



Amendment to
Project Proposal for
CHAD

June 2026

Component: Revenue

Module: RM-I: Tax Policy



PROJECT SUMMARY

COUNTRY: Chad

LEAD DEPARTMENT: FAD

REGION: AFR

PLANNED DATES: FY27-28

PROJECT MANAGERS: **Eric Robert (Tax Policy, FADT1)**

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ESTIMATED BUDGET US\$ 342,400

PROJECT AMENDMENTS:	PURPOSE	SC APPROVAL
INITIAL PROJECT PROPOSAL	Proposal for module RM-II: Revenue Administration	January 2024
AMENDMENT 1/2	Seek inclusion of module SM II: Managing Public Finances (previously funded under the Government of Japan for fragile and conflict affected states in sub-Saharan Africa)	January 2025
AMENDMENT 2/2	Seek inclusion of module RM-I: Tax Policy, to assist the authorities with improving their tax expenditure framework, and reform their income tax system to encourage formalization	June 2026

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ACRONYMS

CD	Capacity development
CIT	Corporate income tax
FAD	IMF Fiscal Affairs Department
MoF	Ministry of Finance of Chad
NDP	National Development Plan of Chad
PIT	Personal income tax
STX	Short-term expert

I. PROJECT AMENDMENT PURPOSE

Country request and relevance/importance

The country authorities have requested assistance from the IMF's Fiscal Affairs Department (FAD) to strengthen their capacity in mobilizing non-oil revenue, which is among the priorities of the new government under its National Development Plan (NDP) adopted in May 2025. Non-oil tax revenue in Chad remains low at around 8 percent of GDP in 2025, which is well below the often cited 15 percent threshold of tax-to-GDP ratio to support growth and development. Meanwhile, oil revenue is experiencing a declining trend, from 11.3 percent of GDP in 2023 to 8.6 percent (projected) in 2025, making the mobilization of non-oil tax revenue even more critical to restore macro-fiscal stability. Among the several tax policy challenges that affect non-oil tax revenue, the country's authorities identified the following priorities: improving reporting (including transparency) of tax expenditures, rationalizing tax exemptions, and reducing informality (both in respect of the taxation of individuals and businesses). While no capacity development (CD) work has occurred on tax policy in the past six years, a general diagnostic conducted in 2020 already identified these areas (i.e., tax expenditures and informality) as key priorities for tax policy reforms, with a number of recommendations. The new request and NDP indicate that the authorities are now committed to implementing reforms drawing on those earlier recommendations, with a view to reducing their dependence on oil revenue and improving their non-oil tax-to-GDP ratio. This amendment will complement the ongoing CD by FAD that aims to improve spending efficiency and tax administration, and will also support the objectives—including implementation of relevant structural benchmarks (in particular SB1, SB2 and SB6, which seek to raise non-oil revenue)—under the current Extended Credit Facility arrangement.

Description of Modules

The CD work on tax policy will support the government's priority areas for tax policy reforms by assisting and working closely with the Chad Ministry of Finance (MoF) in setting up a robust framework to identify, report and assess tax expenditures, including a cost/benefit analysis. This will be aimed at identifying and removing the incentives and loopholes in the system that have the lowest cost to benefit ratio. The CD work will then extend to reforming the income tax system for individuals and businesses, with a view to reducing informality and improving efficiency. Drawing on earlier recommendations, this will involve base broadening measures and simplifications aimed at improving the efficiency of Chad's income tax

system for businesses and individuals, including addressing international tax issues and improving gender equality (e.g. through the design of the personal income tax (PIT) system). These reforms will be critical in aligning Chad's tax framework with global standards and addressing persistent underperformance in key revenue areas.

The estimated budget for this project amendment is US\$ 342,400 and covered within the total budget endorsement request for Chad of US\$ 1,016,168 through FY28.

II. BACKGROUND

Macro-fiscal situation

Chad is a fragile or conflict state facing daunting development challenges. Economic activity remained robust in 2025 driven by a rebound in oil production, a further expansion of mining activities, and strong harvests. Following its peak of 5.6 percent in 2025, GDP growth is projected to remain close to 5 percent. The war in the Middle East is expected to have a net positive effect on the Chadian economy due to higher global oil prices. Medium-term prospects hinge on sustained reforms, effective implementation of the NDP, and favorable external conditions. These dynamics provide an opportunity to strengthen fiscal resilience and create space for priority social and capital spending. Despite recent progress, public finances face significant challenges and risks. Revenue mobilization remains weak, with authorities working to broaden the tax base and improve administration of the value-added tax, while oil dependence continues to expose the budget to price volatility. Declining but still elevated use of emergency spending procedures with limited absorptive capacity for investment, and delays in structural reforms—particularly in internal budgetary and accounting control—undermine fiscal discipline. Humanitarian pressures from hosting 1.5 million refugees, tight financing conditions, volatile oil revenue and vulnerabilities in debt management further constrain fiscal space. This makes tax policy reforms to strengthen non-oil revenue mobilization, together with strong public financial management reforms, enhanced cash management, and implementation of TSA, critical for program success.

Country engagement and alignment to reform priorities

Thanks to the CD support provided under the current project funded with Global Public Finance Partnership (GPFP) resources, significant progress has been made in Chad's public finance reform and in its core tax administration functions.

With respect to tax administration, since its launch in 2024 the CD project has strengthened taxpayer identification processes through digitalization, reduced administrative compliance costs for taxpayers, and supported improved tax compliance. The project has also facilitated enhanced data matching with external sources, including financial institutions and public administrations, thereby improving the accuracy, consistency, and effectiveness of compliance and control activities. Work carried out in FY26 supported continued broadening of the tax base and strengthened the integrity of the taxpayer register. Digital tools were further reinforced, notably through the expansion of e filing, electronic payment, and electronic invoicing, which helped reduce compliance costs and enhance transparency. These gains were supported by the signing of several data sharing protocols with banks and public administrations. In parallel, strengthened segmentation and monitoring of large and medium taxpayers, combined with the introduction of risk-based compliance approaches, contributed to improved institutional effectiveness. With respect to public finance management, among the most significant achievements are the creation of an Institutional Framework for Public Finance Reform (i.e., CIRFiP) and an Operational Reform Unit within the General Directorate of the Treasury and Public Accounting, ensuring the steering and coordination of the SRFP. An initial report on the implementation of the strategy has been prepared, while considerable capacity-building efforts have been carried out within the ministry's departments, supported by the establishment of training and communication plans.

Finally, at the request of the MoF, a Governance and Corruption Diagnostic work has been initiated in 2026 to support the authorities in identifying macroeconomically critical governance weaknesses and corruption vulnerabilities and designing specific sequenced recommendations and structural reform priorities. The government has committed to make the final report public. This shows its commitment to improve governance mechanisms that support effective management of public expenditures, stimulate competitiveness, and foster inclusive and sustainable growth.

IMF priority areas / cross-cutting themes

The project includes work on improving the efficiency of Chad's income tax system, which will involve reviewing the design of the PIT system and how this can contribute to **gender inclusion**. Many PIT systems – including Chad – include derogatory measures aimed at accounting for family expenses that can have implicit or explicit gender biases (e.g., household taxation), and hence contribute to gender inequality (e.g., discourage female employment). The review and reform of the income tax system will include identifying those implicit or explicit gender biases with a view to addressing them to support

inclusive growth. Importantly, this objective is also consistent with Chad's NDP, which includes greater “inclusion of women” among its transversal programs.

III. PROJECT AMENDMENT MODULES - DESCRIPTION

This proposal is an amendment to an existing project. The amendment proposes CD support to Chad on tax policy. FAD CD will support improvements within the strategic objectives presented in Table 1.

Table 1. Summary of Objectives covered by the Proposal

Component	Module	Objective
Revenue	RM I / Tax Policy	• Improve Tax Policy Design • Strengthen Tax Policy Monitoring, Evaluation and Institutions

A. RM I – Tax Policy

Scope

The CD work will assist local authorities – in particular the MoF – with (i) introducing a tax expenditure monitoring framework, and (ii) developing reforms aimed at improving the efficiency of the income tax system. The work will involve tailored hand-on support and possibly training of technical and senior staff in these areas, using a gradual approach that will adapt to the authorities' needs and expectations on an ongoing basis.

Program Objectives

The first objective of the project is to help local authorities set up a monitoring framework (including the related institutional arrangement, such as a tax policy unit) allowing to improve tax expenditure identification, costing, evaluation, and reform. This framework will be designed to support the ongoing rationalization of tax expenditures, including helping them adopt international best practices and standards in this area (e.g., in response to Pillar 2 implementation), and is expected to become a key tool at the disposal of the MoF to evaluate the impact of tax policy and identify reform priorities going forward.

The second objective of the project is to help local authorities develop a coherent and holistic reform plan for their income tax system that is both conducive to growth and revenue mobilization. This will include a wide range of improvements to corporate income tax (CIT) and PIT aimed at improving efficiency and equity (including gender equality, progressivity, etc.), with a view to reducing informality and increasing tax revenue. It will also include the review of CIT and PIT tax expenditures consistent with the prior objective.

Altogether, these two CD workstreams will be instrumental in helping local authorities to reduce their dependence on oil revenues and restore macro-fiscal stability. They could also lead local authorities to consider the development of a credible medium-term revenue mobilization strategy.

Expected Results (outcomes)

The outcome of this project will include:

- Increased fiscal transparency and accountability through the publication of tax expenditure reports (including quantification of revenue losses);
- More evidence-based approach to evaluation of tax policy reforms (incl. equity objectives);
- Increased tax revenue from rationalization of tax expenditures and amended CIT/PIT rates and bases;
- Increased formality and economic efficiency by minimizing the economic distortions imposed by CIT and PIT.

Project proposals typically cover only one to two years of CD activities, which are expected to contribute to the achievement of the objectives outlined in the sections above. The objectives of this GPFP project may require extended and ongoing support to be fully and sustainably realized. Therefore, progress reports will serve to monitor advancement towards these objectives, and it may be necessary to adjust or broaden project workplans to better facilitate the achievement of these goals.

IV. ORGANIZATIONAL ARRANGEMENTS

A. Country Engagement

While CD work in Chad has been extensive over the past years in the area of public financial management and tax administration, the amended project will include a new module on tax policy, where no work has been done since 2020. It will draw on the assessments and conclusions made from earlier

CD support on tax policy provided to Chad, which included tax expenditures and informality. The planned support was requested by the MoF and is aimed at improving non-oil tax revenues, a key development priority of the authorities' NDP. This support will be provided in parallel to the ongoing Governance and Corruption Diagnostic work initiated in 2026 at the request of the MoF, and the other CD activities by FAD.

B. Delivery Modalities

CD will comprise of a mix of remote and in-person activities. Virtual deliveries will be used to provide efficiencies to in-person support, including pre-engagement meetings and post-follow-up meetings. The following CD activities will be delivered as a package:

- **Headquarters-led (HQ) missions and staff visits** to provide strategic recommendations, conduct regular follow-ups, assess progress, ensure short-term expert (STX) work is aligned to plans, coordinate with other CD providers, and adjust reform implementation plans.
- **STX visits** to help implement the recommendations delivered by the HQ missions; a limited number of STXs will be assigned to provide specialized assistance in specific areas of tax policy, revenue administration and public financial management. The project will seek to use French-speaking experts.
- **Workshops**, during the HQ missions, staff visits, or STX visits, to share experiences, provide stakeholders with a view of progress achieved and challenges faced, and discuss with the managers and staff their views on the reforms and particular technical subjects.

C. Coordination / Cooperation

Partner	Coordination Type	Coordination Area	Frequency
IMF's Regional Technical Assistance Center for Central Africa (AFC)	Sharing of information, insights, recommendations, and where available participation in missions	Tax policy – priorities, recommendations, and status of reforms	Regular
World Bank	Sharing of information and insights	Tax policy, work plan priorities	Bi-yearly

V. RISK ASSESSMENT AND MITIGATION

Module	Description	Risk Assessment	Mitigation Measures
EXTERNAL CLIMATE/CONDITIONS			
RM I - Tax Policy	External climate/conditions, including social protestations, armed conflicts, insufficient telephone networks or internet connections, can slow down or even stop reforms implementation	High	Ensure sufficient flexibility in program execution and allow for ability to adjust activities in the case of adverse events
POLITICAL SUPPORT			
RM I - Tax Policy	Limited political support, political instability or weak coordination between MoF and tax administration may delay or even stop reform implementation	High	Ensure political support upfront at the highest level, and that the reform aligns with the domestic agenda and priorities. Coordinate closely with other FAD divisions, Area department, and other contacts/partners in the country to ensure the different relevant agencies are informed/involved in the reform.
MANAGEMENT AND TECHNICAL STAFF SUPPORT AND COMMITMENT			
RM I - Tax Policy	Senior management and technical staff may not be sufficiently committed and lack leadership. Further, unpredictable/regular rotations in management can disrupt the continuity of a project or momentum of key reforms. Limited technical skills among mid- and senior-level managers could also slow adoption and implementation.	High	Strengthen efforts to enhance local governance and institutional framework, with a view to improve commitment, leadership, and management culture over time. Project should include knowledge transfer and capacity-building activities targeted at managers throughout the project.
RESOURCE ADEQUACY			
RM I - Tax Policy	Authorities do not commit necessary resources to ensure implementation and sustainability of reforms. Insufficient funding, scarcity, misuse, inadequacy relative to needs, including insufficient IT systems to process data, and continual rotation of human resources hinder absorption capacity and cause inefficiency and permanent discontinuity.	Very high	Engage early with senior management and financial partners to mobilize financial and technical resources; explore phased implementation options to align with available funding and prioritize high-impact, cost-effective components.
OTHER RISKS			
RM I - Tax Policy	Overlaps with other CD providers activities. Quarantines due to pandemic.	Low	Ensure coordination with all CD partners/providers, and remain flexible/agile in case remote CD delivery is required.

VI. CD DELIVERY PLAN

Table 2. Summary of Indicative CD Delivery

CD Modalities (Remote or Field-based CD)	FY27	FY28	Grand Total
RM I – Tax Policy			
HQ led CD mission	2	2	4
STX visits	-	-	-
Staff visits	-	-	-
Workshops (inc. during HQ and remote CD)	1	1	2
TOTAL	3	3	6

Note:

- In-person delivery was chosen in most instances because technological conditions are far from optimal, and significant capacity gaps demand a very “hands-on” and pro-active approach which is easier with in person engagement.
- Collectively, the blend of CD delivery proposed over the duration of this project/program reflects the optimal balance of in-person, remote, and hybrid activities needed to achieve the project/program outcomes taking into account the needs of the country and the resources available.

Table 3. First year workplan

Timing	CD Modality	Proposed Topics of CD
RM I – Tax Policy		
Q2/FY27	Field-Based work - FB	Tax expenditures
Q3/FY27	Field-Based work - FB	Follow up Tax expenditures
Q4/FY27	Field-Based work - FB	Tax reforms to improve efficiency of the income tax system
Q2/FY28	Field-Based work - FB	Follow up Tax expenditures
Q3/FY28	Field-Based work - FB	Follow up Tax reforms to improve efficiency of the income tax system

VII. PROGRAM FINANCIALS

Module	FY27	FY28	TOTAL (USD)
Direct Delivery			
RM I - Tax Policy	160,000	160,000	320,000
Trust Fund Management Fee (7%)	11,200	11,200	22,400
TOTAL	171,200	171,200	342,400

Note: The estimated budget for this project amendment is US \$342,400, and endorsement is requested for the full amount. . Endorsement for future plans will be requested at a later date as funding for the program is secured and reform plans gain traction.

VIII. TARGETED LOGICAL FRAMEWORK

A. RM I – Tax Policy

Objective: Improve Tax Policy Design - TPD	
Outcome(s)	Indicator(s)
Increased economic efficiency by minimizing economic distortions or addressing externalities or market failures	Adopt legislation that reduces economic distortions.

Objective: Strengthen Policy Monitoring, Evaluation and Institutions - TPM	
Outcome(s)	Indicator(s)
Improved structures (e.g., tax policy units) or capacity (e.g., models and tools) related to tax policy advice and analysis.	Improved models to evaluate tax policy adopted