This report is part of the Transformation Index (BTI) 2010. The BTI is a global ranking of transition processes in which the state of democracy and market economic systems as well as the quality of political management in 128 transformation and developing countries are evaluated.

The BTI is a joint project of the Bertelsmann Stiftung and the Center for Applied Policy Research (C•A•P) at Munich University.

More on the BTI at [http://www.bertelsmann-transformation-index.de/](http://www.bertelsmann-transformation-index.de/)


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Key Indicators

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Value</th>
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</thead>
<tbody>
<tr>
<td>Population (mn.)</td>
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</tr>
<tr>
<td>HDI</td>
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</tr>
<tr>
<td>GDP p.c. ($)</td>
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<tr>
<td>HDI rank of 182</td>
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<tr>
<td>Gini Index</td>
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<td>Pop. growth (%)</td>
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<tr>
<td>UN Education Index</td>
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</tr>
<tr>
<td>Poverty (%)</td>
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<tr>
<td>Gender equality¹</td>
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<tr>
<td>Aid per capita ($)</td>
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<tr>
<td>Life expectancy (years)</td>
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<tr>
<td>Urban population (%)</td>
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Footnotes: (1) Gender Empowerment Measure (GEM). (2) Percentage of population living on less than $2 a day.

Executive Summary

This report on the state of political and economic transformation concludes that the Chadian government does not seek to establish a democracy under the rule of law or a market economy anchored in principles of social justice. The government itself must be considered a major obstacle to these twin goals of transformation.

Chad’s political situation in the past two years has been shaped primarily by rebel attacks on President Idriss Déby’s regime and the growing international presence of troops, particularly European EUFOR forces, since 2008. Deployed to protect refugees from the Darfur crisis and those fleeing inter-communal clashes along the Sudan-Chad border from attacks by the Janjaweed and others, EUFOR forces have focused on providing security.

It was the presence of the French military infrastructure on Chadian soil combined with the support of Zaghawa-dominated Sudanese rebel groups (operating from Chad) that enabled Déby to defeat the rebel assault on the capital in February 2008. In order to eliminate the political opposition and tighten his grip on power, Déby exploited the turmoil in the aftermath of the rebels’ withdrawal by strengthening security measures and arresting some prominent members of the opposition and civil society actors. According to an inquiry commission report, Ibni Oumar Mahamat Saleh, spokesperson for the main opposition group, Coordination of Political Parties for the Defense of the Constitution (CPDC), died in custody following his arrest by government forces. It appears that both the October 2007 peace agreement signed in Syrte, Libya between the Chadian government and four rebel groups, and the August 2007 EU-brokered agreement between the government and some main opposition leaders on electoral reforms provided false hopes for peaceful development in Chad.

Whereas the president and the ruling elites could have used revenues from oil production to help improve Chad’s economic situation and reduce poverty, they used them instead primarily for weapons and patronage purposes. In September 2008, Chad repaid in full its World Bank loan for the construction of the oil pipeline. External attempts to raise the bar for transparency and good governance by conditioning loans for extractive industries have thus failed. Consequently, the World Bank eventually withdrew from the pipeline project in September 2008.
History and Characteristics of Transformation

Chad took its first steps toward economic and political transformation more or less concurrently in the early 1990s. After total destruction during the civil war, the state and its institutions were reconstructed in the mid-1980 entirely by foreign funding.

Shortly after its independence from France in 1960, Chad plunged into civil war with battle lines drawn roughly between the Muslim North and the Christian/Animist South. While this North-South conflict continues to define Chad’s political landscape, there are tensions within the major ethnic groups. Individual political leaders also play significant roles in violent conflicts.

With French and U.S. support, the government of Hissène Habré restored territorial integrity somewhat in 1987. Idriss Déby, an ethnic Zaghawa and Habré’s former army chief of staff, overthrew Habré in 1990 and promised political transformation. In 1993, a national conference led to a constitutional referendum. Ostensibly competitive presidential elections were held in 1996. Déby won the presidency under dubious conditions. Multi-party parliamentary elections in 1997 established the hegemony of his party, the Patriotic Salvation Movement (Mouvement patriotique du salut, MPS).

After 1990 different political-military movements with guerrilla activities in peripheral regions challenged the central government’s power. A combination of repression, physical elimination of rebel-leaders, concessions and co-optation, including numerous peace accords, brought these groups partially under control.

The presidential and legislative elections of 2001 and 2002 – which were neither free nor fair – confirmed Déby and the MPS in power. In May 2004, members of the Zaghawa ethnic group, Déby’s principal power base, staged an attempted coup in response both to the government’s restraint in the Darfur crisis in neighboring Sudan and Déby’s plans to change the constitution by a referendum in 2005 to allow him to stand for his hitherto unconstitutional third term. A wave of desertion of the highest military ranks weakened Déby’s regime and contributed to the creation of new and diverse rebellion groups operating from Sudanese territory and with Sudanese support. In April 2006, a coalition of rebels launched a major attack on the capital, N’jaména. Only French support – and amateurism among the rebels – saved the regime from being overthrown. Nevertheless, Déby easily won the presidential elections in May 2006, which were boycotted by the opposition. Negotiations held in August 2007 under the auspices of the European Union between the government and some opposition leaders – but no representatives of civil society – resulted in an agreement to reform the electoral process and postpone legislative elections until 2009.
Peace agreements with rebel groups and between Chad and Sudan, which pledged to expel rebels from their territories and protect their shared border, did not last. In the long run, neither agreement withstood Déby’s usual tactic to co-opt the opposition or individual leaders. Despite a peace agreement between four rebel groups and the government signed in Syrte ( Libya) in October 2007 a new alliance – Alliance Nationale – almost successfully attacked the capital in February 2008. Thousands of inhabitants fled to Cameroon. Déby only managed to withstand the attack with the support of the French troops based in Chad. He also used the opportunity to silence opposition and civil society. Rebel attacks and counter attacks followed, proving that Chad and Sudan use particular rebel groups for proxy wars. Though the rainy season stopped war activities, it is highly probable that armed activities will start again. In January 2009, a new coalition of Chadian rebels was formed – the Union of the Forces of Resistance (Union des Forces de la Résistance, UFR). The UFR unites eight major rebel groups. President Déby’s nephew Timan Erdimi was elected its leader.

The attack in February has to be seen in connection with the deployment of EUFOR troops in Chad. When all attempts failed to dispatch an international peacekeeping force in Darfur in order to replace the rather insufficient mission of the African Union, it was primarily France that insisted on sending a European mission to Chad. French Foreign Minister Bernard Kouchner underlined in July 2007 the need to stabilize Chad’s border with Sudan, and to protect refugees. Local tensions, exacerbated by regional instability (Chadian internal crisis, Darfur conflict) and political manipulation, led to violence between different ethnic groups, resulting in a high number of internally displaced persons. Banditry, militarization of the refugee camps and forced recruitment worsened the situation. The U.N. Security Council adopted resolution 1778 of 25 September 2007, creating a U.N. mission of three components in both Chad and the Central African Republic: MINURCAT, training of the Chadian police, and assistance to Chad’s judicial system in order to monitor the human rights situation; the DIS (Détachement intégré de Sécurité) is a new Chadian police and gendarmerie unit of 850 men, trained and monitored by the U.N. police to provide 24 hour security in refugee camps; EUFOR is an EU military force of 3700 soldiers – recruited from 14 EU member states but dominated by France – in charge of providing a security area for the first two missions and mandated both to protect civilians in danger, particularly refugees and displaced persons, and to facilitate the delivery of humanitarian aid and the free movement of humanitarian personnel by helping. Commissioned for one year, EUFOR is the European Union’s biggest military operation and costs at least €300 million. On 28 January 2008, the European Union decided to send the EUFOR mission to Chad. A few days later, however, armed rebel forces attacked N’Djamena and the deployment had to be delayed. The EUFOR mission only became operational by mid-March 2008 and its mandate has been extended through 15 March 2009, when it will be replaced by a U.N. force of 5,500 soldiers. In June 2008, EUFOR was caught in the crossfire between Chadian rebels advancing from Sudan into Chad and the Chadian forces loyal to Déby. EUFOR has been accused by both sides of partiality.
Internal conflict precluded any steps toward a market economy until the Déby era. Starting from the bottom in practically every respect, Chad had to seek external assistance and successfully completed an Enhanced Structural Adjustment Facility (ESAF, 1996 – 1999) with the International Monetary Fund (IMF). This set the stage for a Poverty Reduction and Growth Facility (PRGF, 2000 – 2003), which in turn – along with a Poverty Reduction Strategy Paper (PRSP) completed in June 2003 – was necessary to qualify Chad for access to the highly indebted poor countries (HIPC) debt relief initiative. In November 2004, the IMF and Chad agreed to a new PRGF for the period from 2005 to 2007. Erratic performance by the Chadian government, however, led to the suspension of a tentatively planned 12-month extension of the PGRF (from February 2008). Irregularities in all these reforms, namely arms purchases and corruption, signal the government’s limited commitment to market economy reforms.

Hopes for substantial socioeconomic improvement with the beginning of oil production in 2003 were short-lived. For the construction of the pipeline Chad received a substantial loan from the World Bank and agreed to certain conditions (investment of the revenues in education, development and health; ten percent would be paid into an account for future generations and ten percent would be at the government’s disposal) but in 2005 unilaterally changed the law in order to freely use the royalties. The World Bank and the European Union immediately suspended all projects. In September 2008, Chad paid back its World Bank loan and is now bound by no external conditions. Chad openly buys weapons with oil revenues (12% of the budget). A Chinese-Chadian consortium started the construction of an oil refinery and Chinese funding has enabled the start of ambitious road works designed to link together some provincial towns. Chad will undoubtedly replace its former dependence on agrarian commodities, particularly cotton, with dependence on oil, but whether Chad can avoid a rent-seeking economy remains uncertain.
Transformation Status

I. Democracy

Chad does not meet the minimum criteria for democracy but ranks as a superficially liberalized autocratic regime. Problems persist specifically in the areas of stateness, participation, the rule of law, and political and social integration. The abduction of opposition leaders after the February 2008 rebel attack clearly indicates the level of state repression and the further weakened civil society. The introduction of press censorship and the state of emergency in most parts of the country reflect worsened problems in terms of stateness and have resulted in further regression, especially in terms of political participation.

Parliamentary elections last took place in 2002. In January 2006, the National Assembly suspended scheduled parliamentary elections by prolonging its mandate to 2007. In August 2007, a political agreement between the government and opposition parties was brokered by the European Union that postponed elections even further to 2009.

1 | Stateness

Although political-military movements and attacks from rebel groups operating from Sudan proved to be a serious threat to the regime during the assessment period, the government largely succeeded in controlling their impact after the attacks in February 2008. There are no rebel-controlled areas in the country. However, the monopoly on the use of force remains severely limited because large parts of the territory are virtually state-free and the state does not live up to its responsibility to effectively protect its citizens. Security deteriorated further in the eastern region in 2007 and 2008.

Crime rates and insecurity in the cities remained high. So, too, did insecurity along the border region, which led to the deployment of the EUFOR mission and which included crimes against foreign NGOs. All-terrain vehicles and technical equipment are assets for locals as well as rebels. Humanitarian organizations have reported 124 security incidents as of October 2008. Four humanitarian workers were killed.
Citizenship is not a politically relevant issue despite the country’s ethnic diversity. Apart from administrative shortcomings, especially in border regions, there are few problems in defining citizenship and who qualifies as a citizen. However, civic rights that are formally the same for all citizens are not guaranteed in practice to all.

The distribution of power and structure of power relations increasingly follow ethnic and religious lines. “Northerners” and Muslims, and among them especially Zaghawa and in particular Zaghawa Bideyat (the clan to which Déby belongs) who dominate the state leadership, receive preferential treatment, while “southerners,” Christians and people practicing traditional African religion (Animists) encounter discrimination. Identification with the state is low (although the legitimacy of the nation-state and its borders is not questioned) and a sense of national solidarity is absent.

The French-style secular constitution guarantees the separation of religious institutions and state. Although the government is dominated by Muslims (about 50% of the population) and Muslims are overrepresented as government officials, religious extremists so far command little political influence. However, religious ideas have some influence on societal issues such as the role of women. Partly due to Sudanese support, religious extremism seems to be gaining influence. In June 2008, security forces killed some 50 followers of a Muslim leader who was purportedly preparing to launch a jihad.

The administrative system does not function properly. While in theory the state’s infrastructure extends beyond the maintenance of law and order, it is incomplete. It fails to include the entire population and does not cover the entirety of Chad’s territory. It functions poorly and is highly inclined to corruption at the expense of the local population, for example concerning the payment of pensions. According to a survey conducted by the World Economic Forum (WEF) in 2008, Chad ranks last out of 22 African countries in terms of public institution quality.

2 | Political Participation

Universal suffrage, the right to campaign for office and democratic elections exist on paper but not in practice. Serious violations of the principles of free and fair elections – involving voter registration, the composition of the electoral commission, the delimitation of electoral districts, election campaigns, and intimidation on election day – have so far marred the elections. It is doubtful whether the electoral reform signed in 2007 will change anything.

The constitutional amendment referendum in 2005 and the presidential elections in 2006 suffered from the same problems and were boycotted by the opposition and most voters. Nevertheless, the international community declared Chad a “democracy” in order to stabilize the system for geopolitical reasons.
While democratically elected in formal terms only, the current government has, for the most part, the effective power to govern. Chad’s government emerged from the ranks of the armed forces; the security apparatus is not under civilian control and remains something of a veto actor. Attempted military coups between May 2004 and October 2006 entailed purges and restructuring of the security sector; nevertheless, control of the security apparatus is still limited. Former rebels, who were supposedly being integrated into the national army, initiated clashes with the army in the east in 2007.

Because Chad is a highly militarized country, other interest groups are far too weak to undermine the effective power to govern.

Problems also exist in the implementation of political organization and communication. The state of emergency – lifted in spring 2007 – was re-implemented in the east in October 2007 and throughout the country after the February 2008 attack until mid-March, effectively limiting the right of assembly. Most recently in January 2009, police forbade a march of women protesting against the high living expenses, again confirming the pattern that political and civil society organizations assemble relatively freely, but face repressive measures as soon as they criticize the government.

The state of emergency was accompanied by the immediate imposition of systematic media censorship in October 2007 and February 2008, the turning off of the cell phone network, and the flight of many journalists. Radio FM Libertés was closed from November 2007 until May 2008, the journal “Notre Temps” in 2007 and its director arrested for one month. Like last year, Chad ranks 161st out of 195 countries labeled “not free” in the Global Press Freedom Survey 2008 by Freedom House.

3 | Rule of Law

There has been no improvement concerning the separation of powers during the last two years. Transformation in Chad suffers from the dominance of the executive branch as well as the lack of an independent and efficient judiciary. Legislation is almost completely controlled by the MPS.

The president’s party maintains its hegemony and controls parliament. It has tightened its grip since successfully engineering Déby’s third term in office and the postponed elections. Several states of emergency have formally increased the executive branch’s dominance. The weak and marginalized opposition parties, whose leaders have been co-opted by Déby, suffer from the loss of CPDC spokesman Ibni Oumar Mahamat Saleh’s leadership. By appointing Youssouf Saleh Abbas as prime minister in April 2008, Déby again broke with the unwritten law of prime ministers being southerners (Abbas is said to be a member of the wider
family of Ibni Oumar Mahamat Saleh). It is believed that Déby appointed Abbas as prime minister in order to make amends for Ibni Oumar’s assassination. Abbas appointed four members of the political opposition CPDC into his new cabinet, hence splitting the opposition and weakening it further.

The judiciary is institutionally differentiated in formal terms, but its decisions and doctrine subordinate to the government. It is vulnerable to executive intervention, lacks adequate resources and is fraught with corruption. Judges acting independently face severe intimidation. Government officials and other influential persons often enjoy impunity. Prominent examples are the Arche de Zoe affair – when foreign aid workers were first sentenced to long incarcerations and then released to France – and the demolition of houses in N’djamena. In January 2009, municipal state authorities ignored the magistrate’s decision to suspend the demolitions of houses while further judiciary inquiries were being made. Magistrates threatened to go on strike over the government’s lack of respect for judicial decisions. Zene Bada, the mayor of N’djamena, declared that he was accountable to no one but the president.

Corrupt office holders seldom attract adverse publicity from civil society, the media or opposition parties, and they are not prosecuted adequately under the law. On rare occasions, and often as a pretext to marginalize political rivals, officials suspected of corruption are dismissed. It is not exaggerated to conclude that corruption has become institutionalized. The burdens of corruption are high on the average citizen if he or she is in need of a service, be it the issue of a passport or passing a police control.

Generally speaking, civil liberties exist on paper only. This is due in part to the lack of a nationwide monopoly on the use of force, and to the lack of political will and judicial control. On occasion, the government, its security forces and rebels violate civil liberties, most recently in March 2008. Searching for goods stolen during the February attack, police and military intimidated the population of N’Djaména by looting homes and taking away private belongings. Officially, the search of houses by government forces was a reaction to the large scale looting of private homes, enterprises and ministries by the civilian population during the February attack on N’djamena. Military and police forces were sent to search homes for looted goods. Informally, the operation was said to have been initiated in order to compensate security forces for their loyalty during the N’djamena battle (by allowing them to take what they want from the population).
4 | Stability of Democratic Institutions

Chad’s parliament and executive branch are democratic in formal terms only – and the state of emergency questions even this assessment. Institutions are relatively stable and seem to be functional, but reflect the hegemony of Déby and the MPS. Although it holds a comfortable majority, the MPS maintains a coalition with a number of small parties founded for its support. The only shortcomings in this regard are the aforementioned friction within the government’s inner circle and the lack of oppositional influence. The administrative system and the judiciary function quite poorly for reasons cited above. It is not an exaggeration to say that they provide the legal façade of a nationwide patronage system. If there is no inclusive dialogue with opposition or rebel leaders no change towards democratization can be expected.

There is little doubt that the government is not committed to democracy under the rule of law. At the same time, the political and military opposition shows little esteem for democratic institutions. The violent campaigns of political-military movements and their internal disagreement express this disdain most prominently – also the fact that many of them had left Déby’s circle of power only after having realized that they wanted their share (and it may be no coincidence that rebel activities increased with the beginning of the oil production). However, at least the civil opposition does not principally question the formal set of institutions as such, but rather the undemocratic nature of its actual functioning.

5 | Political and Social Integration

The personalized hegemonic party system demonstrates how inadequately Chad’s political institutions are integrated. There exist about 70 parties, but the low fragmentation (effective number of parties: 2.5; the MPS’s seat share over 60%) reflects the weakness of opposition. Although detailed data is lacking, electoral and legislative volatility are high due to opposition boycott of elections. Most of the parties have strong personality-based and ethno-regional roots. Due to lack of public party funding their organizational resources are minimal and based on private income. Programmatic profiles are shallow and sooner or later their leaders all have been co-opted by the government. Others are only created as pseudo-opposition parties. Their attitude toward constitutionalism and an exclusively peaceful means of negotiation is dubious at best, resulting in a high degree of inter-party polarization. In general, the significance of the civilian political opposition parties is fairly low as compared to the armed politico-military movements.
The topography of interest groups is meager. Important social interests, especially of the rural population, vulnerable groups and women are underrepresented or even abused by institutionalized pseudo-representation. According to a study published in 2003, there are five trade unions, around 2,000 registered organizations and 215 NGOs, of which 96 are operational. Since February 2008, many show signs of disintegration because their leadership has disappeared or they lack of funding. Only some of the groups show relatively good democratic integrity, but fundamental organizational shortcomings keep them from sustaining more than a limited monitoring function. On the other hand, international advocacy work on the Chad-Cameroon Pipeline Project (CCPP) in recent years has facilitated moderate progress in organization.

Given the lack of representative survey data, we cannot adequately evaluate the population’s attitudes toward democracy in general or as regards individual institutions. However, a survey conducted in four major cities in Chad by the Arnold Bergstraesser Institute in 2004 points to relatively high consent with the idea of liberal democracy – despite the authoritarian character of the regime. Results found 60% of the respondents with overwhelmingly democratic attitudes. 33% held partially undemocratic and 7% undemocratic views. According to the study, public dissatisfaction with government policies is high. Only 36% agreed that the “government would do the right thing.” It is likely that dissatisfaction with the government has increased since 2004 for numerous reasons (disappointed high hopes for wealth from oil, high living costs, enrichment of elites, and repression).

Social self-organization and the creation of social capital do exist. Some 20,000 cooperative groupings operated in 2008. Parents associations that employ 60% of the teachers in Chad play an important role. Given Chad’s long history of violent intercultural conflicts, though, there is very little trust among the population and intercultural tensions persist.

II. Market Economy

Chad’s economic order and performance fail to meet the minimum criteria for a market economy anchored in the principles of social justice. Encouraging macroeconomic signals, such as high growth rates, rest almost exclusively on oil production but are expected to drop due to falling oil prices. There are no visible efforts to include a higher percentage of the population in formal economic life. Severe problems include a low level of socioeconomic development, poor institutional framework for markets and competition, insufficient protection of private property, growing inequity, and a weak welfare regime.
6 | Level of Socioeconomic Development

As one of the world’s least developed countries (ranking 170th out of 179 in the Human Development Index), social marginalization in Chad is structurally entrenched and both qualitatively and quantitatively extensive. Almost all relevant indicators point to severe problems: 80% of the population live below the national poverty level; in 2008, Chad ranked last in the Human Poverty Index for developing countries and 151st out of 156 in the Gender-related Development Index; 173rd out of 180 in Transparency International’s 2007 Corruption Perceptions Index; it scores poorly on the U.N. Education Index (illiteracy rate of about 75%) and lacks the socioeconomic prerequisites for adequate freedom of choice. The slight growth rate is due to the oil revenues, which benefit only a small part of the population.

<table>
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<tr>
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<td>Unemployment</td>
<td>%</td>
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<td>-</td>
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<tr>
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<td>11.1</td>
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<tr>
<td></td>
<td>2004</td>
<td>2005</td>
<td>2006</td>
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<td>------------------------------</td>
<td>------</td>
<td>------</td>
<td>------</td>
<td>------</td>
</tr>
<tr>
<td>Cash surplus or deficit</td>
<td>% of GDP</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Tax Revenue</td>
<td>% of GDP</td>
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<td>-</td>
<td>-</td>
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<tr>
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<td>4.5</td>
<td>5.9</td>
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<tr>
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<td>1.9</td>
<td>-</td>
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<tr>
<td>Public expnd. on health</td>
<td>% of GDP</td>
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<td>2.6</td>
</tr>
<tr>
<td>R&amp;D expenditure</td>
<td>% of GDP</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Military expenditure</td>
<td>% of GDP</td>
<td>1.1</td>
<td>0.9</td>
<td>0.9</td>
</tr>
</tbody>
</table>


7 | Organization of the Market and Competition


Market competition operates under a very weak institutional framework. A strong informal sector and poorly functioning public institutions, insufficient venture capital, and an extreme regulatory environment combined with widespread corruption and the deficient rule of law hinder the development of market competition. However, the state takes relatively few steps to intervene in the economy.

Anti-monopoly policy

The government regulates the formation of monopolies and oligopolies inconsistently. The state-owned enterprise CotonTchad still holds a monopoly on the marketing of cotton, which used to be, with cattle, the main source of export earnings. Plans for privatization – an IMF requirement – have yet to be implemented. The state also owns telecommunications, water and electricity.

Market-based competition

In the dominant oil sector, shares of the Doba oil project consortium are divided among three multinational corporations (ExxonMobil holds 40%, Petronas 35% and Chevron 25%). Numerous other international companies have been awarded with licenses to exploit further oil fields during the period under review – without any conditions. The construction of a Chinese-funded oil refinery started in October 2008.
During the period under review, progress in liberalizing foreign trade was made in terms of reducing barriers to the flow of capital and external investments. The country’s trade balance shows a considerable surplus. However, despite the fact that Chad is a member of the Central African Monetary and Economic Union (Communauté économique et monétaire de l’Afrique centrale, CEMAC), continued import fees, a nontransparent customs code, and an inefficient and corrupt customs administration translate into a high degree of de facto protectionism that hinders foreign trade. In addition, there are no trade agreements with important regional non-CEMAC neighbors such as Nigeria (from where a good deal of products sold in Chad come).

The legal underpinnings for the banking system and capital market exist under the supervision and control of the Bank of Central African States (Banque des États de l’Afrique centrale, BEAC). There are five commercial banks, but they offer scant opportunities for domestic investors. Informal financial services are common. A WEF Executive Opinion Survey in 2007 named access to financing the most problematic factor for doing business.

**8 | Currency and Price Stability**

Chad cannot pursue an independent policy on currency and foreign-exchange rates as a member of the CFA franc monetary union. Previously pegged to the French franc, the currency is now pegged to the euro, and the BEAC is fully independent. Inflation remained at 10% due to high food prices (and possibly as a result of high revenues from oil).

Despite a slight fall of oil output government royalties stayed high due to world oil prices. According to the World Bank, Chad’s oil revenues for 2008 are expected to be $1.68 billion. A provisionary budget for 2009 even shows a slight yield. The government revealed plans to enlarge the tax base to absorb the expected decline of oil revenues. Nevertheless, because the highest percentage of revenues is spent on weapons, retrospective revisions and off-budget spending as well as serious problems with setting objectives and achieving a consistent policy for stability are expected. As seen by the conflict over the oil revenue management system during the last review, the government shows limited respect for development-oriented fiscal policy commitments. The IMF has maintained relations with Chad; the World Bank pulled out but is reopening its office in 2009.
9 | Private Property

The support for a functional private sector is insufficient. Although property rights are adequately defined on paper, conflicts over property are often resolved privately because of the widespread corruption of the courts. According to the WEF, apart from Zimbabwe, Chad has the least favorable environment for property rights in Africa and, in 2009, the Heritage Foundation considered property rights weakly protected.

Private companies, while permitted, encounter general socioeconomic and especially institutional and political barriers to development. Employment of personnel is costly and complicated. An increasing foreign presence has facilitated service sector growth. Privatization of state enterprises made only sluggish progress. While dependence on a single company has been avoided in the oil sector, CotonTchad – a parastatal – still dominates the important cotton sector.

10 | Welfare Regime

State measures to avert and alleviate social risks are minimal. The most recent PRGF (2005 – 2007) could have potentially changed this, but – as demonstrated by the lack of respect for the oil revenue management system and the dissolution of the fund for future generations – the government’s commitment to fighting poverty is weak. Due to the erratic performance of the Chadian government, a tentatively planned 12-month extension of the PGRF remained suspended as of January 2009. A large sector of the population therefore relies entirely on the prominent informal sector as well as ethnic, clan and family structures to survive.

Equality of opportunity does not exist. Chadian society is highly stratified, and members of ethnic groups close to the ruling Déby clan enjoy a distinct advantage. A woefully inadequate education sector cannot function as a compensatory institution. Women lack adequate access to public office and educational institutions, as shown by the low percentage of women in parliament and a poor GDI ranking (151st out of 156 countries). Violence against women is common.

11 | Economic Performance

The economy is characterized by a high dependency on revenue from oil, which is the principal export good. Almost 60% of the oil produced by the country went to the United States. Despite high oil prices, real growth remained below 2.0% in 2007 and 2008 according to Economist Intelligence Unit (EIU) estimates, but Chad succeeded in paying ahead of schedule its debt to the World Bank. The enclave character of the oil sector is responsible for uneven performance in other key
macroeconomic fundamentals. As is typical for rentier economies, inflation has been on the rise despite Chad’s CEMAC membership. Though exact figures are not available, the ongoing oil bonanza had few effects on employment, the budget deficit remains unbalanced and – as stated by the IMF – public spending is unsustainable.

Oil revenues are expected to decline because of falling world oil prices and because technical problems will slow production before the exploitation of new oil fields can start.

The agricultural sector has been hit hard by the ongoing conflicts. Cotton production has suffered from mismanagement and farmers’ shift to the cultivation of cereal. Shortages in the supply of electricity have held back industrial activities.

12 | Sustainability

Environmentally sustainable growth is not considered to be an important issue in Chad. Some groups among the rural population preserve a traditional awareness of nature and some environmentally sensitive policies have been introduced in connection with oil production. However, the construction of a new refinery north of N’Djamena by the Chinese lacks an environmental assessment. It is feared that Lake Chad, the country’s primary source of water, might be affected. Chad has yet to find effective means of countering the key ecological problem of environmental degradation caused by deforestation and charcoaling. A ban on charcoal in the capital in January 2009 might be a good step in fighting desertification, but it deprived the population of their means to cook. In general, serious doubts about the government’s commitment to sustainability persist.

Chad continues to show a poor record on education despite international efforts and investments of oil revenues. Although the latest data on the expenditure of the government on education is not available, other relevant indicators such as the illiteracy rate illustrate that even lower level educational, training and research and development institutions do not function adequately.
Transformation Management

I. Level of Difficulty

The level of difficulty for transformation in Chad is extraordinarily high. Although poor governance is at the root of some problems, there are also a number of massive structural constraints on governance. The most formidable constraints are extreme poverty, a highly deficient infrastructure (only 1% of all roads are paved; electric power supply has been a major problem in recent years; the WEF names inadequate infrastructure a major factor hindering business), adverse climatic conditions (environmental degradation, erratic rainfalls, sporadic droughts and locust plague) and scant human resources (see “education policy”). The inflow of almost 260,000 refugees in the southeast from the Darfur conflict and 180,000 internally displaced persons add to the desperate socioeconomic situation. Abundance in oil may have been cause for slight optimism, but recent developments in the oil sector justify the view that oil may already work as a “resource curse”; the petroleum revenue management system with the World Bank has failed, violent conflicts have been on the rise and living conditions for the inhabitants of the oil regions have become more difficult due to rising prices.

Traditions of civil society are nonexistent. Despite a certain increase in NGO activity resulting from international advocacy work and financing in connection with oil production, civil society could not build on substantial traditions. The landscape of voluntary organizations is still sparse and plagued by scarce organizational resources. International visibility is limited. Exceptions are the already mentioned parents’ associations, which are quite active especially in the rural areas. A survey conducted by the Arnold Bergstraesser Institute showed that trust in institutions is low and social trust limited to a small circle of family and friends. There is no civic culture of moderate participation in public life.

The lack of social trust results primarily from a society divided along ethnic and religious lines. Years of civil war, ending in 1982, have been followed by ongoing violent conflicts. Society and the political elite are deeply split into ethnic and religious communities; repeated rebel attacks from ethnical divided rebel groups increase the cleavages.
Partly, violence is spilling into the country from Darfur. Meanwhile Sudan and Chad are leading proxy wars each supporting the rebels groups of the other country. Domestic power struggles have an equal share in the causation of violent conflict in Chad. Frequently regrouped politico-military movements are a constant threat for the government. In February 2008, Déby only managed to repel the Alliance Nationale with the support of the French troops based in Chad. Heavy fighting took place in N’Djamena. In May, there followed a counterattack from Chadian soil led by one of the main Sudanese rebel groups, the Justice and Equality Movement (JEM). Though not a real threat for the Sudanese regime, it nearly reached Khartoum. The almost immediate answer from Sudan in June was an attempted march in the direction of N’Djamena. At the beginning of 2009 rebels are ready and waiting for a signal from Khartoum.

Inter-communal violence between nomadic herders and sedentary groups continues frequently, sometimes spontaneously, sometimes tolerated or even encouraged by the authorities.

II. Management Performance

Chad’s very high level of difficulty notwithstanding, its key political actors and their questionable commitment to transformation goals account for a general constraint on the country’s governance record. Maintaining power is the only strategic priority; resource efficiency and consensus-building are notoriously deficient, natural resources are plundered and investment in sustainable development is almost absent. Government performance in international cooperation is mixed and mainly motivated by perspectives for fund-allocation as well as political and military allies.

14 | Steering Capability

The political leadership’s commitment to democracy and a socially responsible market economy is very limited if existent at all. Its main strategic interest is to maintain power. Déby and his entourage maintain this strategic priority over periods of national and international crisis. However, the Darfur conflict cut ties and brought open conflict with Sudan, worsened security in the border region, and resulted in many defections from within Déby’s support base. Given the questionable loyalty within his entourage, Déby uses cabinet reshuffles, also after the February attack, and purges in the security apparatus to prevent potential rivals from developing bases of power. As for opposition parties, Déby has continued the use of repression, co-optation and partial peace agreements to undermine his opponents’ cohesion. In February, he used the disorder during the rebel attack to
silence opposition and civil society. Some leaders were arrested, among them three prominent members. Others were able to escape with 30,000 inhabitants of N’Djamena to neighboring Cameroon. An official investigation revealed in August 2008 that Ibni Oumar Mahamat Saleh, the most prominent opposition leader and spokesperson of the CPCD, died after his arrest (he was probably assassinated by Chadian security forces).

To warrant the support of the international community Déby successfully presents himself as the safeguard of stability on a regional level. Oil, rebel leaders supported by the Sudan and the threat of religious extremism are his trump cards in the geopolitical power game that will decide his personal future and the prospects of Chad.

The government seeks to achieve reforms targeted at transformation at best only partially and fails to implement them fully. Reform policies are generally confined to macroeconomic conditions and the management of the oil sector. These policies were until 2006 advocated by the outside world, especially the IMF and the World Bank. As mentioned above, the World Bank withdrew from Chad in 2008. Growing Chinese investment facilitates Chad’s withdrawal from international imposed warranties. The IMF’s first review of the PRGF, scheduled for 2005, had to be postponed owing to Chad’s deteriorating fiscal performance. In November 2008, concluding the Article IV Consultations with Chad, the IMF noted that the economy continued to face major impediments to growth due to a poor business climate, weak governance and inadequate infrastructure. The IMF advocated that spending should be reduced to a level that could be covered by non-oil revenues. In 2008, the non-oil primary deficit reached 29%. The IMF also stated that while oil revenues are used to invest in the sectors education and health, investment in transport, irrigation and electricity could be stepped up.

The political leadership shows little flexibility in learning with regard to the goals of constitutional democracy and – to a somewhat lesser extent – a market economy. Flexibility and learning is mainly confined to maintaining power. The authoritarian character of the regime has contributed to increased armed rebel activity. Mainly due to donor pressure, President Déby has called for political dialogue with the – marginalized and repressed – civilian opposition, which might only have a cosmetic effect if one thinks of the August 2007 agreement. The worsened relations with the IMF and the World Bank may indicate ‘negative learning’ in the economic area.
15 | Resource Efficiency

The government’s use of available resources is efficient only in some cases and aims only partially at transformation. To some extent, government officials consume state resources themselves.

At the cabinet level, politically motivated dismissals and appointments are frequent. In the period covered by this report, cabinet was reshuffled three times (February 2007, April and September 2008). The first reshuffle followed the (natural) death of the prime minister (Pascal Yoadimnadji), which led to the nomination of Delwa Kassiré Koumakoye as his successor and the appointment of former rebel leader Mahamat Nour as Minister of National Defense (until December 2007). As a consequence of the February 2008 attack, Koumakoye was dismissed and replaced in April 2008 by Youssouf Saleh Abbas – a northerner. As discussed under a break with tradition. Four members of the CPDC were awarded with ministerial posts, including defense and justice portfolios. The last reshuffle in September 2008 provided only a few changes, as the number of cabinet ministers remained stable at 36. Civil servants in the ministries make up a large part of the civil service. The state budget used to be notoriously unbalanced. Salary increases for the least paid civil servants in August 2008 will augment the imbalance and provoke strikes for pay raises by others. A decentralization program is being conducted with the support of the European Union, but local elections, due for several years, were postponed several times. Instead, local prefects are appointed.

As documented in the last BTI report, Déby successfully exploits national and international objectives and interests to his own advantage, as was the case in 2005 when he established diplomatic ties with China. During the period currently under review, he held two trump cards in his hands besides the important geopolitical situation of Chad: The refugees from Darfur and the French aid workers of Arche de Zoé. With the presence of EUFOR troops, officially deployed in order to protect the Sudanese refugees, a buffer zone was put between the capital and the rebels operating from Sudan. Déby’s hopes that EUFOR would prevent another rebel advance, however, were disappointed to some extent. In June 2008, EUFOR was caught in the crossfire between Chadian rebels advancing from Sudan into Chad and the Chadian forces loyal to Déby. EUFOR remained neutral to the point that Déby accused them of supporting the rebels (in turn, the rebels have accused EUFOR to support the government). The plight of workers for the French agency Arche de Zoé, who were sentenced for human trafficking after having tried to bring Chadian children out of the country whom they believed to be orphans, guaranteed the support of France during the February 2008 attacks. It is not surprising that Sarkozy came to visit shortly afterwards and that the aid workers – already in France – were pardoned by the Chadian courts.
Diversion of funds is a severe problem in Chad. State resources are distributed via patronage networks and corruption is a fundamental characteristic of the political system. According to international observers such as the Economist Intelligence Unit and the WEF, corruption is rampant at all levels. The government has introduced some mechanisms to curb malpractice, such as a special ethics ministry and the oil revenue management regime, but they fail to function properly. After the withdrawal of the World Bank it is likely that the oil revenue management system will completely collapse. A culture of impunity hinders effective handling of corruption as well as human rights violations.

16 | Consensus-Building

The political leadership is not pursuing democratic transformation; it is pursuing economic transformation – under donor pressure – only partially. The leadership has failed to establish a broad consensus on reform with other key actors in Chadian society.

It is highly questionable whether key political actors want to build democracy and a market-based economy. Both the government and opposition claim to pursue such goals in their rhetoric. Leaders of the opposition parties in parliament, some civil society actors, and all other significant actors have readily resorted to undemocratic activities. Ngarléguy Yorongar (Fédération, Action pour la République), leader of the most important opposition party, is an ambivalent figure, well known in the West but also tied to regionalism and opportunism. He only returned to Chad in December 2008 after nine months exile in France. The only credible opposition leader was Ibni Oumar Mahamat Saleh, general secretary of the Parti pour les libertés et le développement and spokesman of the CDPC, who was killed after his arrest in February 2008. Members of the CDPC are now co-opted into the government. The internal political opposition is almost non-existent. As for economic reforms, there is broad consensus that dramatic changes must take place, but there are serious doubts about both the government’s and the opposition’s willingness to prioritize development over narrow political ambitions.

The government itself is the main anti-democratic veto actor. The control of extra-governmental anti-democratic veto actors such as the politico-military movements and the armed forces has worsened during the period of assessment. The security apparatus underwent several reshuffles of its leadership and many defections have reinforced the rebel groups, whose activity has substantially increased. They represent a real threat to the government.

Since ideological conflicts are largely absent, the government often manages to conclude peace agreements with the political-military movements. Yet these agreements, which involve the integration of combatants within government forces...
and assigning their leaders government positions, often fall apart because of internal friction within rebel groups, the lack of government resources, and the government’s unwillingness to share power. The short-term integration of Mahamat Nour into the government and the peace accords with the rebels in Syrte 2007 are illustrative examples.

The government and the churches frequently call for national reconciliation among the various communities within Chad. However, this does little to reduce existing divisions within the country and fails to bridge both personality-based and ethno-regional cleavages. The presence of the EUFOR could calm some of the open conflicts, but critics also point to the lack of neutrality (which is the result of French domination of EUFOR and French support for Déby). The role of blood relations in the political system decreased during the last years due to the backing out of some members of the inner circle of power, especially the Erdimi-brothers, nephews of Déby. On the other hand, the president’s name change from Déby to Déby-Itno shows that he is still trying to attain loyalty from within the Zaghawa-clan on his grandfather’s side.

Political dialogue took place under the auspices of the European Union. The international community welcomes the integration of opposition members into the government without taking into account their loss of credibility among the population.

Chad’s political leadership largely fails to promote – and in part destroys – social capital. The government frequently ignores civil society actors, tending to formulate policies autonomously. Efforts to include civil society actors, as with the formulation of the PRSP, are the result of external pressure. Civil society actors protesting the effects of oil production and the slow implementation of the management regime have on occasion been subject to harassment and death threats. Civil society actors are often exploited as “claqueurs” for the Déby regime (especially since Chadian television can be received in the whole country via satellite antenna).

Within one day in August 2008, the Criminal Court in N’Djamena sentenced former dictator Habré and eleven rebel leaders including Mahamat Nouri and former Defence Minister Mahamat Nour to death in absentia for trying to overthrow the regime in February 2008.

These convictions followed a plaint of the state and show the will of the government to stay in power rather than to achieve reconciliation. Human rights violations during the Habré regime were not addressed. Déby himself was involved as Habré’s former comrade in arms.
17 | International Cooperation

Subject to considerable limitations, the government is willing to cooperate with external supporters and actors. Despite substantial foreign-aid driven oil production since 2003, Chad’s choice in accepting or refusing international cooperation is limited. Cooperation comes more readily in the economic arena than in the political. This is, however, in part due to the absence of strong external political conditionality and to rather weak levels of coherence and cooperation among the external partners, who operate in Chad with frequently competitive or even antagonist ambitions (France, Europe, United States, China, Sudan, Saudi Arabia). Relations with the IMF and the World Bank have been very difficult, as illustrated by the conflict over the oil revenue management system. The World Bank formally suspended cooperation with the Chadian authorities in late 2008, primarily in response to Chad’s failure to manage oil revenue as agreed. The IMF, in contrast, maintained relations with Chad. The Chadian government’s erratic performance, however, led to the suspension of a tentatively planned 12-month extension of the PGRF (from February 2008).

The government tries to act as a credible international partner, but its reputation may have suffered recently. Political and economic interests keep France, the European Union and the United States from pushing strongly for democratic reform. The current regime is also considered to be the lesser evil in relation to civil war and the potential victory of the Sudan-supported rebel leaders. In terms of political reform, the government is only trusted by France, which holds its single military base in Central Africa with more than 1,000 troops in the country. France saved the regime from being overthrown in April 2006 and February 2008 by providing intelligence support and defending the airport against rebel forces.

Chad’s record in relations with neighboring countries is mixed. In principle, Chad’s political actors cooperate with neighboring states and usually comply with the rules set by regional and international organizations such as CEMAC and the African Union. However, the government does not always act reliably. Generally, friction arises because of the Chad’s support of political-military movements across borders. There were tensions with Libya and the Central African Republic in the past and now with Sudan. Relations with Sudan have continued to be tense over the Darfur crisis and the mutual support of rebel groups across borders. All peace accords of the last two years did not last long and were broken by rebel attacks.
Strategic Outlook

Chad’s political system does not meet the minimum requirements for a democracy under the rule of law and does not appear to be moving in that direction. The lack of substantial reforms can be attributed only partly to an adverse environment. The government itself is the major obstacle to serious progress being made in this area. To complicate matters further, the regime in Sudan plays a key role in taking advantage of the presence of Chadian rebels on its soil. Sudan is arguably using the rebels as political collateral in terms of its internal struggles and President al-Bashir’s pending international arrest warrant. The following four areas must be addressed if transformation is to be advanced in Chad:

• Political representation: The international community’s efforts to facilitate an improved framework for political representation through the August 2007 agreement failed in part due to the fact that the agreement did not involve stakeholders such as civil society groups and rebel leaders. The nonmilitant, but weak and disillusioned democratic opposition in diaspora should also be strengthened and integrated into the process. The exclusion of their leaders from political dialogue has driven many of them into the open arms of the Sudanese government, which has, in turn, exploited them for its own purposes. A continued international military presence is more likely to reinforce the position of the Déby regime.

• Socioeconomic development: The government has spent its oil revenues on weaponry and the co-optation of enemies in an effort to stabilize its power instead of increasing spending on efforts to reduce poverty. The government has also demonstrated that it is prepared to violate international contracts. The withdrawal of the World Bank yielded little impact because royalties continue to pour in and China, the new actor in the region, does not impose conditions. The prospects for a solid market economy being developed in Chad are slim; an oil-dependent rentier state is a more realistic prospect. IMF and especially World Bank assistance in managing the oil sector and economy is nonetheless needed. Such assistance will probably continue, although the irregular implementation of economic reform is likely to cause problems from time to time. The detrimental effects of an abundance of resources, including Dutch disease, unwise fiscal policies, price shocks, corruption or violent conflict – have already materialized.

• International influence: Chad will continue to enjoy outside support, particularly from France, the European Union and to a lesser degree from the United States. As a former colonial power, France wants to maintain its traditional zone of influence in Chad and is eager to avoid a destabilization of the whole region. The United States views Chad as an ally in the war against terrorism and as a minor oil supplier. China’s interest in Chadian oil and in establishing geopolitical bases in Africa has led to its increasing engagement in Chad, thereby providing further support for the regime.
Security conditions: A sustainable political solution to the internal Chadian crisis and the Darfur crisis is needed. Equally important, there needs to be a solution for the Sudanese refugees and the internally displaced persons. Apart from the human suffering, the refugees pose a security problem as the Sudanese rebels openly recruit in the camps. Also, tensions have arisen between the refugees and the local population, who have been neglected by international aid. Unable to cultivate their fields, internally displaced persons constitute an economic problem for a country dominated by the agrarian sector. Given the rather limited impact of EUFOR in stabilizing the eastern border region, the usefulness of another peacekeeping mission to eastern Chad should be re-thought and its mandate redefined. However, enhanced political efforts to mediate and resolve conflict would render any expensive military mission unnecessary.

It cannot be expected that Chad will progress toward democracy and a market economy in the foreseeable future or that international partners will contribute to such progress. Donors should not, however, exclusively give priority to regional and geopolitical security issues; this policy has already proved to be short-sighted in view of the government’s performance and increasing regional instability. The support of civil society and civil opposition parties combined with firm political and economic conditionality on the part of international financial institutions and key players such as France, the European Union and the United States are indispensable to ensuring the wise use of oil revenues and progress being made in democratic development.