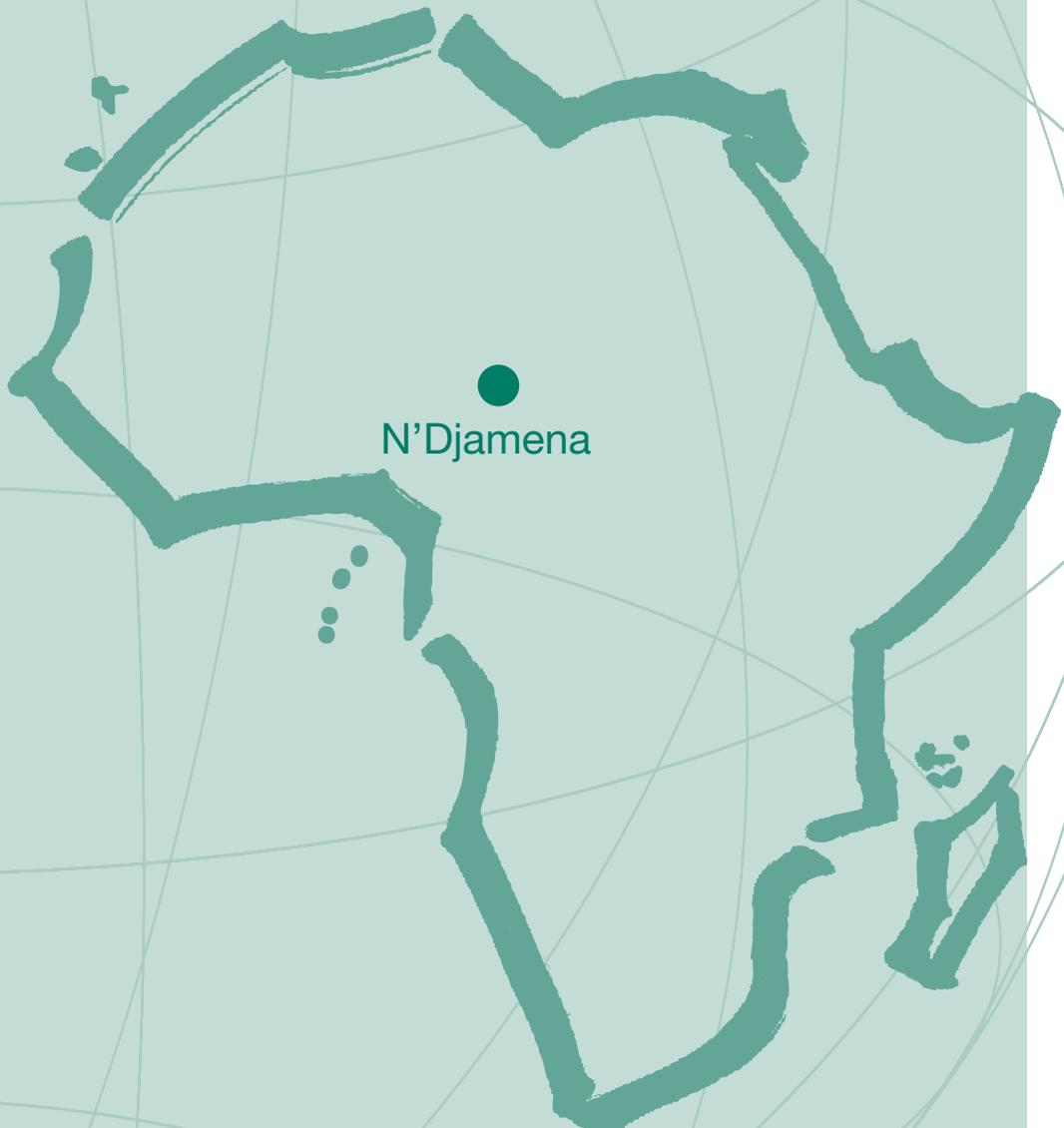


Chad

Chad



key figures

| | |
|---|--------|
| • Land area, thousands of km ² | 1 284 |
| • Population, thousands (2006) | 10 032 |
| • GDP per capita, \$ PPP valuation (2006) | 1 551 |
| • Life expectancy (2006) | 44.2 |
| • Illiteracy rate (2006) | 74.3 |

Chad



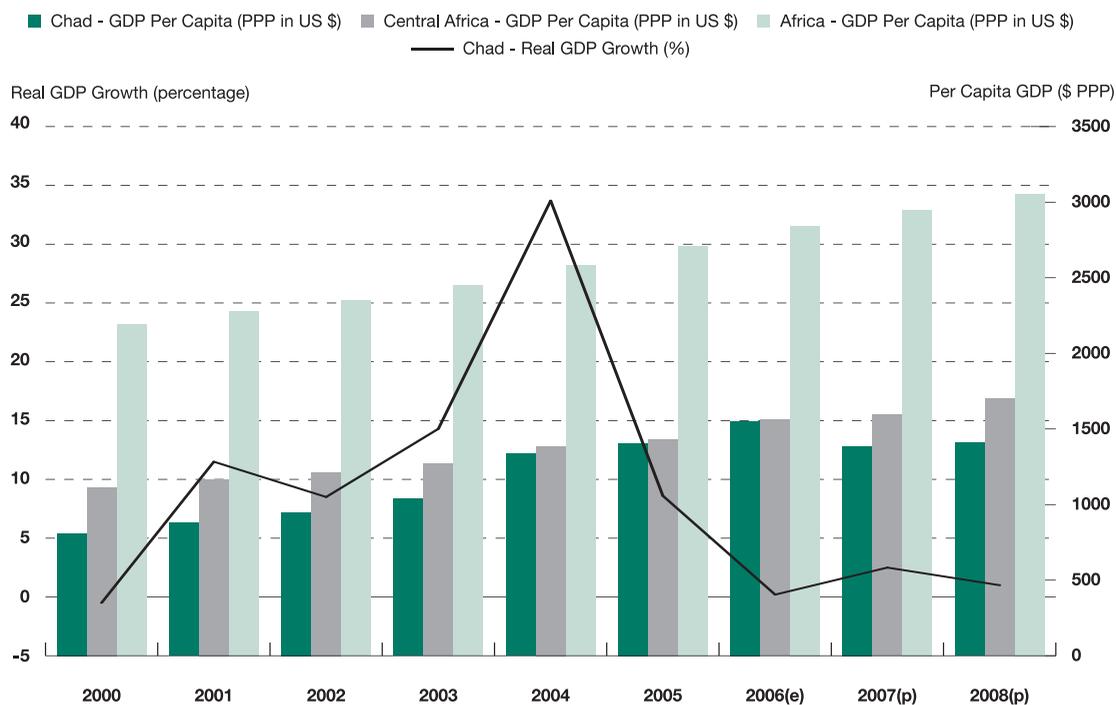
Chad

THE CHADIAN ECONOMY ENTERED the oil age at the turn of the millennium. In 2004, the exploitation of “black gold” was the country’s main engine of growth, enabling it to reach a record growth rate of 31.3 per cent. However, the “oil boom” was followed by a disappointing performance of the sector. Chad’s GDP nevertheless rose by 8.6 per cent in 2005, reflecting the recovery of the country’s non-oil-sector, where growth primarily occurred, at a rate of 11.6 per cent. However, 2006 was marked by rising violence in the easternmost part of Chad, at the Sudanese border, as a result of clashes between government forces and rebel troops opposed to the current regime. This military escalation, with Chad accusing Sudan of serving as

a rear base for the rebellion, is exposing the two countries to a full-blown conflict and could lead to considerable movements of refugees and displaced persons. This acute military tension is also engendering an alarming food situation in the refugee camps and increasing insecurity amongst the host population. In 2006, national economic activity, although down from the performances recorded in 2005, remained buoyant despite the decline in oil-sector activity. Real overall GDP growth is estimated at about 1.3 per cent for 2006.

Disappointing performance in the oil industry affected other sectors where compensating for the drop in oil revenues is proving difficult.

Figure 1 - Real GDP Growth and Per Capita GDP
(\$ PPP at current prices)



Source: IMF and National Institute of Statistics and Economic and Demographic Studies (Inseed) data; estimates (e) and projections (p) based on authors’ calculations.

<http://dx.doi.org/10.1787/018610673606>

Recent Economic Developments

In the harvest season 2005/06, the primary sector (oil and agriculture) contributed 3.8 percentage points to growth. Growth of the primary sector is estimated at 0.2 per cent for 2006. This weak performance of primary-sector activities was mainly due to the decline in oil extraction, leading to a fall of 3.6 per cent of its value added. Sustained growth in the other sectors was barely able to offset the decline in oil production. The return to normal weather and pest conditions should set agricultural growth at about 7 per cent, as against 26.6 per cent in 2005. The contribution of the agricultural sector to GDP growth is estimated to be no more than 0.1 percentage point for 2006. As for food-crop production, its normal growth rate (6.7 per cent per year on average) will not be able to make up for the decline in oil activity, which is expected to settle at 1.6 per cent, -0.6 per cent and -6.1 per cent in 2007, 2008 and 2009, respectively.

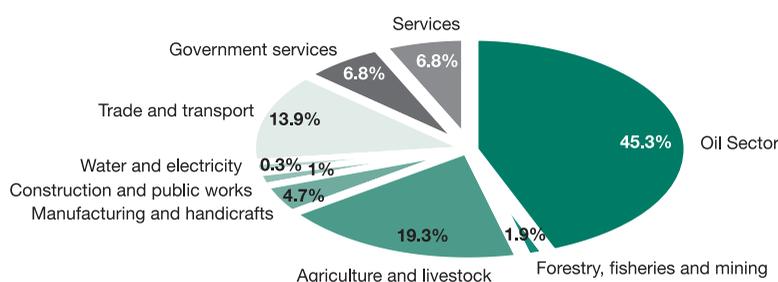
The final results announced by the agricultural statistics division indicate 53 per cent progress in cereal production thanks to good rainfall distribution over the year and around the country, and to the increase in cultivated areas. Contrary to forecasts, which had predicted stagnation, seed-cotton production increased by 7.5 per cent in 2006. It is estimated at 215 000 tonnes by the national rural-development bureau. This progress is apparently due to the fact that farmers were highly motivated to pursue cotton production subsequent to their joining the board of CotonTchad, but also to

the government's decision to exempt CotonTchad from paying value-added tax (VAT) on the materials, equipment and services necessary for production, and to the government's will to take on part of the costs of inputs in the future.

The estimated slow-down in the primary sector is explained by the decline in oil output. Activity in the oil-production sub-sector, which made a strong contribution to growth over the past few years, now shows disappointing performance. The growth rate of the oil-production sub-sector took a sharp drop, from 293 per cent in 2004 to 2.1 per cent in 2005, due to the decline in oil extraction. The initial output forecast of 175 000 barrels per day on average for 2005 was not met for technical reasons, including the water content in the crude oil extracted from the three fields (Miandoum, Komé and Bolobo) and the quality of the crude oil (heavy, viscous and acidic). By the end of 2005, average production was only 172 400 barrels per day on average, despite the start of production in the Nya field (June 2005).

Since 1999, management of the proceeds generated by oil production had been regulated by the oil-revenue management law drawn up with the World Bank. Under the terms of this law, direct revenues, i.e. royalties and dividends (12.5 per cent of the selling price of crude oil on the international market), were paid into a Chadian state account. Ten per cent of this revenue was then placed in an escrow account opened with an international institution for the benefit of future generations. The remaining 90 per cent were

Figure 2 - GDP by Sector in 2005 (percentage)



Source: Authors' estimates based on Inseed data.

<http://dx.doi.org/10.1787/512540586074>

deposited in special accounts of the Chadian treasury and distributed as follows: 80 per cent to finance specific development projects in priority sectors such as education, health, infrastructure (roads), rural development, the environment and access to drinking water; 15 per cent to general administrative and investment expenditures in the state budget; and 5 per cent to the decentralised authorities of the oil-producing region.

On 29 December 2005, however, the National Assembly of Chad unilaterally revised this law. The government, facing an armed rebellion attempting to overturn it, decided to turn part of its oil revenues over to security expenditure. The World Bank responded immediately by freezing the funds it had granted to Chad and part of the country's assets reserved for future generations in the London-based escrow bank account. The World Bank also suspended the disbursement of \$124 million in loans to Chad. Negotiations were held in April 2006, and on 15 July, a budget law was adopted specifying that 70 per cent of oil revenues would be used for priority poverty-reduction programmes and, thanks to the creation of a stabilisation fund, would contribute to long-term growth and to the development of new opportunities. The priority programmes identified by this agreement are directed towards health, education, agriculture, infrastructures, the environment, rural development, de-mining and good governance in public affairs. The agreement also stipulates that security spending will be funded from the state treasury's general revenues. The Chadian authorities also agreed to strengthen their support of the *Collège de contrôle et de surveillance des ressources pétrolières*, an independent body in charge of monitoring and supervising the use of oil revenues. The protocol includes provisions whereby the *Collège's* own resources will be increased in order to help it accomplish its task of supervision. In addition, it stipulates that 5 per cent of oil proceeds will be allocated exclusively to the Doba region, where the oil is extracted and then transported to the sea via a pipeline that goes through Cameroon.

The secondary sector showed sustained activity in 2005, contributing 1 percentage point to growth.

Incentive measures taken by the government in the cotton sector made it possible to relaunch ginning. Moreover, the manufacturing industries (sugar, beverages and cigarettes) benefited from tariff-protection measures set up to curb fraudulent imports. Investments in the industrial sector also increased, in response to demand. The water and electricity utility *Société tchadienne d'eau et d'électricité* (STEE) contributed to the growth of this sector thanks to the rehabilitation of old generators and a number of different investments. The contribution of the construction sector is also to be noted, in particular through road construction and works in the N'Djamena power station.

The steady, sustained growth of the secondary sector (17 per cent in 2005 and 14.5 per cent in 2006) is estimated to be largely due to the recovery of research-and-development activities undertaken to overcome geological constraints. Its contribution to growth in 2006 is estimated at 0.4 percentage point. The continuance of major construction works (roads and buildings) is estimated to have supported construction-sector activity, which realised 11.3 per cent growth. The handicraft, bakery and milling sector, dominated mainly by cereal flour production, is estimated to have benefited largely from the excellent 2005/06 agricultural season: its value added is expected to progress by 17.5 per cent in real terms. The energy (water and electricity) sector has maintained its buoyancy, thanks in particular to the upcoming commissioning of the new Farcha power station. Although the contribution of the secondary sector to total growth was not very great (around 10 per cent of GDP at constant prices), it is estimated to have contributed 1.5 percentage points to growth in 2006. Although this sector has recorded a favourable trend in its activities, the good performance of its sub-sectors has not compensated for the drop in oil investments. In 2007, the activity of the secondary sector is expected to fall considerably, by 8.8 per cent. However, it is expected make a recovery in 2008 and 2009 reaching 3.7 per cent and 3.3 per cent, respectively, thanks to the lint-cotton industry, water and electricity, and handicraft sub-sectors.

Despite competition from the informal sector, the tertiary sector marked clear growth in 2005 thanks to

the development of commercial activities, mobile telephony, transport and tourism. The contribution of this sector to growth amounted to 3.5 percentage points. The tertiary sector received support from the state's continued policy to settle its debts towards local economic operators. The steady progression of tertiary-sector activity since 2000 continued in 2006. Growth of the value added of the sector is estimated at 7.4 per cent, driven by: the public-administration sub-sector (12 per cent), which increased its expenditures on poverty reduction; the transport and communications sub-sector (6.4 per cent), thanks to the development of roads (which should increase domestic trade) and the expansion of mobile telephony; and the trade sub-sector (5.4 per cent), which benefited from the effects induced by recovery in the other sub-sectors. This sector's contribution to growth in 2006 is expected to stand at 2.7 percentage points including a contribution of 1.2 points made by the public-administration sub-sector. The strong activity of the tertiary sector recorded since 2001 is expected to slow down and grow by 2.9 per cent, 2.2 per cent and 2 per cent in 2007, 2008 and 2009, respectively. The tertiary sector is projected to contribute 1.1 point and 0.8 point to growth in 2007 and 2008/09, respectively.

On the demand side, new investments were realised in the oil sector in order to cope with geological

constraints. This new pace was reinforced by the increase in public-investment expenditures. Growth of final consumption in real terms is estimated to have fallen to 1.6 per cent in 2006. There is hope of a slight recovery in 2007, but it is not expected to become consolidated. Most (about 70 per cent) of the good cereal production of the 2005/06 agricultural season is estimated to have been consumed in 2006, with a considerable increase in non-market consumption (reflecting the importance of home-consumed production in rural areas). It is estimated to have risen by 15.6 per cent and contributed 4.1 percentage points to growth. Market consumption also contributed to this increase, benefiting from an improvement in the purchasing power of households brought about by perspectives of wage increases in the civil service. As for the external sector, for the first time since the start of oil production in the Doba Basin, exports are estimated to have fallen by 1 per cent in real terms. Imports, on the other hand, are estimated to have increased significantly, by 7 per cent in 2006, benefiting from the recovery in oil investments. The estimated employment level is down by 10.4 per cent in real terms, but is projected to climb slightly in 2008 and 2009 to 0.6 per cent and 0.4 per cent, respectively. This is seen as the result of the weakness of gross fixed capital formation (GFCF) in the oil sector and of the slowdown in exports related to the fall in oil output.

Table 1 - Demand Composition (percentage of GDP)

| | 1998 | 2005 | 2006(e) | 2007(p) | 2008(p) |
|--------------------------------|---------------------------------------|-------------|----------------------------|------------|------------|
| | Percentage of GDP (current prices) | | Percentage changes, volume | | |
| Gross capital formation | 14.3 | 26.6 | 7.3 | 8.3 | 7.0 |
| Public | 6.4 | 8.7 | 4.8 | 4.8 | 4.8 |
| Private | 7.9 | 17.9 | 8.5 | 10.0 | 8.0 |
| Consumption | 101.9 | 45.5 | 1.6 | 4.3 | 3.7 |
| Public | 41.1 | 20.8 | 3.5 | 2.7 | 3.3 |
| Private | 60.8 | 24.7 | 0.6 | 5.2 | 3.9 |
| External sector | -16.1 | 27.9 | | | |
| Exports | 20.4 | 54.4 | -1.0 | -0.2 | -3.0 |
| Imports | -36.5 | -26.6 | 7.0 | 6.6 | 5.4 |

Source: IMF data; estimates (e) and projections (p) based on authors' calculations.

<http://dx.doi.org/10.1787/332031360071>

Macroeconomic Policies

Fiscal Policy

Given the problems that the country had met in executing its budget, Chad's finance law was revised in 2005. Budget execution finally ended with a deficit (on a commitment basis, including grants) of 31.3 billion CFA francs. Non-grant receipts went up by 27.9 per cent due to the increase in oil receipts (+65.3 per cent) reinforced by the high level of prices. Non-oil receipts went up by 7.9 per cent thanks to the increase in income tax (+22.2 per cent) and in customs receipts (+22.4 per cent). Current expenditure increased by 52.4 per cent in 2005, owing in part to hiring in the primary sector and to the rise in transfer and subsidy expenditures. Capital expenditures declined (-20 per cent) partly as a result of the 33 per cent drop in investments in external resources.

The Chadian authorities adopted a corrected finance law for 2006 which takes into account the rise in prices of crude oil and the agreement signed with the World Bank on the use of oil proceeds. The corrected budget sets state expenditures at 641.29 billion CFA francs and its revenues at 607.5 billion CFA francs, as against the 539 and 510.33 billion CFA francs, respectively, of the initial text. This change takes account of the outcome of the negotiations with the World Bank, which released the frozen funds, and of the addition of new oil-related revenues. The latter are due to the constant rises in the price of the barrel on the international market and on the proceeds from the company income taxes paid by the oil consortium, estimated at 69 billion CFA francs, as well as from another tax amounting to 9.434 billion CFA francs, none of which had been taken into account in the initial finance law. The new budget text also includes non-recurrent security expenditures. In the 2007 finance law, the estimated additional taxes from oil companies are expected to create budget surpluses for the first time ever. This unprecedented situation has led the authorities to decide to no longer tax building materials as of 2007; the costs of building materials had previously been amongst the highest in the sub-region.

In 2006-09, it is expected that public finances, in terms of receipts, will evolve in line with the revenues received from oil activities, and in terms of expenditures, according to the implementation of the national poverty-reduction strategy, the *Stratégie nationale de réduction de la pauvreté*. The overall volume of receipts collected by the general administration is predicted to evolve very positively. As a percentage of GDP, expenditures are expected to be twice the percentage noted in 2005, settling at an average of 18.6 per cent of GDP. Non-oil tax revenues (i.e. revenues excluding the taxes on the oil-consortium companies) are expected to progress slightly to reach 10 per cent of non-oil GDP in 2007, up from 9.6 per cent in 2006. As for non-tax revenues, excluding oil royalties, they are projected to stagnate as a percentage of non-oil GDP despite the revenues expected from the announced privatisations of Novotel (2006), CotonTchad (2007) and the telecommunications company Sotel Tchad (2007/08).

Monetary Policy

Monetary policy is managed at the regional level by the Bank of Central African States (*Banque des États de l'Afrique centrale* – BEAC) with the priorities of keeping inflation under control and pegging the CFA franc to the euro. Monetary policy in the zone is therefore strict, like that of the European Central Bank (ECB). The only difference is that the BEAC's monetary policy takes account of the economic situation of its member countries with respect to inflationary pressures and banking liquidity levels.

In the area of inflation, tensions arose in the prices of most food products: the average inflation rate in the first five months of 2006 was 14.1 per cent higher compared with the first five months of 2005. This situation was mainly the result of the sharp increase in the prices of meat and fish products brought about by the Avian Flu outbreak in Nigeria, which resulted in a massive output of fish from Lake Chad into bordering countries. There was also a marked fear on the part of the local population of the possibility of a local outbreak of the virus. This situation resulted in a high demand for meat, which was in limited supply: the slaughterhouse company *Société moderne des abattoirs*

Table 2 - Public Finances (percentage of GDP)

| | 1998 | 2003 | 2004 | 2005 | 2006(e) | 2007(p) | 2008(p) |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Total revenue and grants^a | 11.0 | 15.2 | 11.3 | 12.3 | 11.7 | 11.5 | 11.1 |
| Tax revenue | 6.0 | 6.6 | 4.8 | 4.1 | 4.0 | 4.1 | 4.3 |
| Oil revenue | 0.0 | 0.0 | 2.5 | 4.2 | 4.3 | 3.8 | 3.5 |
| Tax expenditure and net lending^a | 14.8 | 22.0 | 14.4 | 13.0 | 13.3 | 14.0 | 14.7 |
| Current expenditure | 7.2 | 9.4 | 6.6 | 6.0 | 6.3 | 6.6 | 6.9 |
| <i>Excluding interest</i> | 6.4 | 8.8 | 6.2 | 5.7 | 5.8 | 6.1 | 6.5 |
| Wages and salaries | 3.8 | 4.7 | 3.4 | 3.3 | 3.3 | 3.6 | 3.8 |
| Interest | 0.8 | 0.6 | 0.4 | 0.3 | 0.5 | 0.4 | 0.5 |
| Capital expenditure | 7.6 | 12.6 | 7.8 | 7.0 | 7.0 | 7.4 | 7.8 |
| Primary balance | -2.9 | -6.2 | -2.7 | -0.4 | -1.1 | -2.1 | -3.1 |
| Overall balance | -3.7 | -6.8 | -3.2 | -0.8 | -1.7 | -2.5 | -3.6 |

a. Only major items are reported.

Source: IMF data; estimates (e) and projections (p) based on authors' calculations.

<http://dx.doi.org/10.1787/043648417017>

in Farcha, which has a monopoly on meat production for N'Djamena, recorded a 4 per cent drop in its production. Inflationary pressures increased in the second half of 2006 partly because of the break-up of markets in the east and south of the country resulting from the growing insecurity there. This could make trade increasingly difficult and lead to a continuing rise in demand from refugee populations. Nonetheless, the conservative monetary policy of the BEAC should prevent any pronounced increase in inflation, which is estimated at an average of 8.8 per cent in 2006 and projected at 4 per cent in 2007; this is still above the convergence criterion of the Economic and Monetary Community of Central Africa (*Communauté économique et monétaire de l'Afrique centrale* – CEMAC), which sets it at 3 per cent.

External Position

Chad is a member of the CEMAC and of the Economic Community of Central African States (ECCAS). In February 2005, in the framework of the Poverty Reduction and Growth Facility (PRGF), the International Monetary Fund (IMF) and Chad negotiated a new three-year programme amounting to \$38 million. This programme with the IMF is currently suspended because of the poor macroeconomic results obtained by the authorities. The European Union (EU) signed a co-operation programme with Chad for EUR 273 million in the framework of the 9th European Development Fund (EDF). During the period 2004-

06, the World Bank granted an IRSC (Institutional Reform Support Credit) of \$25 million to finance institutional reforms.

There was no significant change in Chad's exports or imports: between 2005 and 2006, exports moved from 52.8 to 52.6 per cent and imports from -13.8 to -13.9 per cent.

Chad is applying a cautious external-debt policy and contracting most of its loans under very privileged conditions. The country also became eligible in mid-2001 for debt relief under the Enhanced Heavily Indebted Poor Countries (HIPC) Initiative. However, in 2006 Chad did not receive any HIPC funding. External-debt servicing (after the overall borrowing operation) was estimated at the end of 2004 at 780 billion CFA francs, up from 732 billion CFA francs in 2000. Debt stock declined from 75 per cent of GDP in 2000 to 34 per cent in 2004. In 2004, Chad's long-term external debt amounted to nearly 93 per cent of total debt, rising by 8.2 per cent to reach \$1.58 billion, as against \$1.46 billion previously. Recourse to IMF credit declined by 9.4 per cent. Short-term debt stabilised at \$23 million. Chad was expected to reach the HIPC Initiative completion point by the end of 2005 and to be able to benefit from the Multilateral Debt Relief Initiative. However, the November 2005 to July 2006 break in relations between Chad and the World Bank made it impossible for Chad to reach the completion point. The adoption of the new oil-revenue

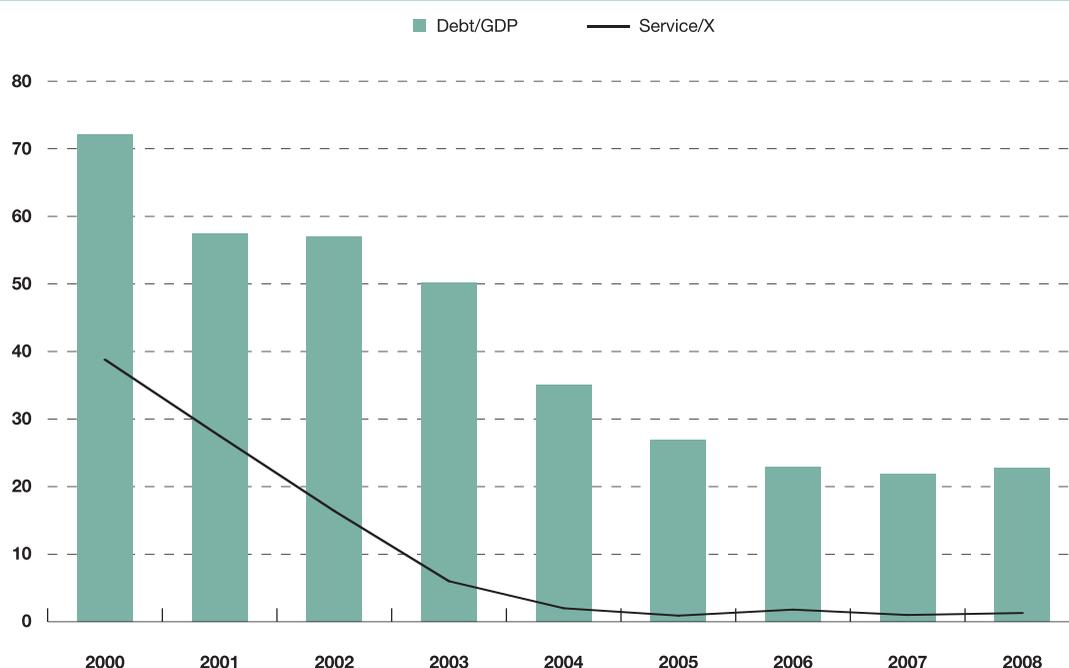
Table 3 - Current Account (percentage of GDP)

| | 1998 | 2003 | 2004 | 2005 | 2006(e) | 2007(p) | 2008(p) |
|--------------------------------|-------------|--------------|-------------|------------|------------|-------------|-------------|
| Trade balance | -1.1 | -6.5 | 29.1 | 39.0 | 38.7 | 34.0 | 29.9 |
| Exports of goods (f.o.b.) | 14.9 | 22.1 | 49.0 | 52.8 | 52.6 | 48.5 | 45.2 |
| Imports of goods (f.o.b.) | -16.0 | -28.6 | -19.8 | -13.8 | -13.9 | -14.5 | -15.2 |
| Services | -9.9 | -27.8 | -27.3 | -29.5 | -26.6 | -26.8 | -23.5 |
| Factor income | -1.1 | -16.5 | -13.3 | -9.8 | -8.9 | -18.4 | -13.3 |
| Current transfers | 2.9 | 3.6 | 5.0 | 5.3 | 4.8 | 3.7 | 3.4 |
| Current account balance | -9.2 | -47.1 | -6.5 | 4.9 | 7.9 | -7.5 | -3.5 |

Source: IMF and BEAC data; estimates (e) and projections (p) based on authors' calculations.

<http://dx.doi.org/10.1787/267852762744>

Figure 3 - Stock of Total External Debt (percentage of GDP) and Debt Service (percentage of exports of goods and services)



Source: IMF.

<http://dx.doi.org/10.1787/124118888446>

management law in July 2006 should make it possible not only to release suspended World Bank credits but to clear up Chad's situation with regard to the HIPC Initiative completion point.

Structural Issues

Recent Developments

One of the challenges facing the country is the establishment and stabilisation of national institutions

whose role will be to set the "rules of the game" in the economic, political and social arenas.

In the areas of decentralisation and good governance, it is true to say that decentralised institutions remain weak and that the establishment of solid local governance remains a non-negligible challenge. Today, municipalities are the only local authorities with a distinct legitimate organisation. Decentralisation is limited by the quality of communications between the central government and the regions. Despite the development and validation in December 2005 of a blueprint for decentralisation

which was intended to render the Chadian authorities' commitment to decentralisation operational, the associated legal framework remains to be completed and the establishment of regional authorities is hanging on the organisation of elections. The country organised a general convention of justice in 2003 and of the army in 2005, to consolidate the foundations of the rule of law. Subsequently, commercial courts were set up in four main towns in the country (in addition to N'Djamena) to facilitate the settlement of conflicts related to commercial transactions. The country has stated its determination to fight corruption. A Ministry of General State Control and Moralisation was created in June 2004. Nonetheless, the measures against corruption are not always well-targeted and run into highly complex procedural rules and mystifying results. In 2005, Chad was ranked in first place as the most corrupt country in the world. This situation argues in favour of the use of information technology by the financial authorities (customs, taxes, etc.).

In the area of agricultural-sector reforms, analyses cover mostly the cotton sub-sector, for even though the latter benefits from considerable state support and donor backing, it is facing a drop in production, due particularly to purchase prices that provide little incentive and to marketing problems. Smallholders' production is often paid as much as six months late. All of this discourages production. The government and its partners have drawn up a list of measures to be taken (roadmap) in order to prepare effectively the privatisation of the Coton Tchad company in 2007. In the framework of a crop-diversification policy, many studies were conducted for the launching of new agricultural sub-sectors, including poultry, peri-urban livestock, Spirulina and pasture-fattened bovine animals. So far, these studies have not resulted in the launching of new projects. Chad is the second world producer of gum arabic, a sub-sector that is booming. Finally, sesame and groundnut production offer potential for substantial monetary income for rural populations, but these sub-sectors are badly known, badly exploited and badly organised.

The Chadian banking system comprises seven banks (no change with respect to 2004): the *Banque agricole*

du Soudan au Tchad (Bast), the *Banque commerciale du Chari* (BCC), the *Banque internationale pour l'Afrique au Tchad* (Biat), the Commercial Bank Tchad (CBT), the Financial Bank Tchad (FBT), the *Société générale tchadienne de Banque* (SGBT) and the *Banque sahélo-saharienne pour l'investissement et le commerce* (BSIC). The Chadian economy still possesses a poor level of bank utilisation and suffers from low bank density. Microfinance is a relatively important sector, representing nearly 4 billion CFA francs of loans granted. Informal mutual-help entities have constituted fertile ground for the blossoming of microfinance, through not-for-profit organisations, mutual societies and associations. This sector is expanding. The Microfinance Institutions (MFI) movement actually started in the 1990s as an offshoot of the Vita project financed by the United States Agency for International Development and the savings-and-credit union – *Union des clubs d'épargne et de crédit* (UCEC) – in Pala, funded by the diocesan bureau for development, the *Bureau d'Études et de Liaison, d'Action Caritative et de Développement* (BELACD). In 2001, according to the microcredit division of the Ministry of Finance and Information Technology, there existed 128 microfinance organisations, 111 of which were grouped into 5 networks; these organisations had collected 635 million CFA francs in savings and granted 1.3 billion CFA francs in loans to users. Moreover, 32 000 persons had used these MFI financial services. In the framework of the implementation of the CEMAC/COBAC (Central African Banking Commission) procedure, 214 MFIs were identified in 2004, 187 of which were networked and 5 in project status; these represented 4 419 billion CFA francs of collected deposits and 3 669 billion CFA francs of loans granted to 98 378 users, tripling the 2001 figures. On 31 December 2005, 97 MFIs had been accredited by the COBAC.

The government drew up a national transport programme (PNT) for 2000-09 aimed primarily at contributing to economic growth and reducing poverty by means of: better access within, and from outside of, the country; reduction of transport costs, both within the country and internationally; minimum access to all regions of the country, even during the rainy season; an adequate network of roads suitable for motor vehicles

all year round linking up the main towns in the country; pursuit of the liberalisation process of the sector and of the modernisation of its administration; development of rural infrastructures; and so on. One of the objectives of the national transport programme is the improvement of the system in rural areas. The results obtained so far in this domain have been limited. To correct this, the government has set up a division for roads and earth roads (DRPR), which is to be responsible for implementing the “rural transport” component of the national transport programme support project (Papronat) funded by the World Bank. The government has drawn up a five-year investment plan (2006-10) for roads and earth roads for a yearly amount of 4 billion CFA francs. This plan should make it possible to repair 3 000 to 4 000 kilometres of rural roads with national funding (oil revenues). In addition, some other major projects include a “roads and earth roads” component, such as: the project to build 100 kilometres of earth roads in the target zone selected for the 6th EDF (EU funding); the project to repair earth roads in the former Biltine prefecture (Swiss co-operation funding); and the repair and maintenance project for earth roads in the former Mayo-Kebbi prefecture (KFW [Bank of Reconstruction Credit] – German development co-operation funding).

A postal-services and telecommunications strategy is currently being finalised. Its goal is to improve the coverage of urban and rural areas, particularly through the development of mobile telephony. Sotel Tchad (a subsidiary of the Anglo-Dutch company MSI Mobicom), which is the leading mobile-telephony operator, runs a telephone network that has infrastructure and intercity transmission connections linking up 16 of the country’s towns. In June 2006, the company announced a 24 billion CFA franc expansion plan. The mobile-telephony market has experienced rapid development. In 2004, there were about 1 200 000 subscribers. The expansion of mobile telephony has brought about considerable improvement in overall access to the telephone (15 per cent in 2004). Since October 2005, the quasi monopoly held by Celtel has been challenged by the Swedish group Millicom International. The rural-telephony project has succeeded in installing VSAT antennas in 15 out of the 25 initially

targeted secondary towns, which represents a 63 per cent completion rate. The Internet penetration rate is only 0.3 per thousand inhabitants. The Ministry of Postal Services and New Communications Technologies is currently developing a national strategy for information technology and telecommunications.

In the energy sector, the policy and strategy letter for the electricity sub-sector (2002-06) states as its main purpose to meet at a lesser cost the energy needs of the population as a whole and to extend access to energy for the benefit of agricultural and industrial production. Its also aims to promote alternative energy sources (solar and wind energy) so as to limit the impact of firewood cutting on the regeneration of forest resources. Ligneous fuel (stove wood and wood charcoal) still represents 90 per cent of energy consumption, leaving only 10 per cent for conventional energy (oil products and electricity). From 2001 to 2005, annual energy consumption went up from 240 to 292 kg of oil equivalent per capita.

Access to Drinking Water and Sanitation

Chad has considerable water resources. This should not, however, obscure the major constraints involved in the mobilisation of water resources – especially, the unequal distribution (both spatially and temporally) of rainfall and surface water, as well as the lack of knowledge regarding how the main aquifers work. Improving the rate of access to drinking water in Chad, amongst the lowest in Africa, is one of the country’s most important socio-economic challenges.

In 2003, the government adopted an integrated plan for Chad’s water and sanitation development and management (*Schéma directeur de l’eau et de l’assainissement* – SDEA), which is still the main reference in the sector. The SDEA constitutes a strategic, multi-sectoral master plan providing guidelines for the sustainable development and management of water resources in Chad, with a view to meeting the population’s basic needs and promoting the economic and social development of the country. It is through the SDEA that the government’s environmental policy has been defined.

The three institutions principally involved in water and its management are: the National High Committee for the Environment (HCNE), the Ministry of the Environment, Quality of Life and National Parks (formerly the Ministry of the Environment and Water – MEE), and the Ministry of Fishing and Rural Waterworks. The HCNE's mission is to ensure that there is effective application of the recommendations of Agenda 21 (drawn up by the United Nations Conference on Environment and Development held in Rio de Janeiro in June 1992). The National Water Management Committee (CNGE) is attached to the HCNE. The two ministries are in charge of designing and implementing policies for environmental protection, the fight against desertification, and natural-resources management; they are also responsible for the implementation of policies for urban, agricultural and rural waterworks and sanitation, as well as for meteorology and hydrology. The Ministry of the Environment, Quality of Life and National Parks is also in charge of the HCNE Secretariat. Finally, the ministry in charge of decentralisation under the authority of the prime minister is responsible for the implementation of the decentralisation policy in this area, so enabling participation and decision-making at the lowest possible level.

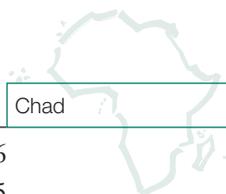
Since 2001, the main institutional actors in the domain of urban water have been the MEE – through the Directorate of Hydraulic Affairs (DH), which deals with the non-concessionary sector – and the Ministry of Mines, Energy and Petroleum (MMEP) (now the Ministry of Mines and Energy), responsible for the utility company STEE – which deals exclusively with the concessionary sector. The main producers have been water-point management committees (*Comités de gestion des points d'eau*) in conurbations equipped with thermal or solar drinking-water supply (DWS) stations, for the non-concessionary sector, and the STEE for the concessionary sector.

Artisans and associations comprised of hydraulic engineers and street-fountain managers often act as intermediaries between network owners and retail water-carriers or non-subscribed consumers. They are, in a sense, wholesalers.

In the area of water management, it is worth noting that the management system is of the community type, based on the experience of the Directorate of Hydraulic Affairs. The water-management committees comprise 7 to 10 members covering the different management functions. They are backed by a technical team in charge of equipment servicing and maintenance. The main finding regarding the DWS stations run by a management committee is that the management systems set up recently often do not work properly. Moreover, water is often under-invoiced as the price of water is set with no reference to real operating costs. Water is too commonly supplied for free and in unlimited quantities to notables and public services. There is little or no maintenance, and servicing is limited to system drainage and lubrication.

The main actor in the institutional framework for urban sanitation is the Ministry of Public Health, which is responsible particularly for promoting environmental hygiene, for the purification and quality of water for consumption, and for drawing up legislation and regulations in the area of hygiene and sanitation. The Ministry of Regional Development, Urban Planning and Housing is responsible for regulations in the area of town and country planning, urbanism and construction, and for defining viability levels for the different types of neighbourhoods. The Ministry of the Environment, Quality of Life and National Parks is responsible for project design and construction supervision for all activities related to urban hydraulics and sanitation. The Ministry of the Interior and Public Security, through its sanitation section, is in charge of: disinfection and rodent control in homes; disaster response (epidemics, floods, etc.); and the hygienic disposal of urban solid and liquid wastes and faeces.

Municipalities also play a role in the sanitation chain – as well as the populations, which have organised sanitation committees in a number of towns. These committees are involved in the maintenance and construction of channelling systems to drain rainwater, in waste collection and in repairing streets after the rainy season.



The basic prices of water and connections vary according to the management. Management committees, for lack of customer market research and of any real calculation of the local cost price, sometimes apply STEE rates when new installations are commissioned (connection, renewal or reinforcement). The price of water is usually broken down into three categories. The first, so-called “social” category (15 m³/month) is set at 105 CFA francs. The second (15 m³ to 100 m³/month) varies depending on the centre: it is 230 CFA francs/m³ for the sites managed by the STEE and can go up to as much as 490 CFA francs/m³ (in Pala). The third category is set at 110 CFA francs/m³. Generally speaking, the prices do not reflect the real costs to the owners. STEE rates have been frozen since 1984. The most underprivileged populations sometimes buy water from a reseller for up to 15-25 times more than the price paid by subscribers with private connections.

The drinking-water supply rate for the Chadian population as a whole was only 42 per cent in 2004 according to the United Nations Environment Programme (UNEP); this was almost twice the rate of 2001, when it was 23 per cent (16.5 per cent in rural areas, 25 per cent in centres in the non-concessionary sector and 40 per cent in towns in the concessionary-sector managed by the STEE).

Regarding sanitation, there is practically no basic infrastructure in either rural or urban areas. Everything remains to be done in this domain. In 2002, 30 per cent of the urban population had access to sanitation, but in the rural areas the prevailing rate was practically equal to zero. In 2004, sanitation needs in terms of percentage of population were estimated at 35 per cent in urban areas and 56 per cent in rural areas. According to the SDEA drawn up in 2002, village needs amount to more than 12 500 new water points by 2015 to be able to supply 70 per cent of the rural population: this will require considerable investments.

For the village areas, outside of a few projects, there are very few villages equipped with improved traditional latrines or ventilated pit latrines, or even waste or waste-water collection systems. This means that 10.6 per

cent of households are using rudimentary latrines, 0.6 per cent are using improved traditional latrines and 88.5 per cent are relieving themselves in nature. Moreover, there is no waste collection in the villages and domestic animals are left wandering about. In Chad, the major (current and future) village-hydraulics projects do not systematically include a sector for “village sanitation” – which is inexpensive, but requires specific programmes for local mobilisation and awareness raising.

There is not a single town with a functional waste-water disposal system. The collection networks are decrepit. Less than 2 per cent of town-dwellers have sanitation installations with running water. Moreover, only four towns – N’Djamena, Moundou, Sarh and Abéché – adopted urban reference plans (Pur) in February 1997; these plans identify built-up areas and outline the main road-networks and rainwater-drainage options.

Hospitals and health centres have neither infrastructures in good working condition (incinerators, waste-processing plants, etc.) nor well-established “procedures” to process and dispose of biomedical waste. This waste often ends up in the streets, where it can be picked up by children or anyone wishing to “recover” it. Waste-water from health facilities is rarely processed: it is merely disposed of in the environment, often in natural streams; in some cases, it is re-used for a variety of purposes (to water small market gardens, etc.). In addition, most industries discharge their liquid wastes into large waterways, such as the Chari and the Logone Rivers, with no prior treatment.

Only the four largest towns – N’Djamena, Moundou, Sarh and Abéché – have a more-or-less organised secondary network of open gutters to evacuate rainwater, but they are rarely in good condition.

In the past 25 years, the main donors for urban and semi-urban hydraulics have been Chinese Taipei (15 346 billion CFA francs), Germany (10 756.6 billion CFA francs), the European Investment Bank (1 486.8 billion CFA francs), the European Development Fund (1 395.3 billion CFA francs), France (985.8 million CFA francs), Italy (835.2 million CFA francs),

the Inter-American Development Bank (105 million CFA francs), the World Bank (54 million CFA francs) and the African Development Bank, which has launched a project in this sector.

Political Context and Human Resources Development

The real challenge that is facing the government is to contain the resurgence of insecurity and conflicts in Chad. The public life of the country is marked by the continuing existence of focal points of tension, making it difficult to build a social fabric and maintain a stable political consensus. After having been weakened over several months by defections within his regime and by rebellion – backed, according to N'Djamena, by neighbouring Sudan – Idriss Déby, who had been in power since 1990, was re-elected on 3 May 2006 for five years on the first round of an election that was boycotted by the opposition. The rebel groups Union of Forces for Democracy and Development (UFDD), Rally of Democratic Forces (RAFD) and United Front for Democratic Change (FUC) confronted the national Chadian army in violent combats. This armed confrontation has affected the areas of Chad bordering Sudan and the Central African Republic, as well as towns in the centre of the country, without sparing the capital. This situation has resulted in nearly 50 000 displaced persons who are fleeing to escape from combat zones or because of fears of reprisal from armed militia, usually called *djandjawid*. In this deteriorating context, several missions have been sent to the country, including emissaries from the African Union's Peace and Security Council; also, the United States Ambassador to Chad visited the refugee camps. Combats have led to a deterioration of the security situation, to additional inflows of refugees at the southern border of the country and to displaced persons in the eastern region. The measure of insecurity, considered by the humanitarian organisations present to be often of great concern, has forced the latter to relocate their staff temporarily to the larger towns. The political dialogue between the government and the opposition which was organised by President Déby under international pressure, with the aim of restoring a "healthy political climate" in

Chad after the presidential election of 3 May, resulted in the adoption of several resolutions relating to the general elections. Fifty-four political parties, most of them with very low representativeness, took part in the dialogue process, but it was boycotted by the two main opposition groupings: the main member parties of the Coordination of Political Parties for the Defence of the Constitution (CPDC) – the most important Chadian opposition coalition – and the Federation Action for the Republic (FAR) pulled out before it began. The CPDC, which comprises some twenty political groupings including four of the five main opposition parties in the National Assembly, and the FAR, the second parliamentary opposition force, denounced the non participation of the armed opposition, the opposition in exile and civil-society opposition.

Chad drew up its National Poverty Reduction Strategy in 2003. This strategy sets out the framework for co-operation with all the donors represented in the country. The authorities plan to fund the programme for the fight against poverty with oil-export revenues. According to the Human Development Report of the UNDP (United Nations Development Programme), Chad was ranked 171 out of 177 countries, with a Human Development Index (HDI) of 0.341 in 2006, as against 0.359 in 2000. This means that over 65 per cent of the Chadian population lives with less than one dollar a day. If this trend continues, the number of persons living in absolute poverty in Chad, which was 6.3 million in 2005, could grow to 8.2 million in 2015. The latest consumption-budget survey (ECOSIT II) of 2003, confirmed in 2006, estimated the percentage of poor populations in Chad at 55 per cent. Poverty is mostly rural (more than 80 per cent of the rural population lives under the poverty line). The priority areas on which the donors have focused their efforts include education, health, rural development, transport, urban planning and housing. In its National Indicative Programme, the European Commission has channelled its efforts (9th EDF, 2002-07) through the framework of the National Poverty Reduction Strategy.

Under the terms of a Framework Partnership Document (FPD) signed in June 2006, France will

grant Chad EUR 130 million for its development up to 2010. According to this document, 80 per cent of this commitment will be devoted to the three major priority sectors of basic education, water and sanitation, and health and the fight against HIV/AIDS. French aid will also be directed towards the sectors of governance and the rule of law, on the one hand, and to the influence of the French language in culture and research, and higher education, on the other.

The situation of the HIV/AIDS epidemic is a subject of great concern. Starting with 2 cases in 1986, a total of nearly 20 000 cases of AIDS had been recorded by health groups by the end of 2004. A seroprevalence survey conducted in 2005 showed that in Chad, 3.3 per cent of persons aged 15 to 49 were HIV carriers. This rate is lower than that estimated by UNAIDS (Joint United Nations Programme on HIV/AIDS) in 2004, which was 4.8 per cent. The prevalence rate was 7 per cent in urban areas, as against 2.3 per cent in rural areas. More women (4 per cent) than men (2.6 per cent) were infected. In urban areas, seroprevalence reached 8 per cent amongst women. A declaration of national policy for the fight against HIV/AIDS covering prevention aspects as well as overall care is included in the 2006-10 national strategy framework. To improve the institutional framework of the fight against this pandemic, the government, with the support of its development partners, intends to implement a number of measures, including: *i*) reinforcement of the institutional basis of the co-ordinating body; *ii*) decentralisation and multi-sectorisation of the fight; *iii*) networking of non-governmental organisations (NGOs) and private-sector actors; and *iv*) making it an obligation to produce results for all actions taken in the framework of the fight against HIV/AIDS, along with periodical and systematic assessments of these actions with a view to taking appropriate adjustment decisions. A number of constraints, however, are likely to complicate the implementation of these programmes. Particularly problematic is the shortage of qualified staff and the low execution rate of health expenditures. In 2003, the total human resources of the Ministry of Public Health were estimated at 4 265 members of staff, 468 of which were graduates with state diplomas and technical health officers. Only 7 per cent of the total

staff were doctors, giving a ratio of 1 doctor per 26 054 inhabitants. This scarcity was exacerbated by the unequal distribution of qualified personnel amongst the provinces, the urban and rural areas, and amongst curative- and preventive-care institutions. About one-third of the health personnel was in N'Djamena alone, for only 8 per cent of the population. In 2003/04, the expenditure execution rate in the sector did not exceed 36.4 per cent of budget provisions.

In the area of education and training, the progress achieved in the primary-education sub-sector is encouraging. The gross enrolment rate went up from 72 per cent in 1999/2000 to 87.58 per cent in 2003/04, which is much higher than the average for the 15 francophone African countries (80.4 per cent); this represents an average rate of increase of 22 per cent over the last five years. The net enrolment rate reached 63 per cent and the primary completion rate 60 per cent in 2002/03, whereas the girl/boy ratio in primary schools was 0.68. Gender equality holds a major position in the country's development programmes. There is a pro-women action programme featuring a large variety of activities. In practice, however, the situation of women is far from satisfactory. The percentage of women members of parliament is only 6 per cent, with about the same ratio in the government.