1	3.1	2.2
BEAC advances ¹⁰	480	480	480	480	480	480	480	480

Sources: Chadian authorities; and IMF staff estimates and projections.

¹Net of cash calls and transportation costs linked to the oil public enterprise (SHT) participation in private oil companies.

²Includes subsidies to the electricity company starting from 2020.

³Includes projects financed by the BDEAC, but the corresponding loans (in CFAF) are counted as domestic financing.

⁴Total revenue, less grants and oil revenue, minus total expenditures, less interest payments and foreign financed investment.

⁵Difference between committed and cash expenditure, and errors and omissions.

⁶Recognized arrears, as registered by the Treasury in the "restes à payer" table.

⁷Other arrears include unrecognized arrears, the total of which will be specified after the audit of arrears, and the clearance in 2018 of CFAF 54 billion of arrears of the then public company Coton Tchad owed to domestic banks.

⁸Bilateral or multilateral loans in CFAF (e.g. BDEAC, loan from Cameroon in 2016).

⁹27 billion in 2016 include arrears to China, cleared through an agreement in April 2017.

¹⁰All debt to BEAC was consolidated and rescheduled in September 2017 into long term securities.

Table 3. Chad: Fiscal Operations of the Central Government, 2017–21
(Percent of non-oil GDP, unless otherwise indicated)

	2017	2018	2019	2020	2021	
	Prel.	Prel.	5th Rev.	Est.	5th Rev.	Proj.
Total revenue and grants	17.1	18.3	18.9	17.3	22.5	19.5
Revenue	12.8	14.9	15.8	15.7	19.1	15.2
Oil ¹	4.1	6.7	7.0	6.4	9.7	6.4
Non-oil	8.7	8.1	8.8	9.4	9.4	8.8
Tax	7.7	7.5	8.2	9.0	8.7	8.4
Non-tax	1.0	0.6	0.7	0.4	0.7	0.4
Grants	4.3	3.5	3.1	1.5	3.4	4.3
Budget support	2.1	2.4	0.9	0.1	1.2	2.0
Project grants	2.1	1.1	2.2	1.4	2.2	2.3
Expenditure	18.0	16.5	18.9	18.0	19.5	21.0
Current	13.7	12.0	12.7	12.5	13.1	14.4
Wages and salaries	7.8	6.4	6.9	7.0	6.7	7.7
Civil Service	6.0	4.8	4.8	4.8	4.7	5.5
Military	1.8	1.6	2.1	2.2	2.0	2.2
Goods and services	1.8	2.0	2.0	1.6	1.9	1.9
Transfers and subsidies ²	2.1	2.2	2.5	2.6	3.3	3.7
Interest	1.9	1.3	1.3	1.2	1.1	1.2
Domestic	0.7	0.6	0.4	0.4	0.5	0.5
External	1.2	0.8	0.8	0.8	0.7	0.7
<i>Memo: Glencore loan (after restructuring)</i>	1.1	0.6	0.6	0.6	0.5	0.5
Investment	4.4	4.5	6.3	5.6	6.4	6.6
Domestically financed	0.7	1.7	2.3	3.0	2.4	2.4
Foreign financed ³	3.6	2.8	4.0	2.6	4.0	4.2
Overall balance (incl. grants, commitment)	-0.9	1.9	-0.1	-0.8	3.0	-1.5
Non-oil primary balance (excl. grants, commitment) ⁴	-3.8	-4.2	-4.9	-4.8	-4.9	-6.8
Float from previous year ⁵	-1.6	-0.2	-1.0	-1.0	-1.5	-1.7
Float at end of period ⁵	0.2	1.0	1.5	1.8	1.5	1.5
Var. of Arrears ⁶	0.1	-0.7	-1.2	-1.2	-0.8	-0.9
Repayment of other arrears ⁷	-0.3	-1.1	0.0	0.0	-0.2	-0.2
Overall balance (incl. grants, cash)	-2.5	0.8	-0.6	-1.2	2.0	-2.8
Non-oil primary balance (excl. grants, cash)	-5.4	-5.3	-5.4	-5.3	-5.9	-8.1
Financing	2.5	-0.8	0.6	1.2	-2.0	-0.5
Domestic financing	0.9	-1.5	0.4	0.7	-1.4	-1.6
Bank financing	0.2	-1.6	2.4	3.5	0.3	0.4
Central Bank (BEAC)	-0.2	-1.5	2.4	3.5	0.3	0.4
Deposits	-0.5	-2.6	1.0	2.0	0.0	0.0
Advances (net)	-0.3	0.0	0.0	0.0	0.0	0.0
IMF	0.6	1.1	1.4	1.4	0.4	0.4
Commercial banks (deposits)	0.4	-0.1	0.0	0.0	0.0	0.0
Other financing (net)	-0.8	0.0	-2.0	-2.8	-1.8	-2.0
Privatization and other exceptional receipts	1.5	0.2	0.0	0.0	0.0	0.0
Foreign financing	1.6	0.7	0.2	0.5	-0.6	-0.1
Loans (net)	0.6	0.2	-0.3	0.0	-1.1	-0.6
Disbursements	3.3	2.2	1.4	1.4	1.3	1.3
Amortization	-2.7	-2.0	-1.7	-1.4	-2.4	-2.0
<i>Memo: Glencore loan (after restructuring)</i>	-1.2	-0.8	-0.5	-0.5	-1.1	-0.7
Debt relief/rescheduling (HIPC)	0.6	0.5	0.5	0.5	0.5	0.5
External arrears ⁸	0.3	-0.1	0.0	0.0	0.0	0.0
Prospective RCF	0.0	0.0	0.0	0.0	1.3	0.0
Financing gap	0.0	0.0	0.0	0.0	3.3	0.0
Memorandum items:						
Non-oil GDP	4,830	4,961	5,166	5,130	5,466	5,206
Poverty-reducing social spending	4.2	3.7	4.7	4.7	...	...
Bank deposits (including BEAC)	2.5	5.1	4.0	2.9	3.8	2.9
(In months of domestically-financed spending)	2.0	4.5	3.2	2.3	2.9	2.1
BEAC advances ⁹	9.9	9.7	9.3	9.4	8.8	9.2

Sources: Chadian authorities; and IMF staff estimates and projections.

¹Net of cash calls and transportation costs linked to the oil public enterprise (SHT) participation in private oil companies.

²Includes subsidies to the electricity company starting from 2020.

³Includes projects financed by the BDEAC, but the corresponding loans (in CFAF) are counted as domestic financing.

⁴Total revenue, less grants and oil revenue, minus total expenditures, less interest payments and foreign financed investment.

⁵Difference between committed and cash expenditure.

⁶Recognized arrears, as registered by the Treasury in the "restes à payer" table.

⁷Other arrears include unrecognized arrears, the total of which will be specified after the audit of arrears, and the clearance in 2018 of CFAF 54 billion of arrears of the then public company Coton Tchad owed to domestic banks.

⁸27 billion in 2016 include arrears to China, cleared through an agreement in April 2017.

⁹All debt to BEAC was consolidated and rescheduled in September 2017 into long term securities.

Table 4. Chad: Balance of Payments, 2017–21

	2017	2018	2019		2020		2021	
	Prel.	Prel.	5th Rev.	Est.	5th Rev.	Proj.	5th Rev.	Proj.
Current account, excl. budget grants	-472	-205	-448	-319	-428	-800	-492	-682
Trade balance	150	658	551	676	533	25	620	246
Exports, f.o.b.	1,405	1,891	2,101	2,057	2,168	1,384	2,327	1,714
Of which : oil	1,048	1,523	1,686	1,681	1,720	992	1,844	1,285
Imports, f.o.b.	-1,256	-1,232	-1,550	-1,381	-1,635	-1,359	-1,707	-1,468
Services (net)	-1,037	-1,190	-1,286	-1,294	-1,327	-1,259	-1,439	-1,330
Income (net)	-78	-98	-182	-170	-193	-171	-227	-179
Transfers (net)	493	424	469	469	559	606	554	581
Official (net)	149	108	112	111	163	200	141	157
Private (net)	344	317	358	358	396	406	412	424
Financial and capital account	231	225	455	312	506	542	577	338
Capital transfers	100	49	109	69	117	117	131	131
Foreign direct investment	211	184	397	277	453	278	495	305
Other medium and long term investment	-71	-30	-46	-35	-67	101	-64	-59
Public sector (excl. budget support loans)	-58	-16	-30	-14	-58	-34	-66	-59
Private sector	-13	-14	-16	-21	-9	135	2	0
Short-term capital	-9	22	-5	1	3	45	14	-39
Errors and omissions	13	-43	0	0	0	0	0	0
Overall balance	-228	-23	7	-7	78	-258	85	-344
Financing	-64	-210	-167	-115	-124	-28	-110	2
Change in official reserves (decrease +)	-64	-210	-167	-115	-124	-28	-110	2
Exceptional Financing	119	32	28	28	26	26	26	26
Debt relief (HIPC)	30	27	28	28	26	26	26	26
Exceptional Financing	0	0	0	0	0	0	0	0
Other Exceptional Receipt	73	9	0	0	0	0	0	0
External arrears accumulation	17	-3	0	0	0	0	0	0
Financing gap	-172	-201	-132	-93	-20	-260	1	-316
Financing gap (percent of GDP)	-2.9	-3.3	-2.1	-1.5	-0.3	-4.3	0.0	-4.8
Expected financing (excl. IMF; incl. expected budget loans and grants)	145	146	59	20	0	0	0	0
IMF financing, of which	-27	-55	-73	-74	-20	-260	1	-316
IMF ECF	27	55	74	74	21	21	...	...
IMF RCF (prospective)	...	...	...	...	...	68	...	...
Residual gap	0	0	1	0	1	-170		
<i>Memorandum items:</i>								
Current account (incl. expected budget grants; percent of GDP)	-7.1	-1.4	-6.2	-4.9	-6.2	-13.2	-6.6	-10.4
Overall Balance of Payment (incl. expected budget support; percent of GDP)	-1.4	2.0	1.0	0.2	1.1	-4.3	1.1	-5.2
Exports (percent of GDP)	24.0	30.9	32.6	32.1	31.5	22.8	31.0	26.0
Of which : oil	17.9	24.9	26.2	26.2	25.0	16.4	24.6	19.5
Imports (percent of GDP)	-21.4	-20.1	-24.1	-21.6	-23.8	-22.4	-22.7	-22.3
FDI (percent of GDP)	3.6	3.0	6.2	4.3	6.6	4.6	6.6	4.6
Gross imputed reserves (billions of USD)	-0.2	0.2	0.4	0.4	0.7	0.4	0.9	0.4

Sources: Chadian authorities; and IMF staff estimates and projections.

Table 5. Chad: Monetary Survey, 2017–21
(In billions of CFAF)

	2017	2018	2019	2020				2021
				Q1	Q2	Q3	Q4	
	Prel.	Prel.	Est.	Proj.				Proj.
Net foreign assets	-299.4	-198.1	-135.3	-115.3	-110.3	-90.3	-186.4	-172.2
Central bank	-257.0	-133.6	-85.3	-65.3	-60.3	-40.3	-146.4	-142.2
Foreign assets ¹	12.5	92.8	184.7	204.7	219.7	239.7	143.6	142.8
Foreign liabilities	-269.6	-226.8	-270.0	-270.0	-280.0	-280.0	-290.0	-285.0
o/w. IMF financing ¹	-97.3	-183.2	-232.0	-232.0	-300.0	-321.1	-321.1	-314.6
Commercial banks	-42.3	-64.5	-50.0	-50.0	-50.0	-50.0	-40.0	-30.0
Net domestic assets	1207.1	1076.0	1243.3	1175.4	1174.2	1174.5	1294.0	1346.1
Domestic credit	1466.1	1180.3	1391.2	1425.4	1424.2	1424.5	1544.0	1596.1
Claims on the government (net) ¹	810.9	749.4	842.6	851.6	914.6	930.8	929.2	925.4
Treasury (net)	757.2	727.1	812.6	821.6	884.6	900.8	899.2	885.4
Banking sector	757.2	727.1	812.6	821.6	884.6	900.8	899.2	885.4
Central bank	584.5	542.2	695.8	704.9	767.9	784.1	782.5	753.6
Claims on general government	609.5	696.2	744.9	744.9	812.9	834.1	834.1	827.5
o/w. Advances ²	479.9	479.9	479.9	479.9	479.9	479.9	479.9	479.9
o/w. IMF financing ¹	97.3	183.2	232.0	232.0	300.0	321.1	321.1	314.6
Liabilities to general government	-25.0	-154.0	-49.1	-40.0	-45.0	-50.0	-51.6	-73.9
Commercial banks	172.7	184.9	116.7	116.7	116.7	116.7	116.7	131.7
Claims on general government	263.7	298.2	230.0	230.0	230.0	230.0	230.0	245.0
Liabilities to general government	-91.0	-113.3	-113.3	-113.3	-113.3	-113.3	-113.3	-113.3
Other non-treasury	53.7	22.2	30.0	30.0	30.0	30.0	30.0	40.0
Credit to the economy	619.3	624.6	633.4	573.8	509.6	493.7	614.8	670.8
Other items (net)	-292.8	-171.9	-130.7	-250.0	-250.0	-250.0	-250.0	-250.0
Money and quasi money	895.8	877.9	1092.1	1060.2	1064.0	1084.2	1107.6	1173.9
Currency outside banks	406.5	415.2	516.5	482.4	476.5	485.6	523.8	555.2
Demand deposits	404.0	396.4	493.1	460.6	473.5	482.5	500.1	530.1
Time and savings deposits	97.2	100.9	125.5	117.2	113.9	116.1	127.3	134.9
<i>Memorandum items:</i>								
Broad money (annual percentage change)	-2.9	-2.0	24.4				1.4	6.0
Credit to the economy (annual percentage change)	-2.3	0.9	1.4				-2.9	9.1
Credit to the economy (percent of GDP)	10.6	10.2	9.9				10.1	10.2
Credit to the economy (percent of non-oil GDP)	12.8	12.6	12.3				11.8	12.2
Velocity (non-oil GDP)	5.4	5.7	4.7				4.7	4.7
Velocity (total GDP)	6.5	7.0	5.9				5.5	5.6

Sources: Chadian authorities; and IMF staff estimates and projections.

¹2018 data does not include December 2018 IMF disbursement which showed up in the Treasury account on February 2019.

² Include statutory and exceptional advances.

Table 6. Chad: Financial Soundness Indicators, 2011–19

	2011	2012	2013	2014	2015	2016	2017	2018	2019
Capital Adequacy									
Regulatory capital / Risk-weighted assets	20.0	18.1	22.0	13.4	14.7	13.2	18.0	16.8	6.7
Asset Quality									
Gross credits in arrears/Gross banking loans	7.6	7.4	9.8	11.7	17.0	20.9	25.8	28.6	22.9
Provisions / Credits in arrears	89.0	64.5	65.3	68.3	58.9	56.4	53.5	56.5	64.6
Net credits in arrears/Gross banking loans	0.8	2.6	3.4	3.7	7.0	9.1	12.0	12.4	8.1
Profitability									
Return on Assets (ROA)	2.6	2.2	2.8	2.1	1.6	1.4	0.6	1.6	...
Return on Equity (ROE)	19.2	15.5	21.1	19.4	15.2	14.6	5.3	14.0	...
Liquidity									
Liquid assets / Total assets	29.9	31.8	28.6	30.8	26.0	23.1	27.5	20.2	26.8
Liquid assets / Short term liabilities	149.3	146.6	139.3	152.9	142.1	155.0	188.9	117.9	124.9

Sources: IMF Financial Soundness Indicators; COBAC.

Table 7. Chad: Indicators of Capacity to Repay the Fund, 2020–34

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Fund obligations based on existing credit (SDR millions)															
Principal	2.0	8.1	17.0	29.7	47.7	54.3	48.1	39.3	28.7	11.2	0.0	0.0	0.0	0.0	0.0
Charges and interest	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Fund obligations based on existing and prospective credit (SDR millions)															
Principal	2.0	8.1	17.0	29.7	47.7	62.7	70.6	61.7	51.2	33.7	14.0	0.0	0.0	0.0	0.0
Charges and interest	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total obligations based on existing and prospective credit															
SDR millions	2.1	8.2	17.0	29.7	47.7	62.7	70.6	61.7	51.2	33.7	14.1	0.0	0.0	0.0	0.0
CFAF billions	1.7	6.6	13.8	24.0	38.6	50.7	57.1	49.9	41.4	27.3	11.4	0.0	0.0	0.0	0.0
Percent of exports of goods and services	0.1	0.3	0.6	1.0	1.5	1.9	1.9	1.6	1.2	0.8	0.3	0.0	0.0	0.0	0.0
Percent of debt service ¹	1.5	4.7	8.3	12.8	20.5	26.4	27.9	23.7	28.5	24.9	15.6	0.0	0.0	0.0	0.0
Percent of GDP	0.0	0.1	0.2	0.3	0.5	0.6	0.6	0.5	0.4	0.2	0.1	0.0	0.0	0.0	0.0
Percent of tax revenue	0.4	1.4	2.6	4.1	5.9	6.9	7.0	5.5	4.2	2.5	0.9	0.0	0.0	0.0	0.0
Percent of quota	1.5	5.8	12.2	21.2	34.1	44.7	50.4	44.0	36.5	24.0	10.0	0.0	0.0	0.0	0.0
Outstanding IMF credit based on existing and prospective drawings															
SDR millions	396.3	388.2	371.2	341.5	293.8	231.1	160.5	98.8	47.7	14.0	0.0	0.0	0.0	0.0	0.0
CFAF billions	322.1	313.8	299.6	275.7	237.3	187.0	129.9	80.0	38.6	11.3	0.0	0.0	0.0	0.0	0.0
Percent of exports of goods and services	20.7	16.6	13.8	11.6	9.3	6.8	4.3	2.5	1.2	0.3	0.0	0.0	0.0	0.0	0.0
Percent of debt service ¹	281.5	222.7	181.2	147.1	125.9	97.2	63.4	37.9	26.5	10.4	0.0	0.0	0.0	0.0	0.0
Percent of GDP	5.3	4.8	4.2	3.6	2.9	2.1	1.4	0.8	0.4	0.1	0.0	0.0	0.0	0.0	0.0
Percent of tax revenue	73.5	64.5	56.0	46.7	36.3	25.6	16.0	8.8	3.9	1.0	0.0	0.0	0.0	0.0	0.0
Percent of quota	282.7	276.9	264.7	243.6	209.5	164.8	114.5	70.5	34.0	10.0	0.0	0.0	0.0	0.0	0.0
Net use of IMF credit (SDR millions)	110.2	-8.1	-17.0	-29.7	-47.7	-62.7	-70.6	-61.7	-51.2	-33.7	-14.0	0.0	0.0	0.0	0.0
Disbursements	112.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Repayments and repurchases	2.0	8.1	17.0	29.7	47.7	62.7	70.6	61.7	51.2	33.7	14.0	0.0	0.0	0.0	0.0
<i>Memorandum items:</i>															
Exports of goods and services (CFAF billions)	1,557	1,896	2,173	2,375	2,564	2,735	3,046	3,161	3,330	3,509	3,600	3,595	3,598	3,572	3,575
External Debt service (CFAF billions) ¹	114	141	165	187	189	192	205	211	145	109	73	75	82	90	103
Nominal GDP (CFAF billions)	6,062	6,584	7,154	7,659	8,192	8,764	9,389	10,033	10,720	11,454	12,132	12,842	13,618	14,411	15,257
Tax revenue (CFAF billions)	438	486	535	591	653	731	814	905	995	1,093	1,200	1,307	1,422	1,548	1,685
Quota (SDR millions)	140.2	140.2	140.2	140.2	140.2	140.2	140.2	140.2	140.2	140.2	140.2	140.2	140.2	140.2	140.2

Source: IMF staff estimates and projections.

¹Total external debt service includes IMF repurchases and repayments.

Table 8a. Chad: Original Schedule of Disbursement Under new ECF Arrangement, 2017-2020

Amount (Percent of Quota)	Amount (Million SDR)	Available Date	Conditions for Disbursement
25.0	35.05	June 30, 2017	Executive Board approval of the three year ECF arrangement
25.0	35.05	August 15, 2017	Observance of the performance criteria for June 30, 2017 and completion of the first review under the arrangement
25.0	35.05	April 15, 2018	Observance of the performance criteria for December 31, 2017 and completion of the second review under the arrangement
25.0	35.05	October 15, 2018	Observance of the performance criteria for June 30, 2018 and completion of the third review under the arrangement
20.0	28.04	April 15, 2019	Observance of the performance criteria for December 31, 2018 and completion of the fourth review under the arrangement
20.0	28.04	October 15, 2019	Observance of the performance criteria for June 30, 2019 and completion of the fifth review under the arrangement
20.0	28.04	April 15, 2020	Observance of the performance criteria for December 31, 2019 and completion of the sixth review under the arrangement
Total	160.0	224.32	

Source: IMF Staff estimates and projections.

Table 8b. Chad: Proposed Schedule of Disbursement Under new ECF Arrangement, 2017-2020

Amount (Percent of Quota)	Amount (Million SDR)	Available Date	Conditions for Disbursement
25.0	35.05	June 30, 2017	Executive Board approval of the three year ECF arrangement
25.0	35.05	August 15, 2017	Observance of the performance criteria for June 30, 2017 and completion of the first review under the arrangement
25.0	35.05	April 15, 2018	Observance of the performance criteria for December 31, 2017 and completion of the second review under the arrangement
25.0	35.05	October 15, 2018	Observance of the performance criteria for June 30, 2018 and completion of the third review under the arrangement
20.0	28.04	April 15, 2019	Observance of the performance criteria for December 31, 2018 and completion of the fourth review under the arrangement
20.0	28.04	October 15, 2019	Observance of the performance criteria for June 30, 2019 and completion of the fifth review under the arrangement
20.0	28.04	July 15, 2020 ¹	Observance of the performance criteria for December 31, 2019 and completion of the sixth review under the arrangement
Total	160.0	224.32	

Source: IMF Staff estimates and projections.

¹The Sixth Review will be rephased.

Appendix I. Letter of Intent

N'Djamena, April 9, 2020

Madame Kristalina Georgieva
Managing Director
International Monetary Fund
Washington, DC, USA

Dear Managing Director,

The Chadian authorities are grateful to the IMF for its continued support under the Extended Credit Facility (ECF) arrangement approved by the IMF Executive Board on June 30, 2017, in support of our economic and financial reform program. The program helped reestablish debt sustainability and progressively consolidate the external position. Despite a difficult socio-economic situation and continued humanitarian, climatic and security challenges, our economy was on a recovery trend. We remain committed to the program, and performance towards the sixth and last ECF arrangement review has been satisfactory.

Unfortunately, the socio-economic impact of the COVID-19 pandemic threatens to erode the progress made under the ECF arrangement. The reduction in global demand will lead to a decline in remittances and a drop in oil prices and in non-oil exports and considerably weaken fiscal and external positions. Efforts to contain a spread of the pandemic will also entail additional spending in the health sector. Disruptions in international trade flows have disturbed manufacturing and agricultural activities relying on imports and exports. Disruptions could lead to shortages in imported goods, which in turn could push up prices for basic necessities. Containment measures (07 PM to 06AM) and restrictions on travel, gatherings and public transportation listed below have also disrupted non-oil activities in transport, tourism and hospitality. A drop of imports and a slow-down of economic activity will lead to shortfalls in tax and customs revenue.

A set of pressure alleviating measures will be announced by the government. For small and medium-sized businesses, these include a reduction of the business license and the presumptive tax, which would help enterprises, merchants and public transport. Tax breaks such as allowing loss carry-over and late payment of taxes can be examined on a case by case basis, which could help some sectors namely air transport, tourism and hospitality. Also, the ad hoc tax audits and all general accounting verifications may be suspended from April. The payment of CFAF 110 billion of debts owed to suppliers to the state will be made as soon as possible thanks to the mobilization of savings by Chadian banks, in the context of the domestic debt clearance plan.

Measures have also been taken in favor of the population. They concern the assumption by the State of all water consumption billed by the Société Tchadienne des Eaux or by management committees (or at standpipes) to households for a period of six months; the assumption by the State of the invoices of the national company of electricity for the domestic uses of the 1st social tranche capped at

150 KWh per month for the next three months; the payment of all death benefits due to deceased civil and military agents, indemnities and ancillary wages owed to retirees and payment of medical expenses for civilian agents and defense and security forces in accordance with the domestic debt clearance plan adopted by the Council of Ministers; speed up the establishment of the Youth Entrepreneurship Fund in agreement with Chadian banks for an amount of CFAF 30 billion, with a third of which reserved for young women.

The pandemic is adding pressure to a fragile social situation, and a worsening security environment. In January 2020, an agreement was reached with labor unions to reestablish some benefits to public sector workers, cut following the 2014 crisis, which has helped avert a generalized public strike. Students have been demonstrating, calling for the reestablishment of scholarships and improved education and transport benefits. While the state of emergency in three provinces was removed in January, there have been renewed clashes with armed groups in one of these provinces. Boko Haram bases in the Chadian islands of Lake Chad have been destroyed and the defense and security forces are continuing their search, while Chad's contribution to the fight against terrorism in the Sahel has been stepped up in line with recommendations of the Pau Summit of January. We continue to count in part on external financial support for the legislative elections, scheduled for December 13, 2020.

The government took preventive measures against the COVID-19 with the assistance of the World Health Organization (WHO). These measures include, among others:

- The closure of all primary, secondary and university establishments throughout the territory;
- The closure of all places of worship (Mosques, Churches, etc.);
- The ban on all buses and minibuses for urban and interurban transport in the city of N'Djamena and in other provinces and the limitation of seats in taxis to three passengers plus the driver;
- The closure of grilling places, shops and stores selling non-food items such as bars, restaurants, local beer selling places, casinos and betting places;
- The closure of weekly markets in villages;
- The establishment of hygiene regulations in all public places;
- The formal ban on the gatherings of more than 50 people across the country;
- The introduction of a curfew from 07 PM to 06 AM in four provinces (Logone Oriental, Logone Occidental, Mayo-kebbi East and West plus the city of N'Djamena) since April 02, 2020 for two weeks renewable.

While only ten cases of coronavirus infection have been declared in Chad, the virus is closing in as many cases have been reported in neighbor countries. All travelers entering the territory via the airport and border posts are screened upon arrival and suspected cases are quarantined and tested. An instruction was issued on mandatory quarantine for all visitors from five countries affected by the virus, and official travels to these countries were suspended. All passenger flights were suspended

starting from March 19, and borders with Central African Republic and Sudan were closed. Events and meetings were cancelled, gatherings of more than 50 people were banned, public transport was restricted, and all schools and universities were closed. A contingency plan to contain the spread of the virus was adopted, an inter-ministerial monitoring committee was established, and Farcha Hospital was designated to receive infected cases identified at N'Djamena entry points. Other cases will be treated in provincial hospitals.

The National Contingency Plan for the preparedness and response to the pandemic of the Coronavirus COVID-19 aims at reinforcing the preparedness to respond quickly, to stem its spread across the country, and to mitigate its health and socio-economic impacts. The plan was supported by the German cooperation which provided test kits and a mobile laboratory and by the WHO which supplied reagents tests. Two agents were trained in the use of the equipment and the molecular technique for diagnosing COVID 19. The budget for the contingency plan is estimated at CFAF 15 billion (0.3 percent of non-oil GDP), of which 60 percent is to be financed by donors. Prospects for additional financial support from other development partners seem necessary to cover the still indicative financing need. Implementation of the plan is a real challenge in view of the long borders, a weak health care system, limited human resources and the need to set up and equip isolation and treatment sites across a continental territory, particularly in regions without medical coverage. The provisional budget for the plan may therefore be exceeded, depending on the evolution of the pandemic.

The global impact of the coronavirus pandemic will generate substantial balance of payments and fiscal needs. Unfortunately, the shock on oil prices materializes at a time when the government was starting to build up reserves under the law for the smoothing mechanism for oil prices and production that came into force in November 2019. Including additional spending in the health sector, total financing needs are estimated at CFAF 238 billion (3.9 percent of GDP). In the absence of external financing, spending plans in the 2020 budget would be curtailed, affecting negatively growth and poverty reduction objectives under our development plan (PND, 2017-2021). The government is reaching out to donors to address COVID-19 challenges and medium-term fiscal pressures which have emerged due to the oil market slump and continues to be committed to fiscal discipline once the COVID-19 effects subside.

The government requests IMF financial assistance under the Rapid Credit Facility (RCF) arrangement, in the amount of SDR 84.12 million, equivalent to 60 percent of quota. This financing will help us to address urgent balance of payments and fiscal financing needs. We are confident that IMF emergency assistance will play a catalytic role in securing needed external grants from other development partners. This comes in addition to our request to access resources under the Catastrophe Containment and Relief Trust (CCRT) to cover future debt service to the Fund, in the amount of SDR 10.1 million, equivalent to 7 percent of quota,

At the same time, in order to allow for more time to reach understandings on the 6th review under the arrangement, which were supposed to take place around the end of April 2020 with the physical presence of an IMF team in N'Djamena, we ask the IMF Board, if it deems it necessary, to extend the end of the program from June 29, 2020 to the end of September 2020, with a rephrasing of access providing for a new availability date for the last disbursement (SDR 28.04 million, 20 percent of quota),

to be July 15, 2020. In case travel bans are lifted, the IMF mission to conduct the 6th review can be anticipated, and the date of the discussions made closer.

We remain committed to policies set out in the Memorandum of Economic and Financial Policies (MEFP) of November 2019 and are confident that they will enable us to achieve the program objectives. We stand ready to take any measure that may prove necessary. We will consult with IMF staff on the adoption of any additional measures in advance of revisions to the policies contained in the MEFP, in accordance with Fund policies on such consultations, and will not introduce any measures or policies that would compound our balance of payment difficulties. To facilitate program monitoring and assessment, the government undertakes to provide all necessary information to IMF staff on a regular basis and in a timely manner, pursuant to the Technical Memorandum of Understanding (TMU) attached to the letter of intent of November 2019. We also undertake, under Decree N ° 0374 of March 24, 2020 creating a special allocation account entitled "Special Fund for the fight against the Coronavirus" to keep separate accounts for COVID-19 expenses and provide separate reporting for the transparent management and in accordance with the best budget management practices to which we have always adhered.

We will continue to implement policies that are consistent with maintaining regional external stability. In particular, to help achieve regional NFA objectives, we will continue to support the efforts of the BEAC and COBAC to improve compliance with the new foreign exchange regulations, which requires notably the repatriation of export proceeds, including oil revenues. The BEAC also continues to implement the remaining recommendations of the 2017 safeguards assessment.

In keeping with our longstanding commitment to transparency, the government agrees to the publication of the staff report for the RCF request and this letter of intent on the IMF website.

Very truly yours,

/s/

Tahir Hamid Nguilin
Minister of Finance and Budget