Document of
THE WORLD BANK

Report No: ICR00004462

IMPLEMENTATION COMPLETION AND RESULTS REPORT
(IDA-D2270)

ON A

GRANT

IN THE AMOUNT OF SDR 47 MILLION
(US$65 MILLION EQUIVALENT)

TO THE

REPUBLIC OF CHAD

FOR THE

EMERGENCY FISCAL STABILIZATION DEVELOPMENT POLICY OPERATION

December 19, 2018

Social Protection and Jobs Global Practice
Africa Region

CURRENCY EQUIVALENTS

(Exchange Rate Effective as of December 31, 2018)

Currency Unit = CFA Franc (CFAF)

1 SDR=773.675 CFAF

1USD= 532.152 CFAF

1 USD=0.688 SDR

FISCAL YEAR

January 1 – December 31

ABBREVIATIONS AND ACRONYMS

ARMP	Public Procurement Regulatory Authority
CEMAC	Central African Economic and Monetary Community
CFS	*Cellule Filets Sociaux* (Social Safety Net Unit)
DFID	UK Department for International Development
DPO	Development Policy Operation
ECF	Extended Credit Facility
EFSO	Emergency Fiscal Stabilization Development Policy Operation
EU	European Union
GDP	Gross Domestic Product
GoC	Government of Chad
HIPC	Heavily Indebted Poor Countries
ICR	Implementation Completion and Results Report
IDA	International Development Association
IMF	International Monetary Fund
MOFB	Ministry of Finance and Budget
NDP	National Development Plan
NSPS	National Social Protection Strategy
PA	Prior Action
PDO	Program Development Objectives
SNPS	National Strategy for Social Safety *(Stratégie nationale de protection sociale)*
SOE	State-Owned Enterprise
SSN	Social Safety Net

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Republic of Chad
Emergency Fiscal Stabilization Development Policy Operation

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A. BASIC INFORMATION

Country:	Chad	Program Name:	FY17 Chad Emergency DPO
Program ID:	P163968	L/C/TF Number(s):	IDA-D2270
ICR Date:	12/10/2018	ICR Type:	Core ICR
Financing Instrument:	DPL	Borrower:	REPUBLIC OF CHAD
Original Total Commitment:	USD 65.00M	Disbursed Amount:	USD 66.31M
Revised Amount:	USD 65.00M		

Implementing Agencies:
Ministry of Finance and Budget

Cofinanciers and Other External Partners:

B. KEY DATES

Process	Date	Process	Original Date	Revised / Actual Date(s)
Concept Review:	05/30/2017	Effectiveness:	07/27/2017	07/27/2017
Appraisal:	03/15/2017	Restructuring(s):		
Approval:	06/29/2017	Mid-term Review:		
		Closing:	12/31/2017	12/31/2017

C. RATINGS SUMMARY

C.1 Performance Rating by ICR

Outcomes:	Moderately Unsatisfactory
Risk to Development Outcome:	High
Bank Performance:	Moderately Satisfactory
Borrower Performance:	Moderately Unsatisfactory

C.2 Detailed Ratings of Bank and Borrower Performance (by ICR)

Bank	Ratings	Borrower	Ratings
Quality at Entry:	Satisfactory	Government:	Moderately Unsatisfactory
Quality of Supervision:	Moderately Satisfactory	Implementing Agency/Agencies:	Moderately Satisfactory
Overall Bank Performance:	Moderately Satisfactory	**Overall Borrower Performance:**	Moderately Unsatisfactory

C.3 Quality at Entry and Implementation Performance Indicators

Implementation Performance	Indicators	QAG Assessments (if any)	Rating
Potential Problem Program at any time (Yes/No):	No	Quality at Entry (QEA):	None
Problem Program at any time (Yes/No):	No	Quality of Supervision (QSA):	None
DO rating before Closing/Inactive status:			

D. SECTOR AND THEME CODES

	Original	Actual
Sector Code (as % of total Bank financing)		
Public Administration		
Other Public Administration	17	17
Central Government (Central Agencies)	67	67
Social Protection		
Social Protection	16	16

Theme Code (as % of total Bank financing)		
Economic Policy	15	15
Fiscal Policy	15	15
Fiscal sustainability	8	8
Public Expenditure Policy	15	15
Tax policy	15	15
Public Sector Management	17	17
Public Administration	17	17
Administrative and Civil Service Reform	15	15
State-owned Enterprise Reform and Privatization	17	17
Public Finance Management	13	13
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Social Protection	17	17
Social protection delivery systems	17	17

E. BANK STAFF

Positions	At ICR	At Approval
Vice President:	Hafez M. H. Ghanem	Makhtar Diop
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F. RESULTS FRAMEWORK ANALYSIS

Program Development Objectives (from Project Appraisal Document)

The Program Development Objectives of the operation were as follows: (i) to support immediate fiscal stabilization through expenditure rationalization; and (ii) to establish social protection mechanisms that help mitigate related negative social effects on the poor and vulnerable.

Revised Program Development Objectives (if any, as approved by original approving authority)

Not applicable

(a) PDO Indicator(s)

Indicator	Baseline Value (2016)	Original Target Values (from approval documents)	Formally Revised Target Values	Actual Value Achieved at Completion or Target Years
Indicator 1:	Compound growth in wage bill vis-a-vis 2015 (percent)			
Value quantitative or Qualitative)	-1%	-3%	none	1%
Date achieved	06/30/2016	06/30/2017	06/30/2017	12/31/2017
Comments (incl. % achievement)	**Not achieved.** Wage bill grew by 1% (compounded) compared to 2015 level.			
Indicator 2:	SOEs submitting financial statements to the Ministry of Finance and Budget (number)			
Value quantitative or Qualitative)	10	20	None	15
Date achieved	06/30/2016	06/30/2017	06/30/2017	12/31/2017

Comments (incl. % achievement)	**Partially achieved.** Only 15 SOEs submitted their financial statements to MOFB			
Indicator 3:	New tax exemptions issued per year (number)			
Value quantitative or Qualitative)	0	0	None	0
Date achieved	06/30/2016	06/30/2017	06/30/2017	12/31/2017
Comments (incl. % achievement)	**Achieved.** No new tax exemptions were issued in 2017.			
Indicator 4:	Single-source procurement contract value as a share of total contracts value (percent)			
Value quantitative or Qualitative)	36.7%	30%	None	42%
Date achieved	06/30/2016	06/30/2017	06/30/2017	12/31/2017
Comments (incl. % achievement)	**Not achieved.** Value of single-source procurement contracts as share of total contracts increased to 42 percent.			
Indicator 5:	Identification and Targeting strategy finalized and at least 4,500 poor and vulnerable households in Logone Occidental are registered as identified by such strategy (Yes/No)			
Value quantitative or Qualitative)	No	Yes	None	Yes
Date achieved	06/30/2016	06/30/2017	06/30/2017	12/31/2017
Comments (incl. % achievement)	**Achieved.** Identification and targeting strategy finalized and 4,650 poor and vulnerable households are receiving cash transfers in Logone Occidental.			

(b) Intermediate Outcome Indicator(s)

Indicator	Baseline Value	Original Target Values (from approval documents)	Formally Revised Target Values	Actual Value Achieved at Completion or Target Years

G. RATINGS OF PROJECT PERFORMANCE IN ISRs

No.	Date ISR Archived	GEO	IP	Actual Disbursements (USD millions)

H. RESTRUCTURING (IF ANY)

Not Applicable

1. PROJECT CONTEXT, DEVELOPMENT OBJECTIVES AND DESIGN

1. **This Implementation Completion and Results (ICR) Report assesses the results of the Emergency Fiscal Stabilization Development Policy Operation (EFSO), an IDA grant of US$65 million to the Government of Chad (GoC).** EFSO was a stand-alone single-tranche budget support operation programmed under IDA17 and was approved by the Board and disbursed in July 2017. The primary objective of EFSO was to support immediate fiscal consolidation through expenditure rationalization; and the second objective was to establish social protection mechanism that helps mitigate related negative social effects on the poor and vulnerable. EFSO came after a development policy operation (DPO) that aimed to maintain stability on the fiscal and macroeconomic fronts and set the basis for medium term reforms (Fiscal Consolidation Program Support Grant and Supplemental Financing, P155480 and P162548), and was immediately followed by the upcoming First Economic Recovery and Resilience DPO, a programmatic DPO focused on structural reforms (P163424).[1]

1.1 Context at Appraisal

2. **At appraisal, Chad was experiencing a deep and protracted crisis following a sharp decline in oil price that began in 2014 and exacerbated by security challenges to the region.** Chad is a net oil exporter and its economy hinges heavily on oil revenues. Oil revenues accounted for 63 percent of total public revenues, 85 percent of exports, and 20 percent of GDP (data in 2013). The relatively stable oil price in 2010-2013 helped accelerate Chad's economy, bringing GDP growth to a rate of 6.9 percent in 2014. However, oil price began to collapse toward the end of 2014. Chadian crude oil fell from an average price of US$104 per barrel in 2013 to only US$40 per barrel in 2015, and further down to US$36 per barrel in 2016 (Table 1). As expected, oil revenues declined from 12 percent of non-oil GDP in 2014 to only 3.5 percent in 2016. The economy began to slow down in 2015, growing by a modest rate of 1.8 percent, and eventually contracted by 6.4 percent in 2016 and by 3.1 percent in 2017. The effect of the oil price shock on the economy was magnified by the significant budgetary pressures from GoC's involvement in the critical fight to support regional stability against terrorist groups, especially in the Lake Chad Basin.

3. **The crisis was much deeper and longer than expected, with severe repercussions on the fiscal and social fronts**. The GDP contraction of 3.1 percent in 2017 was more severe than previously forecasted.[2] The fall in oil GDP by 8.4 percent in 2016 dragged the economy downward, as oil-related investments were cut by more than 80 percent, while aging oil fields put additional downward pressure on production. As Chad's past growth had been largely driven by public demand and financed by oil revenues, the decline in revenues also led to a decrease in expenditures (from 23 percent of non-oil GDP in 2015 to 18 percent in 2016). Bankruptcy of several domestic companies, reduction of recurrent expenditures, and postponement of public investment projects caused many layoffs in urban areas. While private consumption in rural areas seemed to have not been significantly impacted by oil prices, the security challenges along the borders constrained trade activities such that livestock producers and pastoralists who were unable to trade across the Nigerian border lost revenues and cut back on private consumption.

[1] See Table 4 for the amount and Board approval dates of these DPOs.
[2] See, for instance, IMF Chad Country Report No. 16/364 (November 2016), where GDP was projected to contract by only 0.3 percent in 2017.

Table 1: Key Macroeconomic Indicators, 2015-2021

	2015 Prel.	2016 Prel.	2017 Est.	2018 Proj.	2019 Proj.	2020 Proj.	2021 Proj.
Real Economy	*(annual percentage change unless otherwise specified)*						
Real GDP	1.8	-6.4	-3.1	3.5	3.6	6.9	4.8
Oil GDP	32.1	-8.4	-16.2	15.2	8.0	21.9	8.2
Non-oil GDP	-2.9	-6.0	-0.5	1.5	2.7	3.8	4.0
Per Capita GDP (US$, current prices)	946	1,160	810	890	918	997	1,050
GDP Deflator	-8.0	-1.2	-0.9	2.2	2.5	3.0	3.0
Consumer Price Index (annual average) [1]	6.8	-1.1	-0.9	2.1	2.6	3.0	3.0
Oil Prices							
Brent (US$/barrel) [2]	52.4	44.0	54.4	73.3	72.5	68.7	66.0
Chadian Price (US$/barrel) [3]	39.9	36.2	49.4	67.6	68.5	64.7	62.0
Oil Production for Exportation (millions of barrels)	47.5	44.4	35.9	39.8	42.6	53.5	58.5
Money and Credit							
Net foreign assets	-40.3	-38.2	0.5	11.8	6.3	10.7	9.5
Net domestic assets	35.6	30.5	-4.7	-4.6	1.2	-3.1	-2.4
Of which: Credit to the Private Sector	1.1	-2.7	-1.7	1.0	1.2	1.4	1.5
Broad Money	-4.7	-7.7	-4.3	7.2	7.5	7.7	7.1
External Sector (valued in US$)							
Exports of goods and services, f.o.b.	-34.0	-15.4	10.4	37.8	7.0	15.4	5.0
Imports of goods and services, f.o.b.	-23.7	-15.3	2.9	20.3	6.3	10.2	5.7
Terms of Trade	-47.7	-6.9	28.1	25.8	-0.1	-5.1	-4.2
Current account balance (incl. official transfers), % of	-12.3	-9.2	-5.7	-4.2	-5.5	-4.4	-4.6
Gross Reserves (US$ billions, eop.)	0.4	-0.3	0.0	0.1	0.3	0.5	0.7
Gross Reserves (imputed, months of next year's imports)	1.0	-1.0	-0.1	0.4	0.8	1.3	
External Debt, % of GDP	25.0	27.1	27.3	26.2	24.9	22.2	19.7
Exchange Rate CFAF per US$ (period average)	591.2	592.7	582.1	…	...	…	…
Fiscal Accounts	*(percent of non-oil GDP unless otherwise specified)*						
Expenditures (total)	22.9	18.0	18.0	18.3	18.3	18.4	18.0
Current	15.6	14.2	13.7	12.9	12.4	12.4	11.8
Capital	7.3	3.7	4.4	5.5	5.9	6.0	6.2
Revenues and Grants (total)	17.1	14.9	17.1	19.4	18.5	20.0	19.5
Of which: oil revenue [4]	4.9	3.5	4.1	6.3	5.9	7.2	7.0
Of which: non-oil revenue	8.3	8.4	8.7	8.3	8.8	9.2	9.6
Overall Fiscal Balance (inc. grants, commitments basis)	-5.9	-3.0	-1.0	1.0	0.2	1.6	1.5
Non-oil Primary Balance (commitment basis, exc. grants)	-9.7	-4.4	-3.8	-4.4	-4.1	-3.7	-3.0
Memorandum Items:							
Nominal Non-oil GDP (CFAF billions)	5,184	4,838	4,829	5,011	5,283	5,631	6,028
Nominal GDP (CFAF billions)	6,474	5,984	5,746	6,079	6,455	7,103	7,602

Sources: World Bank (MFMOD and staff calculations), IMF and Chadian Authorities.
Notes:
[1] 2017 inflation rate reflects that authorities' data using the year 2014 as base year.
[2] WEO projection for Brent crude oil price.
[3] The Chadian oil price is the Brent price minus a quality discount.
[4] Oil revenues for 2018 includes receipts associated with Government oil cargo initially planned for 2017.
[5] Total revenue excluding grants and oil revenue, minus total expenditure excluding net interest payments and foreign-financed investment.

4. **In 2015, GoC was facing an extremely severe debt problem, the exact magnitude of which was not previously known.** The declining revenues, combined with immediate spending needs (primarily on security), disrupted debt service payments, which led to substantial accumulation of external (1 percent of non-oil GDP) and domestic arrears (2.8 percent of non-oil GDP). They eventually led to a drop in credit to the private sector, and an increase in non-performing loans. In 2016, the fiscal situation continued to

deteriorate, which was aggravated by delays in the sale of a government asset that would have provided some fiscal relief. The IMF estimated that GoC's overall deficit amounted to US$628 million and a financing gap of US$282 million in 2016.[3] By 2017, the financing gap was estimated to reach US$521 million, and half of this amount was the needed budget support from international donors (Table 2).

Table 2. External Financing Requirement and Sources (2017-2019), US$ million

Year	2017	2018	2019
Financing gap	**521**	**531**	**431**
External debt restructuring	174	249	192
IMF-ECF	95	95	76
Needed budget support	252	187	163

Source: World Bank staff calculations (presented in EFSO project appraisal document).

5. **Significantly adding to the debt problem was the payment to the amortization to an oil-collateralized loan, which accounted for a substantial portion of oil revenues.** Prior to the crisis, GoC had entered into an oil-collateralized loan contract with a commercial entity, where the payment of amortization to such loan amounted to almost 3.2 percent of non-oil GDP in 2017. Although the maturity of the loan contract is until 2021, the loan contract was heavily frontloaded. Interest payments alone amounted to 1.9 percent of non-oil GDP in 2016, and while amortization was only 0.9 percent in 2016, the amount was substantial relative to the oil revenues generated during the year, which was only 3.5 percent of non-oil GDP. The repayment of these loans (balance of US$1.45 billion in 2015), sourced directly from oil sales, depleted almost all of Chad's annual oil revenues in 2014-2016. IMF assessment suggested that reducing the burden of external debt through a restructuring of this loan was critical for fiscal stabilization. However, at appraisal, the prospect of rapid and successful renegotiation of the loan was dim.

6. **Chad's external position was at critically low levels.** As its current account balance depends heavily on oil, the falling oil prices had widened the current account deficit to 12.3 percent of GDP in 2015, which was before hard currency rationing and substantial fiscal consolidation helped reduce the current account deficit to 9.2 percent in 2016. International foreign exchange reserves went down to an imputed -1 months of import coverage by end 2016 compared to 2.1 at end-2014. The oil price shock of 2014-2015 also severely affected the external and fiscal balances of all six-member states of Central African Economic and Monetary Community (CEMAC), which were already in distress. For the 2016-2017 period, IMF estimated that regional GDP contracted by 1.3 percent, regional debt levels rose from 45 to 54 percent of GDP, and the regional primary fiscal deficit, which reached a high of 5.3 percent of GDP in 2015, was reduced to 0.2 percent of GDP.

7. **Regional security challenges, which eventually led to a humanitarian crisis, also put pressure on public finances**. Since its independence from France in 1960, Chad has been plagued with local, national, and regional conflicts that negatively impacted growth. While the country is also among the targets of armed attacks in the region, Chad has been a regional powerbroker and leader in the fight against terrorism. Chad has shown improved levels of stability since the 2010 peace agreement with Sudan, which helped stabilize the country and opened a window of opportunity for development. However, maintaining

[3] IMF Chad Country Report No. 16/364 (November 2016).

peace and order in Chad has caused significant pressure on public spending. Security conditions around Lake Chad have deteriorated since 2013. Chad also hosts about 450,000 refugees while around 150,000 Chadians had been internally displaced or had returned from bordering countries. UN estimates show that the annual cost of hosting these refugees in Chad is around US$282 million.

8. **These crises happened at the time when Chad was showing resolve to implement fiscal and social reforms**. Since 2016, GoC undertook substantial fiscal consolidation. It adopted an Emergency Fiscal Plan aimed at mitigating the short-term impacts of the crisis, introduced cash-based budgeting, and cut capital and recurrent spending. Public spending was compressed from 30 percent in 2014 to 18 percent in 2016-2017 and current expenditures declined from 17 percent of non-oil GDP in 2014 to 14.2 percent in 2016, and then to 13.3 percent in 2017. Non-oil primary deficit improved (from 16.2 percent of non-oil GDP in 2014 to 4.2 percent in 2017) and overall fiscal deficit was contained (from 4.5 percent of non-oil GDP in 2015 to 5.5 percent in 2016 and 2.3 percent in 2017). On the social front, GoC approved in July 2015 a National Social Protection Strategy (NSPS) that established a system to identify, register, target, support, and monitor beneficiary households of a social safety net. The NSPS aims to transition Chad's social protection system from an emergency approach to vulnerabilities to a longer-term approach aimed at building resilience and strengthening livelihoods proactively.

9. **It was apparent that failure to provide the much-needed external budget support to GoC would likely to result in a generalized macroeconomic crisis with unpredictable social and security repercussions.** Failure to meet the financing needs would have brought a balance of payment crisis. The fiscal crisis might also destabilize the banking sector as commercial banks were highly exposed to the public finances. While CEMAC membership has bolstered macroeconomic stability in recent years, low foreign exchange reserves and the constrained fiscal space of its members pose additional downside risks. The fiscal crisis could also translate into a broader social, security, and humanitarian crisis, as the deteriorating security conditions in Chad could have serious repercussions on the already fragile sub-regional economic and social situation, with potentially very high long-term costs. In addition, unpredictable security costs and potential economic disruptions could divert resources away from priority social programs and reverse some of the efforts intended to lay the foundation for structural reforms and institutional capacity-building.

1.2 Original Project Development Objectives (PDO) and Key Indicators

10. **The primary objective of EFSO was to support immediate fiscal consolidation through expenditure rationalization; and the second objective was to establish social protection mechanism that help mitigate related negative social effects on the poor and vulnerable**. For the primary objective, EFSO supported GoC's efforts aimed at reducing and streamlining the public wage bill, improving the oversight of the state-owned enterprises (SOE), rationalizing tax expenditures, and strengthening public procurement. For the second objective, EFSO supported the efforts aimed at finalizing the identification and targeting strategy for the safety net system and registering an initial number of households into the system using such strategy. Table 3 shows the indicators of the PDOs.

Table 3: Results Indicators

Indicators	Baseline (2016)	Target (2017)
PDO 1: Support immediate fiscal consolidation		
1. Compound growth in wage bill vis-à-vis 2015 (percent)	-1.0%	-3.0%
2. SOEs submitting financial statements to the Ministry of Finance and Budget (number)	10	20
3. New tax exemptions granted per year (number)	0	0
4. Single-source procurement contracts' value as a share of total contracts' value (percent)	36.7%	30.0%
PDO 2: Establish social protection mechanism		
5. Identification and Targeting strategy finalized and at least 4,500 poor and vulnerable households in Logone Occidental are registered as identified by such strategy (Yes/No)	No	Yes

1.3 Revised PDO and Key Indicators, and reasons/justification

Not applicable

1.4 Original Policy Areas Supported by the Program

11. The policy areas supported by EFSO can be categorized into two main pillars: *fiscal management* and *social protection*. The fiscal management pillar consisted of measures aimed at: (1) reducing and streamlining of the public wage bill; (2) improving SOE oversight; (3) rationalizing tax expenditures; and (4) strengthening public procurement. There was a widespread need to significantly improve public expenditure efficiency in Chad and some of the reforms in this area had been supported by previous DPOs and will be supported by the upcoming programmatic DPO series (Table 4). The social protection pillar consisted of measures aimed at building a safety net system, which will also be supported by the upcoming DPO series.

<u>Pillar 1: Fiscal Management</u>

12. **This pillar supported efforts for fiscal consolidation through expenditure rationalization**. Reducing and streamlining of the oversized wage bill was among the major priorities as a biometric census of government workers indicated that this effort could generate substantial savings to the government. Improving the SOE oversight was aimed to address the largely unregulated SOE sector that relies heavily on direct government subsidies. Rationalizing tax expenditures was aimed to reduce the potential economic losses associated with tax exemptions. Moreover, strengthening public procurement aimed to increase efficiency in the use of public funds.

Table 4. Areas of Policy Support in Chad DPOs

Areas of Policy Support (*EFSO only*)	Previous DPOs		This DPO	Upcoming DPO series
	Fiscal Consolidation Program Support Grant & Supplemental Financing (P155480 & P162548)		Emergency Fiscal Stabilization DPO (P163968)	First Economic Recovery and Resilience DPO (P163424)
Reducing and streamlining the wage bill				
Improving SOE oversight				
Rationalizing tax expenditures				
Strengthening public procurement				
Building a safety net system				
Memo items:				
Amount	$65 million	$80 million	$65 million	$65 million
Date of Board Approval	2015	2017	2017	2018

Reducing and streamlining the wage bill

13. **Faced with significant shortfall in revenues, GoC needed to reduce and streamline the oversized payroll system of the central government**. The payroll system of GoC has been plagued with irregularities, such as consisting of wages paid to so-called "ghost workers" (i.e., not reporting to office but receiving salaries). The payroll management system also saw 7,975 newly hired civil servants since 2014. From 2007 to 2015, total wages and salaries in the public administration tripled, while the number of civil servants doubled. An updated database that took into account only the reporting civil servants indicated that GoC could generate an estimated savings of over CFAF 17 billion per year. The persistent irregularities in wages and salaries of civil servants in Chad have cost GoC substantial amount, which were estimated at 8 percent of total government salaries, equivalent to 0.8 percent of non-oil GDP in 2016.

14. **In this regard, GoC reduced the allowances for all civil servants by 50 percent through adoption of a decree that took effect in November 2016**. This measure was included in the emergency package adopted in the Revised Finance Law of September 2016 and has remained active until further adjustments. With a view to address the decline in revenues, GoC revised the budget in June 2016 and again in September 2016, where the latter revision included a package of austerity measures aimed at reducing public spending and mitigating the short-term impact of the oil crisis on the fiscal front. Other identified key measures in the package included reducing the deconcentrated administrative offices from 550 to 160, merging of all public agencies in charge of sport and youth, restructuring the National Radio Television Agency, auditing the efficiency of large government projects, revising the criteria for scholarships, and conducting a census of community teachers.

15. **GoC hired a firm to perform an audit of the payroll system for the central government to strengthen its effectiveness**. This effort aimed to improve the management of the payroll through the achievement of an accounting and organizational audit that would establish a diagnostic of the payroll management and propose recommendations for its improvement. The audit would focus on the irregularities in the payroll system, including: (i) identification of ghost workers among the newly recruited civil servants after the census; (ii) assessment of the inconsistencies regarding the levels of wages of the

civil servant; and (iii) verification of non-compliance of salary increases, pensions, scholarships, and allowances across the full public payroll.

16. **The reduction in the allowances of civil servants and the auditing of the payroll system were expected to contribute to a contraction of the annual wage bill**. The wage bill in 2015 was estimated at CFAF 369 billion,[4] which was expected to decline to about CFAF 347 billion in 2017, indicating a compound contraction of 3 percent, due primarily to GoC's efforts to reduce the allowances of civil servants and the enhancement of the payroll system. The audit report would enable GoC to identify specific areas for immediate action and the planned structural reforms should help increase permanently the efficiency of the public payroll system that covers a significant share of overall recurrent government expenditures, equivalent to around 7 percent of non-oil GDP. Such actions will be strengthened and consolidated under the forthcoming DPO programmatic series.

Improving SOE oversight

17. **SOEs in Chad are largely unregulated and cost GoC significant public resources**. There were about 30 entities in Chad in which GoC has an equity stake, including SOEs, parastatal companies, and private companies. The financial situation of many of these entities does not allow them to meet their salary and tax obligations as well as other financial charges. The financial balance of some of the entities is achieved only through direct subsidies from the government's operating budget. Preliminary estimates suggest that subsidies to SOEs rose from 3.4 percent of non-oil GDP in 2011 to 4.8 percent in 2014. In addition to the traditional recipients of subsidies such as the electricity and water companies or the cotton parastatal, the list of subsidized entities included new companies such as the cement plant, oil refinery, tractor assembly plant, and a fruit juice company. All these entities sell their products and services at prices significantly below cost recovery levels and constitute monopolies.

18. **Given the substantial risk to fiscal sustainability, GoC conducted measures to reduce the large information asymmetries characterizing the SOEs**. The activities of the SOEs in Chad remain largely unregulated and there was uncertainty as to the exact list and number of SOEs, the nature of their creation, as well as their legal status. In this regard, GoC completed a preliminary inventory of its SOE portfolio, initiated an audit of its SOE portfolio, and put in place a mechanism to ensure that latest financial statements of all SOEs are made available to the Ministry of Finance and Budget. The audit of the SOE portfolio aimed to assess the financial position of these entities and the related implications on fiscal sustainability. Specifically, the objectives of the audit were as follows: (i) establish an inventory of SOEs in Chad; (ii) undertake a financial, organizational, and institutional diagnosis and propose corrective actions of the list of SOEs identified; (iii) propose policies and strategies for the management of the portfolio of state-owned enterprises and government shareholding activities; and (iv) propose measures to strengthen the organizational and institutional capacity of the oversight entity/structure in the Ministry of Finance and Budget responsible for managing the SOEs, including measures on the control and monitoring of SOEs.

19. **Information on the financial performance of SOEs would allow GoC to alleviate the drain in budget through reduction of transfers and subsidies**. Necessary conditions for an effective and

[4] Based on IMF database, which corresponds to the compensation of all government employees, including civil servants and members of the armed and security forces.

successful completion of the audit include a comprehensive inventory of SOEs and the assurance that the Ministry of Finance and Budget is provided with full and most up-to-date financial statements and related data. GoC's action to conduct an inventory of major SOEs and to mandate all SOEs in Chad to transmit their financial statements for the last three years (years 2014, 2015, and 2016) indicated a serious effort to assess the government's exposure to fiscal risk inherent in its SOE portfolio.

Rationalizing tax expenditures

20. **GoC conducted a study on the existing tax exemptions and their financial implications**. Tax exemptions were estimated to generate loss in revenue to GoC of an amount equivalent to 50 percent of total non-oil revenues in 2014, and this ratio had likely increased by appraisal. At the time of appraisal, GoC, in collaboration with the EU, conducted a study on tax expenditures that aimed to perform a census of existing exemptions, analyze the regimes under which they were granted, and estimate their size. It aimed to produce an inventory of tax exemptions granted and assess the revenues losses caused by these exemptions (total cost of expenditures) compared to their impact on investment, economic, and social development. It also aimed to clarify the implementation modalities, including the terms of budget transparency and monitoring and evaluation in order to draw conclusions on their relevance and usefulness, and to develop recommendations, which could be used to redefine the policy on tax exemptions.

21. **Until the tax expenditure study had been completed, GoC had frozen new tax exemptions, except those falling under the Vienna convention or pertaining to relations with technical and financial partners**. In addition to the tax expenditure study, GoC initiated efforts to further rationalize tax expenditures by first conducting series of audits on current exemptions granted to the largest firms. The audits aimed to assess the fiscal losses embedded in the firms' Tax Exoneration Agreements and to correct the irregularities arising from the findings. The audits conducted as of May 19, 2017 of 24 of these largest firms revealed a total fiscal loss of around US$277 million worth of tax exemptions and multiple anomalies. The tax expenditure study and the series of audits indicated the commitment of GoC to bring forward rationalization of tax expenditures and to end those exemptions that are deemed to be unjustifiable under existing regulations or in the context of Chad's very constrained fiscal situation.

22. **These actions to rationalize tax expenditures were expected to pave the way to a more comprehensive tax policy and administration reform**. The lack of diversification of revenue sources in Chad and its strong dependence on the oil sector has put revenues at great risk. Currently, Chad has a narrow tax base of around 11,200 firms, of which approximately only 250 are responsible for about half of all non-oil tax revenues. There were initiatives in the past to increase the tax base and diversify revenues—mainly as a result of successive fiscal crisis—but they were largely incomplete, remained limited, and/or have not resulted in implementation, and thus the achievements are yet to materialize. The low capacity of the tax administration and the slow pace of non-oil GDP growth limited the scope to increase non-oil revenues further in the short- and medium-term. For instance, there had been little progress in strengthening the tax administration through developing an action plan to fight fraud and strengthen capacity of major revenue authorities and in launching the Standard Integrated Government Tax Administration System. Moreover, the move towards widening the tax base through strengthening tax administration and tax collection of 32,000 enterprises (up from only 11,200 firms) and reducing tax exemptions had been slow.

Strengthening public procurement

23. **Soon after the oil price shock, GoC was ramping up its efforts to strengthen its public procurement system**. GoC established a framework for a functional procurement regulatory agency, which included the enactment of a new procurement code in December 2015 that also created a procurement regulatory agency (ARMP). A functional procurement regulatory agency was expected to increase efficiency in the use of public funds and promote overall transparency. GoC appointed the President as well as the members of the National Council of Regulation and allocated a budget line to the agency. The next steps were to strengthen the operational capacities of all stakeholders involved in the procurement chain and contract management, which will include development of tools needed to guide the activities of procurement goods and services such as standard bidding documents that include the General Conditions.

24. **The public procurement framework in 2015 addresses the inefficiencies in the procurement code of 2003**. With the support of partners, GoC initiated the revision of the procurement code, which was adopted by the Council of Ministers on September 11, 2015. The improvements included the following: (i) clear definition of roles for the different sectors involved in the procurement process and an overly complex set of procedures; (ii) creation of an independent institution in charge of the regulation of public procurement and separate from the control of public procurement; (iii) clear and effective provisions for independent audits and public procurement controls; (iv) increased procurement thresholds; and (v) clear rules for when single-source procurement can be used in line with international standards. The new procurement code covers the public procurement process from planning to contract award, regulates the institutional framework for procurement, defines the overall organization of the procurement system, and provides adequate provisions for contact implementation.

<u>Pillar 2: Social Protection</u>

Building a safety net system

25. **Beyond the short-term measures to protect the most vulnerable groups from the impacts of the crisis, GoC initiated an important move towards a more systematic and structured approach to safety nets**. In July 2015, GoC approved a National Social Protection Strategy (NSPS), which includes the establishment of systems to identify, register, target, support, and monitor beneficiary households. The NSPS is intended to help GoC and its partners to transition from emergency approach to vulnerabilities to a longer-term approach aimed at building resilience and strengthening livelihoods proactively. With the introduction of the NSPS, GoC was looking to establish a more permanent safety nets system that in the long-term may become the key platform to deliver direct support to chronic and transient poor in Chad. The direct support comes in a combination of cash support and training, which has been proven to help the ultra-poor and vulnerable groups escape extreme poverty, support them in time of crisis and graduate in much more sustainable ways than households receiving just cash or just training and inputs. It has been demonstrated that such an approach is also relevant in post conflict and fragile contexts.

26. **The national social protection strategy enhances the existing safety nets that are mostly crisis response or subsidies**. The safety net system in place to help the poor households out of their chronic poverty is very limited and unable to reduce their vulnerabilities or unable them to cope with covariate

risks. Estimates revealed that in 2014 about US$109 million was spent to finance different types of safety nets in Chad, equivalent to 0.8 percent of national GDP. Although this amount is below the Sub-Saharan average, it still represents a significant amount of resources. These resources serve mainly as an emergency response tool, particularly to food crisis. Development partners funded a significant portion of the social safety net system (74 percent) while the government funded the rest. The safety nets provided by the government are limited to subsidies to children, either as in-kind support in education and nutrition, or as free access to healthcare services. Other support is provided in the form of exemptions from health costs and expenditures. However, such exemptions are universal in nature and not targeted, which tend to be intrinsically regressive.

27. **Following the approval of the NSPS, GoC established a safety nets unit to implement a pilot social protection project**. The safety net unit (*Cellule Filets Sociaux* or CFS), which was established in March 2016, was tasked to implement the World Bank/UK DFID-funded Adaptive Social Protection Project of US$10 million. The project aimed to pilot cash transfers and cash-for-work interventions to the poor and lay the foundations of an adaptive safety nets system. At appraisal of EFSO, GoC was completing the competitive recruitment process of key staff of the CFS and the pilot was being launched in the regions of Bar-el-Gazal, Logone Occidental, and N'Djamena.[5] When at full speed, the pilot was expected to support more than 15,000 poor and vulnerable households with cash transfers, cash-for-work activities, and accompanying measures.

1.5 Revised Policy Areas

Not applicable.

1.6 Other significant changes

Not applicable.

2. KEY FACTORS AFFECTING IMPLEMENTATION AND OUTCOMES

2.1 Program Performance

28. **All prior actions of the DPO were completed prior to Board approval.** The list of prior actions and their status by DPO completion are reported in Table 5.

[5] These regions were chosen as pilot programs as they were considered to be the most disadvantaged areas of the country, where chronic poverty and malnutrition are the highest.

Table 5: Summary of Prior Actions and Status by DPO Completion

Prior Actions	Details	Status by DPO Completion (December 2017)
PDO 1: Support immediate fiscal consolidation		
1. GoC has reduced the allowances for civil servants by 50 percent effective November 2016 through the adoption of decree.	Arrêté No. 687/PR/PM/MFB/2016	The decree remained active, but the reduction in allowances did not result into a reduction in wage bill in 2017.
2. GoC has commissioned and received an audit report for the public payroll system of central government.		GoC did not validate the findings of the audit report due to errors and mistakes regarding ineligible government workers; GoC implemented 16 recommendations from the audit report, although this effort was not continued as government workers went on strikes.
3. GoC has: (i) completed an initial inventory of at least nineteen (19) SOEs with full or partial government ownership; (ii) commissioned an independent audit of its SOE portfolio; and (iii) issued a decree to ensure that all SOEs provide financial statements for 2014, 2015, and 2016 to Ministry of Finance and Budget (MOFB)	Arrêté No. 027/PR/PM/MFB/SE/SG2017	GoC continued the inventory of SOEs that consisted of 29 SOEs by December 2017; GoC received the audit report of SOE portfolio but its comprehensiveness was limited by the lack of quality financial statements from SOEs; the decree remained active but only few SOEs submitted their financial statements due to weak enforcement.
4. GoC has: (i) used a decree freezing tax exemptions (except those falling under the Vienna convention and those envisaged under agreements with financial and technical partners as set forth in said decree); and (ii) commissioned and received a tax expenditure study.	Forbid new tax exemptions: Arrêté No. 112/MF/SG/2016 Arrêté No. 31/PR/PM/MFB/SE/SG/2017 Repealed the freezing of tax exemptions: Arrêté No. 79/MFB/SE/SG/2017	The decree to freeze new tax exemptions had been active during DPO implementation and was supported by another decree that forbids the renewal of previous tax exemption that may have expired, but another decree was issued in January 2018 that repealed the previous decrees. However, no new tax exemptions were granted before DPO completion in December 2017.
5. GoC has: (i) appointed the President of ARMP and the members of its Council of Regulation; and (ii) allocated a regular budget line to the ARMP in the annex to the 2017 budget law.	Arrêté No. 387/PR/2016 and Arrêté No. 270/PR/2016	The decrees remain active and the ARMP and Council of Regulation are fully operational; but the single-source contracts still account for a relatively large share in total procurement contacts.
PDO 2: Establish social protection mechanism		
6. GoC has: (i) issued a decree setting up the steering committee for safety net program; (ii) completed the competitive recruitment of the key staff of the safety net unit; and (iii) conducted a census of at least 17,000 households in Logone Occidental.	Arrêté No. 0047/PR/PM/MPED/SE/SG/17	The safety net unit was competitively staffed and fully operational. It conducted a census of households to be included in the program, and started delivering poverty-targeted cash transfers.

2.2 Major Factors Affecting Implementation

Adequacy of Government's commitment

29. **GoC completed the restructuring of the single-largest oil-collateralized loan with a commercial entity, which freed up some fiscal resources.** Under current oil price price projections, GoC is expected to fully repay the debt by 2026. The new debt contract includes a significantly longer maturity, lower interest rate and fees, and contingency mechanisms to adjust debt service depending on oil revenues.[6] The modifications included the following: (i) a 1 percent floor on the LIBOR; (ii) outsourcing to an agent other than the current entity the financial accounting related to government oil exports, operating costs, and debt service to the current entity; and (iii) exclusion of military assets from the applicable collateral.[7] These terms of the contract will help maintain debt sustainability under different oil revenue scenarios.

30. **Despite the slow progress towards reaching the DPO objectives, GoC also remained committed to undertake deeper and more structural reforms in the fiscal and social fronts.** Beyond the actions that were specifically supported by the program, GoC initiated efforts to achieve expenditure rationalization and the establishment of the social protection mechanisms. For instance, when it was deemed infeasible to cut the allowances of government workers due to social tensions, GoC continued to clean up its payroll system by eliminating ghost workers and ineligible workers. GoC also continued to enhance the capacity of the SOE oversight unit, which could likely lead to improvement in compliance among SOEs to submit financial statements. During the preparation missions for the upcoming DPO series, it was also noted that GoC was committed to achieve expenditure consolidation and showed resolve to follow the path of prudent fiscal policy in the medium-term. ***Soundness of the background analysis***

31. **The World Bank's understanding of Chad's economic prospects was strong.** As anticipated, the fiscal front appeared to have stabilized in the second half of 2017. Non-oil revenues increased significantly in 2017, exceeding IMF expectations.[8] This reflected strong efforts by the GoC to secure revenues, including by channeling them through banks and reforming VAT collection. Meanwhile, oil tax revenues began to perform well, as corporate income tax from oil operators was higher than initially expected. GoC also made good progress in clearing domestic and external arrears in 2017. About 0.9 percent of non-oil GDP worth of domestic arrears were cleared in the second half of 2017, while outstanding external arrears were reduced to US$102 million by the end of 2017 and even further down to US$55 million in 2018.

32. **However, several factors that contributed to outcomes seem to have not been anticipated**. This is particularly true for the reform areas wherein the performance indicators were not met or partially met. These factors included the social tension arising from the cutting of allowances of civil servants, which prompted GoC to stop further efforts to contain the wage bill (more details to follow); the limited enforcement capacity of the SOE oversight to require and monitor SOEs to submit their financial statements; and the effect of the dramatic decline in public spending on the share of the value of single-source procurement contracts to total value of procurement contracts.

[6] IMF Country Focus, Stability on the Horizon for Chad, September 28, 2018.
[7] IMF Chad, Second Review of the Program under the Extended Credit Facility, August 2018.
[8] Ibid.

Assessment of operation's design

33. **EFSO was designed to build directly on past operations and to lay the foundation for a medium-term agenda.** The FCPSG (P155480), which became effective in December 2015, as well as its supplemental financing (P162548), supported GoC to maintain stability on the fiscal and macroeconomic fronts, including protecting critical governmental programs and setting the basis for medium-term reforms. The support included broadening the tax base, improving the rationalization of public spending and transparency in public resource management, and improving new business registration. In the area of rationalization of public spending, the FCPSG supported the implementation of the integrated payroll system and the biometric census of the civil service, as well as the improvement of the efficiency of the public procurement.

34. **The design of EFSO was in line with other World Bank, EU, and IMF-supported programs.** Progress on the fiscal consolidation efforts were made in parallel with GoC's three-year arrangement with the IMF under the Extended Credit Facility that began in June 2017, where the program included support to stabilize and better manage GoC's fiscal position. The EU also helped the fiscal consolidation efforts with a 150-million euros budget-support grant (in total, between 2015 and 2017), geared towards governance and public financial management. In addition, the World Bank/UK DFID Adaptive Social Protection Pilot Project[9] supported the setting up of the social safety net and targeting system. In FY2018, this project supported around 37,200 individuals belonging to 6,200 households through cash transfers and another 5,600 individuals through the cash-for-work interventions. Moreover, the areas of policy support in the upcoming programmatic DPO series cover almost all EFSO areas (except for the public procurement) to continue the progress of reforms.

Risk identification and mitigation

35. **Social tensions that arose due to the rationalization of the wage bill seemed to have not been anticipated in the design.** Following GOC's announcement to reduce the public wage bill, strikes and demonstrations from labor groups arose, which continued even towards early 2018. Several ministries were closed, including schools and hospitals, as government employees did not report to work. This pressure made GoC abandon its aggressive stance to reduce the allowances of civil servants. To ease the tension, GoC committed to pay back the salaries of workers who were previously removed from the payroll system. Moreover, GoC and the labor groups agreed on the suspension of the census of civil servants and to study other measures to save on wage bill.

36. **Political risks remain high even at evaluation**. Since appraisal and until Board approval, GoC went through four different Ministers of Finance. The absence of a stable interlocutor hindered the monitoring of the results framework and raised doubts about the GoC's ownership of the framework.

[9] This project is also supported by the Sahel Adaptive Social Protection Program multidonor trust fund.

2.3 Monitoring and Evaluation (M&E) Design, Implementation, and Utilization

Design

37. **The results framework provided indicators of performance that were used to monitor progress and facilitate evaluation at the end of the program.** The Negotiation Committee under the MoFB is responsible for coordinating the supervision and monitoring of EFSO. The participating ministries, departments, and agencies furnished relevant information and documentation on the status of their respective programs to the committee, which monitored their progress against program objectives. The Committee has experience in collaborating with the IMF and World Bank, as demonstrated by the successful achievement of HIPC completion and the 2015 stand-alone DPO.

Implementation

38. **The progress towards objectives was monitored through multiple channels.** First, the Bank team-maintained contact with the Negotiation Committee to collect updated information on the progress of EFSO implementation. Second, the Bank team continued to engage with GoC in the policy support areas through other on-going or upcoming projects in Chad such as the Adaptive Safety Net Project (on-going) and the new DPO series (upcoming). Third, the Bank team coordinated with other donors such as the EU and IMF to keep updated with the development of reforms supported by EFSO.

Utilization

39. **The information collected was used to inform the design of the new programmatic DPO series.** As an example, in EFSO, the indicator was a reduction of the public wage bill by 3 percent (compounded) in 2017 relative to 2015 level. In the new DPO series, the indicator on the wage bill is focused more on specific components of the wage bill, such as the number of persons on the payroll who are ineligible for salaries. This revision was informed by the slow progress of achieving the reduction of the public wage bill in 2017, due to several factors (allowances made up of small share of public wage bill and new positions were created in 2017) and unforeseen circumstances (strikes and political pressures). Moreover, experience in EFSO showed that acquiring financial statements from 20 SOEs proved to be difficult. This indicator was also revised in the new DPO series to bring down to 15 or more SOEs.

2.4 Expected Next Phase/Follow-up Operation

40. **An upcoming programmatic DPO series follows through the supported reform areas**. The new programmatic follow-up DPO series supports the same policy areas, except for the procurement reforms as this area is being supported by a governance IPF and ASA.

3. ASSESSMENT OF OUTCOMES

3.1 Relevance of Objectives, Design, and Implementation

Relevance of Objectives: High

41. **The fiscal consolidation objectives of the DPO were fully consistent with the immediate priorities of GoC.** The rising financing needs at the peak of the crisis, combined with weak institutional capacity to manage the fiscal sector, would have put Chad into an immediate disorderly adjustment, with eventual repercussions, including government default and financial sector collapse. Chad not only needed determined fiscal adjustment and expenditure rationalization but also wider access to external financing to close its large financing gap for the 2017 budget (Table 2 in Section 1). As mentioned in Section 1.1, the needed budget support amounted to US$252 million. Of this amount, $65 million was financed by EFSO and was complemented by financing support from other development partners, including the AfDB, EU, and France. Hence, EFSO helped GoC avoid what could have been a major crisis by gaining time while providing the much-needed liquidity.

42. **The process of stabilization could entail pressure on pro-poor and social spending in the short-term, which should be mitigated to the extent possible.** The emergency response operation was highly relevant to assist GoC in its efforts to stay afloat during the economic and fiscal crisis. Non-action would have entailed short-term insecurity, instability, immediate social unrest and potentially a permanent rolling back of human development and poverty achievements, with negative externalities well beyond Chad and towards CEMAC and the region.

43. **The DPO was part of a larger effort to tackle the impact of exogenous shocks on Chad economy**. Prior to EFSO, the World Bank's Board approved the FCPSG (P155480) in December 2015, which aimed to help maintain macroeconomic stability, protect critical government's programs, and set the basis for medium-term reforms through: (i) broadening the tax base; (ii) improving the rationalization of public spending and transparency in public resource management; and (iii) improving new business registration. The following year, in December 2016, the Board approved a Supplemental Financing for this operation and the implementation of the reform was on track. As such, the EFSO, while it was an emergency response operation, supported GoC efforts that are aligned with more structural reforms that had already begun prior to the operation.[10]

44. **The policy areas supported by the DPO were consistent with the current country partnership framework (CPF)**. The CPF for FY16-20 was discussed with the Board on December 10, 2015 as a successor of the interim strategy note for FY10-12. The current CPF has three themes of engagement: (i) strengthening management of public resources; (ii) improving returns to agriculture and building value chains; (iii) building human capital and reducing vulnerability. The DPO was identified in the CPF as a contributor to the first theme through the improvement of the public resources management while it is also well aligned with the third theme by aiming to protect the most vulnerable populations.

[10] The previous DPOs (P155480 and P162548) were rated moderately unsatisfactory in the ICR.

Relevance of Design: Moderate

45. **The choice of instrument was appropriate given the context**. The stand-alone single-tranche emergency DPO was appropriate to respond to GoC's request for a quick disbursing budget support. The instrument was relatively easier to prepare compared to other instruments such as investment project financing or programmatic DPO. Given that EFSO was an emergency DPO, it did not call for deep structural measures from the government side, which was compatible to GoC's limited institutional capacity to carry out reforms during the crisis.

46. **However, some prior actions appeared too simple to generate institutional changes leading to achieving the PDOs.** While the prior actions considered the limited institutional capacity of GoC, they did not seem critical enough to generate further efforts towards achieving the PDOs (e.g., commissioned or received a report or study, or passed a decree). However, given that Chad was in deep crisis and there was unpredictability in the political scene (i.e., several changes in the cabinet in 2017), the Bank team focused on steps that had the potential to move the country toward the recovery path and to prepare the policy ground for deeper reforms. In this regard, the prior actions were aligned with the previous DPOs (P155480 and P162548) and the new programmatic DPO series (P163968) to allow for a continuous policy and analytical engagement on the chosen sectors, to ensure the continuity of reforms.

47. **The results indicators appeared too ambitious relative to the selected prior actions.** The indicator for PA1 and PA2 (streamlining the wage bill), which was a contraction of the wage bill by 3 percent, seemed infeasible, and unlikely to be achieved by December 2017, given that: i) reducing the allowances of government workers may not make a dent on the aggregate wage bill; ii) the aggregate wage bill included military spending, whose amount was unpredictable; iii) reducing allowances was likely to be met with resistance from the workers. Moreover, the indicator for PA5 (strengthening public procurement), which was a reduction in the share of single-source procurement contracts, did not seem to be directly related with the prior action of appointing the President of the ARMP and allocating regular budget.

48. **Furthermore, the results indicators could have been articulated better to reflect the institutional changes they were intended to capture.** On wage bill, for instance, the result indicator should have focused only on the salaries of civil workers, excluding the military as this item was fluctuating unpredictably. On procurement, the indicator could have used the share of single-source contracts for large contracts (it currently includes any contract). On SOEs, while the result indicator for PA3 (number of SOEs submitting financial statements) is well substantiated in the PAD, and well-linked to the prior action, it became clear during the implementation that receiving financial statements was a long way from being linked to an increase in oversight of the SOEs. In those three respects, the design of the operation could have been improved.

Relevance of Implementation: Moderate

49. **The World Bank team provided implementation support, which was done side-by-side with the preparation of the new DPO series and other on-going operations**. Since the Board approval in June 2017, the World Bank team conducted three missions: July 2017, September 2017, and an ICR mission in October 2018. The July and September 2017 missions were conducted for the preparation of the new DPO

series as four of the five areas of policy support for the EFSO were included in the new DPO series. Given that EFSO was a single-tranche operation and the funds were already released one month after effectiveness, there was a need to keep GoC focused on achieving the program objectives. Not only was a follow-up operation necessary, close supervision in the form of technical assistance could have helped prevent GoC from backtracking on their efforts to sustain the reforms.

3.2 Achievement of Program Development Objectives

First objective: Support immediate fiscal consolidation

Rating: Moderately Unsatisfactory

50. **Only one out of the four performance indicators under the fiscal management pillar was achieved, while another indicator was partially achieved before DPO completion.** The indicator that achieved the target was the freezing of new tax exemptions, which was sustained until the completion of ongoing studies on tax expenditures. The indicator on the number of SOEs submitting financial statements to MOFB was partially achieved. Other indicators that were not achieved were the contraction in the public wage bill and the decline in the share of single-source procurement contracts relative to total contracts (Table 6).

Table 6: Prior Actions and Expected Outcomes for Fiscal Management Objective

Prior Actions	Expected Results	Status by Completion
1. GoC has reduced the allowances for civil servants by 50 percent effective November 2016 through the adoption of decree. 2. GoC has commissioned and received an audit report for the public payroll system of central government.	Public wage bill* to contract by 3 percent (compounded) vis-à-vis the level in 2015	**Not achieved**. Wage bill grew by 1% (compounded) compared to 2015 level
3. GoC has: (i) completed an initial inventory of at least nineteen (19) SOEs with full or partial government ownership; (ii) commissioned an independent audit of its SOE portfolio; and (iii) issued a decree to ensure that all SOEs provide financial statements for 2014, 2015, and 2016 to Ministry of Finance and Budget (MOFB)	20 SOEs to submit their financial statements to MOFB in 2017	**Partially achieved**. Only 15 SOEs submitted their financial statements to MOFB
4. GoC has: (i) used a decree freezing tax exemptions (except those falling under the Vienna convention and those envisaged under agreements with financial and technical partners as set forth in said decree); and (ii) commissioned and received a tax expenditure study.	No new tax exemptions issued in 2017	**Achieved**. No new tax exemptions were issued in 2017
5. GoC has: (i) appointed the President of ARMP and the members of its Council of Regulation; and (ii) allocated a regular budget line to the ARMP in the annex to the 2017 budget law.	Value of single-source procurement contracts as a share of total contracts value declines to 30 percent	**Not achieved**. Value of single-source procurement contracts as share of total contracts increased to 42 percent

* Based on IMF database, which corresponds to the compensation of all government employees, including civil servants and members of the armed and security forces.

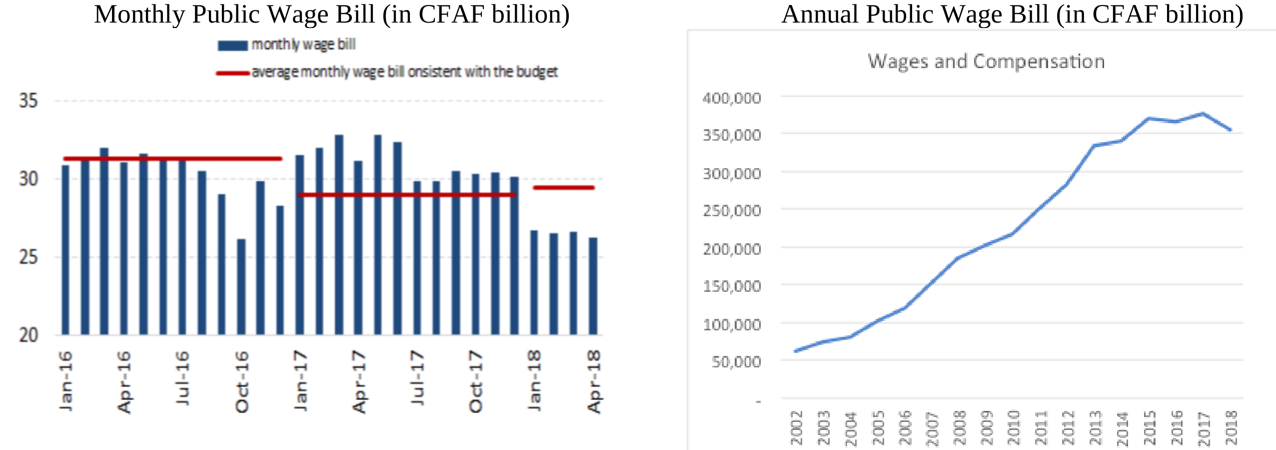
Reducing and streamlining of the public wage bill

51. **The target of public wage bill contracting by 3 percent in 2017 was not met**. Sustained efforts to streamline the public wage bill were expected to result into a contraction of 3 percent by 2017 (compounded) compared to the amount in 2015. However, by the end of 2017, the public wage bill expanded by 1 percent (compounded) compared to the amount in 2015 (Figure 1). Several factors contributed to the expansion of the wage bill in 2017. Among them, the pressure from various groups such as civil servants, labor unions, and political parties that prompted GoC to abandon its plan to make significant reductions in allowances; re-inclusion in the payroll system of the people who had been previously identified to be ineligible for payment but were in fact eligible (discussed below); hiring of more workers in light of on-going structural reforms; and increase in military spending as security challenges within and around the borders of Chad became a primary concern particularly towards the end of 2017.

52. **By 2018, sustained efforts to avoid increases in salaries and allowances led to a contraction of the public wage bill by 1.4 percent relative to the 2015 baseline.** In particular, GoC had taken measures to reduce bonuses and benefits such as: (i) further eliminate ghost workers, civil servants that reached retirement age, and those that are under age; (ii) update the payroll file following the audit of the payroll and further improve workers' information with comprehensive data for public employees to ensure benefits and bonuses are only paid to rightful employees; (iii) improve the budgeting and monitoring of the wage bill; and (iv) implement the recommendations of the planned audit of diplomas of the civil service. These efforts led to a significant reduction in the wage bill (Figure 1), although at the time beyond the DPO coverage (early 2018). The decline of the wage bill reflected further cuts in bonuses and benefits in the 2018 budget as well as efforts to update the payroll file.

Figure 1. Chad Public Wage Bill, 2016-2018

Monthly Public Wage Bill (in CFAF billion) | Annual Public Wage Bill (in CFAF billion)



Source: IMF Country Report No. 18/260, Second Review of the Extended Credit Facility, August 2018.

Source: IMF; World Bank staff calculations.

53. **Due to errors and mistakes found in the audit report, GoC did not validate the report, but some of the report's recommendations helped GoC formulate measures to improve its payroll system.** GoC received the audit report of its payroll system and made public announcement of the report's recommendations. However, GoC found errors and mistakes in the report regarding workers who were

identified to be ineligible of receiving salaries leading to non-validation of the list of workers. For instance, over-aged employees, whom the report indicated to be ineligible—and hence be removed from the payroll system—turned out to be employees who were entitled to lifetime payments due to their functions or because they are considered as traditional chiefs with their security auxiliaries known as *goumiers*. The report resulted in a suspension of 923 employees, but 818 of them were included back into the payroll and were paid the amount entitled to them, including retroactive payments. Despite these errors, GoC implemented some measures from the report's recommendations and selected five ministries to implement these measures in priority.

Improving SOE oversight

54. **Only 15 SOEs submitted their financial statements to MoFB, partially meeting the target of 20 SOEs.** The relatively low number of submissions could be attributed to the weaknesses in the procedures for compliance (e.g., financial statements are received only in print format) and the capacity for enforcement (e.g., lack of follow-up from MoFB). This is despite the decree (Arrete No. 027) that required SOEs to submit their yearly financial statements to MoFB and the tax code that also mandates SOEs to prepare their financial statements every year. Moreover, it should be noted that the oversight unit lacks the human and financial resources, including proper tools and procedures, to be fully operational and competent in overseeing the performance of SOEs and advising the MoFB. The upcoming programmatic DPO series, as well as a technical assistance project, will assist GoC in this regard.[11] Finally, it should be further considered that of the 15 SOEs that were counted as having submitted financial statements, most of them have only submitted one valid financial statement in the past 5 years, whereas the intention of the prior action was to have SOEs submit yearly financial statements. However, this was not observed even for the SOEs that were counted as currently complying.

55. **GoC continued the inventory of SOEs even beyond the program completion, reaching 29 inventoried SOEs towards the end of 2018.** GoC had requested and received an external audit and preliminary inventory of its major SOEs in May 2017, which consisted of 19 SOEs. By October 2018, the inventory consisted of 29 SOEs. This effort indicates that GoC remains committed to assessing the fiscal situation of the SOE sector. The updated inventory will serve as basis for the publication of SOEs audited financial statements going forward. The publication of audited financial statements is a critical performance and accountability tool for the SOE reforms. The SOE oversight unit under the MoFB, which is responsible for this inventory, has published the financial statements of 15 SOEs from the inventory by October 2018.

56. **The independent audit report of SOE portfolio helped GoC identify weaknesses of the SOE sector.** GoC commissioned an international firm to conduct an audit of a sub-set of the SOE portfolio to assess the financial position of these entities and the related implications in terms of fiscal sustainability. The preliminary results of the SOE audit report showed that nine out of the 10 SOEs reviewed for which partial financial information could be obtained consistently incurred losses. The one that reported profits benefitted from government subsidies. Besides the subsidies, it was reported that of the 10 SOEs, seven alone received government subsidies during 2010-2013 that reached 6.6 percent to 7.4 percent of non-oil GDP on average per year. Most SOEs were found to be financially bankrupt and receive subsidies that are

[11] The World Bank is preparing an advisory services and analytics for Chad (P168644) that aims to better understand the main characteristics and challenges of the SOE and parastatal sector, and to generate initial policy recommendations.

multiples of their capital each year. The final report is expected to provide more detailed assessment of the SOE portfolio, but its analysis is constrained by the lack of comprehensive inventory of SOEs.

Rationalizing tax expenditures

57. **The indicator on no new tax exemptions issued in 2017 was achieved.** From the time the prior action was met until DPO completion, GoC did not issue new tax exemptions, despite repealing the decree that freezes new tax exemptions in December 2017. The move to repeal the freezing of new tax exemptions was not surprising, however. The Bank team anticipated the freezing of new tax exemptions to be temporary in nature as the intent of the decree was primarily to prevent uncontrolled accumulation of exemptions while GoC was in the process of analyzing various tax expenditure regimes and assessing their fiscal impacts. Such analysis could guide future more limited and more effective tax exemptions.

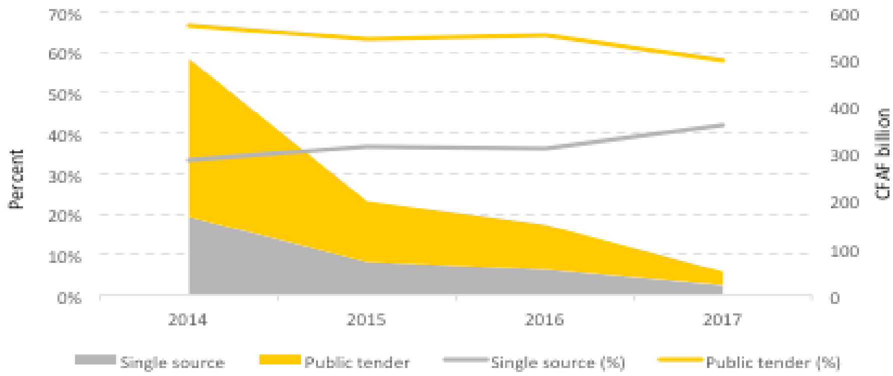
58. **GoC appeared to remain committed to rationalizing tax expenditures.** In addition to the tax expenditure studies, GoC undertook efforts that sustained its prior actions. For instance, GoC launched a series of audits on current exemptions granted to the largest firms to assess the fiscal losses embedded in their Tax Exoneration Agreements and to correct irregularities arising from its findings. By 2018, over 50 conventions have been reviewed, 17 have been found irregular and suspended, with seven pending appeals by companies, an indication that progress is being made in this area of reform. To continue this policy agenda, and with the support of the new DPO series, GoC issued regulations requiring that any new eligible tax exemptions be approved by the MOFB. This move put a halt to uncontrolled accumulation of exemptions.[12]

Strengthening public procurement

59. **The absolute value of single-source contracts declined, but it missed the target of 30 percent share of total contracts value.** In a strict sense, the results indicator for the prior action was not achieved. However, it should be noted that, following the reduction in public spending in 2017, the total contracts value declined significantly to CFAF 52 billion from CFAF 150 billion in 2016. In this fiscal consolidation context, large public works were halted, which automatically reduced the share of procurement done through public tenders. Single-source procurement contracts value also declined in 2017 to CFAF 22 billion from CFAF 54 billion in 2016, although its share relative to the total contracts value increased from 36 percent in 2016 to 42 percent in 2017. Most of the single-source contracts in 2017 were related to military spending.

[12] The program document for the new DPO series details more information on the update on rationalization of tax expenditures in Chad.

Figure 2. Procurement Contracts, 2014-2017



Source: Chad authorities; World Bank staff calculations

60. **GoC has continued its efforts to strengthen the capacity of ARMP**. The General Directorate of control of public procurement continues to publish a quarterly bulletin. The last report shows that in 2016, only 7 of the 146 procurement opportunities (for a total of CFAF 250 billion) were attributed without public tendering. Moreover, GoC is now preparing to implement a new procurement code, while the fiscal consolidation and the recent shift to cash-based budgeting are expected to curb the use of extraordinary spending procedures.

Second objective: Establish social protection mechanism

Rating: Satisfactory

61. **The social safety net unit (*Cellule Filets Sociaux – CFS)* exceeded the target of registering 4,500 households in Logone Occidental to benefit from cash transfers by program completion.** In fact, by December 11, 2017, a total of 4,650 households in Logone Occidental were registered in the social safety net (SSN) program and started to receive payments (Table 7)**.** CFS made substantial efforts to achieve this indicator, given that all key positions in the CFS were already filled and an international recruiting firm (which was hired through a competitive process as late as July 2017) has been supporting its operations. CFS built an objective and transparent targeting system to select poor geographical areas and households and, in collaboration with major stakeholders (development partners and NGOs), developed a harmonized questionnaire. This questionnaire served as a reference data collection tool for the SSN programs beneficiaries' households targeting and has been used to collect socioeconomic and demographic data on over 23,000 households in Logone Occidental and Bahr El Gazel regions.

Table 7: Prior Actions and Expected Outcomes for Social Protection Objective

Prior Actions	Expected Results	Status by Completion
GoC has: (i) issued a decree setting up the steering committee for safety net program; (ii) completed the competitive recruitment of the key staff of the safety net unit; and (iii) conducted a census of at least 17,000 households in Logone Occidental.	Identification and targeting strategy is finalized and at least 4,500 poor and vulnerable households in Logone Occidental are registered as identified by such strategy	**Achieved**. Identification and targeting strategy finalized and 4,650 poor and vulnerable households are receiving cash transfers in Logone Occidental

62. **GoC expanded the coverage of the social safety net.** On September 23, 2017, GoC issued a decree requesting all national and international stakeholders intervening in social protection, education, health, agriculture and all key social sectors to: (i) use the harmonized questionnaire for data collection; and (ii) make all data available to Government for the future social registry database. These efforts are supported by the new DPO series, which aims to increase the selection and payment of 6,200 cash transfer program beneficiary households in Logone Occidental and Bahr El Gazel Regions, and to make four quarterly payments by September 2018, using the same well-tested methodology based on service delivery mechanisms. Moreover, the creation of a platform to host a Unified Social Registry is envisaged, under the institutional supervision of the Ministry of Planning, for the management of data collected using the harmonized questionnaire.

3.3 Efficiency

Not applicable.

3.4 Justification of Overall Outcome Rating

Outcome Rating: Moderately Unsatisfactory

63. **The relevance of objectives was high.** The objectives of EFSO were and still are highly relevant to the immediate priorities of GoC and are aligned with the Bank's assistance strategy in Chad. Given the urgency of budgetary support, the emergency operation was essential as the development financing was used to fill a huge financing gap in 2017. Failure to provide the financial support during that period could have put the country at risk of sliding deeper into recession, which could have triggered a prolonged fiscal and social crisis. The instrument used was appropriate to the country context—the country was in a deeper and longer crisis than expected—and was in line with the Bank's engagement strategy with GoC.

64. **However, most of the results indicators were not achieved.** Only two of the five results indicators were achieved (no new tax exemptions in 2017 and finalization of identification and targeting strategy for a social safety net); one indicator was met but with delay (wage bill contraction); and one indicator was partially met (15 out of 20 SOEs submitting financial statements). The indicator on procurement was not met as the fall in total procurement value automatically reduced the share of public tenders. Although most of the indicators were not achieved, partially achieving them indicated GoC's commitment towards achieving the PDOs.

65. **Some prior actions were not sufficient enough to generate the expected outcomes.** These mainly refer actions such as commissioning a report or study. The selection of the prior actions, however, was justified based on the country's limited institutional capacity during the crisis. The prior actions nonetheless contributed substantially to institutional strengthening, independently of whether the results were achieved. On indicators, they were a mix of somewhat ambitious targets (e.g., contraction of wage bill by 3 percent in 2017) and those that are likely to be achieved (e.g., use of identification strategy in social safety nets) as they are supported by other operations.

66. **The design of the results indicators could have been improved.** Given the limited time to achieve the targets (6 months), data availability, and government capacity, the results indicators could have been designed more appropriately. For instance, the indicator on single-source procurement could have been phrased differently (e.g., "the value of single-source procurement contracts as a share of total contracts, for non-military expenses that are above a certain threshold, for example $50,000"). The result indicator for SOEs submitting financial statement could have been further detailed, by being explicit about the frequency required for financial statements and the format of submitting them. Currently, a financial statement submitted only in paper and four years ago is still counted as valid, whereas the intention was to have yearly statements.

67. **Beyond the PDO indicators, however, the DPO was instrumental in keeping GoC engaged in the policy dialogue, and open about the reform agenda.** Given the inherent limitations of an emergency operation, EFSO was designed to serve as a "bridge" for the new DPO series, which focuses on a transition from fiscal stabilization towards a more permanent social and structural reform agenda. In that regard, the DPO fully serves this stated purpose. In addition, EFSO kept the country engaged with the international community and focused on institutional reforms to improve state capacity, which in itself a positive outcome, even if results indicators are not met, somehow reversed, or progress towards achievement is slow.

3.5 Overarching Themes, Other Outcomes, and Impacts

(a) Poverty Impacts, Gender Aspects, and Social Development

68. **It is difficult to estimate the impact on poverty in the short run, but there is a strong case that the EFSO served as a tool to avoid a major crisis.** The grant was aimed to provide the fiscal space necessary to manage GoC's expenditure, and in so doing, prevented GoC's from cutting the spending on social sectors. A full-blown macro crisis would have been more abrupt and immediately have adverse impact on the poor and non-poor alike. In fact, short-term increases in poverty are most likely to materialize through cuts in services such as education, health, provision of agricultural inputs, and through the generally subdued economic environment caused by continued austerity. Poor and near-poor households have few options beyond public services and their disruption would have negative consequences, though the impact is difficult to quantify. The prior actions related to cuts in allowances target civil servants, who are less vulnerable and sought to protect spending on the poorest through the social protection and cash transfer program.

69. **The expected medium-term impact of the reforms included in this operation on gender equity is positive**. Similar to poverty, in the short term, reductions in public services may be detrimental to women. In the longer term, however, increased government resources directed to health, education, and social safety nets would have positive impacts as increased spending for health, for example, could improve maternal mortality; increased funding for education and social safety nets could increase school attendance for girls, as families with limited resources often prioritize the education of sons; and implementing the NSPS affect women as the program identified women as the most vulnerable and thereby helping them primarily through cash transfers and cash for works programs by making them the primary recipient of the benefit of the programs.

(b) Institutional Change/Strengthening

70. **Given the short duration of the operation, the DPO was not expected to generate significant institutional change but was expected to support the on-going institutional strengthening**. The DPO improved capacity in the areas of expenditure management, public procurement, and social safety nets. As this operation is expected to serve as a bridge for the upcoming programmatic DPO series, the interventions were weighted toward emergency response, while strengthening institutional foundations to support future programmatic reforms.

(c) Other Unintended Outcomes and Impacts

None.

3.6 Summary of Findings of Beneficiary Survey and/or Stakeholder Workshops

Not applicable.

4. ASSESSMENT OF RISK TO DEVELOPMENT OUTCOME

Rating: High

71. **The level of risk was recognized as high at appraisal.** The capacity of GoC to accommodate and implement major changes to their expenditure management systems has been weak, and it was further aggravated by the crisis. Institutions have been weakened through decades of conflict in the region and poor governance. The political scene continues to be volatile. The security challenges, which became a primary concern at the peak of the crisis, threatened to overwhelm any ownership and commitment to support the reforms.

72. **The risk remains high at the time of evaluation**. Despite GoC's efforts to move the policy agenda forward, the governance issues remain and the possibility of GoC reversing these efforts is high, particularly if technical staff in the bureaucracy who supported the reforms are replaced. In fact, there has been a high turnover rate in the cabinet (i.e., there were four Finance Ministers in one year), which hampered the progress of reforms. There has also been a history of backtracking of reforms. In this operation, however, while GoC abandoned its plan to reduce the allowance of civil servants, it continued to clean up its payroll by eliminating ineligible workers; and while it repealed the decrees that forbid new tax exemptions, it did not issue new tax exemptions during the DPO implementation, although new tax exemptions were issued in 2018 after the monitoring period.

5. ASSESSMENT OF BANK AND BORROWER PERFORMANCE

5.1 Bank Performance

(a) Bank Performance in Ensuring Quality at Entry

Rating: Satisfactory

73. **EFSO was the best possible instrument given the context.** Given the huge financing gap at the peak of the crisis, the external budget support was extremely necessary to avoid a full macro crisis. The tight financial situation that was likely to lead to protracted crisis, combined with security challenges and GoC's limited capacity, necessitated an emergency response operation. The budget support complemented the financing support from other development partners including the AfDB, the EU, and France, as well as the three-year IMF ECF arrangement.

74. **The engagement was timely but could have been prepared early on.** The operation was prepared under tight deadlines—the Appraisal Mission was conducted in May 2017, the Board approved the operation in June 2017, the funds were disbursed in July 2017, and the operation was closed in December 2017, giving GoC almost six months to reach the targets. Given that the oil prices began to fall in end-2014 and there was an on-going operation in Chad (P155480 and P162548), the need for a budget support could have been anticipated early on and could have given both the Bank team and the GoC sufficient time to ensure a stronger link between reform efforts and indicators, and to assess whether or not the targets could be feasibly achieved with the given time frame.

(b) Quality of Supervision

Rating: Moderately Satisfactory

75. **The Bank team provided supervision to the DPO implementation**. As a stand-alone, single-tranche operation, there was no required supervision mission for EFSO. However, during the DPO implementation, the Bank team continued to engage with GoC on the areas of policy support through other engagements such as the preparation for the new DPO series or the implementation supervision of other on-going projects, which cover similar policy support areas as the EFSO. Through continued engagement, the Bank team was able to keep updated with the developments in these areas and address concerns when they arise.

76. **Monitoring and supervision were hampered by a lack of quality and timely data and limited information**. Despite efforts of the Bank team to monitor the progress of EFSO implementation, the data from the government were of poor quality and came with a lag. The data pertinent to assessing the progress in the results framework (e.g., disaggregated data on wages and procurement contracts) and other updates to evaluate performance were difficult to obtain. To address this, the Bank team had to coordinate with other development partners (e.g., IMF) in analyzing the limited information at hand.

(c) Justification of Rating for Overall Bank Performance

Rating: Moderately Satisfactory

77. **The operation was timely, but the design could have been strengthened.** EFSO was a highly relevant operation and the most appropriate instrument given the context and that it averted an otherwise catastrophic fiscal crisis. The Bank team implemented EFSO under a fragile situation, with GoC having to deal with deep and protracted crisis, a large financing gap, growing security concerns; and with limited institutional capacity to carry out substantial reforms. However, the design of EFSO did not fully take into account certain factors that could affect outcomes. For example, the results indicators were too broad that they failed to capture other efforts of GoC towards achieving the PDOs; the time frame was limited to achieve such indicators; and there was no supplementary technical assistance that could have directly supported GoC in the implementation and provided room for hands-on supervision.

5.2 Borrower Performance

(a) Government Performance

Rating: Moderately Unsatisfactory

78. **GoC made efforts to achieve the PDOs, but in terms of results indicators, the progress was slow.** Despite completing the prior actions prior to Board approval, the subsequent efforts of GoC through the course of EFSO implementation were not sufficient enough to achieve the PDO indicators. This could be attributed to the unforeseen circumstances and immediate priorities that prompted GoC to make policy changes, which delayed the achievement of the results indicators. For instance, strikes from government workers made GoC slowdown in its efforts to rationalize the public wage bill; and security concerns demanded increased military spending, which accounted for significant portion of single-source procurement contracts.

(b) Implementing Agency or Agencies Performance

Rating: Moderately Satisfactory

79. **There was lack of supervision on the progress of implementation.** After effectiveness, there were indications that some of the PDO targets would not be met by DPO completion, particularly on the size of the public wage bill, the number of SOEs submitting financial statements, and the share of the single-source procurement contracts relative to the total contracts. This could be due to the limited human resource capacity in GoC to monitor the progress of DPO implementation, as well as the limited knowledge of how DPO work in terms of reporting and timelines.

(c) Justification of Rating for Overall Borrower Performance

Rating: Moderately Unsatisfactory

80. **There was lack of focus to achieve the targets.** Within the policy areas of support, there were more immediate concerns that needed GoC's attention such as military spending, which bloated the wage bill, but was necessary to address the security challenges; enhancement of SOE oversight, which did not result in SOEs submitting their financial statements; and reduction in total spending, but not necessarily on items that are purchased through single-source procurement.

6. LESSONS LEARNED

81. **An emergency DPO would be the most appropriate instrument to respond to a government's request for an immediate relief to a massive fiscal crisis**. EFSO was implemented under a fragile situation, with the government having to deal with a deeper- and longer-than-anticipated crisis, a large financing gap, growing security concerns; and with limited institutional capacity to carry out substantial reforms. An emergency DPO would be an appropriate choice of instrument in similar cases in the future as it is relatively easier to prepare (compared to other alternatives such as IPF) and as such can respond to a government's request for quick disbursing budget support, yet can still sustain the momentum for policy reforms.

82. **It is important to have on-going longer-term operations that will complement the emergency response.** A stand-alone, single-tranche operation such as the EFSO, by itself, would be at risk of failing (i.e., not meeting the PDOs) if its PDOs were not aligned with other Bank operations that have longer implementation period. This is particularly important with the indicator on social protection, wherein the indicator for the prior action was in line with the on-going investment project on social safety net and, in so doing, received continued guidance and support.

83. **However, attention should be given to achieving the DPOs amidst existence of other operations**. The on-going or upcoming operations, while they help in keeping the government on track with reforms, could also distract the government's attention in keeping track with the progress of the implementation of the emergency DPO. There would be a tendency to focus on reaching the targets of the next DPO rather than the targets of the emergency DPO especially if the targets of the next DPO seemed more feasible to achieve.

84. **A supplementary and dedicated technical assistance could help government stay focused on achieving the PDOs of an emergency DPO.** A stand-alone single tranche DPO does not have supervision. Moreover, government capacity is weak especially during a crisis. In this regard, hands-on technical assistance to an implementing agency to monitor implementation progress could help in achieving the PDOs. Indications of not achieving the target can be derived not only through collecting data but also through frequent engagement with the government to be able to keep up-to-date on any relevant developments. In EFSO, there was no supervision required as it was stand-alone, but technical assistance to GoC to address rationalize expenditure may have helped them in their efforts to achieve the targets.

85. **Relatedly, close dialogue and complementary conditionality with the IMF on an emergency operation are critical**. This particularly applies to operations in countries where the government has limited capacity to undertake reforms on their own and rely heavily on technical assistance to carry out these reforms. Close dialogue with the government can inform on the feasibility and the type of support that is needed to progress on reforms., while complementary conditionality can allow governments to focus on the reform agenda.

86. **The design of an emergency operation should take into account the lag in materializing the outcomes**. Given that the country is in deep crisis, there is a need to thoroughly assess the government's capacity to achieve the targets of the DPO. A high bar put could put the operation at risk of not achieving the target, and hence receive a low rating in evaluation, but it could also keep the government on track towards substantial structural reforms.

87. **The results indicators should better articulate the institutional change they were intended to capture**. As such, they should be precise, specific and rely on obtainable data. As indicated in the previous sections, some of the results indicators in EFSO did not capture well the efforts of GoC towards achieving the PDOs. For instance, the wage bill indicator included military spending, the exact amount of which was not known, whereas GoC's efforts to clean up the payroll only referred to the civil servants salary only. As such, efforts of GoC in cleaning up its civil service payroll, with a view to reduce the oversized wage bill, did not make significant effect on the indicator.

88. **Foreseeing data availability and quality should be strengthened at the design stage.** It is important to know what type of data will support the monitoring of the results indicators. In the case of EFSO, the lack of reliable, updated, and good quality data on procurement contracts and wage-bill reduced the monitoring and oversight capacity.

89. **Institutional strengthening requires continued engagement between the development partners and the country, particularly in a fragile context.** The engagement prevented the country's population from being exposed to high risks of poverty and insecurity. The past provides cases of World Bank disengagement (RDC early 1990s for example) which resulted in adverse outcomes as the government responded with worse policy choices. The subsequent result and lessons learned from disengaging was to remain engaged. While maintaining political stability and taking slow steps toward institutional reforms may lead to only marginal improvements, past country cases (e.g., Sudan, Mali, Burkina Faso, Central African Republic, and DRC) are reminders that the alternatives could be worse.

7. COMMENTS ON ISSUES RAISED BY BORROWER/IMPLEMENTING AGENCIES/PARTNERS

(a) Borrower/Implementing Agencies

(b) Cofinanciers

Not applicable.

(c) Other Partners and Stakeholders

Not applicable.

ANNEX 1: BANK LENDING AND IMPLEMENTATION SUPPORT/SUPERVISION PROCESSES

(a) Task Team members

Names	Title	Unit	Responsibility/ Specialty
Lending			
Giuseppe Zampaglione	Lead Social Protection Specialist	GSP07	Team leader
Markus Kitzmuller	Senior Economist	GMTA2	Team Leader
Ningayo Charles Donang	Procurement Specialist	GGOGI	Procurement Specialist
Maimouna Mbow Fam	Lead Financial Management Specialist	GGOAW	Financial Management Speci
Lydie Anne Billey	Program Assistant	GSP07	Program Assistant
Antonia Koleva	Senior Operations Officer	GSP01	Team member
Stefano Paternostro	Practice Manager	GSP07	Practice Manager
Lars Christian Moller	Practice Manager	GMF08	Practice Manager
Olivier Beguy	Economist	GMF08	Team member
Rafika Chaouali	Lead Financial Management Specialist	GGO026	Team member
Penny Williams	Senior Social Protection Specialist	GSP07	Team member
Micky Ananth	Operations Analyst	GMF08	Team member
Maude Jean-Baptiste	Program Assistant	GMF08	Team member
Supervision			
Giuseppe Zampaglione	Lead Social Protection Specialist	GSP07	Team leader
Markus Kitzmuller	Senior Economist	GMTA2	Team Leader
Lydie Anne Billey	Program Assistant	GSP07	Program Assistant

Antonia Koleva	Senior Operations Officer	GSP01	Team member
Jehan Arulpragasam	Practice Manager	GSP07	Practice Manager
Lars Christian Moller	Practice Manager	GMF08	Practice Manager
Kandi Magendo	Financial Management Specialist	GGOAW	Team Member
Olivier Beguy	Economist	GMF08	Team member
Olanrewaju Malick Kassim	Economist	GMTA2	Team Member
Rony Djekombe	Operations Analyst	GSP07	Team member
Dimitris Mavridis	Social Protection Specialist	GSP07	Team member
Micky Ananth	Operations Analyst	GMF08	Team member
Paulette Zoua	Program Assistant	GMF08	Team member

(b) Staff Time and Cost

Stage of Project Cycle	Staff Time and Cost (Bank Budget Only)	
	No. of staff weeks	USD Thousands (including travel consultant costs)
Lending	**8**	**32983.7**
Total:		
Supervision/ICR	0	0
Total:	8	32.983.7

ANNEX 2: LIST OF SUPPORTING DOCUMENTS

ICR Chad EFSO Summary of Ratings

ICR Sections	Rating	Remarks
3. Assessment of Outcomes		
3.1 Relevance of Objectives, Design, and Implementation		
Objectives	High	Operation was necessary to prevent an otherwise catastrophic crisis
Design	Moderate	Served as bridge between past and upcoming PDOs; but prior actions did not match with indicators; indicators did not capture changes they were intended to capture as they were too broad and not specific enough
Implementation	Moderate	Progress was slow as most targets were achieved in 2018
3.2 Achievement of Program Development Objectives	(No rating scale, descriptive only)	
3.3 Efficiency	(N/A, For IPF and GEF only)	
3.4 Justification of Overall Outcome Rating	Moderately Unsatisfactory	Only 2 of 5 indicators were met
3.5 Overarching Themes, Other Outcomes, and Impacts	(No rating scale, descriptive only)	
3.6 Summary of Findings of Beneficiary Survey and/or Stakeholder Workshops	(No rating scale, descriptive only)	
4. Assessment of Risk to Development Outcomes	High	PDO is still at high risk of not being met at time of evaluation
5. Assessment of Bank and Borrower Performance		
5.1 Bank Performance		
(a) Bank Performance in Ensuring Quality at Entry	Satisfactory	Instrument was appropriate; there was on-going engagement
(b) Quality of Supervision	Moderately Satisfactory	No supervision for a stand-alone single-tranche operation but could have assisted government through a supplementary technical assistance
(c) Justification of Rating for Overall Bank Performance	Moderately Satisfactory	S + MS = MS
5.2 Borrower Performance		
(a) Government Performance	Moderately Unsatisfactory	Indications of backtracking reforms during implementation (e.g., stopped reducing allowances, repealed decrees on tax exemptions)
(b) Implementing Agency or Agencies Performance	Moderately Satisfactory	Lack of focus to achieve targets; poor data collection to inform progress of implementation
(c) Justification of Rating for Overall Borrower Performance	Moderately Unsatisfactory	MU + MS = MU

Rating scales:

Assessment of Outcomes (Relevance)	High overall relevance	Objectives reflected proper diagnosis
	Poor relevance	Objectives differed from analytical underpinnings and strategies
Assessment of Outcomes (Overall Outcome Rating)	Highly Satisfactory	No shortcomings
	Satisfactory	Minor shortcomings
	Moderately Satisfactory	Moderate shortcomings
	Moderately Unsatisfactory	Significant shortcomings
	Unsatisfactory	Major shortcomings
	Highly Unsatisfactory	Severe shortcomings
Assessment of Risk to Development Outcomes	Negligible to Low	
	Moderate	
	Significant	
	High	
Assessment of Bank and Borrower Performance	(Same as assessment of outcomes)	