

# Chad

<b>Status Index</b> (Democracy: 3.53 / Market economy: 4.18)		<b>3.86</b>	<b>Management Index</b>		<b>3.25</b>
<b>HDI</b>	0.341		<b>Population</b>	9.1 mn	
<b>GDP per capita (\$, PPP)</b>	1.210		<b>Population growth<sup>1</sup></b>	2.8 %	
<b>Unemployment rate</b>	-		<b>Women in Parliament</b>	6.5 %	
<b>UN Education Index</b>	0.30		<b>Poverty<sup>2</sup></b>	64.0 %	
			<b>Gini Index</b>	-	
Source: UNDP: Human Development Report 2005. Figures for 2003 unless otherwise indicated. <sup>1</sup> Annual growth between 1975 and 2003. <sup>2</sup> People living below the national poverty line (1990- 2002).					

## A. Executive summary

In early 2004, Chad prepared for a referendum scheduled for June 6, 2005 on a constitutional amendment to allow President Idriss Déby a hitherto unconstitutional third term in office. Polls have been marred by irregularities since 1996; it comes as little surprise that the vote in favor of a third term was at 77%. Prior to the referendum, opposition parties had declared their intention to boycott the referendum, thus protesting the autocratic nature of the regime.

Chad is not a market-based democracy. It's political system continues to fall short of the minimum criteria for democracy—particularly in terms of stateness, political participation, rule of law, and political and social integration. The country's economy suffers from major shortcomings, although growth rates (and inflation) have been strong since oil production began in 2003 in southern Chad.

The oil windfall is perhaps the only credible economic progress observed. Neither the macroeconomic environment nor social conditions improved in the last two years. Change resulting from pressure from the IMF and World Bank has been sluggish; a special oil management regime has yet to become fully operational. The current government supports such reforms only when they do not threaten its position. Decision makers have ignored key tasks pertaining to stateness and nearly every other criterion for democracy. Indeed, Déby's clench on power, illustrated by the "third term issue," reflects slight political regression.

A highly adverse level of difficulty notwithstanding, the government failed to pursue policies of political and, to a lesser degree, economic transformation. In particular, the Déby administration did not perform well in the areas of resource efficiency and consensus-building. Consequently, although ideologically or religiously inspired political extremism is low, violence is still an option for many state and non-state actors in the country.

Future prospects for transformation will depend on top leaders' political will, which has been essentially absent, and on external political pressure. However, given Chad's strategic value as an ally in the war on terrorism and France's zone of influence, the latter is a rather unlikely option. As a result, in the short- and medium-terms, substantial progress toward transformation is highly unlikely.

## **B. History and characteristics of transformation**

Chad took its first steps toward economic and political transformation more or less concurrently. Following a long period of civil unrest, reform became feasible in the early 1990s.

Shortly after gaining independence from France in 1960, the country 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, and individuals also play a significant role. Interventions by Libya and France at times divided the country into two territories.

Territorial integrity was restored somewhat in 1987 when the government of Hissène Habré, with French and U.S. support, managed to drive the rebels and Libyan troops from northern Chad. Idriss Déby, an ethnic Zaghawa and Habré's former army chief of staff overthrew Habré in 1990. Facing upheaval in sub-Saharan Africa and moderate pressure from France, Déby promised in 1991 to undertake political transformation. A national conference in 1993, formally modeled after those held by other Francophone African states such as Benin, led to a constitutional referendum and to ostensibly competitive presidential elections 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, the Déby regime confronted a number of "political-military movements" with guerrilla activities in peripheral regions—the North, South, Southeast, Southwest—challenging the central government's power. A combination of repression, concessions and co-optation, including numerous peace accords, brought these groups partially under control. The tendency toward fragmentation remained strong; uprisings against Déby continued to erupt and no sustainable solution took hold. The most significant rebellion since 1998 has been the Northwestern-based Movement for Democracy and Justice in Chad (*Mouvement pour la démocratie et la justice au Tchad*, MDJT). While several peace agreements have been signed, hard-line factions continue with armed struggle.

The presidential and legislative elections of 2001 and 2002—once again 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 to the government's restraint in the Darfur crisis in neighboring Sudan, where Zaghawa suffer atrocities by Arab militias. Shortly after the attempted coup, the MPS majority in Parliament began organizing for a referendum on a constitutional amendment to allow Déby to stand for another term as president in 2006. In early 2005, Chad had yet to achieve two key goals of political transformation: the monopoly on the use of force and political participation.

Civil unrest 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, 1996–99) with the International Monetary Fund (IMF). This set the stage for a Poverty Reduction and Growth Facility (PRGF, 2000–03), 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. However, irregularities in all these reforms, namely arms purchases and corruption, are signs of the government's limited commitment to market economy reforms.

Any hope for substantial socioeconomic improvement derives from the significant oil deposits discovered in 1993. With substantial support by the World Bank, Chad joined a consortium of American and Malaysian oil companies to launch the Doba oil project. (ExxonMobil owns 40% of the consortium, Petronas 35% and Chevron 25%.) Infrastructure construction, including a pipeline to Cameroon, began in 2000. To avoid the detrimental effects of oil dependence, a special oil management regime has been introduced to provide for transparent and development-oriented use of the oil income. The oil began to flow in July 2003 and has already triggered a growth spurt. However, whereas technical arrangements for the oil fields were finished ahead of schedule, the management regime has yet to be fully implemented. 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.

## **C. Assessment**

### **1. 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.

### 1.1. Stateness

Numerous active political-military movements in Chad have posed considerable problems to Chadian stateness. In certain parts of the country (the desert areas of the North, border areas in the Southeast), the state lacks a monopoly on the use of force and can guarantee neither public safety nor order. Apart from administrative shortcomings, especially in border regions, there are few problems in defining citizenship and who qualifies as a citizen. Likewise, the French-style secular constitution guarantees the separation of church and state. Religious extremists command little political influence. However, Chad's ethnic and religious groups discriminate against each other. "Northerners" and Muslims, who dominate the state leadership, receive preferential treatment, while "Southerners," Christians and people practicing traditional African religion (Animists) encounter discrimination. Therefore, a fundamental national sense of solidarity is absent. The administrative system does not function properly. While the state's infrastructure extends beyond the maintenance of law and order, it is incomplete, does not include the entire population and functions poorly. According to a survey conducted by the World Economic Forum (WEF) in 2004, Chad ranks last of 25 African countries in terms of public institution quality.

### 1.2. Political participation

Universal suffrage, the right to campaign for office and democratic elections exist *de jure* but not *de facto*. 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—marred the elections of 1996, 1997, 2001 and 2002.

While democratically elected in formal terms only, the current government has the effective power to govern, except in regions where political-military movements maintain their primary bases. Chad's government emerged from the ranks of the armed forces; the security apparatus is not entirely under civilian control and remains something of a veto actor. An attempted military coup in May 2004 drew on support partly from within the presidential guard. This illustrates how the government must balance different groups within the regime, which in turn limits policy implementation.

Problems also exist in the implementation of political organization and communication. Although political and civil society organizations can assemble relatively freely, they face repressive measures as soon as they seek a significant role in public debates.

State and especially private media are occasionally subject to state repression. A few outspoken newspapers in the capital (e.g., N'Djaména BiHebdo) and regularly harassed private radio stations ("FM Liberté") make up the private

media landscape. Chad ranks 161<sup>st</sup> of 193 countries (“not free,” value 74) in the Global Press Freedom Survey 2004 by Freedom House.

### **1.3. Rule of law**

Transformation in Chad suffers from the dominance of the executive branch as well as the lack of an independent and efficient judiciary. The president’s party maintains its hegemony and controls Parliament. Its grip has tightened since the 2002 elections and a party congress in 2003, which sidelined reform-oriented party members. This has facilitated the move to allow Déby a third term in office. Despite efforts to unite, opposition parties remain grossly underrepresented and command very little influence. The upper chamber provided for in the constitution is set to be abolished without ever being established. The political system centers around Déby, and informal checks exist to the extent that Déby must balance internal power structures.

The judiciary is institutionally differentiated in formal terms, but its decisions and doctrine subordinate to the Déby government. It is vulnerable to executive intervention, lacks adequate resources and fraught with corruption. Judges who act independently face severe intimidation.

Although corrupt office holders attract adverse publicity from civil society, the media and opposition parties, they are not prosecuted adequately under the law. On rare occasions, and often as a pretext to marginalize political rivals, officials suspected of corruption may be dismissed.

Generally speaking, civil liberties exist on paper only. This is in part due to the lack of a nationwide monopoly on the use of force, and the lack of political will and judicial control. On occasion, the government, its security forces and rebels violate civil liberties.

### **1.4. Stability of democratic institutions**

Chad’s parliament and executive branch are democratic in formal terms only. They are relatively stable and 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. The only shortcomings in this regard are the aforementioned friction within the MPS and the government’s inner circle, and the lack of oppositional influence. The administrative system and the judiciary function quite poorly for reasons also cited above.

The political and military opposition—not the government—shows little esteem for Chad’s undemocratic institutions. The violent campaigns of political-military

movements express this disdain most prominently. After the partial opposition boycott of parliamentary elections in 2002, opposition parties withdrew from Parliament's sessions between May and September 2004, calling for a boycott of the referendum in 2005.

### **1.5. Political and social integration**

The personalized hegemonic party system of Déby and the MPS demonstrates how inadequately Chad's political institutions are integrated. Most of the parties have strong personality-based and ethno-regional roots, their organizational resources are minimal, and programmatic profiles are shallow. Their attitude toward constitutionalism and an exclusively peaceful means of negotiation is dubious at best, resulting in a high degree of inter-party polarization.

The topography of interest groups is meager. Important social interests, especially of the rural population and women, are underrepresented. 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. The few groups that do exist generally have 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. Nonetheless, 46% of NGOs in Chad are foreign, and 75% of national NGOs are non-operational due to a lack of resources.

Given the lack of survey data, we cannot adequately evaluate the population's attitudes toward democracy. However, low voter turnout in the latest elections, approximately 50% in 2002, may indicate public dissatisfaction with thwarted political transformation.

Social self-organization and the creation of social capital also fall short. Some 20,000 cooperative groupings operated in 2003. Given Chad's long history of violent intercultural conflicts, there is very little trust among the population and intercultural tensions persist.

## **2. Market economy**

Chad's economic order and performance fail to meet the minimum criteria for a socially responsible market democracy. Encouraging macroeconomic signals, such as high growth rates, rest almost exclusively on the introduction of oil production and conditions imposed from abroad—especially by the IMF and World Bank. Severe problems include: a low level of socioeconomic development, poor institutional framework for markets and competition, insufficient protection of private property, and a weak welfare regime.

## 2.1. Level of socioeconomic development

As one of the world's least developed countries (ranked 167<sup>th</sup> of 177 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: between 1990 and 2001, 64% of the population lived below the national poverty level; in 2002, Chad ranked 88<sup>th</sup> of 95 in the Human Poverty Index for developing countries and 135<sup>th</sup> of 144 in the Gender Development Index; Chad scores poorly on the U.N. Education Index. Chad lacks the socioeconomic prerequisites for adequate freedom of choice.

## 2.2. Organization of the market and competition

The institutional setting for free markets and competition is poor. Chad ranks 103<sup>rd</sup> of 123 countries ("mostly unfree") in the Index of Economic Freedom, and last of 25 African countries in the World Economic Forum's Growth Competitiveness Index (CGI).

Market competition operates under a very weak institutional framework. A strong informal sector and poorly functioning public institutions, 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.

The government regulates the formation of monopolies and oligopolies inconsistently. The state-owned enterprise Cotontchad still holds a monopoly on cotton, which was until recently the main source of export earnings. Plans for privatization—an IMF requirement—have yet to be implemented.

In the already dominant oil sector, the Doba oil project consortium shares are divided among three transnational corporations: ExxonMobil holds 40%, Petronas 35% and Chevron 25%. Liberalization of foreign trade has advanced in terms of barriers to the flow of capital and external investments. On the other hand, Chad's membership in the Central African Monetary and Economic Union (Communauté économique et monétaire de l'Afrique centrale, CEMAC) and rampant corruption among customs officials make for a high degree of *de facto* protectionism.

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), but the market is poorly differentiated and offers scant opportunities for domestic investors. A WEF Executive Opinion Survey in 2003 named access to financing the most problematic factor for doing business.

### **2.3. 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. With some exceptions, such as a spurt of inflation after the CFA franc was devalued in 1994, this has resulted in relatively low inflation.

The government displayed serious problems with setting objectives and achieving a consistent policy for stability. Until a new PRGF program with the IMF was announced in November 2004, relations with the Fund had been repeatedly strained by unsettled debt arrears, increased military expenditures and the failure to allocate HIPC funds for poverty reduction spending.

### **2.4. Private property**

Conditions to support a functional private sector are insufficient. Property rights are adequately defined but cannot be considered satisfactorily safeguarded because of rule of law shortcomings, especially corruption. According to the WEF, Chad has the least favorable environment for property rights in Africa.

Likewise, private companies, while permitted, encounter general socioeconomic and especially institutional and political barriers to development. Privatization of state enterprises made only sluggish progress in 2003 and 2004. As noted above, while the oil sector has avoided dependence on one company, the parastate enterprise Cotontchad still dominates the important cotton sector.

### **2.5. Welfare regime**

State measures to avert and alleviate social risks are minimal. However, the completion of the PRSP in 2003 and the oil revenue management regime providing for priority spending could potentially change this in the future. Government efforts to fight poverty are weak. A large sector of the population therefore relies entirely on the prominent informal sector and ethnic, clan and family structures to alleviate poverty. The extent to which this contributes to poverty reduction is unknown. Equality of opportunity does not exist. Chadian society is highly stratified; 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 rating, 135<sup>th</sup> of 144 countries.

## **2.6. Economic performance**

Chad's economy shows strong growth, which is due almost entirely to the introduction of oil production. The enclave character of the oil sector is responsible for uneven performance in key macroeconomic fundamentals. In the end, this could lead to a rent-seeking economy.

GDP growth has been extraordinarily strong in recent years and is likely to continue in the medium-term future. Inflation, as already noted, is modest, as the monetary union has served Chad well. After oil began to flow in 2003, the trade balance turned positive after years of negative figures produced by foreign investment. Similarly, the notoriously unbalanced budget showed a surplus in 2004.

However, the oil bonanza had few positive effects on employment. Substantial debt arrears have been the source of problems with the IMF.

Development in the oil sector—including additional oil fields—will spur growth, but sound and solid development in other areas will depend on whether measures to counter the detrimental effects of oil production will prove effective.

## **2.7. Sustainability**

Ecologically sustainable growth receives only sporadic consideration and is rudimentary. In addition to a traditional awareness of nature among the rural population, some ecologically sensitive policies have been introduced in oil production and in connection with the pipeline to Cameroon. Chad has yet to find an effective means of countering the key ecological problem of desertification, which compounds the negative effect of erratic rainfall on economic development in agriculture.

Chad continues to show a poor record on education and infrastructure. As the relevant indicators illustrate, even lower level educational, training and research and development institutions do not function adequately. The IMF and WEF view the absence of a modern infrastructure as a key problem.

## **3. Management**

Chad's very high level of difficulty notwithstanding, it is key political actors' and their questionable commitment to transformation goals—particularly in the political arena—that accounts 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. Government performance in international cooperation is mixed.

### **3.1. Level of difficulty**

The level of difficulty for transformation in Chad is extraordinarily high. Although poor governance is at the root of some problems, not all can be blamed on the government.

Structural constraints on governance are massive. 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 (desertification, erratic rainfalls, the recent locust plague) and scant human resources (see above). The inflow of some 200,000 refugees in the Southeast from the Darfur conflict adds to the desperate socioeconomic situation. Abundance in oil is cause for slight optimism, but adverse effects of wealth in natural resources labeled the “resource curse” (e.g., Dutch disease, violent conflicts, corruption) could make oil a double-edged sword for Chad.

Traditions of civil society are non-existent. Despite a recent increase in NGO activity resulting from international advocacy work 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. Although survey data are not available, trust in institutions and social trust is rather low. 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, which, although ending in 1990, have been followed by ongoing violent conflict, have split society and the political elite deeply into ethnic and religious communities. Both the politico-military movements and political parties have significant regional bases. The MDJT is based in the Northwest, the MPS at the Sudan border and the largest opposition party, the Federation Action Front for the Renewal (*Fédération, action pour le renouveau, FAR*), in the oil-producing region in the south. Spontaneous inter-communal violence occurs, most recently in November 2004 in the southern town of Bébédjia, where a quarrel between locals and northern businessmen resulted in 13 deaths. The refugee problem in the Southeast has produced tensions in the border region.

**Profile of the Political System**

Regime type:	<i>Autocracy</i>	Constraints to executive authority:	1
System of government:	<i>Presidential</i>	Latest parliamentary election:	21.04.2002
		Effective number of parties:	2.5
1. President:	<i>Idriss Déby</i>		
Prime Minister:	<i>Haroun Kabadi</i>	Cabinet duration:	06/02-06/03
Type of government:	<i>unified government</i>	Parties in government:	5
2. President:			
Prime Minister:	<i>Moussa Faki</i>	Cabinet duration:	06/03-11/03
Type of government:	<i>unified government</i>	Parties in government:	5
3. President:			
Prime Minister:	<i>Moussa Faki</i>	Cabinet duration:	11/03-present
Type of government:	<i>unified government</i>	Parties in government:	4
		Number of ministries:	25
		Number of ministers:	28
<p>Source: BTI team, based upon information by country analysts, situation in July 2005. Constraints to executive authority (1-6 max.) measures the institutional constraints posed by a federal or decentralized state, a second parliamentary chamber, referenda, constitutional and judicial review and the rigidity of the constitution. Effective number of parties denotes the number of parties represented in the legislature, taking into consideration their relative weight (Laakso/Taagepera index) = <math>1 / (\sum p_i^2)</math>; <math>p_i</math> is the share of parliamentary mandates controlled by party <math>i</math>. Number of ministries/ ministers denotes the situation on 1 January 2005.</p>			

**3.2. Steering capability**

The political leadership's commitment to democracy and a socially responsible market economy is very limited. Its main strategic interest is to maintain power. The move to allow President Déby a third term in office is a case in point. Déby and his entourage maintain this strategic priority over periods of crisis such as the Darfur conflict. This conflict has strained relations with Sudan, worsened security in the border region, and—apparently—brought about the attempted coup in May by Zaghawa dissatisfied with Déby's lack of support for his Zaghawa kinsmen in Sudan. Given the questionable loyalty within his entourage, Déby used numerous cabinet reshuffles to prevent potential rivals from developing bases of power. As for opposition parties and the armed movements, Déby has successfully continued the use of repression, co-optation and partial peace agreements to undermine his opponents' cohesion. In the long run, Déby aims to use oil revenues to consolidate his power base.

The government seeks to achieve reforms 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 are advocated by the outside world, especially the IMF and the World Bank, on whose assistance Chad remains highly dependent. Relations with the IMF have been relatively positive, but incomplete reforms have repeatedly led to the suspension of funds. A case in point is the oil management regime, portrayed as a model for oil-producing countries, that provides for the use of oil revenues to develop primarily health, education and infrastructure.

An international and a national oversight body are supposed to oversee orderly implementation. Whereas the International Advisory Group (IAG) has fulfilled its function, the national oversight body, the Collège de contrôle et surveillance des ressources pétrolières (CCSRP), has not been funded and supported adequately. Comprised of members of Parliament, the government, the judiciary and civil society, the CCSR must approve oil-related expenditure of revenues, which are generally kept in an escrow account in London. Other oil management measures, such as compensation for the local population and building capabilities in the oft highly ineffective civil service, have been sluggish or insufficient. The government has made it clear that that management regime should not encompass new oil fields, granting the government control over future revenues.

The political leadership shows little flexibility in learning with regard to the goals of constitutional democracy and—to a lesser extent—a socially responsible market economy. However, the government has responded with a combination of soft and hard-line approaches to threats to its strategic aim of maintaining power. The government has been giving in to external pressure from the IMF. It has been relatively moderate in handling the Darfur crisis and the related coup attempt.

### **3.3. Resource efficiency**

Government 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 six times (in early February 2005 there was another major cabinet reshuffle including the dismissal of the prime minister). Ethnic kinsmen, clan members and even close relatives of Déby enjoy a distinct advantage in appointments, which applies to the administration as a whole. Following the coup attempt, his regime dismissed several close relatives and prominent advisors (e.g., the Erdimi brothers) for disloyalty. The cabinet comprises 28 cabinet ministers, and “ghost workers” make up a large part of the civil service. The state budget used to be notoriously unbalanced, although the windfall from oil revenue changed this in 2004. However, the failure to comply with the provisions of the oil management regime, particularly delaying the transfer of oil revenue from an offshore account in London by six months only added to fiscal problems. A decentralization program is being conducted with the support of the EU, but local elections, due for several years, were postponed several times and have yet to be held.

The government tries to coordinate conflicting objectives and interests, but with limited success. Intra-governmental friction has been a growing problem during the period under investigation. MPS opponents of a further term in office were sidelined in 2003. However, the Darfur crisis has posed a formidable challenge to

Déby's power base. As noted above, Zaghawa within the inner circle were disgruntled by Déby's lack of support for their kinsmen in Sudan. Déby has feared support for armed rebels within Chad by Sudan and, consequently, has refrained from a more robust policy towards Sudan. This, in turn, probably triggered the coup attempt in May 2004.

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 the Corruption Perception Index (Chad ranks 142<sup>nd</sup> of 146, with a near-bottom value of 1.7) 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 management regime, but they fail to function properly. A culture of impunity hinders effective handling of corruption as well as human rights violations.

### **3.4. Consensus-building**

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

It is questionable whether key political actors want to build a market-based democracy. Both the government and opposition claim to pursue such goals in their rhetoric. With the possible exception of Ngarlégy Yorongar (FAR), the leader of the principal opposition party in Parliament, and some civil society actors, all other significant actors have readily resorted to undemocratic activity. 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.

Extra-governmental anti-democratic veto actors such as the politico-military movements and the armed forces have been brought under partial control. Although the government itself is the principal anti-democratic veto actor, in terms of securing its monopoly on the use of force as a precondition for transformation, establishing the groundwork for civil consensus is somewhat to its credit.

Déby has favored a rather soft-line approach toward maintaining his power base; he sought and negotiated a bloodless resolution of the attempted coup in May 2004.

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, and the lack of government resources and willingness to share power. In October 2004, for example, the National Resistance Army (Armée Nationale de Résistance, ANR) declared a peace accord void after a former rebel leader had been detained by the secret service.

The government frequently calls for national reconciliation among the various communities within Chad. However, this does little to reduce existing divisions within the country and fails to bridge the personality-based and ethno-regional cleavages described above. The appointment of Prime Minister Moussa Faki in June 2003—who is Déby's nephew— demonstrates the significance of blood relations in the political system. The appointment also violated the tradition upheld since 1990 in which positions of head of state and government are to be shared between North and South. Pascal Yoadimnadj, a southerner and former minister of agriculture, replaced Faki in February 2005. This switch reflected tensions with Déby and within the MPS rather than the desire for a regionally and ethnically balanced cabinet. Protesting plans to extend Déby's presidency over the constitutionally allowed period, the largest coalition party (2<sup>nd</sup> to the MPS) left the coalition in November 2003. Opposition parties boycotted parliamentary sessions from May to September 2004.

Chad's political leadership largely fails to promote—and in part destroys—social capital. The government frequently ignores civil society, tending to formulate policies autonomously. Efforts to include civil society, 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 been subject to harassment and death threats, on occasion.

Moreover, the political leadership fails to address past acts of injustice and has not initiated a process of reconciliation. Attempts to address the repressive past under the Habré regime run aground because Déby himself was implicated in those human rights violations before he broke ranks with Habré.

### **3.5 International cooperation**

Subject to certain limitations, the government is willing to cooperate with external supporters and actors. Dependent upon foreign aid, 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. Relations with the IMF and the World Bank have improved, despite the strains already noted. In November 2004 after a period of suspended payments, IMF officials announced that a new PRGF agreement would be signed in early 2005. In October 2004, a bitter dispute arose between Chad's government and the oil consortium over pricing and royalties.

The dispute stemmed from the high price of oil and the rather low share Chad earns: 12.5% of all royalties.

The government tries to act as a credible partner. Major international actors such as France and the United States have few doubts regarding Chad's reliability, although Chad's implementation of economic reforms has repeatedly proved questionable. Political and economic interests keep France and the United States from pushing strongly for democratic reform. Since the Darfur crisis, France has increased its military presence to nearly 1,000 troops to help stabilize the regime. Déby's September 2003 state visit to Paris illustrates improved relations between France and Chad. Bashing France as an effective populist strategy is now confined to the opposition. Under the framework of the Pan-Sahel Initiative, U.S. special forces are training Chadian military personnel, whose government is considered an ally in the "war on terrorism."

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 potential for supporting political-military movements across borders. As shown by Chad's proactive military involvement in the military overthrow of the Central African Republic government in March 2003, the Déby government is willing to pursue aggressive foreign policies. Libya's presumed former support of the MDJT has caused tension; relations remain complicated for other reasons as well. On the other hand, Chad's proactive brokering of cease-fires in the Darfur crisis shows a more cooperative foreign policy.

#### **4. Trend of development**

In the period covered by this study, Chad has made no substantial progress overall in terms of democratic and economic transformation. Efforts to allow Idriss Déby another as of yet unconstitutional term as president and unsettled problems in the security apparatus may constitute a slight decline in democratic development. In other areas, serious problems and shortcomings remain. The slight improvement in economic development is attributed almost entirely to the introduction of oil production and remains unmatched by developments in other areas.

##### **4.1. Democratic development**

Chad's political system does not meet the minimum requirements for a democracy under the rule of law nor does it appear to be moving in that direction. The lack of substantial reforms results partly from an adverse environment, but the government itself is a major obstacle for serious progress in this area.

Stateness, political participation and the rule of law have generally remained undemocratic. Major shortcomings persist in the area of stateness and the rule of law. Political participation still lacks legitimacy through free and fair elections. A coup attempt and plans to abolish the two-term limit for the presidency will likely result in a setback for democratic development in Chad. However, the constitutional amendment, a referendum pending, has so far been conducted by constitutional means. The conditions of the referendum will determine whether this must be regarded as a substantial autocratic regression.

Because Chad does not qualify as a democracy, the consolidation of democracy does not apply.

#### 4.2. Market economy development

Chad has made uneven progress toward a socially responsible market economy. As one of the poorest countries in the world, Chad's level of development has improved slightly in the past five years. Its HDI rating changed by 0.016 from 2000 (1998) to 2004 (2002) and by 0.028 from 1995 to 2000.

The institutional framework has not changed significantly. Measures to use incoming oil revenues for priority sectors such as health, education and infrastructure have yet to yield improvements. Necessary institutions in the oil sector have not become fully operational. Severe shortcomings persist in the absolute level of socioeconomic development, market organization and competition, private property, the welfare regime and sustainability. Stability in prices is due to externally determined monetary policy, not domestic fiscal policies.

#### Development of macroeconomic fundamentals (2000–04)

	2000 <sup>a</sup>	2001 <sup>a</sup>	2002 <sup>a</sup>	2003 <sup>b</sup>	2004 <sup>b</sup>
Growth of GDP in %	-0.6	9.5	9.9	13.1	38.0
Exports of goods fob (\$ millions)	182.9	188.7	171.3	463.9	1,831.8
Imports of goods fob (\$ millions)	276.0	517.8	811.2	872.5	743.4
Inflation in % (CPI)	3.8	12.4	5.2 <sup>a</sup>	-1.9 <sup>a</sup>	3.0
Gross domestic investment in % of GDP (excluding grants) <sup>d</sup>	22.4	41.3	58.9	n/a	n/a
Tax Revenue in % of GDP	n/a	n/a	7.1	8.1	n/a
Unemployment in %	n/a	n/a	n/a	n/a	n/a
Government balance as % of GDP	7.0	-5,6	-8.2	-2,2	0,6
Current account balance, in \$ millions	-251.0	-585.8	-1,036.0	-714.3	-67.6

Source: EIU Country Report November 2004; EIU Country Profile 2004; a. actual; b. estimates. d. African Development Indicators 2004.

In quantitative terms, economic strength has improved significantly. The same is not true for qualitative developments, since the extraordinarily high growth rates (and the aforementioned modest inflation rates) of 2003 and 2004 are attributed to the introduction of oil production and the BEAC's monetary policy—not other indicators. Chad is likely to replace its former dependence on cotton with dependence on oil and a rent-seeking economy. As of yet, the government has failed to implement a sound strategy for the effective use of oil revenues.

#### **D. Strategic perspective**

Chad will not progress toward democracy and a socially responsible market economy in the foreseeable future.

The current government is likely to remain in power and will introduce neither major or sound political reforms. Chad will continue to enjoy outside support, particularly from France and to a lesser degree from the United States. The former wants Chad to maintain its traditional zone of influence; the latter views Chad as an ally in the war against terrorism and a minor oil supplier.

Potential threats to the Déby regime include the Darfur crisis and discontent within Chad's security apparatus. Moreover, Déby's precarious health—he had to undergo medical treatment in France in 2003—may undermine his power base. Although they do not currently pose a credible military threat, politico-military movements will remain a challenge. This could change however, depending on developments in Darfur. The civilian opposition will remain fractured and is not likely to pose a substantial challenge to Déby's rule. Even if Déby should be replaced, it is unlikely that the performance of a new president or government will differ substantially.

The effects of oil production are difficult to forecast. Currently, there are few signs of oil-related violence in the oil-producing south, where relations with the central government are strained. However, the prospect of revenue could fuel corruption and intensify power struggles within the government.

Chad will continue to enjoy high growth rates and moderate inflation, but will fail to develop a solid market economy. An oil-dependent rentier state is a more realistic prospect. Whether detrimental effects resulting from resource abundance—the “resource curse,” including Dutch disease, unwise fiscal policies, price shocks, corruption or violent conflict—will materialize depends primarily on whether the management and control regime in the oil sector will function as intended. Political conditions will determine whether oil becomes a curse or a blessing for Chad and whether the management and control regime is implemented fully. Political will is crucial yet highly questionable, given the government's past conduct. IMF and especially World Bank assistance in managing the oil sector and economy is needed. Such assistance is likely to

continue although irregular implementation of economic reform is likely to cause problems from time to time.

The support of civil society combined with firm political and economic conditionality on the part of international financial institutions and key players such as France and the United States are indispensable to ensuring the wise use of oil revenues and progress in democratic development. Security concerns such as the war against terrorism and the Darfur crisis will likely be given continued priority over Chad's transformation toward a stable market-based democracy, however short-sighted this might prove to be.