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SUPPORT TO
DEVELOPMENT MINISTRIES III

(677-0055)

PAIP

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I. Executive Summary and Overview.

One of the poorest countries in the world, Chad is facing a difficult period of economic adjustment and problems recovering from years of civil war and Libyan invasion. Cotton is the principal export product and traditionally the chief source of tax revenue. Cotton prices have dropped by fifty percent since 1984. The shortfall in export earnings from the cotton sector has hamstrung Chad's ability to finance vital imports and normal government operations or invest in its own economic development until the early 1990s.

Tax and other revenues have declined from 21.3 billion CFA francs (\$71 million) in 1985 to a projected level of 17.8 billion CFA francs (\$59 million) in 1987. Until cotton and the general economy recover from the current recession, increases in GOC revenues will be marginal ones and only resulting from improved administrative efficiency. Budgetary expenditures are projected to total some 27 billion CFA francs (\$90 million) this year. With more than three-quarters of the budget earmarked for civilian salaries (paid at only 60% of the official scale) and defense against Libyan aggression, there is no room for cuts. The GOC must therefore rely on donors, notably France, the United States, and the World Bank, for help in financing its approximately 10 billion CFA francs (\$33 million) budget deficit.

The purpose of the proposed assistance is to provide the GOC with a \$7 million cash transfer to help finance its 1988 fiscal deficit. It will complement a more substantial French budget support effort as well as adjustment credits being accorded by the International Monetary Fund and the World Bank. A.I.D. funds will be earmarked for salaries in civilian ministries.

Two previous A.I.D. budget support activities have demonstrated the reliability of the GOC's financial management systems. Therefore, this program will require limited management time from the Mission. Funds will be released in two tranches, subject to Mission approval of GOC utilization plans, and disbursements will be audited by the Mission Controller's Office and the A.I.D. financed contractor assigned to the Ministry of Finance.

The GOC's economic and financial policies are already strongly market-oriented and in little need of fundamental revision. The requirements attached to this activity will be a continuation of policy dialogue in areas of mutual interest to the GOC and A.I.D. Among those being actively considered are transportation (road construction and maintenance), studies of donor funded investment projects' recurrent costs, and food aid (studies of alternative food security strategies and analysis of the different costs and benefits of each).

II MACROECONOMIC JUSTIFICATION FOR BUDGET SUPPORT

A. OVERALL PERFORMANCE

Chad's remote and isolated economy is widely regarded as one of the poorest in the world. Civil war has brought in its wake not only the task of reestablishing the public sector's normal administrative and public service operations, which largely ceased to function between 1979 and 1982, but the reconstruction of a major portion of the country's meager capital stock as well. As noted in Table I, a record cotton crop, combined with an initial surge of industrial recovery, fueled a 5.6 percent rate of growth in the GDP in 1983. One of the most severe droughts in this century, however, served to reduce the rate of growth for the following year to a negative 4.5 percent. Recovery and growth in industry and construction were nonetheless impressive. The economy rebounded the following year on an unprecedented scale. Grain production more than doubled, offsetting the initial downturn in world cotton prices. Real growth in the GDP was an extraordinary 29 percent, surpassing for the first time the peak 1977 level. The continuing downward spiral in cotton prices led to 2.0 percent decline in the GDP the following year, however. Fortunately, the strong negative effect of cotton was mitigated by another excellent cereal harvest. Together with the reconstitution of the livestock herd, they prevented the decline from being far worse. Based upon events thus far, the IBRD is projecting a

positive rate of growth of 1.8 percent for 1987, followed by the slightly higher rates of 2.2 percent and 2.0 percent for 1988 and 1989 respectively.

B. GOVERNMENT OPERATIONS

As noted above, the Government's first task in the postwar period was to reestablish its regular administrative and public service functions. Ministries and other offices gradually resumed their previous activities as former employees were reintegrated and temporary workers were hired. The number of civil servants stood at approximately 9,000 by early 1985, rose to 18,000 early the following year and is estimated at 22,500 at the present time. Fully 94 percent of the initial increase in public sector employment took place in the Ministries of Education, Public Health, Social Affairs and Environmental Protection, as efforts were made to overcome severe shortages of teachers, and health, forestry and environmental protection workers. The public wage bill has expanded apace. Aggregate monthly wages have increased from an initial figure of about CFA 400 million to CFA 1,200 million at present. These figures, it should be mentioned, reflect payments of only 50 percent of the GOC salary scale adopted in 1967 through 1986 and 60 percent thereafter. Expenditures by category and by ministry appear in Tables II and III. Note that two politically sensitive items, military outlays and

civilian salaries, together account for more than seventy-five percent of all expenditures. With the continued Libyan occupation of Chad's northern tier, this portion of the budget cannot be prudently reduced. Any decrease in the modest civilian salaries now paid, or any attempt to increase the flat 25 percent income tax rate presently being levied, would be immensely unpopular. Likewise, expenditures on goods and services are minimal. The IBRD recently noted "the generalized lack of basic equipment and supplies (e.g., desks, chairs, paper, simple office machines) in Government offices."¹ Then too, to the extent that it has been able, the GOC has attempted to reconstruct its official and officially guaranteed external indebtedness, service a growing proportion of maturing debt and avoid accumulating any additional arrears. It has not been altogether successful. A total of \$4.4 million was paid on the \$8.7 million that fell due in 1985. For 1986 the figures were \$2.9 million out of \$10.1 million. To summarize, a glance at the aggregate expenditure figures since 1984 discloses an admirable ability on the part of the GOC to maintain tight control in the face of foreign occupation of its Northern tier, a notable drought, and the collapse of cotton prices. Total expenditures have remained nearly constant in current prices, thus falling in real terms.

Revenues are listed in Table IV. Taxes are the overwhelming

1/ IBRD. Chad Economic Situation and Priorities. Draft MSS dated 6/15/87. Washington, D.C. pp. 12-13. Hereafter cited as Chad.

source of GOC income, accounting for between roughly 86 percent and 93 percent of total revenue in recent years. Of these, taxes on international trade are the most important, totalling between 40 percent and 57 percent of all tax revenues. Between the two categories of taxes on trade, levies on imported goods bring in the larger share, varying from a low of 62.2 percent to a high of nearly 100 percent. The total absence of revenues from export taxes in 1987 reflects the GOC's waiver of taxes on cotton, owing to the extremely difficult situation in which the industry is now operating. No further income is expected from the commodity until the early 1990s. Other leading sources of revenue are the income tax and taxes on goods and services. Each of these contributes an additional 15 percent or so of total tax revenues.

Note in Table V that despite salary payments of 50 percent of the 1967 schedule, minimal expenditures for supplies and equipment and almost no provision for maintenance, expenditures have still consistently exceeded revenues by a substantial margin. Moreover, with the exception of 1985, when there was a sizeable reduction, the deficits have increased in absolute amount with the passage of time as well. As a percent of the GDP the deficits have varied, according to the figures in Table I, between 1.6 percent and 2.7 percent. The latter figure is not especially alarming until one realizes that it represented one third of GOC revenues for 1986.

The GOC has relied thus far upon a variety of sources, both domestic and foreign, to finance the deficits. The chief domestic source by far has been BEAC, the regional central bank. Leading foreign sources, as reported in Table VI, have been the budgetary support programs of France and the United States. The French is the larger of the two by a considerable margin, accounting for slightly over 86 percent of all externally provided budget support monies between 1983 and 1986. The United States contributed 10 percent, IDA a little less than four percent.

The need for additional revenues, particularly since the loss of cotton export duties beginning in 1986, is manifest. The ability of the present system to provide them is questionable at best. The search for additional revenues, particularly in the wake of the cotton crisis, has run up against certain weaknesses in the fiscal system. The World Bank classifies them as follows.

1. Revenues rest on a narrow, undiversified base, for which the yield is reduced by inadequate tax administration.
2. The Government has only a limited capacity to analyze the economic and social impact of fiscal options - a factor leading to a rather unintegrated,

ad hoc system of taxation. Often, this system proves too cumbersome and complex, or too distortionary, causing consumption - switching toward smuggled goods, which creates significant disincentives to domestic production and/or to marketing through official channels. This, in turn, undercuts the very revenues the Government seeks to tax. According to the directors of Chad's major industries, consumption - switching has been a particularly serious problem in the manufacture of cigarettes, soft drinks, sugar, oil and soap. The Government urgently needs additional sources of revenues, but it must try to broaden the tax base to the greatest extent possible and improve yields. This, in turn, requires increased capacity to analyze fiscal options and to administer the resulting taxes. ²

C. THE EXTERNAL SECTOR

Recent trends in Chad's balance of payments, together with projections through 1992, appear in Tables VII and VIII. The extent to which the usually negative trade balance is dependent upon developments in the cotton industry is striking. It was only during 1984, when a record level of

^{2/} IBRD. Chad. p.13

production combined with unusually favorable marketing conditions, that Chad managed to generate a small trade surplus. Likewise, the collapse of world cotton prices in 1985 and 1986 led, in turn, to record high trade deficits. The huge deficits were also aggravated by rapid increases in payments for non-factor services associated with the exploration for petroleum. Despite substantial direct investments by Exxon Corporation and increasing levels of official development assistance (ODA), net reserves were drawn down by \$32 million in 1985 and by an additional \$24 million in 1986. By the end of 1986 Chad's official reserves were reduced to the equivalent of one month's exports. Since world cotton prices are projected to rise only slowly in coming years, and with the outlook for substantial increases in foreign investment not being particularly bright, the need for substantial increases in foreign economic assistance is paramount. As noted in Table VIII the IBRD estimates that Chad's total external financing requirements between 1987 and 1989 amount to about \$950 million. Medium and long term capital inflows, including direct investments, should cover \$278 million. External grants, including those from the United States, totalling an additional \$440 million, representing a sustained annual increase over the 1986 level of 18 percent, are considered to be possible by the IBRD. The resulting financial gap of \$12 million could then be covered with relative ease by resources from the Fund's Structural Adjustment Facility.

D. ADJUSTMENT PROGRAMS

Prospects for economic growth during the next few years are fairly modest - 2 percent per year until 1990. Output in the cotton industry is unlikely to expand and prospects for other sectors appear to be lackluster as well. Within this context, the World Bank and the IMF have collaborated in defining a policy strategy that would be jointly financed by an \$80 million structural adjustment loan, or SAL, from the former and an \$18.5 million loan from the Structural Adjustment Facility, or SAF, from the latter. The salient features of the program are summarized below.

The cotton sector: This is considered to be the principal area in which structural change is occurring. The strategy here is to reduce costs as far as possible and secure the financing required to cover the inevitable losses that will occur in the short run. IDA has lent \$15 million toward this objective in a \$47 million package also supported by the Governments of France and the Netherlands, and the European Development Fund.

Other sectors: Emphasis will be placed on developing the livestock sector, which has the

potential to significantly expand its export markets. Also, since the limited and poorly maintained domestic transportation network is a major constraint on economic growth, the IBRD is collaborating with the GOC to formulate a strategy focussed on the selection and maintenance of a priority road network, as well as increasing competition between the trucking companies operating in the sector.

- Fiscal policy:

- no public sector recourse to domestic bank borrowing
- better enforcement of existing taxes
- strict austerity on the expenditure side
- GOC salaries to continue at 60 percent of the 1967 schedule
- reduce domestic and external arrears
- improve the Government's position vis a vis the banking system
- prepare an investment budget, the first in 12 years

credit and monetary policies

- limit the growth of domestic credit to 5 percent for 1987, and 10 percent for 1988 and 1989.
- no growth in the money supply during 1987, with a 10 percent annual growth rate in 1988 and 1989.

As noted above, France provided CFA 5 billion (about \$14.7 million) in general budget support during 1986 and plans to provide about the same amount during 1987. While they have acted as the funding source of last resort in the past, the French have proven unwilling or unable to shoulder the entire budget deficit themselves. France actively encourages the GOC to seek supplementary sources for such financing.

III. PROJECT DESCRIPTION

A. BACKGROUND

The proposed cash transfer budget support program is the third in a series that began in 1984. Responding to the growing deficit between GOC revenues and the expenditures required to maintain a minimal acceptable level of public services, the United States moved to supplement similar, albeit larger scale, budget support operations that the French had begun to carry out late in 1982. The agreement for the first program, entitled simply "Cash Transfer" (677-0047), was signed in April 1984. The first one million dollar tranche was distributed in July 1984. Owing to the urgent nature of the requirement for budget support, the serious drought then underway, the chaotic state of the country's economic and social data base and the

GOC's consequent inability to articulate its objectives and strategies other than in very broad, general terms, conditionality was deliberately minimized. The mission sought only to assure that the funds provided were used by the GOC to pay the salaries of civil servants working in non-defense related activities, together with the necessary supporting equipment to enable them to carry out their tasks productively. As a consequence, other than the standard provisions, the only other conditions present were conditions precedent to each tranche that required a utilization plan for use of the local currency in the special account and interim utilization reports certified by the Minister of Finance and the Inspector of State setting forth the actual use of funds under the previous tranche. In addition to the usual audits performed by the USAID Controller's Office for each of the tranches, GOC use of the first tranche was also independently audited by the Abidjan branch of Price Waterhouse and Company. No significant irregularities were found in the way in which the funds had been disbursed.

Given the general nature of the budget support provided, it is of course, impossible to attribute specific results to the program. This is particularly true when it is recalled that the United States resources were commingled with significantly larger amounts of similar resources provided by the GOC and

France. Nonetheless, it is useful to recall that the GOC was rapidly rebuilding its civilian work force while the funds were being disbursed. A rapid increase in public sector employment would, under ordinary circumstances, be contrary to Agency policy. It must be kept in mind, however, that the circumstances were far from ordinary. The GOC was in the midst of mounting a concerted post war reconstruction effort while simultaneously coping with the consequences of one of the most serious droughts in this century. The regularizing of salary payments during this period, at least for NDjamena and most areas to the south, undoubtedly also served to boost employee moral and attendance, thus increasing non financial public sector productivity as well.

Then too, as a result of its recent establishment and limited administrative resources, the GOC remains small, both relative to its size in the prewar economy and to the economy as a whole. In 1977 total revenues amounted to 9.0 percent of GDP while total expenditures represented 11 percent. These figures had fallen to approximately 6.0 percent and 8.6 percent, by the end of 1985. Likewise, with 22,530 employees in mid 1987 the GOC labor force is comparable in size to the estimated 22,000 employees that were working in 1977. Moreover, recall that civil servants were still only receiving 50 percent of their 1967 salary schedule during this period. Salaries were not

raised to 60 percent until earlier this year. Then too, the GOC's small size also reflects its preference for a liberal economy in which the government serves as a compliment to, rather than a substitute for, private sector activity. Despite its relatively smaller size, however, the GOC has succeeded in defending the North from Libyan invasion and has simultaneously expanded education and health services to the highest absolute levels ever attained by a Chadian administration.

The agreement for the second of the two preceding budget support programs, entitled "Strengthening Development Ministries II" (647-0052), was signed in September 1986. While similar to the first, it differs in some important features. The total amount was increased to \$7 million and a number of substantive conditions to the assistance were added. The latter consisted particularly in conditions precedent certifying that the GOC would not finance from its national budget any auto loan or guarantee program for personal vehicles and that a census of GOC offices and parastatal enterprises personnel would be undertaken. The GOC has complied with both of the CPs. The third tranche was disbursed in early July 1987 and the fourth and final tranche is scheduled for disbursement in late or early September. Each of the four tranches is for \$1,750 million. USAID audits of the first two tranches and an

another independent audit of the first tranche by Price Waterhouse have failed to disclose any significant irregularity in GOC use of the funds. Salary payments are now regularly made within two or three weeks after the end of each month in the NDjamena area. Due to continuing tremendous logistical difficulties associated with the country's transportation and communications systems, salary payments in outlying areas are still made with greater delays and with less regularity.

The second program also differed from the first with respect to the GOC ministries' funding eligibility. Due to a hold on the Congressional Notification for the program, a number of GOC non-defense related ministries and other organizations were excluded from receiving budget support due to the limited developmental content of their activities. These included the Office of the Presidency, the Ministry of Foreign Affairs and the Ministry of Cooperation and the Interior.

B. PROGRAM DESIGN CONSIDERATIONS

The team that designed the proposed program was particularly anxious to build upon the experience gained from implementation

of the two previous ones. While both had been audited far more extensively than is ordinarily the case, neither had been evaluated. The Agency has never required the formal review of non-project assistance activities. Fortunately, the great majority of the Mission staff that participated in the design and implementation of the earlier programs was still at post. In addition, the team benefitted from the presence of the U.S. national who has served as an advisor and financial analyst at the Ministry of Finance during the past year. Below is a summary of the conclusions reached by the design team as they shared their experiences and arrived at mutually agreed upon "lessons learned" from the earlier exercises. It should be noted at the outset that while the amount of funding requested for this program in the Congressional Presentation is \$5 million, this PAIP is designed for \$7 million, of which a small amount - not to exceed \$100,000 - would be spent for technical assistance and supporting supplies and equipment to enable the GOC to comply with the conditionality that the Mission proposes to establish. The reason for this unusual measure is the verbal assurance, made by both President Reagan and Acting Administrator Morris to President Hisein Habre when he visited Washington in mid June, that the cash transfer for budget support would be increased in amount. The \$7 million figure is appropriate in that it will at least prevent a decline from last fiscal year's funding level.

Lesson Number 1

Insofar as its resources permit, the GOC acts responsibly and expeditiously to implement the requests of the USAID and other donors.

Discussion.

If convinced of the logic, equity and economic and political practicality of any condition precedent, covenant or more informal request, the GOC appears to be willing to go to relatively extraordinary lengths to cooperate in assuring that it is accomplished as rapidly and as forthrightly as possible. In addition to the USAID's own experience with the two previous budget support cash transfers, as well as with its entire project portfolio, other examples abound. Here are some examples cited from the World Bank's recently released country economic memorandum for Chad.

"In the aftermath of the 1984 drought, Chad has often been cited as a model for the effective use of food aid."³

...the Government, in cooperation with the donor community, acted swiftly to implement an emergency program to support the

^{3/} IBRD. Chad. p. 23.

cotton industry through a period of adjustment, thereby allowing the continuation of cotton operations and banking activities in the short term."⁴

"While placing top priority on resolving crisis situations...the Government has also made considerable progress in creating a healthy environment for the recovery of economic activity."⁵

Design Implications

Fewer tranches and more routine audits. After examining various alternatives, the design team has determined that two tranches would be best suited for the purpose. The first, for approximately \$5 million, should be disbursed soon after signing the Agreement. The second, for the remainder, as soon as all of the covenants have been met. Given the GOC's proven track record, Price Waterhouse need not be called in unless and until the USAID Controller's Office, in the course of carrying out its own audits of the disbursements, determines that it would be advisable to do so. These measures will reduce the amount of routine staff time currently devoted to implementation by the USAID and the GOC without adversely affecting the integrity of the program.

^{4/} IBRD. Chad. pp. 9-10

^{5/} IBRD. Chad. p. 23.

Lesson Number 2.

The artificial distinction between development and the other non-military ministries and GOC offices has created an administrative nightmare and has resulted in delays in the payment of salaries.

Discussion.

However laudable this Congressionally-imposed proviso was in intent, the practical consequences have been inimical to U.S. national security and foreign policy interests in Chad. The GOC has been forced to divert several person years of extremely scarce and valuable auditing experience to devote to the maintenance of separate sets of books and accounts for the eligible and ineligible organizations. In addition, the GOC's very reasonable decision to pay all of its civilian employees at the same time has meant that even after the disbursement of the tranches under 677-0052, paychecks could not be distributed until sufficient additional revenues had been collected to pay the other non-military personnel.

Programming implications.

The distinction between development and other non-military

organizations has been dropped in the proposed program. Nowhere does the legislation associated with the Foreign Assistance Act require a distinction finer than non-military. Moreover, the team saw no reason why this particular country, one of the poorest in the world, with portions of its territory under Libyan occupation, should be the only country receiving budget support subject to such a proviso.

Lesson Number 3.

With the initial phases of rebuilding and reconstruction behind, and with the USAID's first Program Economist due to arrive at post later this year, it is appropriate for the USAID and the GOC to move to a new phase in policy dialogue, characterized by more rigorous analysis and focussed upon areas of mutual interest and concern.

Discussion.

The conditionality established in the two previous budget support programs reflected the Agency's assessment of the GOC's very limited capability to analyze and implement substantive policy changes at the time. While that capacity remains weak, the USAID, along with other donors, discerns progress. Forced to mount effective emergency programs to cope with drought,

locusts, rodents and the cotton crisis, the GOC's civil service cadre has acquired valuable experience that will prove useful as they prepare to shoulder the host of problems associated with the country's medium and longer-term economic development. As a consequence, the USAID must be prepared to assist in the process by pointing out, by means of the policy dialogue, areas of mutual interest in which the GOC should be focussing in order to promote economic development.

Programming implications.

Areas of mutual GOC/USAID interest during the coming fiscal year include the transportation (road construction and maintenance) sector, continued institution building within the Ministry of Finance, and the ever-present possibility of increased emergency food aid in the event of another drought. Given the very preliminary nature of this document, it is neither necessary nor appropriate to specify the precise conditionality that will be proposed for AID/W approval later in the PAAD. Among those being actively considered by the USAID and discussed with the GOC are the following.

Transportation.

Mutual agreement between the GOC and the USAID to study the share of road maintenance costs that

the GOC can assume and a phased time schedule for its adoption.

Mutual agreement between the GOC and the USAID to jointly study how the refining of petroleum domestically beginning in 1991 will affect the former's capacity to contribute to road construction and maintenance.

GOC agrees to study jointly with the USAID alternative methods for measuring road maintenance costs. The study will include an evaluation of the costs and the benefits of each method within the Chadian context.

Institution building

The Ministry of Finance, jointly with the Ministry of Planning and the USAID, will inventory all recently completed, as well as ongoing, donor-funded investment projects to determine their recurrent costs.

Food aid

The GOC and the USAID agree to jointly undertake a study of alternative food security strategies for Chad, including an analysis of the costs and benefits of each.

The GOC and the USAID agree to jointly undertake a study of the appropriate role for food aid in Chad under all conceivable circumstances.

07/17/1987

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TABLE 1: CHAD - KEY INDICATORS
(in percent, except where indicated)

	1962	1964	1965	1966	1967	1968	1969	1967-69 ann. avg.
	-----projected-----							
GDP growth rate (constant 1977 prices)	5.6	-4.5	27.4	-2.0	1.8	2.2	2.0	2.0
GDP per capita growth rate	7.7	-6.1	20.8	-3.8	-0.2	-1.6	0.0	-0.6
SDY growth rate	n.a.	n.a.	n.a.	-3.2	4.0	2.0	2.2	2.7
SDY per capita growth rate	n.a.	n.a.	n.a.	-5.1	2.0	-1.6	0.3	0.2
Consumption per capita growth rate	n.a.	n.a.	n.a.	-10.0	-3.5	-3.0	0.4	-2.0
Debt service (US\$)	n.a.	n.a.	9.0	10.0	10.0	8.0	9.0	9.0
Debt service/XBS	n.a.	n.a.	7.1	7.2	6.3	4.3	4.5	5.0
Debt service/GDP	n.a.	n.a.	1.3	1.2	1.1	0.8	0.8	0.9
Gross investment/GDP	n.a.	n.a.	6.1	10.7	15.6	16.0	16.5	16.0
Domestic savings/GDP	n.a.	n.a.	-32.2	-25.1	-19.0	-17.5	-17.7	-18.1
National savings/GDP	n.a.	n.a.	-24.6	-19.8	-15.4	-14.2	-14.4	-14.7
Public investment/GDP	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Private investment/GDP	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Ratio of public/private investment	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Government current revenue/GDP	4.7	8.2	7.5	5.9	7.0	6.9	6.9	6.9
Government current expenditure/GDP	6.6	10.7	9.1	8.6	9.4	8.8	8.7	9.0
Deficit or surplus/GDP (1)	-2.3	-2.1	-1.6	-2.7	-2.4	-1.9	-1.8	-2.0
Export growth rate (2)	102.0	48.2	-39.9	20.4	11.0	6.9	6.4	6.1
Exports/GDP	19.1	24.5	15.0	16.9	18.1	18.1	18.0	18.1
Import growth rate (3)	101.0	4.2	63.1	4.3	7.3	6.9	7.0	5.8
Imports/GDP	26.2	25.7	49.2	48.5	48.4	48.4	48.4	48.4
Current account (US\$)								
with public transfers	-39.8	-37.8	-155.2	-195.1	-228.7	-247.1	-249.2	-246.2
without public transfers	-102.5	-89.2	-169.0	-270.8	-297.8	-315.0	-340.2	-316.4
Current account without public transfers/GDP	-19.2	-17.5	-39.1	-32.9	-32.0	-31.9	-32.2	-32.0
World price of cotton fiber (US\$/kg)	1.85	1.79	1.32	1.04	1.41	1.54	1.56	1.54
World price of cotton fiber (CFAP/kg)	705.0	782.0	593.0	349.0	451.0	493.0	531.0	492.0
Exchange rate CFAP/US\$	391.1	437.0	449.3	349.0	320.0	320.0	320.0	320.0

Notes: (1) Deficit or surplus on a commitment basis.
(2) Exports of goods and services in SDRs.
(3) Imports of goods and services in SDRs.

TABLE II
Chad: Budgetary Expenditures of the Central Government, 1983-1987 (1)
(millions of CFA francs)

	1983	1984	1985	1986 (prov.)	1987 (proj.)
CURRENT EXPENDITURES (2)	11,855	22,601	23,543	22,910	26,160
Salaries (civilian)	6,599	6,294	8,032	9,482	10,160
Central administration	6,180	5,756	6,572	7,936	8,720
Foreign service	147	140	785	404	400
General staff expenses	272	378	688	507	40
Counterpart funds (3)	0	0	587	635	0
Goods and Services	7,322	2,418	4,750	2,747	5,160
Central administration	1,184	767	1,511	477	2,440
Embassies	220	272	577	549	550
General supplies	393	456	1,176	783	470
Building maintenance	321	89	309	75	200
Emergency action fund	53	31	115	444	500
Conference expenses (4)	0	0	0	0	500
Miscellaneous expenses	1,162	617	1,062	419	500
Military	2,050	9,000	9,397	9,400	9,000
Transfers	950	972	1,500	1,120	1,490
Social transfers	61	122	247	361	370
Contrib. to organizations	210	307	924	759	1,090
Pensions	680	269	329	0	0
Other transfers	28	274	0	0	30
Interest on Gov. Pub. Debt	0	0	0	0	0
Other Expenditures	(1,096)	3,917	(342)	1,161	350
Net Lending	0	0	0	0	0

- Notes: (1) All capital expenditures in this period have been externally financed. Budgetary expenditures do not include Foreign Debt Fund.
(2) Slight differences from Treasury figures in Table VI.
(3) Counterpart funds to A.I.D. budget support. Does not include budget support itself.
(4) Summit conferences of Customs and Economic Union of Central African States, Niger Basin Authority and Lake Chad Basin Commission.

Source: 1980; Ministry of Finance, Budget Office.

Best Available Document

TABLE III
Government of Chad
Non-Military Budgetary Expenditures: 1984-1987
(Millions of CFA francs)

Ministry/Function	1984(M) (Estimated Expenditures)			1985 (Actual Expenditures)			1986 (Actual Expenditures)			1987 (Budget)		
	Salaries	Supplies	Other	Salaries	Supplies	Other	Salaries	Supplies	Other	Salaries	Supplies	Other
Presidency	720.3	164.2	--	1,908.1	278.7	--	2,691.6	209.9	--	2,537.2	426.1	--
Government Secretariat	18.1	--	--	59.8	--	--	65.7	13.7	--	147.1	358.2	--
Nat'l Advisory Council	68.2	22.0	--	99.9	27.0	--	112.1	6.4	--	129.0	24.2	--
Planning	44.0	3.5	--	87.3	6.1	--	64.0	2.0	--	86.5	27.1	--
Information	69.4	25.0	--	140.6	49.0	--	163.6	52.9	--	164.1	85.3	--
Audit & Inspection	46.4	15.0	--	106.5	24.5	--	97.5	10.7	--	119.1	38.7	--
Ministry of State	--	--	--	--	--	--	--	--	--	12.0	4.5	--
Foreign Affairs	71.6	363.0	--	80.2	577.0	--	86.4	423.6	--	152.2	478.1	--
Finance	187.8	35.0	--	310.2	49.0	--	469.7	521.6	--	658.7	346.6	--
Civil Service	27.8	5.0	--	43.6	12.3	--	47.1	0.9	--	53.0	13.2	--
Justice	53.9	15.0	--	105.3	18.4	--	146.8	66.2	--	198.3	119.1	--
Interior	495.1	117.4	--	924.0	152.9	--	1,363.0	265.8	--	1,621.1	254.2	--
Education	627.3	70.0	--	1,130.6	110.4	--	1,895.8	102.1	--	2,567.5	115.7	--
Public Health	222.4	4.0	--	439.2	36.8	--	547.1	69.3	--	617.4	122.3	--
Social Affairs	47.2	2.6	--	81.9	3.7	--	87.0	--	--	106.8	22.7	--
Labor	--	--	--	25.2	5.6	--	29.1	2.0	--	45.2	13.3	--
Food Security	41.7	2.4	--	43.1	2.9	--	39.2	--	--	44.8	11.0	--
Agriculture	117.5	30.0	--	279.9	36.8	--	371.2	38.4	--	470.0	75.5	--
Livestock	106.1	6.0	--	214.9	9.8	--	240.3	14.6	--	316.0	39.6	--
Tourism & Environment	102.5	22.0	--	146.9	12.3	--	211.8	4.6	--	243.2	42.8	--
Culture, Youth & Sports	--	--	--	--	--	--	--	--	--	194.1	53.2	--
Commerce & Industry	46.0	4.5	--	63.0	6.1	--	60.3	--	--	73.4	17.1	--
Mines & Energy	--	--	--	--	--	--	--	--	--	58.9	23.5	--
Public Works	139.1	10.0	--	136.9	18.4	--	169.1	12.2	--	170.2	62.3	--
Post Office	10.2	5.0	--	20.2	11.0	--	20.1	--	--	30.3	9.5	--
Transportation	19.5	2.0	--	30.7	9.8	--	28.0	--	--	37.0	7.0	--
Provinces (MM)	2,872.9	--	--	--	--	--	--	--	--	--	--	--
Other (MMM)	157.8	556.0	14,683.6	92.9	1,176.0	14,257.5	57.7	3,540.7	10,529.5	54.5	1,462.0	10,239.9
Total	6,337.8	1,579.6	14,683.6	6,650.8	2,694.6	14,257.5	9,059.2	5,357.4	10,529.5	10,907.4	4,253.3	10,239.9

Source: Ministry of Finance and Computer Services, Budget Office
All figures are on a commitment basis.

Notes: (M) Detailed salary figures are for N'Djamena only.
(MM) All employees of all departments outside of the capital.
(MMM) Includes expenditures for defense, embassies, general supplies, contributions to international organizations and subsidies to local schools and social organizations.

TABLE IV
Chad: Budgetary Revenues of the Central Government, 1983-1986
(millions of CFA francs)

	1983	1984	1985	1986 (prov.)	1983 (pre)
TOTAL REVENUES	8,119	14,328	20,033	15,265	16.
TAX REVENUES	6,069	13,076	15,916	12,675	14.
Taxes on income & profits	656	1,760	3,050	3,021	2.
Personal taxes	609	1,195	2,068	2,087	1.
Income tax	442	918	1,620	1,177	1.
Other	167	277	466	910	
Corporate taxes	49	165	962	934	
Profit tax	2	79	104	340	
Minimum tax	47	86	858	594	
Flat tax	139	310	536	391	
Taxes on goods & services	2,195	3,118	3,707	3,124	3.
Domestic turnover tax	142	573	1,342	997	1.
Unitary tax	1,440	1,379	1,402	976	1.
Livestock sales tax	1	89	208	100	
Insurance tax	38	57	135	152	
Registration fees	209	183	168	224	
Stamp tax	144	152	247	205	
Other	221	525	309	470	
Civic tax	0	0	0	705	1.
International trade	7,412	7,835	6,905	5,863	6.
Import duties	7,131	5,126	5,540	5,757	6.
Export duties	281	2,709	3,365	106	
Other tax revenues	(315)	423	(282)	(427)	
NON-TAX REVENUES	2,030	3,452	4,117	2,590	2.
Property rents	137	125	241	171	
Administrative fees	0	0	107	147	
Non-industrial sales	190	407	629	591	
Fines	5	27	56	33	
Windfall revenues	0	172	317	0	
Central Bank profits	445	581	1,008	641	
Exchange guarantee	1,223	2,107	1,247	0	
Other non-tax revenues	40	33	512	1,007	

Note: (1) Does not include off-budget revenues of the Foreign Debt

Source: IBRD; Ministry of Finance, Central Treasury

TABLE V
Chad: Central Government Operations 1983-1988
(Government Budget plus Foreign Debt Fund)
(Millions of CFA francs)

	1983	1984	1985	1986	1987		1988	
	Actual	Actual	Actual	Prov.	Budget	1st 6 Mos (Actual)	12 Mos (Proj.)	(Proj.)
1. Total Revenue	8,495	19,266	21,341	16,836	20,550	7,234	17,760	19,...
Tax Revenues	6,089	13,076	15,916	12,475	14,280	4,850	11,816	12,5...
Export duties:	291	2,739	3,365	106	300	55	132	1...
Nontax revenues	2,030	3,452	4,117	2,590	2,370	586	2,484	2,...
Foreign debt fund (CAA)	376	1,739	1,309	1,571	3,900	1,798	3,460	3,4...
2. Expenditures & Net Lend'g	13,197	23,875	25,167	24,345	24,928	11,265	24,653	25,7...
Expenditures	13,197	23,875	25,167	24,345	24,928	11,265	24,653	25,7...
Budgetary	11,899	22,662	24,014	22,910	25,401	10,627	25,348	24,5...
Foreign debt fund (CAA)	1,298	1,213	1,153	1,435	1,527	638	1,305	1,1...
Net Lending	0	0	0	0	0	0	0	0
3. Overall deficit (commitment basis)	(4,702)	(5,609)	(3,826)	(7,509)	(6,378)	(4,031)	(6,893)	(7,6...
4. Change in arrears	302	516	691	700	0	959	(2,172)	(1,5...
Domestic	202	107	1,008	555	0	958	(2,012)	(1,5...
External	100	411	(317)	145	0	(29)	(160)	
5. Cash deficit	(3,900)	(5,091)	(3,135)	(6,809)	(6,378)	(3,072)	(11,065)	(9,1...

Sources: IMF and IBRD reports; Ministry of Finance, Central Treasury.

TABLE VI
Chad: Financing of Central Government Fiscal Deficit 1983-1988
(Government Budget plus Foreign Debt Fund)
(Millions of CFA francs)

	1983	1984	1985	1986	1987		1988	
	Actual	Actual	Actual	Prov.	Budget	1st 6 Mos (Actual)	12 Mos (Proj.)	(Proj.)
Amount of financing	(3,900)	(5,091)	(3,135)	(6,809)	(6,378)	(3,072)	(11,065)	(9,117)
1. Net external financing	3,723	4,246	5,242	5,097	(2,261)	2,304	1,560	(1,117)
Budgetary support	3,723	4,391	5,641	6,321	0	3,229	4,290	
France	3,723	3,400	5,190	5,000	0	2,700	2,700	
USAID	0	991	462	572	0	529	1,590	
Other	0	0	0	748	0	0	0	
Amortization	0	(135)	(399)	(1,224)	(2,261)	(925)	(2,730)	(1,117)
2. Net domestic financing	177	845	(2,107)	1,722	(624)	386	(814)	(1,500)
Banking system	(1,176)	1,200	(2,016)	1,651	(624)	212	(998)	(1,500)
Central Bank	(1,145)	1,359	(2,042)	1,552	(624)	212	(998)	(1,500)
IMF (net)	468	(1,015)	1,125	(509)	0	0	0	(35)
Esp. SDR advance	0	2,002	(1,118)	(651)	0	0	(200)	
Adv. under cred. ceil.	(953)	1,981	(2,196)	2,238	0	212	212	(65)
Deposits	(656)	(1,610)	77	554	(524)	0	(1,000)	(50)
Commercial banks	(73)	(159)	26	39	0	0	0	
Nonbanking sector	1,353	(355)	(91)	91	0	174	174	
3. Financing need	0	0	0	(0)	(9,263)	(383)	(10,319)	(11,76)

Sources: IMF and IBRD reports; Ministry of Finance, Central Treasury

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TABLE VII
Chad: Balance of Payments 1983-1988
(Millions of US dollars)

	1983	1984	1985	----- (projected) -----		
				1986	1987	1988
Trade Balance	(32.2)	15.7	(73.1)	(117.9)	(140.9)	(150.4)
Exports	73.8	131.3	85.5	95.6	113.8	123.3
of which: cotton fiber	59.0	97.0	44.5	42.4	53.1	58.1
Imports	106.0	115.6	158.7	213.5	254.7	273.7
Non-factor Services	(24.2)	(42.4)	(110.1)	(133.6)	(126.6)	(138.8)
Receipts	36.6	35.3	36.2	38.6	46.2	49.7
Payments	60.8	77.7	146.3	172.2	172.8	188.5
Factor Services	(7.0)	(9.1)	(7.0)	(6.2)	(10.5)	(10.3)
Receipts	0.4	0.4	0.3	3.5	3.4	3.8
Payments	7.4	9.5	7.3	9.7	13.9	14.1
of which: interest	4.7	3.7	3.1	4.0	4.6	4.1
Transfers	87.4	49.2	58.2	61.9	48.7	49.8
Private (net)	(6.4)	(2.1)	(9.9)	(13.6)	(16.9)	(18.1)
Public (net)	93.8	51.3	68.1	75.5	65.6	67.9
food aid	11.8	21.6	48.0	19.7	17.2	15.5
budget support	9.8	15.3	12.6	20.7	28.3	30.3
other	72.2	14.4	7.5	35.1	20.1	22.1
Current Account Balance	24.0	13.4	(132.0)	(195.8)	(229.3)	(249.7)
CAB excl. public transfers	(69.8)	(37.9)	(200.1)	(271.3)	(294.9)	(317.6)
Official Capital Grants	0.0	27.6	43.3	64.5	141.4	151.3
Direct Investment	(1.1)	7.3	53.4	31.1	3.6	3.6
of which: Esso	0.0	7.4	53.7	34.7	n/a	n/a
Medium- and Long-term Lending (net)	(1.8)	(1.0)	14.1	43.8	72.4	86.4
Disbursement	2.5	3.9	19.6	49.9	78.2	89.9
Amortization	4.3	4.9	5.5	6.1	5.8	3.5
Short-Term Lending (net), Errors and Omissions	(15.7)	(32.6)	(5.9)	11.8	0.0	0.0
Exchange Rate Guarantee	3.2	4.8	2.7	0.0	0.0	0.0
Change in Net Reserves	8.6	19.5	(24.4)	(24.6)	(11.9)	(8.4)
Change in Arrears (+ = increase)	6.5	3.9	2.4	3.0	0.0	0.0
Interest	2.6	0.8	(0.6)	0.5		
Principal	3.9	3.1	3.0	2.5		
Central Bank Financing Net IMF Resources	(15.1)	(23.4)	22.0	21.6	4.4	1.2
Change in Other Reserves					7.8	5.2
					(3.4)	(4.0)
Financing Gap	0.0	0.0	0.0	0.0	7.5	7.2

Sources: IBRD Economic Memorandum for Chad (draft)

TABLE VIII
Chad: External Financing Requirements, 1986-90
(millions of US \$)

	Estimated	-----Projected-----			
	1986	1987	1988	1989	1990
	----	----	----	----	----
Current account, excluding official transfers	(270.8)	(293.9)	(315.0)	(340.3)	(366.0)
Amortization	(6.1)	(5.8)	(3.5)	(3.7)	(3.9)
Change in arrears	3.0	0.0	0.0	0.0	0.0
Change in reserves	20.9	0.0	0.0	0.0	0.0
Repurchases	(1.0)	0.0	(1.0)	(3.8)	0.0
	----	----	----	----	----
Total financing requirement	(254.0)	(299.7)	(319.5)	(347.8)	(369.9)
Disbursements: Existing Commitments					
Grants	186.9	143.0	105.0	76.0	31.0
Loans	24.0	47.6	35.5	25.2	8.3
Bilateral creditors	10.0	10.3	9.2	6.2	5.1
Multilateral creditors	14.0	37.3	26.3	19.0	3.2
of which: World Bank	11.0	35.0	20.0	16.0	1.4
of which: adjustment lending	0.0	0.0	0.0	0.0	0.0
Private capital flows [1]	43.1	3.8	3.8	0.0	0.0
IMF purchases	0.0	0.0	0.0	0.0	0.0
Disbursements: Expected New Commitments (Excl. IMF SAF [2])					
Grants	0.0	66.0	114.0	157.0	215.2
Loans	0.0	30.5	54.5	78.2	110.5
Bilateral creditors	0.0	24.8	25.5	25.2	38.2
Multilateral creditors	0.0	5.7	29.0	53.0	72.3
of which: World Bank [3]	0.0	0.0	22.0	46.0	50.0
of which: adj. lending [3]	0.0	0.0	17.0	26.0	18.0
Private capital flows	0.0	0.0	0.0	0.0	0.0
IMF purchases	0.0	0.0	0.0	0.0	0.0
Total	254.0	290.9	312.8	336.4	365.0
Financing gap, before IMF SAF and debt rescheduling					
	0.0	(8.8)	(6.7)	(11.4)	(4.9)
IMF Structural Adjustment Facility	0.0	7.5	5.5	3.0	2.5
Debt rescheduling	0.0	1.3	1.2	0.0	0.0
Remaining gap, after SAF	0.0	0.0	0.0	(8.4)	(2.4)

Notes: (1) Mostly direct investment for oil exploration.
(2) Structural Adjustment Facility of the International Monetary Fund.
(3) Including World Bank's Special Facility for Africa.

Source: IBRD Country Economic Memorandum for Chad (draft).