

# BTI 2008 | Chad Country Report

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scale: 1 (lowest) to 10 (highest)    score    rank    trend

This report is part of the Bertelsmann Transformation Index (BTI) 2008. 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 125 transformation and developing countries are evaluated.

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## Key Indicators

Population	mn.	9.7	HDI	0.37	GDP p.c.	\$	1,270
Pop. growth <sup>1</sup>	% p.a.	3.1	HDI rank of 177	171	Gini Index		-
Life expectancy	years	44	UN Education Index	0.29	Poverty <sup>3</sup>	%	-
Urban population	%	25.3	Gender equality <sup>2</sup>	-	Aid per capita	\$	40.4

Sources: UNDP, Human Development Report 2006 | The World Bank, World Development Indicators 2007 | OECD Development Assistance Committee 2006. Footnotes: (1) Average annual growth rate 1990-2005. (2) Gender Empowerment Measure (GEM). (3) Percentage of population living on less than \$2 a day.

## Executive Summary

In May 2006, a mere month after rebel attacks on the capital, Idriss Déby was elected to his third term as president in elections boycotted by the opposition. Just six months later, a series of rebel attacks and inter-communal violence led to Chad's prime minister, Pascal Yoadimnadj, declaring a state of emergency for most of the country on 13 November 2006. Chad is not a market-based democracy. Its 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 have been relatively strong since oil production began in 2003 in southern Chad. Chad's oil windfall is perhaps the only significant economic progress observed; however, seems to have already adversely affected political conditions and national stability. While macroeconomic conditions improved slightly, social conditions declined substantially during the last two years. Change resulting by pressure from the IMF and World Bank has been sluggish, a special oil revenue management regime was unilaterally changed by the government, and only World Bank and EU intervention have partly salvaged the development orientation of the management system. A highly adverse level of difficulty notwithstanding, the government failed to pursue policies of political and, to a lesser degree, economic transformation. The current government supports economic 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 increasingly obstinate grip on power, illustrated by marred presidential elections, rebel attacks and the related state of emergency, indicates rather substantial political regression. In particular, the Déby administration did not perform in the areas of resource efficiency and consensus building. Consequently, violence has increasingly become an option for many state and non-state actors in the country.

Future prospects for transformation will depend on the political will of top leaders, which has been essentially absent, along with external political pressure, to achieve a sustainable solution to the Darfur crisis. However, given Chad's strategic value in France's zone of influence, growing U.S. and Chinese interest (especially regarding oil production), as well as the absence of a credible alternative to Déby, external political pressure is rather unlikely. As a result, in the short- and medium-term, substantial progress toward transformation is highly unlikely.

## 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 entirely reconstructed in the mid-1980s with foreign funding. Shortly after gaining independence from France in 1960, the first government was from southern Chad. 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 Hisséne 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. Multiparty 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" conducting guerrilla activities challenging the central government's power in peripheral regions in the north, south, southeast, and southwest. A combination of repression, physical elimination of rebel leaders, 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 in the late 1990s was the northwestern-based Movement for Democracy and Justice in Chad (Mouvement pour la démocratie et la justice au Tchad, MDJT). The rebellion's significance has continuously decreased after several peace agreements with soft-line factors; however, these agreements did not end armed uprisings in the country.

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 perpetrated by Arab militias. Following the failure of this coup, a wave of desertions in the highest military ranks weakened Déby's regime and contributed to the creation of new and diverse rebellion groups. The substantial support and intelligence of French military, and ostensible U.S. involvement, guaranteed Déby's position in power. Later the same year, rebel activities in the east increased and Chad accused its neighbor Sudan of supporting rebels. A referendum in July 2005 was held and manipulated to introduce a constitutional amendment to allow Déby to stand for his hitherto unconstitutional third term. This caused a wave of desertions, as well as rebellion emanating from Sudanese territory. In April 2006, a coalition of rebels even launched a major attack on the capital, N'djaména, and apparently only French support – and amateurism among the rebels – saved the regime from being overthrown. Notwithstanding the increasingly unsafe situation in the country, presidential elections were held in May 2006. Boycotted by the opposition, Déby easily secured a first round victory. In early 2007, 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 – 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 on a new PRGF for 2005-2007. However, irregularities in all of 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 the 1960s. With a substantial loan of 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%. In order 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 government signed law 001/99, agreeing to invest most of the revenues in "priority sectors" such as 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. The oil began to flow in July 2003 and has already triggered a growth spurt. However, although technical arrangements for the oil fields were finished ahead of schedule, the management regime entered a major crisis in late 2005 when the government unilaterally changed the law in order to use a greater part of the revenue

more freely. The World Bank, as well as the European Union, immediately suspended all projects, and in July 2006 a compromise was reached. To win this power game, Déby successfully exploited international concerns about the Chadian position on Sudanese refugees and increasing religious extremism spilling into Chad. Fears persist that the government uses oil revenues to buy arms in order to combat rebels, and that the desire to control oil revenues fuels the rebellion. In any case, 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 a democracy; the Chadian regime ranks as a superficially liberalized autocracy. Problems persist especially in the areas of stateness, political participation, the rule of law, and political and social integration. The introduction of a state of emergency in key geographical areas and censorship of the press reflect increasing problems in terms of stateness and signal further regression, especially in terms of political participation.

#### 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. The situation during the period under review deteriorated further because of a series of rebel attacks including an attack on the capital in April 2006, attacks on cities and villages in the southeast in October 2006, and sporadic but heavy fighting in the east of the country.

Monopoly on the use of force

Apart from administrative shortcomings, especially in border regions, there are few problems in defining citizenship and the qualifications of a citizen. However, the distribution of power as well as the structure of power relations increasingly follow ethnic, and more importantly, religious lines. “Northerners” and Muslims, who dominate the state leadership, receive preferential treatment, while “Southerners,” Christians and those practicing traditional African religion (Animists), encounter discrimination. Therefore, a fundamental national sense of solidarity is absent.

State identity

The French-style secular constitution guarantees the separation of church and state. Although the government is dominated by Muslims (about 50% of the population), religious extremists command little political influence at present. However, religious ideas have some influence on societal issues, such as the role of women, and religious extremism is gaining ground in society.

No interference of religious dogmas

The administrative system does not function properly. While the state's infrastructure, in theory, extends beyond the maintenance of law and order, it is incomplete. It does not include the entire population nor does it extend throughout the whole territory, and it functions poorly. According to a survey conducted by the World Economic Forum (WEF) in 2004, Chad ranks last out of 25 African countries in terms of public institution quality.

Basic  
administration

## 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 including 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. The constitutional amendment referendum in 2005 and the presidential elections in 2006 suffered from the same problems and were boycotted by the major opposition parties and most voters.

Free and fair  
elections

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. Attempted military coups between May 2004 and October 2006 drew on support partly from within the presidential guard (which was dissolved in October 2006). After another incident in March 2006, numerous high-ranking defections from the army and a subsequent reorganization of the military leadership may have led to a more effective control of the security apparatus in 2007. However, this has strengthened another veto actor, the rebel forces, whose ranks absorbed most of the deserting officers.

Effective power  
to govern

Problems also exist in the implementation of political organization and communication. Before the introduction of the state of emergency in most parts of the country – which severely limits the right of assembly – political and civil society organizations could assemble relatively freely. However, even then, they faced repressive measures as soon as they sought a significant role in public debates.

Association /  
assembly rights

The state of emergency was accompanied by the immediate imposition of systematic media censorship in October 2006. Even before the introduction of martial law, private media in particular had been occasionally subjected 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 161st out of 194 countries ("not free,"

Freedom of  
expression

with a slightly diminished value of 78, compared to 74 in 2004) in Freedom House's Global Press Freedom Survey 2006.

### 3 | Rule of Law

Transformation in Chad suffers from the increased dominance of the executive branch as well as the lack of an independent and efficient judiciary. The legislature is controlled almost completely by Déby's party. The president's party maintains its hegemony and controls parliament. Its grip has tightened since the successful engineering of Déby's third term in office. The introduction of the state of emergency has formally increased the executive's dominance. Despite efforts to unite, opposition parties remain grossly under-represented and command increasingly less influence. The upper chamber provided for in the constitution was 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.

Separation of powers

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

Independent judiciary

Although corrupt officeholders 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. It is not an exaggeration to conclude that corruption has become institutionalized.

Prosecution of office abuse

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.

Civil rights

### 4 | Stability of Democratic Institutions

Chad's parliament and executive branch are democratic in formal terms only, and the state of emergency undermines even this assessment. Institutions are relatively stable and seem to be functional, and they 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 government's inner circle, and the lack of oppositional influence. The administrative system and the judiciary function quite poorly for reasons already cited. It is not an exaggeration to say that they

Performance of democratic institutions



seem to be reduced to providing the legal facade of a nationwide patronage system.

The political and military opposition – not the government – show little esteem for Chad’s formally democratic institutions. The violent campaigns of political-military movements express this disdain most prominently. The opposition parties boycotted both the referendum in July 2005 that enabled Déby to stand for a third term, as well as the following presidential elections in May 2006 that confirmed Déby in office. The civil opposition, however, does not principally question the formal set of institutions as such, but rather the undemocratic nature of its actual functioning.

Commitment to democratic institutions

## 5 | Political and Social Integration

The personalized hegemonic party system of Déby and the MPS demonstrates how inadequately Chad’s political institutions are integrated. Low fragmentation (there are 2.5 effective legislative parties and the MPS’s seat share is over 60%) reflects the weakness of opposition. Although detailed data is unavailable, electoral and legislative volatility is high due to opposition boycott of elections. Most of the parties have strong personality-based and ethno-regional roots, minimal organizational resources, and shallow program profiles; others are only created as pseudo-opposition parties that dissolve immediately after elections. Their commitment to 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.

Party system

The interest group landscape is sparse. Important social interests, especially of the rural population, vulnerable groups and women, are under-represented 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. The few groups that do exist have relatively good democratic integrity, but fundamental organizational shortcomings keep them from sustaining more than a limited monitoring function. International advocacy work in recent years on the Chad-Cameroon Pipeline Project (CCPP) 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.

Interest groups

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 of Chad’s major cities by the Arnold Bergstraesser Institute in 2004 points to relatively high consent with the

Consent to democratic norms

idea of liberal democracy, despite the authoritarian character of the regime. Results found 60% of the respondents with overwhelmingly democratic attitudes, while 33% described their views as partially undemocratic, and 7% as undemocratic. According to the study, public dissatisfaction with government policies is high. Only 36% agreed with the statement that the “government would do the right thing.”

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

Associational  
activities

## II. 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, a 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 (ranked 171st out 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 2003, 64% of the population lived below the national poverty level. In 2006, Chad ranked 100th out of 102 in the Human Poverty Index for developing countries, and 131st out of 144 in the Gender Development Index. Chad scores poorly on the U.N. Education Index, with an illiteracy rate of about 75%. Chad lacks the socioeconomic prerequisites for adequate freedom of choice.

Socioeconomic  
barriers

Economic indicators		2002	2003	2004	2005
GDP	\$ mn.	1,982	2,671	4,306	<b>5,469</b>
Growth of GDP	%	8.4	14.9	29.5	<b>5.6</b>
Inflation (CPI)	%	5.2	-1.8	-5.4	<b>7.9</b>
Unemployment	%	-	-	-	-
Foreign direct investment	% of GDP	46.6	26.7	11.1	<b>12.9</b>
Export growth	%	-6.2	127.7	170.4	<b>17.7</b>
Import growth	%	-	-	1.4	<b>-12.1</b>
Current account balance	\$ mn.	-	-	-	-
Public debt	\$ mn.	1,190.9	1,461.7	1,582.2	<b>1,537.3</b>
External debt	\$ mn.	1,323.3	1,590.4	1,701.3	<b>1,632.8</b>
External debt service	% of GNI	1.3	2.1	1.3	<b>1.4</b>
Cash surplus or deficit	% of GDP	-	-	-	-
Tax Revenue	% of GDP	-	-	-	-
Government consumption	% of GDP	7.8	7.8	5.0	<b>4.9</b>
Public expnd. on edu.	% of GDP	-	1.7	1.6	<b>2.1</b>
Public expnd. on health	% of GDP	2.0	2.2	1.6	-
R&D expenditure	% of GDP	-	-	-	-
Military expenditure	% of GDP	1.4	1.5	1.0	<b>1.0</b>

Sources: The World Bank, World Development Indicators 2007 | UNESCO Institute for Statistics | Stockholm International Peace Research Institute (SIPRI), Yearbook: Armaments, Disarmament and International Security

## 7 | Organization of the Market and Competition

The institutional setting for free markets and competition is poor, notwithstanding some improvements between 2005 and 2007 according to the Index of Economic Freedom, where Chad ranks 105th out of 157 countries (“mostly unfree”). Chad comes in last of 25 African countries in the World Economic Forum’s Growth Competitiveness Index (CGI) and the World Bank’s report on the ease of Doing Business in 2007 ranks Chad 172nd out of 175 countries. Market competition operates within a very weak institutional framework. A strong informal sector and

Market-based  
competition

poorly functioning public institutions, combined with widespread corruption and a 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 the marketing of cotton, which was until recently the main source of export earnings. Plans for privatization, which is an IMF requirement, have yet to be implemented. In the already dominant oil sector, the Doba oil project consortium shares are divided among three multinational corporations (ExxonMobil holds 40%, Petronas 35% and Chevron 25%), and numerous other international companies have been awarded licenses to exploit further oil fields during the period under review.

Anti-monopoly  
policy

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 (Communaute economique et monetaire de l'Afrique centrale, CEMAC), and rampant corruption among customs officials, make for a high degree of de facto protectionism.

Liberalization of  
foreign trade

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 Etats 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.

Banking system

## 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. With some exceptions, such as a spurt of inflation after the CFA franc was devalued in 1994, this resulted in relatively low inflation. However, in connection with the oil boom, consumer price inflation stood at approximately 8% in 2005 and 2006.

Anti-inflation /  
forex policy

The government has serious problems with setting objectives and achieving a consistent policy for stability. In early 2006, the country lapsed into a serious budget crisis. As exemplified by the conflict over the oil revenue management system, the government shows limited respect for development-oriented fiscal policy commitments. Relations with the IMF have been repeatedly strained by unsettled debt arrears, increased military expenditures, and the failure to allocate HIPC funds for poverty reduction spending.

Macrostability

## 9 | 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; in 2006, the Heritage Foundation considered property rights weakly protected.

Property rights

Likewise, private companies, while permitted, when permitted to operate in Chad, encounter general socioeconomic and especially institutional and political barriers to development. Petronas and Chevron, both private investors in the oil consortium, faced politically motivated harassment by the government during the period under review. Privatization of state enterprises made only sluggish progress in 2005 and 2006. As noted above, while the oil sector has avoided dependence on one company, the parastate enterprise Cotontchad still dominates the important cotton sector.

Private enterprise

## 10 | Welfare Regime

State measures to avert and alleviate social risks are minimal. The new PRGF (2005 - 2007) could potentially change this in the future, but – as demonstrated by the lack of respect for the oil revenue management system – the government's commitment to such efforts to fight poverty is 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 – except those who have joined the ranks of rebellion.

Social safety nets

A woefully inadequate education sector cannot function as a compensatory institution. Women lack adequate access to public office and educational institutions, as demonstrated by the low percentage of women in parliament and a poor GDI ranking 131st out of 144 countries.

Equal opportunity

## 11 | Economic Performance

Chad's record in terms of economic performance during the assessment period is mixed. Positive developments include high growth rates (though growth slowed substantially in 2006), a current account balance that has been positive since 2005, and substantial (foreign) investment as well as somewhat eased external

Output strength

debt. However, all this is almost entirely due to the start of oil production in 2003, and oil has already started to dominate the composition of trade (84.5% of all exports in 2005). The enclave character of the oil sector is responsible for uneven performance in other key macroeconomic fundamentals. As a typical feature of rentier economies, inflation has been on the rise since 2005, despite Chad's membership in the CEMAC. Though exact figures are not available, the oil bonanza has had few effects on employment and the budget deficit remains unbalanced. Recent estimates by the World Bank indicate that oil reserves are considerably higher than originally projected (2 billion versus 900 million barrels). Hence, development in the oil sector will probably 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. Otherwise, it is more likely that Chad will lapse into a rent-seeking economy.

## 12 | Sustainability

Ecologically sustainable growth receives only sporadic consideration. 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 effective means of countering the key ecological problem of environmental degradation caused by deforestation and charcoaling, which might lead to desertification. Generally, the government successfully uses the problem of desertification to raise foreign funding and thus to avoid the government's responsibility on this issue.

Environmental  
policy

Chad continues to show a poor record on education. Although recent data on government expenditures 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.

Education policy  
/ R&D

# 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, 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 (environmental degradation, erratic rainfalls, sporadic droughts and locust plague) and scant human resources (see Education/R&D). The inflow of some 200,000 refugees in the southeast from the Darfur conflict adds to the desperate socioeconomic situation. Abundance in oil is a cause for slight optimism which, however, may prove a double-edged sword for the country. Taking into account the rise in violent conflicts, the adverse effects of natural resource abundance, often labeled the “resource curse” (e.g., “Dutch disease,” violent conflicts, corruption), have already materialized to some extent.

Structural  
constraints

Traditions of civil society are nonexistent. Despite a recent increase in NGO activity resulting from international advocacy work in connection with oil production, civil society has not been able to build on substantial traditions. The landscape of voluntary organizations is still sparse and plagued by scarce organizational resources. Exceptions are parents’ associations in most schools, which are quite active, especially in rural areas, with some even running their own schools. The aforementioned survey of the Arnold Bergstraesser Institute showed that trust in institutions is low and that social trust is limited to a small circle of family and friends. There is no civic culture of moderate participation in public life.

Civil society  
traditions

The lack of social trust results primarily from a society divided along ethnic and religious lines. Although years of civil war officially ended in 1990, violent conflicts have continued unabated. Society and the political elite are deeply split into ethnic and religious communities, and the level of conflict is now again close to a full-scale civil war. Violence is spilling into the country from Darfur,

Conflict intensity

but violence in Chad is also due to intra-government and regionally based political-military movements – frequently regrouped into short-lived umbrella organizations – that were active mainly in eastern Chad during the period of assessment. There was heavy fighting between rebels and the government in late 2005, as well as in early and late 2006. This included substantial bloodshed in the capital, where government forces, with the support of French intelligence, were able to fight off a rebel attack in April 2006. There is frequent, sometimes spontaneous inter-communal violence between nomadic herders and sedentary groups that is sometimes tolerated or even encouraged by the authorities. In 2006, this also involved cross-border raids by Arabic militias from Sudan on black African groups.

## II. Management Performance

Chad's very high level of difficulty notwithstanding, it is the key political actors and their questionable commitment to transformation goals that 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 designs for fund allocation.

### 14 | 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 referendum in 2005 to allow President Déby a third term in office, and the presidential elections in 2006 as well as their contested conditions, are a case in point. Déby and his entourage maintain this strategic priority over periods of (international) crisis such as the Darfur conflict. However, this conflict has strained relations with Sudan, worsened security in the border region, and brought about many defections from within Déby's support base. The fact that many Zaghawa remained dissatisfied with Déby's lack of support for his Zaghawa kinsmen in Sudan has resulted in an increasing number of armed rebellions. Given the questionable loyalty within his entourage, Déby used numerous cabinet reshuffles and purges in the security apparatus to prevent potential rivals from developing bases of power. As for opposition parties and the armed movements, Déby has continued the use of repression, co-optation and partial peace agreements to undermine his opponents' cohesion, which however

Prioritization



has proven less successful in the period of assessment. In the long run, Déby aims to use oil revenues to consolidate his power base. To warrant the support of the international community Déby presents himself as the safeguard of stability on a regional level. Oil, the desire for political stability, and the fight against religious extremism are his trump cards in the geopolitical power game that will decide both his personal future and Chad's prospects.

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, which suffered from worsening performance in 2005 and 2006. These policies are advocated by the outside world, especially the IMF and the World Bank, on whose assistance Chad remains highly dependent, notwithstanding its oil production and growing Chinese investment and support. Relations with the IMF have been difficult at times and incomplete reforms have repeatedly strained relations with the IMF. The IMF's first review of the PRGF, scheduled for 2005, had to be postponed to early 2007 due to Chad's deteriorating fiscal performance. In December 2006, concluding the Article IV consultations with Chad, the IMF noted that the economy continued to face major impediments to growth, including inadequate infrastructure, a poor business climate, limited public financial management capacity, weak governance, and the resurgence of armed conflict in the region. Another case in point is the oil management regime, originally portrayed as a model for oil-producing countries as mentioned above, which includes a national and international oversight body: the International Advisory Group (IAG) and the Collège de contrôle et surveillance des ressources pétrolières (CCSRP). The CCSRP must approve oil-related expenditure of revenues, which were kept in an escrow account in London. Implementation of the system has been generally mixed in many respects; however, in late 2005, following worsened security conditions and a fiscal crisis, the Chadian government unilaterally announced a change of the system. It would include "national security" in the priority sectors, abandon the future generations fund, and increase the share of revenues not spent for priority sectors from 15 to 35%. The World Bank (and the EU) immediately suspended all of their aid projects and froze the escrow account in London. Following negotiations, a compromise was reached in July 2006. The government and the Bank agreed on a program for badly needed capacity-building and a share of spending for the priority sectors, excluding expenditure for security, of 70%. The Bank accepted the abandonment of the future generations fund. Taking into account security problems and the fiscal crisis some of the Bank's concessions were understandable, however, the result is clearly a partial victory for the government.

Implementation

The political leadership shows little flexibility in learning with regard to the goals of constitutional democracy and, to a possibly lesser extent, a socially

Policy learning

responsible market economy. Flexibility and learning are mainly confined to the maintenance of power. Given its harmful effect on peace, some of the policies in the security sector could well be described as negative learning. The authoritarian character of the regime has contributed to increased armed rebel activity. Responding to donor pressure, President Déby has called for political dialogue with the marginalized civilian opposition, which might only have a cosmetic effect. The somewhat worsened relations with the IMF and the World Bank may indicate negative learning in the economic area.

## 15 | 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 three times (in February 2005, August 2005 and August 2006). In early February 2005, a major cabinet reshuffle included the dismissal of the prime minister; in August 2005 the number of cabinet ministers increased from 29 to 36. Prior to 2005, ethnic kinsmen, clan members and even close relatives of Déby generally enjoyed a distinct advantage in appointments, as well as within the administration as a whole. Following increased disloyalty within Déby's ethnic power base, however, the regime dismissed several close relatives and prominent advisors (e.g., the Erdimi brothers). Many high-ranking members of the security apparatus defected, and Déby reacted with several purges, including the dissolution of the presidential guard in October 2005. The cabinet comprises 36 cabinet ministers, and "ghost workers" make up a large part of the civil service. The state budget used to be notoriously unbalanced. A serious fiscal crisis was one of the reasons to change the oil revenue management system. 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.

Efficient use of assets

The government tries to coordinate conflicting objectives and interests, but with limited success. As already mentioned, intra-governmental friction has been a growing phenomenon during the period under investigation. However, the Darfur crisis has posed a formidable challenge – almost a dilemma – to Déby's power base. As noted above (14.1, prioritization), Zaghawa within the inner circle were disgruntled by Déby's lack of support for their kinsmen in Sudan. Déby had feared support for armed rebels within Chad by Sudan and, consequently, had refrained from a more robust policy towards Sudan. This, in turn, probably triggered the coup attempts in May 2004 and March 2005, as well as reinforced activity of rebels, who apparently used arms manufactured in

Policy coordination

China. Déby reacted by establishing diplomatic ties with the People's Republic of China, confronting Sudan for its support for Chadian rebels, used Sudanese rebels as auxiliaries for the Chadian army, and changed the oil management system in order to raise funds for defense. These steps eased the pressure somewhat, but this came at the expense of relations with Sudan and international financial institutions.

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 CPI 2006 (Chad ranks 142nd out of 146, with a near-bottom value of 2.0) 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.

Anti-corruption  
policy

## 16 | Consensus-Building

The political leadership is not pursuing democratic transformation; it is pursuing economic transformation, but only half-heartedly and under donor pressure. 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 a market-based democracy. Both the government and the 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. Ngarlégy 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. Perhaps the only credible opposition leader is Ibni Oumar Mahamat Saleh, general secretary of the Parti pour les libertés et le développement, spokesman for the coalition of the opposition parties (Coordination des partis politiques pour la défense de la constitution), and candidate in the 2001 presidential elections. 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.

Consensus on goals

The government itself is the main anti-democratic veto actor. The control of extra-governmental anti-democratic veto actors, such as the political-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. Since ideological conflicts are largely absent, the government often

Anti-democratic veto  
actors

manages to conclude peace agreements with the political-military movements. Yet these agreements, which involve the integration of combatants within government forces and the installation of their leaders in government positions, often fall apart because of internal friction within rebel groups, as well as the lack of government resources and willingness to share power. For instance, a peace accord in December 2006 with a rebel faction – the Force uni pour le changement démocratique (FUC) led by Mahamat Nour – was called “treason” by other rebel leaders and reflects the fragmentation of the rebel groups rather than a substantial step towards a state-owned monopoly on the use of force.

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 role of blood relations in the political system has decreased since 2005, but this is explained by the disloyalty and defections within Déby’s power base, rather than the regime’s willingness to balance the representation of different communities and to substantially share power. After having changed the constitution and having won elections, Déby has called for a political dialogue with the civilian opposition parties. However, this is due to donor pressures and the fact that the major opposition parties boycotted both the 2005 referendum and the 2006 presidential elections, which came in as little surprise. The civilian opposition leaders had long before protested the plans to extend Déby’s presidency over the constitutionally allowed period.

Cleavage / conflict  
management

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 occasional death threats.

Civil society  
participation

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.

Reconciliation

## 17 | International Cooperation

Subject to considerable limitations, the government is willing to cooperate with external supporters and actors. Despite substantial oil production since 2003, Chad is still dependent upon foreign aid and has limited choices regarding the acceptance or refusal of international cooperation. Cooperation comes more readily in the economic arena than in the political. This is in part due to the

Effective use of  
support

absence of strong external political conditionality and to a rather weak level of coherence and cooperation among the external partners, which are frequently competitive or even antagonist toward one another (France, Europe, USA, China, Sudan, Saudi Arabia). Relations with the IMF and the World Bank have been difficult to some extent, as illustrated by the conflict over the oil revenue management system described above. The commitment to implementing the PRGF seems to be higher, although it is unlikely that the government will stick to its poverty reduction strategy. Due to a fiscal crisis and security problems, the IMF's first review of the new PRGF, scheduled for 2005, is now expected in early 2007.

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. In terms of political reform, the government is only trusted by France, which holds its single military base in Central Africa (apart from Gabon) with more than 1,000 troops in the country. The French troop presence, motivated by concerns about a regional spillover of the Darfur crisis, probably saved the regime from being overthrown in April 2006 by providing intelligence support for government forces. In fall 2006, the French Foreign Secretary, Dominique de Villepin, went so far as to pledge support for the "legitimate regime" of Déby. 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" and a (minor) supplier of oil. But conflicts over the oil revenue management system and the dispute with the oil consortium, comprised of two major U.S.-American multinational companies, have weakened U.S. confidence in Déby. After a series of verbal attacks since 2005, Déby declared in August 2006 that Chevron and (Malaysian) Petronas had failed to pay taxes and urged them to leave the country within 24 hours. A compromise was already reached in September 2006, when the two companies agreed to pay \$281 million. In mid 2006, the government broke ties with Taiwan and established diplomatic relations with China in order to raise further support for a regime struggling to survive.

Credibility

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 the 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. There were tensions with Libya and the Central African Republic in the past. Chad helped Central African President Francois Bozizé to come to power, and Chadian troops are still deployed in the country to quell military rebellion. Relations with Sudan remain tense over the

Regional cooperation

Darfur crisis and the mutual support of rebel groups across borders. In late 2005, Déby declared a “state of war” with Sudan. Following a temporary ease of relations, mutual accusations continued throughout the second half of 2006. In 2006, the government conceded the use of Sudanese rebels of the Justice and Equality Movement (JEM) as auxiliaries for Chadian forces.

## Strategic Outlook

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. Thus, Chad will not progress toward democracy and a socially responsible market economy in the foreseeable future, nor will international partners contribute to such progress. The current government will introduce neither major nor sound political reforms. Chad will continue to enjoy outside support, particularly from France, the European Union, and, to a lesser degree, from the United States. 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 a minor oil supplier. China will possibly provide further support for the regime in the future, given its interest in Chadian oil. Ongoing threats to the Déby regime include the Darfur crisis and the related precarious security conditions in the country. Reinforced by disloyal members of the security apparatus and likely supported by Sudan, the political-military movements will remain a serious challenge. Although these rebel forces are fragmented, Déby will have to struggle to maintain power. 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. Security conditions will have to improve if Chad wants to return to high growth rates and moderate inflation. In any case, Chad will fail to develop a solid market economy; becoming an oil-dependent rentier state is a more realistic prospect. Detrimental effects resulting from resource abundance – the “resource curse,” including Dutch disease, unwise fiscal policies, price shocks, corruption or violent conflict – may have already begun to materialize, particularly in terms of violent conflict, although there are few signs of an oil-related upsurge in the oil producing region.

Future developments in this respect depend primarily on whether the management and control regime in the oil sector will function as intended. Political conditions – particularly improved security conditions and governance performance – will determine whether the management and control regime is implemented fully and whether, in the final instance, oil becomes a curse or a blessing for Chad. 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 will probably

continue, although irregular implementation of economic reform is likely to cause problems from time to time. Security concerns on a regional level will have to be taken into consideration in order to promote substantial progress in Chad's transformation toward a stable market-based democracy. A sustainable solution to the Darfur crisis and the armed rebellion is urgently needed, and, more importantly, is a precondition for further transformation. The ongoing destabilization of Chad's important neighbor Nigeria might play an increasing role in determining future regional stability. However, donors should not give priority exclusively to regional and geopolitical security issues, which have already proven to be short-sighted concerns in terms of Chad's governance performance. Acumen in managing oil revenues and progress in democratization must find support from civil society and civil opposition parties. But this support must also be 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.