key figures

- Land area, thousands of km²  1 284
- Population, thousands (2005)  9 749
- GDP per capita, $ PPP valuation (2005)  1 671
- Life expectancy (2000-2005)  43.6
- Illiteracy rate (2005)  49.3
After a slowdown in economic growth in 1999 and 2000 and then a return to growth that was fuelled by investments in the oil sector between 1999 and 2003, the Chadian economy has now entered the oil era. The GDP growth rate accelerated to 31 per cent in 2004 from 11.3 per cent in 2003 as a result of the increase in oil output that followed the start of production in the Doba basin in July 2003. Exports of the “black gold” were the principal driving force behind growth in 2004. A marked reduction was expected in 2005, however, under the impact of a fall in investments in the oil sector and a shortage of electricity. The increase in oil revenues and in donor budget aid should nevertheless make it possible to reach a growth rate of 13 per cent, even if the rate is expected to continue to fall in 2006 (see Figure 1).

The political situation is very tense following the revision of the constitution to enable the head of state to seek a new term. In addition, the government in N’Djamena suspects neighbouring Sudan of fomenting rebellion to destabilise it. Exploitation of oil wealth has created tensions as is attested by the crisis in relations with the World Bank, which decided at the end of 2005 to suspend its payments after the government sought to renege on its commitments regarding the use of oil revenues.

Recent Economic Developments

Chad’s economic performance was satisfactory overall in 2004/05 despite a slight slow-down in growth in the non-oil sector, which progressed only 1.9 per cent in 2004. The new context of oil production has changed the contribution to GDP of the different sectors. The added value of the primary sector rose from 40 per cent on average in 2001 and 2002 to 46.5 per cent in 2003 and 65 per cent in 2004. That of the secondary sector, which averaged 13 per cent from 2001 to 2003, fell to 7.3 per cent in 2004 as work on construction of the oil pipeline between Doba in Chad and Kribi in Cameroon came to an end. Stimulated by the indirect
effects of oil investments, the tertiary sector, which averaged 43 per cent between 2001 and 2003, fell to 27.8 per cent in 2004 as oil-sector development work was completed.

At the sectoral level, the structure of GDP is as follows: 43 per cent for the secondary sector, 24 per cent for the tertiary sector and just 24 per cent for the primary sector.

The non-oil primary sector faces a variety of constraints. Rainfall remains generally insufficient and badly distributed. The Saharan desert zone, where it barely rains at all (50 millimetres per year), covers 60 per cent of the country's land area, while the Sudanese or tropical zone, where rainfall is more than 900 millimetres per year, covers only 10 per cent. The production system is extensive and not very productive. The insufficiency and poor condition of basic social and economic infrastructure, the isolation of production zones, due to poor road conditions and the absence of organised marketing circuits, makes it difficult to bring in inputs and sell production.

In the 2004/05 production season, the primary sector (agriculture) was affected by a 20 per cent fall in the production of cereals: millet, sorghum, rice and maize. Production of manioc and groundnuts declined 60 and 7 per cent respectively. This fall was due to a number of factors—insufficient rainfall, locust attacks and crop switching in favour of cotton production. Sugar production increased 23 per cent, rising from 267 000 tonnes in 2003 to 327 000 tonnes in 2004. This increase was principally the result of investments made by the Compagnie Sucrière du Tchad (CST). The activity was often penalised, however, by illegal imports from Cameroon and Nigeria. Gum-arabic production rose by 7 per cent, increasing from 16 000 tonnes in 2003 to 17 100 tonnes in 2004.

Cottonseed production, which provides work for 350 000 smallholders, showed a strong increase in the 2004/05 season, reaching 200 000 tonnes, compared with 102 100 tonnes in the preceding season. The sector benefited from an increase in prices paid to producers, which rose from 158.6 CFA francs per kilogramme in 2003 to 187 CFA francs per kilogramme in 2004. This increase, which was decided by the public authorities as a means of combating poverty, partly explains the rise in cotton production. The price rise will not be enough to turn the sector around, however, since world prices are tending to fall. The crisis in the sector, which accounted for a third of export revenues before the start of oil production, began some years ago with the fall in the international prices and the structural difficulties of CotonTchad, the state-controlled cotton company, which is in a monopoly position but burdened by heavy debts. In addition, the country's landlocked position and the poor condition of roads increases the cost of cotton transport to the point that it seriously undermines the profitability of production. In the years to come, financial difficulties of the sector and the decline in international prices run the danger of pushing farmers once again to leave the sector and of reducing production. A new action plan destined to allow reforms to be pursued in the 2005/07 period has been drawn up with the assistance of the World Bank and submitted to the government. It provides for the privatisation of CotonTchad in 2007.

Livestock husbandry is still a major asset of the Chadian economy. The livestock population comprises about 16.5 million animals, including 6.3 million cattle, 8.1 million sheep and goats, 1.2 million camels, and 715 300 horses and asses. Livestock husbandry earns 117 billion CFA francs each year, 65 billion CFA francs of which from exports, destined essentially for Nigeria. The sector employs 40 per cent of the working population. Three main modes of livestock husbandry coexist: the transhumant pastoral system, the nomadic system and the sedentary-breeding system. The dominant mode is the nomadic and extensive type, which accounts for 80 per cent of the sector. Cattle breeding is practised in the Sahelian zone but is a secondary activity in the Sudanese zone.

The production and distribution markets are not very organised. Prices remain quite competitive compared with those of other countries in the sub-region. To increase production while at the same time preserving the environment, the government has opted for a capacity-building policy for the organisations.
involved, grass-roots communities and the decentralised local authorities. The 1988/99 national stockbreeding project, the Projet national de l’élevage (PNE), facilitated the construction of 68 pastoral wells, the training of managers, the institution of a stockbreeding fund, the liberalisation of veterinary-input supply, the rehabilitation and privatisation of the refrigerated Farcha slaughterhouse and the formation of 300 pastoral interest groups. Livestock husbandry played a positive role in economic growth in 2004.

Fishing is practised in the country’s numerous water fields, notably Lake Chad, the Logone-Chari flood plains, and various other lakes and flooded plains. Theoretical fish-production potential is 150 000 tonnes per year. The number of professional fishers is estimated
Chad

at 20 000 and that of seasonal fishers at 200 000. About 20 000 persons, 80 per cent of whom are women, are involved in marketing fish products. The national development strategy for the sector is defined in the fishing and fish-breeding master plan, which was drawn up in 2003 with the help of the African Development Bank (AfDB). Its objectives are the sustainable management of fish and to fight poverty. Support from donors and non-governmental organisations (NGOs) for the government’s strategy is limited for the time being.

In July 2003, Chad joined the club of oil-producing countries following the opening of the Doba-Kribi oil pipeline. In August 2004, the Bobolo field came into activity after the Miandoum and Komé fields. Oil production reached 8.7 million tonnes, or 172 603 barrels per day. At the same time, however, oil revenues are not yet at the level anticipated by the authorities. The production, which is almost entirely exported, is evaluated at $18 per barrel, whereas the Brent-oil price per barrel stands at more than $50 on the international market. This situation has a twofold explanation. On the one hand, Chad’s oil is heavy, viscous, acidic and high in calcium content, entailing a lesser value, up from $1.7 in October 2003 to $11 per barrel in December 2004. On the other hand, transport costs are high, partly as a result of the fact that the pipelines are not being used to capacity.

Management of the resources generated by oil production is strictly regulated by the oil-revenue management law that was adopted in 1999. Under the terms of this law, direct revenues, i.e., royalties and dividends due to the state (12.5 per cent of the price at which crude oil is sold on the international market), are paid into a state account. Ten per cent of this revenue is then placed in a savings account opened with an international institution for the benefit of future generations. The remaining 90 per cent are distributed as follows: 80 per cent for the financing of specific development projects in priority sectors such as education, health, infrastructure, rural development, the environment and water supply; 15 per cent for general and investment expenditures in the state budget and; 5 per cent for the local authorities in the oil-producing area.

The impact of oil revenue on poverty has so far not been very effective because the organisational and administrative capacities to use these funds are deficient. A new kind of relationship between the state and the donors should eventually make it possible to implement structural projects.

Stimulated by the development work in the oil sector, the share of added value in the secondary sector fell from 10 per cent of GDP in 2003 to 7.3 per cent in 2004. Also in 2004, 47.9 per cent of added value came from handicraft, 21.9 per cent from the manufacturing industry, 13.6 per cent from construction and 10.9 per cent from oil-industry development activity. Manufacturing activity slowed down for two main reasons: electricity supply from the Chadian water and electricity company, the Société tchadienne d’eau et d’électricité (STEE) was irregular and there was competition from illegal imports. In addition, the end of investment in the Doba oil basin, the postponement of construction of a refinery in N’Djamena and the limitation of the state’s major works explain the low contribution of the construction sector to GDP growth in 2004.

Industry is dominated by five companies: CotonTchad, Sonasut, Brasseries du Logone, Manufacture des Cigarettes and the STEE. Each of these has a monopoly position in its respective branch. These companies account for 92 per cent of the added value of the industrial sub-sector. The high cost of technical production factors and the country’s land-locked situation are not favourable to industrial development, however.

The tertiary sector showed some vitality in 2004 with a growth rate of 4.2 per cent thanks to the trade branch and to non-market services, which were helped by payment of the debts incurred by the state with local economic operators. The transport and telecommunications branch continued to progress under the effect of investment in extensions to the cellular-telecommunications networks in the provinces.

The structure of demand in Chad shows that final consumption increased in 2002 in line with the period’s
general economic expansion. Since then, however, consumption has fallen. In 2004, it represented 56.8 per cent of GDP, compared with 81.1 per cent of GDP in 2003. Final private consumption continued to decrease in 2005 before a probable recovery in 2006, which should take it to 50 per cent of GDP in 2007. Despite a slight increase in 2005, final public consumption should fall in 2006 under the effect of political uncertainty (see Table 1). The same downward trend can also be seen in investments following the end of construction of the oil pipeline. Investments thus fell from 47.3 per cent of GDP in 2003 to 28.9 per cent in 2004. For 2005, they were estimated to fall again to 22.2 per cent of GDP and the decline is expected to continue in 2006.

The first indications of economic growth in 2005 and the projections for 2006 show an increase in the contribution of the non-oil sector (5.8 per cent in 2005 compared with 1.9 per cent in 2004). In the longer term, the major challenge is to diversify the economy, which has become largely oil-dependent, by recycling oil revenue in durable fashion.

### Macroeconomic Policies

#### Fiscal Policy

The year 2004 was marked by severe tensions in the liquidity position, which led to a revision of the finance law in August 2004. Implementation of the budget finally ended on a deficit of 25.9 billion CFA francs on a commitments basis, grants included. In 2003, the deficit had amounted to 69.1 billion CFA francs.

Revenue totalled 217.4 billion CFA francs in 2004, compared with 133.1 billion CFA francs in 2003. Of this, oil revenue amounted to 69.8 billion CFA francs, compared to 10.6 billion CFA francs in 2003. Despite this sizeable increase, oil revenue was lower than expected because of the increase in transport costs and the considerably lesser value of Chadian crude oil, given its technical characteristics, notably its high acidity and viscosity. At the same time, non-oil tax receipts increased by 20 per cent from 2003. This increase came essentially from an increase in customs receipts and in tax receipts on goods and services. Income-tax receipts fell, however, because of the departure of most of the sub-contractors working on the Doba oil project.

Oil revenue represented 32 per cent of state revenue in 2004. In 2005, tax receipts remained at the same level as in 2004. At the same time, a small drop in these revenues is expected in 2006 and 2007. Oil revenue has been earmarked according to the terms of the law on oil-revenue distribution. In this way, in 2004, out of a total of 107.2 billion CFA francs in net direct revenue, 67 billion CFA francs were allocated to the budget, 19.6 billion CFA francs to the stabilisation fund, 13.7 billion CFA francs to the Future Generations Fund (FGF) and 6.7 billion CFA francs to the fund for oil-producing regions. These different funds are kept with the BEAC.
Expenditure fell in 2005 in relation to 2003 but was slightly up from 2004. It dropped from 21.7 per cent of GDP in 2003 to 17.1 per cent of GDP in 2004, but then rose to 20.1 per cent of GDP in 2005. It should be stabilised at 19 per cent of GDP in 2006 and 2007. Current expenditure increased slightly in the 2004/05 period. Restructuring expenditure rose 29 per cent by virtue of the financial support given to CotonTchad and the STEE. The state reduced its commitments to the non-banking sector by 23.6 billion CFA francs and continues to draw on borrowings for a total of 56.7 billion CFA francs. Investment expenditure remained preponderant at 86.9 per cent. Allocations to priority sectors and implementation of expenditure were not always up to forecast, however, because of low capacities for the absorption of expenditure and for its monitoring up to destination. In 2004, in an effort to improve the expenditure implementation rate, a large part of resources had to be attributed to the ministry of public works and transport, which had completed its contract-award programme. An increase in transfers can also be observed (1.2 per cent of non-oil GDP in 2005, compared with 0.6 per cent of non-oil GDP in 2001), reflecting the subsidies granted to CotonTchad and to military spending (1.6 per cent of non-oil GDP in 2005, compared with 1.9 per cent in 2001).

The 2005 budget inaugurated the start of the oil era, which got under way a year late, because of administrative difficulties in mobilising the first oil revenues and because of the withdrawal of external aid. In this budget, the oil revenue, which was estimated at 88.1 billion CFA francs, was directed towards the priority sectors – construction, health, agriculture, water supply, livestock husbandry, education, social action and higher education. The allocation for future generations came to 12.5 billion CFA francs and that for the producing regions to 6 billion CFA francs. Attainment of maximum daily oil production and the arrival of donor budget support certainly improved the budget receipts in 2005. The deficit (on a commitments basis, excluding grants) could increase slightly, however, because of the expected increase in the investment expenditures financed by internal resources once the HIPC Initiative completion point has been reached.

In 2005, pressure to increase military spending led the authorities to seek to modify their commitments regarding the use of oil revenue.

### Monetary Policy

Monetary and credit policies are managed at the regional level by the BEAC. Money supply evolved for the most part in line with the oil-activity cycle. It thus contracted by 3.1 per cent of GDP between 2001 and 2003 as net foreign assets diminished due to the end of investments in the oil sector, and then it increased by 6.7 per cent in 2004 as net foreign assets climbed 12.8 per cent in line with oil exports. Credits to the

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<th>Table 2 - Public Finances (percentage of GDP)</th>
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<td>Total revenue and grants*</td>
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<td>Tax revenue</td>
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<td>Capital expenditure</td>
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<td>Primary balance</td>
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<td>Overall balance</td>
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* Only major items are reported.

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

economy, which had increased 22 per cent on average in 2001 and 2003, rose only 1 per cent in 2004, reflecting the contraction of activities in the non-oil sector. The government’s net position improved by 12.9 per cent between 2001 and 2004. Its deposits at the BEAC from oil revenue (40 billion CFA francs) largely compensated for the bank debts and the exceptional 14 billion CFA francs advance it had received from the BEAC.

The average bank lending interest rate is 22 per cent, which makes access to credit difficult and burdens investment profitability. The nominal exchange rate of the CFA franc has followed the appreciation of the euro against the dollar, which has been unfavourable to exports and to the country’s competitiveness. Net foreign assets progressed by 23.8 per cent. This evolution in monetary aggregates reflects the economy’s expansion, principally under the impact of the inflow of external capital within the framework of the Doba oil deposit’s opening up for development and of the poverty-reduction programme.

After sharp increases recorded in 2001 and 2002 as a result of the oil boom, the overall level of prices diminished for the second year running in 2004, settling at an average -5.4 per cent for the year. This new decrease is explained partly by a good level of food supply in the markets and partly by a lesser demand resulting from the slower activity of the sub-contractors that had worked on oil projects. The inadequate supply of food-crop output following the poor 2004/05 agricultural growing season could generate some tension on prices, and the inflation rate could reach the 3 per cent threshold.

**External Position**

The trade deficit continued to diminish, falling from 750.4 billion CFA francs in 2003 to 156.1 billion CFA francs in 2004. This new reduction resulted from the advent of a 762.8 billion-CFA franc trade surplus, which itself was generated by the significant increase in crude-oil exports. The latter accounted for 81 per cent of total exports at 931.1 billion CFA francs, compared with 136.8 billion CFA francs in 2003. The product of livestock sales increased from 134.7 billion CFA francs in 2003 to 159.4 billion CFA francs in 2004 under the combined effect of a 15 per cent increase in export prices and a 3 per cent rise in the number of animals sold. The value of cotton exports fell 46 per cent as a result of a drop in the volume marketed in 2004 following a collapse in production in the 2003/04 season. Imports dropped 14 per cent to 389.5 billion CFA francs in 2004 as the Doba oil project came to an end and public-sector purchasing diminished.

The services deficit worsened between 2002 and 2004 as the freight activity linked to construction of the oil pipeline came to an end. The deficit in factor income also deteriorated, from 256.3 billion CFA francs in 2003 to 366.4 billion CFA francs in 2004.

Chad is a member of the BEAC, the Economic and Monetary Community of Central Africa (CEMAC) and the Economic Community of Central African States (ECCAS).

France remains the country’s principal trading partner and provides the biggest share of imports,

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1. These differences are not visible as a percentage of GDP in the current-accounts table, however, because of the strong growth experienced by Chad in 2004.
followed by Nigeria, Cameroon and other members of the European Union (EU). The construction phase of the Doba project significantly increased the share of the United States (US). The main imports from the US include industrial, computer and construction facilities, building equipment, and wheat flour. Chad exports most of its cotton to southern Europe, its livestock to Nigeria and its Gum arabic to Europe and the United States. Sanctions against Sudan, a competing producer of Gum arabic, explain the US share, built up over nearly the past decade. The trade balance improved in 2005. It is expected to fall slightly in 2006 and 2007, however, because of a virtual stagnation of exports and an increase in imports.

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<th>Table 3 - Current Account (percentage of GDP)</th>
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<td>1997</td>
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<td>Trade balance</td>
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<td>Exports of goods (f.o.b.)</td>
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<td>Imports of goods (f.o.b.)</td>
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<td>Current account balance</td>
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Source: BEAC and INSEED data; estimates (e) and projections (p) based on authors’ calculations.

Chad’s external debt increased by 16.6 per cent in 2003. In May 2001, the country reached the HIPC Initiative decision point and obtained from the Club of Paris the cancellation of $10 million of external debt and the rescheduling of another $5 million. Chad was not able to attain the completion point at the end of April 2004 as expected, because its efforts in the field of governance, the social sectors and rural development were not considered satisfactory. It has therefore had to pay the World Bank 100 per cent of its debt service since July 2004. Following a request from the government, however, the bank’s board approved a two-year extension of the interim period. This relief is retroactive from July 2004.
Internal debt was estimated at 116 billion CFA francs, or 5.1 per cent of GDP, at the end of June 2004. It is constituted in part by public-service wage arrears. In 2004, arrears of 8.9 billion CFA francs had been paid, and payment agreements had been concluded with certain creditors. An overall debt-settlement plan is being drawn up. In February 2005, the International Monetary Fund (IMF) granted Chad $2.1 million in interim aid under the terms of the HIPC Initiative. The completion point should be attained in 2005, subject to complying with the criteria of the current Poverty Reduction and Growth Facility (PRGF).

In November 2004, the World Bank granted Chad a $25 million Institutional Reform Support Credit (IRSC) destined to finance institutional reforms. It recently decided to suspend all its payments, however, after parliament brought into question the law on the use of oil revenue in 2005. In February 2005, the IMF agreed to grant a three-year 25.2 million Special Drawing Rights (SDR) loan within the framework of the PRGF. In May 2005, the African Development Fund (AfDF) announced that it would finance to $9.47 million a project for the protection and better management of natural resources. The EU also concluded with Chad a co-operation programme for a total of 273 million under the terms of the 9th European Development Fund (EDF) for the period 2002-07.

**Structural Issues**

**Recent Developments**

With support from its development partners, the government is pursuing the structural reforms to which it committed in the 1990s as part of market liberalisation. Of the 50 or so companies identified, 14 have been put into liquidation, 12 have been restructured and 15 privatised. The privatisation of other companies such as CotonTchad, the STEE and Sotel Tchad, is being studied. CotonTchad, in which the state owns the majority and the French company Dagris 25 per cent alongside some smaller shareholders, was due to be offered for sale in 2005. The STEE was completely re-nationalised after the withdrawal of its buyer, Veolia Water, in August 2004. The slow-down in the privatisation of public enterprises in recent years is principally the result of the unattractive business climate. Only Sonasut (the national sugar company), the Société Nationale d’Entretien Routier (SNER, the national road-maintenance company) and the oil and soap company, DHS, have been privatised. DHS is in a critical financial situation, however, a reflection of the difficult environment of the private sector. Operating licences had been granted to two private mobile-telephone operators, one of which went bankrupt. The privatisation of Sotel Tchad is planned with assistance from the International Finance Corporation (IFC).

The Chadian banking system comprises seven banks: 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 de Banque Tchadienne (SGBT) and the Banque Sahélo-Saharienne pour l’Investissement et le Commerce (BSIC). The Chadian economy has a weak banking presence. The population suffers from an insufficient number of branches. The combined total of bank balance sheets increased by 15 per cent to 172 billion CFA francs in 2004 from 149 billion CFA francs in 2003. The boom in oil-related activities has brought about no more than a small increase in the volume of banking activity, given the essentially offshore nature of their financing. The “oil effect” has nevertheless opened up new prospects for the banks, notably in the form of an enlargement of their clientele to employees of the big oil companies and to the middle class that will perhaps emerge as the oil sector develops. Microfinance, which is still relatively small-scale, is enjoying a certain vitality in the field of financial services.

Administrative reforms, which began in 1995, are continuing. A new public-service status was adopted in 2001, and several application texts will soon be so. The government has undertaken vast reforms in the area of public contracts. It wishes to redraft all the texts
and improve the contract-award procedures so as to make them transparent and give development partners confidence. Measures to improve transparency include the publication of quarterly reports detailing public contracts and fiscalisation of the new public-contract code. In 2003, the government adopted a new public-contract code detailing the application texts and the standard documents to be used for tenders. The new code brings contract award procedures into line with international standards. It still contains some deficiencies in the regulatory framework, at the institutional level and with regard to the integrity of the system, however, and the government has committed to correcting these in 2006.

**Transport Infrastructure**

Chad’s geographical situation makes it a landlocked country for which the nearest port – Douala, in Cameroon – is more than 1 700 kilometres from its capital, N’Djamena. The alternatives are even farther away: Lagos is 1 900 kilometres away, Cotonou 2 000 kilometres away, Lomé 2 100 kilometres away and Pointe Noire 2 700 kilometres away.

There is no official system for the classification of public road infrastructure. There is no order of importance of roads and roads do not have any regulatory identification number. The flow of international trade by road gives an idea, however, of the demand for transport and, by the same token, infrastructure. Imports by volume increased from 388 014 tonnes in 2003 to 417 357 tonnes in 2004. Export volumes fell from 79 113 tonnes to 59 758 tonnes over the same period. Most road-borne trade is between Chad and Cameroon. Next comes trade with Nigeria, Libya, Sudan, the Central African Republic and, finally, Niger. The volume of domestic trade increased from 366 928 tonnes in 2003 to 424 438 tonnes in 2004. The N’Djamena region is the main source of domestic flows, followed by those of Hadjer Lamis, western Logone and Tandjile.

The “national” road network comprised 6 200 kilometres in 1999, compared with 3 800 kilometres in 1989. Other roads, which have an estimated overall length of 33 800 kilometres, are either rural roads and tracks or regional and local roads, although these designations are not based on any clear formal classification. To these networks should be added the urban networks of the four main cities – N’Djamena, Moundou, Sarh and Abéché.

The Chadian road system comprises two networks. The permanent national network covers 2 562 kilometres, while the national seasonal network takes in another 3 600 kilometres. These two networks are classified according to the quality of their construction. There are 650 kilometres of surfaced road in the permanent network and there are earth roads that have foundations (often in the form of backfill), drainage and a top surface. These latter roads account for 1 787 kilometres of the permanent network and 1 228 kilometres of the seasonal network. There are also rough earth roads, often of mediocre quality, which develop on the natural terrain: drainage is partial and top surface is constituted of material on hand. These roads constitute 1 490 kilometres of the seasonal network. The tracks correspond to the natural terrain, partly improved, with some drainage work and additional materials. Tracks represent 123 kilometres of the permanent network and 808 kilometres of the seasonal network.

Of the permanent national network, 61 per cent are in an unacceptable state. The surfaced-road network, in an average or very poor state of repair, has or will be repaired and reinforced. It should be in a satisfactory condition by 2006. The only earth roads in good condition are the 44 kilometres of road maintained as part of the Gestion de l’Entretien par Niveau de Services (GENIS) pilot project. They represent 23 per cent of the non-surfaced priority network. The national seasonal network is much less maintained. Its state is mediocre overall, with 43 per cent in an average condition and the remainder in poor condition.

Little information is available on transport in the rural areas. Lack of data means it is not possible to offer a serious analysis of river and lake transport. Activity on the rivers and Lake Chad is generally informal and carried out with traditional means.
Air transport comprises several thousand aircraft movements, about a hundred thousand passengers and several thousand tonnes of freight. Although air transport is essential for the country, its economic scale is still small. Following the cessation of activity of Air Tchad and, in the absence of any other carrier offering regular connections, it is difficult to estimate domestic demand for air transport. The air transport network is made up of five main airports – N’Djamena international airport, Abéché, Faya-Largeau, Moundou and Sarh, – all managed by the Agence pour la Sécurité de la Navigation Aérienne en Afrique et à Madagascar (ASECNA). They are flanked with small airports at Ati, Am-Timam, Biltine, Bokoro, Bol, Bongor, Bousso, Doba, Lai, Mongo, Mao and Pala. Only the N’Djamena and Sarh airports are considered to be in good condition. The others are in a worrying state. They lack facilities such as fire engines, safety equipment and radio beacons and, from a regulatory point of view, should not receive commercial traffic. All the airports open to public traffic are managed by the civil aviation department, the Direction de l’aviation civile (DAC).

**Political and Social Context**

Chad counts some 60 political parties. The president of the republic is elected for a five-year term. A revision of the constitution, which abolishes the limitation on the number of presidential terms, was adopted by referendum on 6 June 2005. Many suspect the head of state, Idriss Déby, of having in this way found a way of running again in 2006. If such is the case, it will pose the problem of democratic change-over in Chad. The presidential election will be followed by the legislative elections and the first local elections in the country’s 50 biggest communes. The peace agreement signed in 2003 with the rebels of the Mouvement Démocratique pour la Justice au Tchad (MDJT) was rejected by one faction of the movement. The cabinet reshuffle of February 2005, when a new prime minister was appointed, allowed a certain geopolitical balance to be established.

Corruption and anti-free-market policies are particularly prejudicial to the Chadian economy. Despite the efforts being made to set up regulatory institutions, the ineffectiveness of judicial, administrative and legal reforms discourages investments except in the oil sector. Massive corruption and slow bureaucratic procedures make it difficult to do business in the country. The government has committed itself to the promotion of sound management of public affairs as a means of combating injustice, corruption and misappropriation. It has started to implement the national good-governance strategy, the Stratégie Nationale de Bonne Gouvernance (SNBG), adopted in 2002, which redefines the roles of the state and the private sector, reinforces transparency and accountability in the management of public funds, and redefines the functioning of the civil-service and the judicial system.

The decentralisation process has continued with the designation of 18 regions, 50 departments and 200 communes. Governors and prefects have been appointed to head the regions and departments and the development of rural-community structures is progressing. Financial, fiscal and accounting regimes for the decentralised territorial authorities (collectivités territoriales décentralisées, or CTDs), notably, have been adopted, pending the adoption of laws detailing the distribution of CTD and state jurisdiction, and the resources to be made available to the CTDs. The blueprint for decentralisation is being drawn up with assistance from the United Nations Development Programme (UNDP). Decentralisation is nevertheless meeting some serious obstacles in the form of the high cost and shortage of human resources. The first local elections will probably be held in 2006.

Instability along Chad’s frontiers, particularly in the east, is having a negative effect on the economy. Thousands of Sudanese who have fled the conflict in Darfur are on Chadian territory. The United Nations High Commission for Refugees (UNHCR) is currently assisting the hundreds of thousands of Sudanese refugees living in eleven camps in the east of the country.

Chad is one of the most destitute states in sub-Saharan Africa. The poverty indicators are generally below African averages and it seems difficult to imagine that the Millennium Development Goals defined by
the United Nations (UN) can be achieved by 2015. The country was ranked 167 out of 177 countries in the UN 2004 Human Development Index. According to the 1995/96 household survey (Ecosit I), poverty incidence is estimated at 58.7 per cent. This represents the percentage of households with annual expenditure lower than that necessary to cover minimum food and non-food needs. In 2004, 80 per cent of the country’s 8.9 million inhabitants had less than a dollar a day to live on despite the strong increase in per capita GDP engendered by the oil boom. The boom has only benefited the populations of certain urban zones. The rural population, particularly in the south, has suffered from the effects of the drastic fall in world cotton prices. Poverty is more marked in the rural areas than in the urban areas, with particular concentration of poor households, estimated at 60 per cent, in the Biltine and Ouaddai regions. The rudimentary means of production in the rural areas, the hostile agroclimate, the poor condition, inadequacy and high cost of socio-economic infrastructure (water, electricity, transport, telecommunications and wastewater disposal) all contribute to making poverty worse. Moreover, the households headed by women (54 per cent of them) are more exposed to poverty.

The cost of electricity in Chad is among the highest in the world. Only 2 per cent of the population had access to electricity in 2003, compared with 1.1 per cent in 1993. The situation is the same for water, which is produced partly by the STEE. The STEE intends to increase its production capacity in N’Djamena in the very short term. A water and sewerage master plan, the Schéma directeur de l’eau et de l’assainissement (SDEA) constitutes the basis of the government’s programme in this sector. It defines the action plans and their necessary financing for village, urban, semi-urban, pastoral and agricultural water supply and distribution up to the year 2020. This policy, which requires important financial resources, has not yet had any significant impact on the ground. Only 16 of the country’s 84 urban agglomerations have running water. In 2004, 36 per cent of the population, compared with 27 per cent in 2000, had permanent access to drinking water. As a result, there is a great deal of disease, particularly in rural zones. In general, water resources are not adequately exploited and the problem of their availability remains to be resolved.

Education is one of the priority sectors, with a budget that has been constantly increasing since 2001. The Chadian education system has made quantitative progress thanks to application of the “education-training-employment” (EFE) strategy defined in 1990. The gross enrolment rate rose from 75.4 per cent in 2000/01 to 87.6 in 2003/04. Quality, on the other hand, has not followed, with high rates of years repeated in primary and secondary schools and a massive drop-out rate, which reached 9 per cent in 2001. The teacher-pupil ratio was estimated at 1 to 74 in the same year.

The number of pupils in secondary education has shown strong growth, rising from 45 000 in 1988/89 to 139 500 in 1999/2000, 29 400 (or 22 per cent) of whom were girls. In 2000/01, girls represented 23.1 per cent of the total number of pupils, representing a gross enrolment rate of 5.3 per cent, compared with 18.5 per cent for boys. The illiteracy rate was 62 per cent in 2000. In 2000/01, women represented 57 per cent of teachers.

The main constraints of the sector are: insufficient training possibilities, difficult teaching conditions, major gender and regional disparities, poor performance, an insufficiently qualified teaching body (particularly in community schools), unsuitable curricula and textbooks, and a deficient professionalisation of technical and vocational secondary education, and of higher education. The education system is also marked by the unsuitability of training to the needs of the market. The problem has been slightly alleviated by the oil boom insofar as vocational training in Chad and Cameroon has been backed by certain oil companies, thanks to which 6 181 Chadians were trained in welding, electrical work, automobile repair, safety, health and environmental protection in 2002. Some Chadians benefited from training after being recruited as engineers and senior technicians.

Health is another of the country’s priority sectors and has seen its budget rise since 2001. The authorities are placing the emphasis on the development of quality services for basic health care. Some progress has been
made in the area of access to health care, vaccination, and the fight against HIV/AIDS and sexually transmitted diseases (STDs). Today, 89 per cent of the health districts and 80 per cent of the health centres are operational, compared with 68 per cent in 1999. Chad has only four prefectoral hospitals – in Abéché, Moundou, Sarh and N’Djamena. The ten other delegations have district hospitals. Only 30 of a projected 49 of these are in operation and 407 out of 646 zones of responsibility are in activity.

A health centre that meets the required standards treats an average 17 000 patients per year instead of the 10 000 provided for by regulation. Certain health centres are run by first-aid workers, while others simply stay closed. The situation remains difficult for several reasons: health centres are understaffed, insufficient in number and poor in quality; personnel and resources are improperly distributed throughout the country; partnerships with the private sector are embryonic and; the bodies set up to combat epidemics are not very effective.

The rate of births assisted by qualified personnel is low but has nevertheless increased from 15 per cent in 1998 to 19.7 per cent in 2003 and 24 per cent today. The Diphtheria, Pertussis and Tetanus (DPT3) immunisation rate stood at 47 per cent in 2003, compared with 35 per cent in 1999. Progress has also been made in the fight against STDs. Life expectancy at birth, which was 46 years in 1994, was up to 47 years in 2000, compared with an African average of 51. The infant mortality rate was 105.8 per 1000 live births in 2001, compared to an African average of 76.4 per 1000. The maternal mortality rate was 827 per 100 000 live births, compared with an African average of 698. These figures, even if they show some improvement, remain a cause for concern. The gross mortality rate was 18.8 per 1000 in 2000. The principal diseases are malaria, acute respiratory disease, diarrhoea, conjunctivitis and HIV/AIDS, for which the prevalence rate varies from 5 to 12 per cent, depending on the region. HIV/AIDS particularly affects the 15-49 age group. At the end of 2003, 180 000 persons or 4.8 per cent of the adult population were affected. The arrival of thousands of Sudanese refugees can be expected to have a negative incidence on the prevalence rate.

The government is battling against HIV/AIDS through a national programme, the Programme national de lutte contre le SIDA (PNLS), which was drawn up in 1998. A reform of this programme should see it replaced by a national committee, the Comité national de lutte contre le SIDA (CNLS), which will report to the prime minister, and by sectoral and regional bodies. Priority is being given to prevention and to reducing the sanitary, social and economic impacts of HIV/AIDS in a multi-sectoral framework. There also exists a project for access to antiretroviral treatment by AIDS patients.

The scale of the AIDS pandemic has induced the government to re-evaluate its national health priorities. It is concentrating notably on the difficulties encountered by Chadian women, many of whom have not had access to education or appropriate health care. Nearly three-quarters of Chadian women between the ages of 15 and 49 have not been to school, 80 per cent were married as adolescents, and more than half had their first child before the age of 18. Knowledge of contraception methods and of how HIV/AIDS is transmitted has nevertheless improved. More than 300 000 condoms are currently sold each month in Chad, 15 per cent more than forecast at the start of the PNLS.