International Monetary Fund • Publication Services
PO Box 92780 • Washington, D.C. 20090
Telephone: (202) 623-7430 • Fax: (202) 623-7201
E-mail: publications@imf.org Web: http://www.imf.org
Price: $18.00 per printed copy

International Monetary Fund
Washington, D.C.

INTERNATIONAL MONETARY FUND

COMMUNICATIONS DEPARTMENT

Press Release No. 19/267
FOR IMMEDIATE RELEASE
July 3, 2019

International Monetary Fund
700 19th Street, NW
Washington, D. C. 20431 USA

IMF Executive Board Completes Fourth Review under the Extended Credit Facility (ECF) for Chad, Approves US$38.9 Million Disbursement and Concludes 2019 Article IV Consultation

- Performance under the ECF-supported program has been broadly satisfactory with continued improvement in the fiscal position and progress in implementing structural reforms in spite recent delays.
- Overall economic activity strengthened in 2018 but further reform efforts are needed to support the recovery in the non-oil sector and improve social conditions.
- Chad's program is supported by the implementation of policies and reforms by the regional institutions which are critical to its success.

On July 3, 2019, the Executive Board of the International Monetary Fund (IMF) completed the fourth review of Chad's economic and financial program supported by an Extended Credit Facility (ECF) arrangement. Completion of the review enables the disbursement of SDR 28.04 million (about US$38.9 million), bringing total disbursements under the arrangement to SDR 168.24 million (about US$233.1 million).

Chad's ECF arrangement was originally approved by the Executive Board on June 30, 2017 (see Press Release No. 17/257) for SDR 224.32 million (about US$310.8 million or 160 percent of Chad's quota). The ECF-supported program aims to help Chad restore macroeconomic stability, lay the foundation for robust and inclusive growth, and contribute to the regional effort to restore and preserve external stability for the Central African Economic and Monetary Union (CEMAC).

Following the Executive Board discussion on Chad, Mr. Mitsuhiro Furusawa, Deputy Managing Director and Acting Chair, made the following statement:

"Performance under the ECF-supported program has been broadly satisfactory, reflecting strong commitment by the authorities despite a challenging environment including security concerns and a difficult social situation. All end-December 2018 performance criteria and most end-March indicative targets were met. Progress is underway on the structural reform agenda, despite some delays.

"Moving forward, it is essential that efforts continue to create fiscal space for increased social spending and public investment, and to reduce domestic debt and clear arrears. Key actions in this regard include continued fiscal prudence, increasing domestic revenue mobilization, particularly by reducing exemptions, and strengthening public financial management. Pursuing these policies, accompanied by continued structural reform implementation, will help further stabilize the fiscal position, energize non-oil growth, and reduce banking sector vulnerabilities.

"Chad's program is supported by the implementation of supportive policies and reforms by the regional institutions in the areas of foreign exchange regulations and monetary policy framework and to support an increase in regional net foreign assets, which are critical to the program's success."

The Executive Board also concluded the 2019 Article IV Consultation with Chad.

Chad is a low-income fragile country that depends heavily on oil revenues. In recent years, it has been heavily impacted by an oil price shock and security tensions which intensified recently. Significant progress has been made under the 2017 ECF arrangement to help restore debt sustainability and fiscal stability. However, the economic, financial, and social situation is still very difficult, and the recovery in the non-oil economy has not taken strong hold as the economy continues to deal with legacies from the crisis and long-standing structural weaknesses.

Executive Board Assessment[1]

Executive Directors commended the authorities' continued commitment to the reform program supported by the IMF despite a challenging environment marked by fragility and significant development challenges. Notwithstanding the broadly favorable outlook, Directors noted the significant downside risks, including from the deterioration in the security situation and large drops in oil prices. In this context, they underscored the need to maintain fiscal discipline, while implementing reforms to address long-standing structural impediments to non-oil activity and achieve higher and more inclusive growth.

Directors commended the authorities for maintaining prudent fiscal policy. However, in light of high risk of debt distress, they emphasized the importance of increasing non-oil revenue, including by reducing costly exemptions and improving VAT collection, and maintaining spending discipline. This would help to ensure debt sustainability and create space for the much needed social and infrastructure spending. To reduce vulnerability to oil price fluctuations, Directors encouraged the authorities to consider a simple price-smoothing mechanism. They noted that strengthening public financial management and clearance of domestic arrears also needs to remain a priority.

Directors noted that vulnerabilities in the financial sector remain elevated, reflecting the tight sovereign-bank nexus. They encouraged curtailing the public banks' financing of the budget, reducing the high levels of non-performing loans and improving banking sector liquidity.

[1] At the conclusion of the discussion, the Managing Director, as Chairman of the Board, summarizes the views of Executive Directors, and this summary is transmitted to the country's authorities. An explanation of any qualifiers used in summings up can be found here: http://www.imf.org/external/np/sec/misc/qualifiers.htm.

Directors encouraged the authorities to accelerate the pace of structural reforms to promote private sector development, diversify the economy and boost competitiveness. They emphasized the need for efforts to improve the business climate, enhance the fight against corruption, strengthen public financial management, and deepen financial inclusion. Directors noted that these efforts should be supported by well-targeted and coordinated capacity development activities, taking into account the authorities' absorptive capacity. To ensure the effectiveness of the provided technical assistance many Directors supported the authorities' call for long-term resident experts.

Directors noted that Chad's program continues to be supported by the implementation of policies and reforms by the regional institutions, which are critical to the program's success. These comprise the policy assurances provided in the December 2018 Letter of Policy Support, which were implemented as planned, and the assurance on NFA accumulation in 2019 presented in the updated letter of June 2019 and discussed in the June 2019 union-wide staff report. Completion of the fifth review will be conditional on the implementation of the updated policy assurance.

Table 1. Chad: Selected Economic and Financial Indicators, 2017-2023

	2017	2018	2019	2020	2021	2022	2023
	Prel.		Projections				
	(Annual percentage change, unless otherwise indicated)						
Real economy							
GDP at constant prices	-2.4	2.4	2.4	5.5	4.8	5.3	4.1
Oil GDP[1]	-11.2	12.7	4.0	16.7	8.2	10.6	4.4
Non-oil GDP	-0.5	0.5	2.0	3.0	4.0	4.0	4.0
GDP deflator	-0.8	2.3	2.6	2.9	3.0	2.9	1.7
Consumer price index (annual average)[2]	-0.9	4.0	3.0	3.0	3.0	3.0	3.0
Oil prices							
Brent (US$/barrel)[3]	54.4	71.1	61.8	61.5	60.8	60.4	60.6
Chadian price (US$/barrel)[4]	49.4	65.1	58.8	58.5	56.8	56.4	56.6
Oil production for exportation (millions of barrels)	36.0	42.2	45.2	53.9	58.9	65.9	69.1
Exchange rate CFAF per US$ (period average)	580.9	555.2	…	…	…	…	…
Money and credit							
Net foreign assets	0.5	11.7	10.5	10.2	11.6	7.1	10.3
Net domestic assets	-4.7	-7.2	0.6	-1.1	-4.6	1.0	-3.5
Of which: net claims on central government	-4.4	-7.8	5.7	-2.9	-5.7	-0.8	-4.5
Of which: credit to private sector	-1.7	0.7	0.9	1.7	1.1	1.8	1.0
Broad money	-4.3	4.5	11.0	9.1	7.0	8.1	6.8
Velocity (non-oil GDP/broad money)[5]	5.3	5.2	5.0	4.8	4.8	4.7	4.7
External sector (valued in US dollar)							
Exports of goods and services, f.o.b.	15.4	37.6	-1.8	16.0	6.0	10.2	5.7
Imports of goods and services, f.o.b.	5.3	15.3	3.1	10.6	6.4	8.8	4.9
Export volume	-10.8	11.6	7.2	15.7	7.8	10.1	4.5
Import volume	5.6	12.4	2.4	10.4	5.4	7.7	3.8
Overall balance of payments (percent of GDP)	-1.1	1.9	1.0	1.0	1.2	-0.1	0.4
Current account balance, including official transfers (percent of GDP)	-6.6	-3.4	-6.5	-5.9	-6.4	-6.3	-5.9
Terms of trade	29.7	20.2	-9.0	0.2	-2.5	-1.1	0.2