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INTERIM STRATEGY NOTE

FOR

THE REPUBLIC OF CHAD

FOR THE PERIOD JUNE 2010 TO JUNE 2012

MAY 25, 2010

Central Africa Department (Country Management Unit AFCC1)
Africa Region

CURRENCY EQUIVALENTS

Exchange Rate Effective December 1, 2008
Currency Unit = 494 Franc CFA (CFAF)

Abbreviations and Acronyms

AAA	Analytic and advisory activities
AFD	*Agence Française de Développement* (French Development Agency)
AfDB	African Development Bank
CAB	Central African Backbone Project
CAR	Central African Republic
CAS	Country Assistance Strategy
CCIAMA	*Chambre de Commerce d'Industrie, d'Agriculture, des Mines et de l'Artisanat* (Chamber of Commerce, Agriculture, Mining, and Artisan)
CCPP	Chad Cameroon Pipeline Project
CDD	Community-Driven Development
CEMAC	*Communauté Economique et Monétaire d'Afrique Centrale* (Economic Community of Central African States)
CENI	Independent National Electoral Commission
CFAA	Country Financial Accountability Assessment
CPAR	Country Procurement Assessment Report
CPIA	Country Policy and Institutional Assessment
CPPR	Country Portfolio Performance Review
CSO	Civil Society Organization
DeMPA	Debt Management Performance Assessment
ECOSIT	*Enquête sur la consommation et le secteur informel au Tchad* (Household Survey)
EIA	Energy Information Administration
EITI	Extractive Industry and Transparency Initiative
ESW	Economic Sector Work
EU	European Union
FSAP	Financial Sector Assessment Program
FY	Fiscal Year
IDF	Institutional Development Fund
IEG	Independent Evaluation Group
INSEED	*Institut National de la Statistique, des études économiques et démographiques* (National Institute for Statistics and Economic and Population Research)
GDP	Gross Domestic Product
GEF	Global Environment Facility
HIPC	Highly Indebted Poor Countries
HIV/AIDS	Human Immunodeficiency Virus
IDA	International Development Association
IFC	International Finance Corporation
IBRD	International Bank for Reconstruction and Development
IMF	International Monetary Fund

ISN	Interim Strategy Note
KFW-GTZ	*Kreditanstalt für Wiederaufbau-Deutsche Gesellschaft für Technische Zusammenarbeit* (German Development Bank - Agency for Technical Cooperation)
MDG	Millennium Development Goals
MDRI	Multilateral Debt Relief Initiative
MINURCAT	*Mission des Nations Unies en République Centrafricaine et au Tchad* (United Nations Mission in the Central African Republic and Chad)
MOU	Memorandum of Understanding
NGO	Non-governmental organization
OHADA	*Organisation pour l'Harmonisation en Afrique du Droit des Affaires* (Organisation for the Harmonization of Business Law in Africa)
PADUR	*Projet d'appui au développement urbain* (Urban Development Project)
PAMFIP	*Programme d'Amélioration des Finances Publiques* (Program for Strengthening Public Financial Management)
PARCAFIP	*Projet d'Appui au Renforcement des Capacités des Finances Publiques* (Public Financial Management Capacity Building Project)
PARSET	*Projet d'Appui à la Réforme du Secteur de l'Education au Tchad* (Education Sector Reform Project)
PER	Public Expenditure Review
PETS	Public Expenditure Tracking Survey
PROADEL	*Projet d'Appui au Développement Local* (Local Development Program Support Project)
PNSA	*Programme Nationale pour la Sécurisation Alimentaire* (National Food Security Program)
PPLS	*Projet population et lutte contre le SIDA* (Population and HIV/AIDS Project)
PRSEE	Critical Water and Energy Project
PRSP	Poverty Reduction Strategy Paper
RBF	Results-Based Financing
SDR	Special Drawing Rights
SMP	Staff-Monitored program
SNRP	*Stratégie Nationale de Réduction de la pauvreté* (National Poverty Reduction Strategy)
SOTEL	*Société des Télécommunications de Tchad* (Chad Telecommunications Company)
STE	*Société tchadienne des eaux* (Chad Water Company)
SPF	State- and Peace-Building Fund
TFF	Trade Facilitation Facility
TTFP	CEMAC Trade and Transport Facilitation Program
UNDP	United Nations Development Programme
UNICEF	United Nations International Children's Education Fund
UNFPA	United Nations Population Fund
WBG	World Bank Group
WHO	World Health Organization

Acknowledgements

The World Bank Group would like to thank the Government of Chad, civil society and private sector representatives, and international partners for valuable contributions during the preparation of the ISN.

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I. Introduction

1. This Interim Strategy Note (ISN) proposes the focus and modalities for World Bank engagement in Chad over the June 2010 through June 2012 period.

2. The emergence of an oil economy in Chad has provided the country with unprecedented opportunities for development and poverty reduction. Since oil came on-stream in 2003, public resources and public expenditures have increased dramatically. The impact on poverty, however, is not clear. Efforts will need to be intensified in order to make significant progress on the development front: on the current trajectory Chad is unlikely to achieve all but perhaps one of the Millennium Development Goals (MDGs) by 2015.

3. The Bank's engagement in Chad in the past decade has been defined by its support to the Chad Cameroon Pipeline Project (CCPP). The Bank supported the financing of the pipeline through three credits subject to an agreement on the use of the oil revenues. The Government of Chad was unable to respect the original agreement or a subsequent Memorandum of Understanding on its amendment. In February 2008, as a result of the rebel attack on the capital, the World Bank office in N'Djamena closed, Bank staff evacuated, and mission travel was suspended. Since the agreements on oil revenues had not been respected, Bank management decided to keep the office closed until a solution could be found. In September 2008, the Government repaid the balance of pipeline-related credits, and Bank engagement in the petroleum sector in Chad thus came to a close. The relationship between the Bank and the Government of Chad has been in transition since that time. The proposed strategy for Bank engagement in Chad reflects this situation, where the main objectives for Bank engagement during the ISN period will be to re-establish a productive dialogue and working relationship with state and non-state actors, and strengthen the Bank's knowledge base for further engagement.

4. During the ISN period, the Bank will focus on the delivery of knowledge products and analytic and advisory services in various sectors. Recalling the main lesson of Bank engagement in Chad over the 2000 – 2008 period on the importance of ownership, this strategy focuses on areas of common ground between the Government and the Bank. During this period, the Bank therefore seeks to leverage the impact of all public resources on the lives of the people of Chad - through work to strengthen both the design and operation of public financial management systems, by accompanying Government in its efforts to improve the provision of key social services (health, education, water), diversify its economy (agriculture), better understand and address the needs of the rural poor, and improve regional connectivity. This will be achieved through restructuring the existing Bank portfolio, using operations to pilot and demonstrate innovative approaches in key sectors, and limiting new lending to sector and activities that have had proven impact.

II. Country Context

5. **Opportunities presented by oil.** Chad is among the poorest countries in the world. In 2003, when oil production started and poverty was last measured, approximately 55 percent of

the population lived below the poverty line and 36 percent lived in extreme poverty.[1] More than 40 years ago, oil was discovered in Chad—representing an opportunity to address some of the country's humanitarian and development challenges and turn a predominantly agrarian economy into an oil producing exporter. With the objective of exploring the riches in the ground, the Government of Chad granted a 30-year lease to a consortium of oil companies to develop three oil fields in the south of the country in 1988. A 1996 treaty with Cameroon included agreement on the construction of a pipeline from the oilfields in southern Chad, through Cameroon to an offshore platform in Kribi. The treaty stated that the development of the oil fields and the pipeline would be contingent on partnership with a multilateral development agency. In 2000, the World Bank Group agreed to support the development of the Chad-Cameroon Pipeline projects, with IFC and IBRD loans for the main oil development and pipeline construction project and IDA financing to support the development of national capacity to manage the oil sector and strengthen public financial management systems. The Bank's main objective was to support the Government in tapping into these resources in a manner that could assure benefits to the poor and the country as a whole.

6. **Chad adopted its first Poverty Reduction Strategy Paper - "Stratégie Nationale de Réduction de la Pauvreté (SNRP) - in June 2003** - as oil production came on-stream. The strategy aimed towards a 50 percent cut in poverty by 2015, with a focus on governance, economic growth, development of human capital, improvement to living conditions of the vulnerable, and preservation of ecosystems. In April 2008, the Government adopted a second generation PRSP (SNRP II). The SNRP II has five pillars: (i) good governance; (ii) robust, diversified growth; (iii) rural development; (iv) infrastructure; and (v) human resource development. The implementation of both strategies has been greatly undermined by persistent internal conflict and weak governance, coupled with a lack of government commitment and leadership in pursuing necessary reforms.

7. **Since independence in 1960, Chad has suffered from instability and conflict** arising from tensions between different religious and ethnic factions, further fuelled by interference from neighboring states. François Tombalbaye served as the first president of Chad, but his rule was under intense attack from 1965 - in part due to his autocratic style. Tombalbaye remained in power until 1975 when he was assassinated, and a military junta under the leadership of Felix Malloum took power. In 1979, Hissène Habré removed Malloum from the presidency, but the resulting civil war among 11 emerging factors made the central government almost irrelevant. French and Zairean troops assisted Chad to push Libya back, and following several international peace efforts, Goukouni Oueddei became the president of a transitional government. After continuing conflicts with other groups, and an abortive declaration of unification with Libya, Oueddei rallied towards Habré, who became President in 1982. Habré was able to repel the Libyans with the assistance of his commander-in-chief to the army, Idriss Déby, who successfully confronted the Libyans in eastern Chad in 1984 and in the desert in 1987. A rift developed between Habré and Déby in 1989, which led to Déby fleeing to Sudan where he formed the Patriotic Salvation Movement. In December 1990, Déby marched into N'Djamena, overthrowing Habré.

[1] 2003 Household Survey (ECOSIT2).

8. Unrest continued under Déby's leadership as he faced two coup attempts during his first two years in power and rebellions in the south (FARF) and from Lake Chad. Slowly other political parties emerged, and Déby declared his intentions to hold elections. He won the country's first multiparty elections in June 1996, though international observers were critical. FARF rebels continued to clash with the government until May 1998, when they surrendered following the death of their leader, Laokein Barde. Hundreds of southern civilians were killed during this struggle. After a short period of peace, the Chadian Movement for Justice and Democracy under Togoimi emerged in the northern Tibesti region and engaged government forces until 1992. In spite of the ongoing rebellion, Déby undertook substantial economic reforms during these years: signed the agreements on the Chad Cameroon pipeline project, successfully completed an IMF program and reached HIPC decision point. Déby also won elections in 2001 and 2006, though the electoral processes have been controversial.

9. In 2003, high numbers of refugees started crossing the border from the Darfur region of Sudan into Chad. Increased tension because of the refugees and the emergence of new rebel groups backed by Sudan - led by former ministers and Déby's own Zaghawa tribe (including his nephew) - led to a declaration of war with Sudan in December 2005. Having formed an alliance, the rebels marched into N'Djamena on February 1, 2008. Following a heated battle, during which the rebels surrounded the presidential palace, their alliance and logistics fell apart, and Government troops chased the rebels out of Chad. In May 2009, the rebels clashed again with Government forces, but were soundly defeated. The current security situation in Chad is calm, but fragile. Chad and Sudan signed a new peace agreement in January 2010, which includes a timetable for the establishment of the first joint border force. At the same time, the Government of Chad has successfully negotiated with several rebel leaders who have agreed to return to the country and follow a legal political process. Chadian authorities have not consented to a renewed mandate of MINURCAT, the UN peace keeping mission in CAR and Chad, mandated to ensure the safety of some 450,000 refugees and displaced persons in eastern Chad and northern Central African Republic. After recent discussions, the term was extended from March to October, 2010.

10. In preparation for fall 2010 legislative and spring 2011 presidential elections, an Independent National Electoral Commission (CENI) was established by consensus in July 2009 and a charter regulating the functioning of political parties passed by the National Assembly in August 2009. President Déby has agreed to most of the requests of the opposition with respect to the management of the elections.

11. President Déby maintains a government where decision making is highly centralized under his control with an inner circle of advisors that serve as a shadow cabinet. The prime minister and senior ministers often hold little influence, though recent exceptions to that include the Minister of Infrastructure and the Minister of Defense. In the past year, the President has waged a campaign against corruption, and a procurement scandal in the education sector led to the arrest of three ministers. He has pursued some policy reform, most notably separating the water and electricity company into two separate entities - to advance reform in both sectors.

12. Chad suffers from a fragmented political opposition—estimated between 70 and 110 political parties—and Chadian politics has, since 1990, been dominated by Déby's Patriotic Salvation Movement. Chad's civil society is, however, vibrant and dynamic, with around 700

civil society organizations (CSOs) operating at the central and local level. Organizations engaged in the protection of human rights have been particularly active, rendering the debate on human rights issues public and establishing themselves as one of the main stakeholder in the debate. Under the general umbrella of the protection of human rights, these organizations also engage at the sector level in service delivery (education, health) and in other cross-cutting issues such as gender, governance and environment. Oil exploration has also led to the establishment of a number of specialized non-government organizations (NGOs) that have engaged in work to monitor and track Government spending of oil revenues.

13. The press has evolved greatly since the democratization process started in the 1990s, and the introduction of a free and independent press has radically changed the nature of the sector, though journalists are occasionally harassed. Debate around human rights, governance, and the transparent management of public funds has established the media as an important counter-balance. The public benefits from the writing of more than 10 newspapers (regularly publishing) and an equal number of commercial and community radio stations—transmitting regionally and centrally.

14. **Recent acceptance of Chad as EITI candidate is positive, but governance remains a challenge**. Overall, the key governance challenge faced by Chad is the need to better manage government revenues and the overall reform agenda in a manner that can leverage the exceptional level of petroleum revenues for inclusive economic growth and poverty reduction. Budget preparation is weak, and budget implementation is worse. Recent progress at the technical level has been noted: improved respect for budget preparation and closure timelines, simplification of the budget execution chain, and stronger management of reforms. While the institutions for controls, audits, oversight, and reporting are in place, their operational functionality and effectiveness are limited. Chad profits from a relatively high level of transparency in regard to availability and detail of fiscal data due to some of the work associated with oil revenue management. However, there is limited transparency with respect to the decision-making process and actual spending, with high levels of spending taking place outside normal budget processes. The proposed 2009 CPIA for Chad is at 2.6, one of the lowest in the region. Transparency and accountability in the public sector are rated very low, and corruption continues to be a major problem. However, recent actions taken by Government, including allowing the case linked to fraudulent procurement of textbooks to proceed without apparent interference, are positive indications of possible change. The acceptance of Chad as an EITI Candidate in April 2010 is also very promising.

15. **The Chadian economy is heavily dependent on oil.** Oil revenues represented about 70 percent of total government revenues during the 2006 - 2009 period. As a result, the Chadian economy is vulnerable to fluctuations in the price of oil, and the main impact from the global financial crisis has been the decline in oil prices. Oil production is declining—down from 64.5 million barrels per year in 2005 to an estimated 43.6 million barrels per year in 2009.[2] Furthermore, Chad's oil reserves - estimated at 1.5 billion barrels in 2009 (crude oil) – are eventually limited, even when considering new fields under development (e.g. Bongor, Kufra Basin).[3] A critical challenge for the country and its decision-makers during the years ahead will therefore be to gradually reduce the dependence on oil, adjust the level of spending, and have the non-oil primary deficit (NOPD) return to a sustainable level – estimated at 10 percent in the SNRP II, or in the low single-digits by the IMF.

Figure 1: Oil vs non-oil revenues, 2002–2010

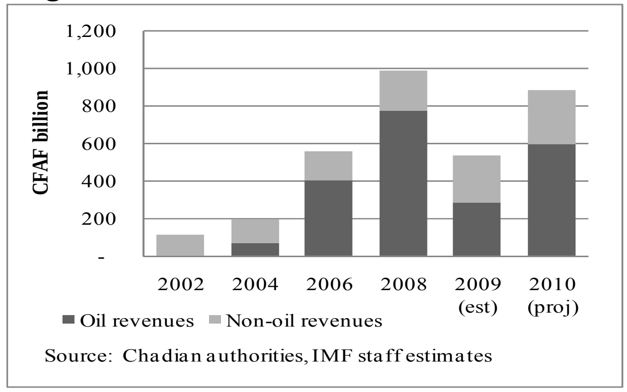
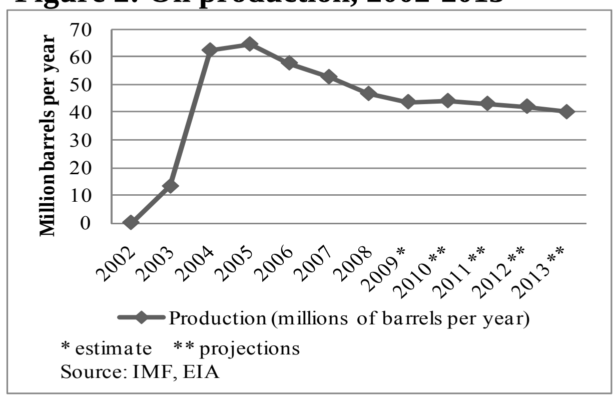
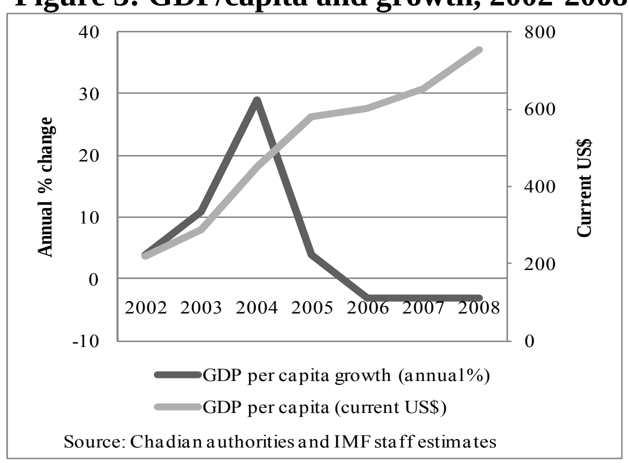


Figure 2: Oil production, 2002-2013



16. **Oil production led to a remarkable increase in GDP per capita….** In 2002, before the start of the oil era, GDP per capita was estimated at around US$ 220 - less than half the average in Sub-Saharan Africa. By 2008, GDP per capita had risen to US$ 755. GDP per capita grew by 29 percent in 2004 (as oil production came on-stream), but fell by four percent in 2005 and to negative three percent from 2006 through 2008. These figures suggest that non-oil GDP growth has not started to offset the decline in oil production and oil revenues.

Figure 3: GDP/capita and growth, 2002-2008



17. **….. and a remarkable increase in public revenues and public spending, including in key poverty reducing sectors and infrastructure.** Public revenues have increased almost five-fold - from CFAF 112 billion in 2002 to an estimated CFAF 539.6 billion in 2009, with a peak of CFAF 986 billion in 2008. As public revenues have increased, expenditures have also dramatically increased - almost quadrupling - from CFAF 280 billion in 2002 to almost CFAF 1,000 billion in 2009 (estimate). Over the 2006-09 period, allocations in the budget (net of

[2] IMF, US Energy Information Administration (EIA).

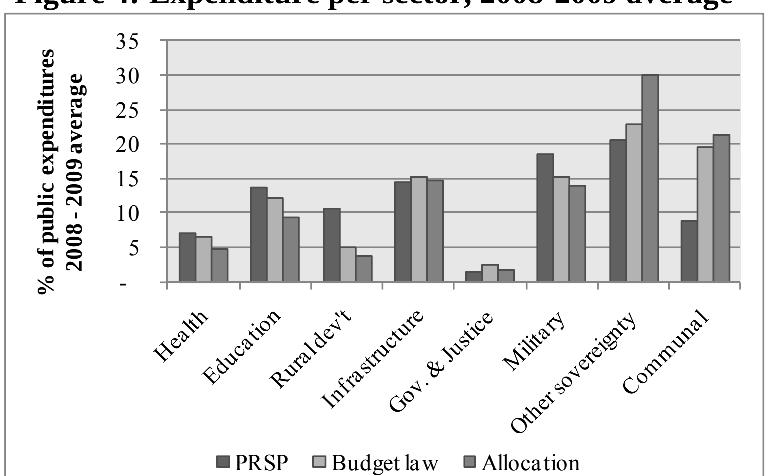
[3] ESSO Chad.

payments to debt) to non-security related priority sectors[4] have increased and have, on average, accounted for about 53.1 percent of the total budget. In 2009, 9.7 percent of expenditures (net of payments to debt), or about CFAF 78 billion, were committed in the education sector. Spending in the health sector in 2009 was about five percent of national expenditures – around CFAF 39.8 billion.[5] Increased spending in poverty reducing sectors has yielded results:

- Since 2008, ten new high-schools have been constructed in N'Djamena - several of which are now operational (only three high-schools were built from 1960 to 2008). While there are more teachers in these schools this year, equipment, water and electricity are lacking.
- Vaccines are 100% prepaid for 2010, HIV testing has been broadly expanded, and a new fund granting free access to urgent obstetrical services was established in 2008. A national maternal and pediatric hospital is under construction in N'Djamena, and a regional program financing the construction of health centers and 19 hospitals is underway (mostly replacing existing facilities). Though contracts have been signed for many of these facilities, very few have been finished.
- The network of paved roads has more than tripled in ten years – from 350 km to 1100 km. Most of the main urban cities currently also have access roads year round, and many inner city roads, especially in N'Djamena, have been restored or constructed. Funding to maintain this expanding network needs to be increased.
- In water and drainage, the Government has improved infrastructure throughout N'Djamena, including in the poorer sections of the city. In order to deal with the influx of refugees (300,000) and IDPs (185,000) resulting from conflict in Darfur and tensions with Chadian rebels, the Government has also invested in water infrastructure in the east.

18. **However, spending is not adequately aligned with the Government's PRSP.** Actual expenditures in many key social sectors (health, education and rural development) have fallen short of budget targets. Allocations and spending in infrastructure, however, have been in line with PRSP projections. A better alignment between the SNRP II and budget planning and execution will be critical for achieving progress towards identified SNRP II objectives. Furthermore, certain sectors, particularly infrastructure and defense, benefit from spending levels that are considerably higher than budgeted amounts.

Figure 4: Expenditure per sector, 2008-2009 average

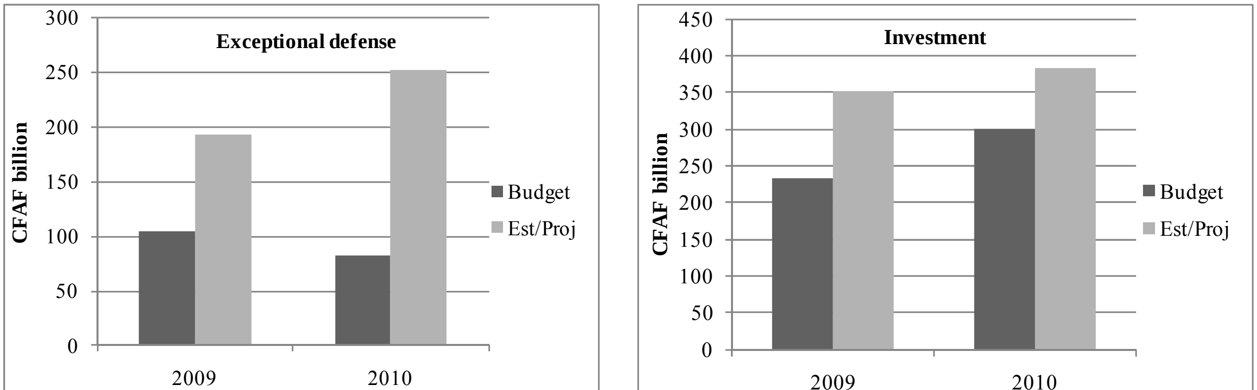


Source: Chadian authorities, IMF staff estimates

[4] Priority sectors include: governance, education, health, infrastructure, energy, ICT, social protection and micro-credit, rural development.

[5] As transmitted to the World Bank in early February 2010. As the authorities continue to regularize expenditures not executed through the expenditure chain over time, these amounts may shift slightly.

Figure 5: Exceptional defense and investment spending, 2009, 2010

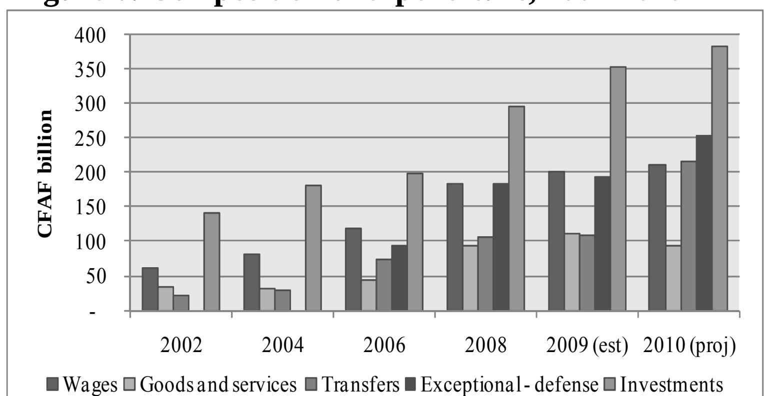


Source: Chadian authorities, IMF staff estimates

Source: Chadian authorities, IMF staff estimates

19. **There is a consistent imbalance between capital and recurrent expenditures.** An analysis of spending within various sectors, including priority social sectors, shows that heavy emphasis is put on investment spending and transfers. Furthermore, over the 2006 to 2009 period, exceptional security spending was about double spending on goods and services. This trend was amplified in 2008 and 2009 and is predicted to continue into 2010.

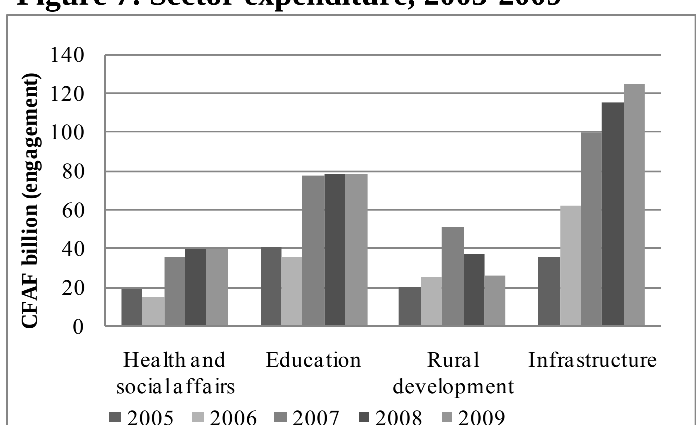
Figure 6: Composition of expenditure, 2002-2010



Source: Chadian authorities, IMF staff estimates

20. **The quality of spending is a concern**. Project costs are high and budget allocations for recurrent costs, such as school and health supplies, and skilled human resources, are inadequate. In health and education, in particular, the 2009 budget gave priority to the construction of new infrastructure (classrooms, health centers and district hospitals) - even though many existing and new constructions are not operational (due to lack of equipment, human resources etc). Furthermore, the allocations for equipment and goods and services to ensure that these infrastructure investments are rendered operational once completed are insufficient. This imbalance between capital and recurrent expenditures undermines the productivity of public investments and reduces its impact on growth and the delivery of services to the population – all within a context and society characterized by enormous challenges linked

Figure 7: Sector expenditure, 2005-2009



Source: Chadian authorities, IMF

to social development. The composition of expenditures is poor during budget preparation and the tendency to under-fund recurrent expenditures is exacerbated during budget execution.

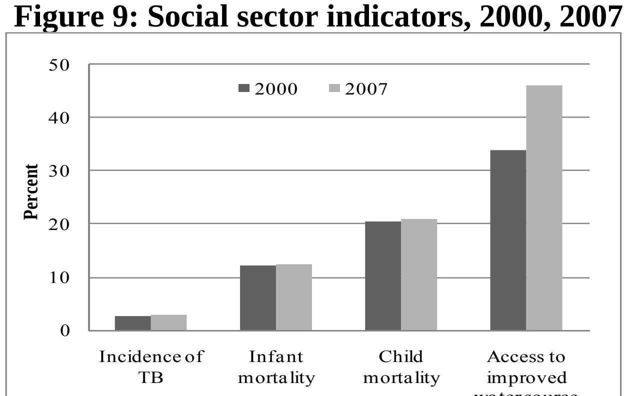
21. **Despite the significant increase in expenditures, Chad continues to lag behind other comparable African countries in terms of social development.** With a population of 11.1 million[6], Chad is ranked 175th out of 182 countries on the 2009 UNDP Human Development Index. While public financial resources have increased dramatically since 2003, the impact on poverty is unclear. Data on poverty in Chad is lacking, with the main source of data being two household surveys undertaken in 1995/1996 and 2003/2004. While some progress has been made towards the achievement of the Millennium Development Goals (MDGs), the country will not, if following the current trend, reach many of these targets (see Annex 4 and figure 7 below).[7] In addition to a lack of funding compared to needs, social sectors suffer from a lack of strategic planning, imbalances in sector spending, high unit costs, and weak budget management.

Figure 8: Millennium Development Goals: Progress towards achievement

MDG 1	Halve the rates for extreme poverty and malnutrition	Off target: GDP/capita too low and variable in order to have an impact on poverty/nutrition
MDG 2	Ensure that children are able to complete primary school	Progress: primary education officially offered free of charge. Primary gross enrollment rate at 95%
MDG 3	Eliminate gender disparity in education and empower women	Off target: gender focus recently introduced. New family code not approved, women have limited legal protection
MDG 4	Reduce under-5 mortality by two-thirds	Off target: poor implemented of strategy and inefficient sector management. Mortality remains at 1998 level
MDG 5	Reduce maternal mortality by three-fourths	Off target: poor implemented of strategy and inefficient sector management. Mortality increased from ‘98 to ‘04
MDG 6	Halve and reverse spread of HIV/ AIDS and other major diseases	Progress: increased sensitization has increased awareness. Free access to ARVs
MDG 7	Halve the population without sustainable access to basic needs	Progress: on target to meet goal for access to improved water source
MDG 8	Develop a global partnership for development	Limited progress: increase in mobile phone subscribers. Telecommunications costs remain high

22. **Health indicators in Chad are among the lowest in Sub-Saharan Africa.** Maternal mortality stands at 191 per 1,000 live births, with 76 percent of women delivering without qualified assistance.[8] The risk of maternal mortality is heightened by precocious and intense fertility (6.3 children on average per women and 15-19 years old girls contributing to 15 percent of national pregnancies). Contraceptive use remains very low: in 2004, the contraceptive prevalence rate

Figure 9: Social sector indicators, 2000, 2007



Source: UNDP, World Bank

[6] 2009 census.
[7] “Republic of Chad Poverty Reduction and Growth Strategy Paper: NPRS2: 2008 – 2011”, April 2008, Section 2.3.
[8] 2004 Demographic and Health Survey.

was two percent. This is not only due to cultural barriers but is also the result of frequent shortages in family planning supplies at the level of health centers. Under-five mortality, at 191 deaths per 1,000 live births, is among the highest in the world. Important progress has been made towards the achievement of the MDGs in the water sector, however. According to the latest estimates, 48 percent of the population has access to an improved water source, compared with the MDG of 60 percent. A mere eight percent, however, is estimated to have access to improved sanitation, compared with a Sub-Saharan Africa average of 36 percent.

23. **Chad also lags behind other Sub-Saharan African countries in the education sector.** Public primary education was declared free of charge in 2006 and the Government has engaged in an important school construction program. The primary gross enrolment rate is estimated at around 95 percent[9], while the primary completion rate is around 36 percent.[10] However, there are large regional differences in terms of access to education, as well as important gender inequalities. Primary school enrollment[11] and completion[12] rates for girls stand at 78 percent and 25 percent respectively – versus 112 percent and 47 percent for boys. These very low completion rates expose a tremendous inefficiency in the system. Additional spending in the sector has led to some progress, including the construction of about 300 classrooms and the training of around 2,000 new teachers per year. The overall results from investments are, however, greatly affected by the lack of a comprehensive sector approach, which would assure adequate resources for equipment and operating costs at school level and availability and payment of skilled teachers.

24. **Chad ranks as number 97 out of 102 non-OECD countries in the 2009 Social Institutions and Gender Index.** In the absence of a comprehensive law governing women's rights, the Family Code sets the parameters of women's rights under the law. This Code grants limited rights to women, and attempts to pass a new Family Code, which would assure a higher level of equality between sexes, have been rejected. Led by the Ministry of Social Action, with support from UNFPA, the Government is developing a gender policy and a strategy for the fight against gender-based violence. In 1996, the Government of Chad also adopted an "Integration of Women in Development" approach. While many development projects involving the participation of women have improved women's access to services and resources in the short-term, there have been few improvements to the overall situation and rights of women in Chad. The incidence of early marriage among women is high. A 2004 United Nations report estimates that 49 per cent of girls between 15 and 19 years of age are married, divorced or widowed. The high incidence of marriage before the age of 16 years contributes to a low level of girls' enrolment in secondary education. When combined with high maternal mortality, poor access to water and education, high incidence of gender-based violence, including female genital mutilation, which is practiced on approximately 45% of all females in Chad, it is clear that gender inequality is a very serious issue in Chad.[13]

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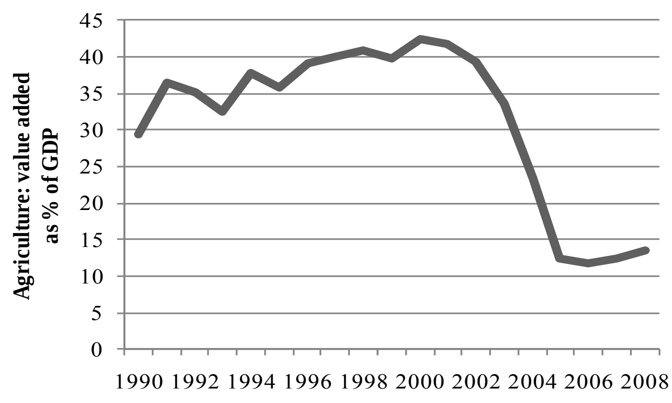
[9] Ministry of Education, Chad, estimated 2007/2008 data.
[10] Ministry of Education, Chad, estimated 2006/2007 data.
[11] Ministry of Education, Chad, estimated 2007/2008 data.
[12] Ministry of Education, Chad, estimated 2006/2007 data.
[13] GTZ 2007.

25. **The agriculture sector is contributing less to the overall economy and becoming increasingly unproductive.** Traditionally an agrarian economy, more than 80 percent of the Chadian population is rural and relies on subsistence farming and livestock for its livelihood. It is estimated that only six percent of the land area is cultivated. With the onset of oil, the relative importance and contribution of agriculture to the overall economy has decreased dramatically: the sector currently only accounts for about 12 percent of GDP. Furthermore, the sector is experiencing negative growth. The contribution of cotton – Chad's main export in the past - to the overall economy has declined over the last years, with yearly production falling from a 1997 high of 270,000 metric tons to an estimated 33,000 metric tons in 2009. In spite of declining production, the cotton sector remains important for Chad, cotton being the main source of cash income for around 350,000 rural families, or several million Chadians.[14] While the agriculture sector does present some potential for poverty reduction, growth, and employment, a lack of investment and strategic direction, coupled with a lack of water, poor soil conditions, and harsh climatic conditions represent important challenges for its development. The development of the cotton sector is also highly dependent on reforms in the sector, including improving the management of the state-owned and highly subsidized CotonTchad. Livestock in another essential part of the rural economy, but its contribution to revenues is sub-optimal as a result of the enormous uncontrolled migration of herds to Nigerian markets each year.

Figure 10: Agriculture: value added, 1999-2008



Source: World Bank

26. **Chad is facing a severe food shortage in 2010.** As a result of the sharp decline in agricultural production, there is an estimated shortage of 80,000 to 100,000 tons of food and about two million people could face starvation in 2010. To supplement national food production, the Government has started using its stock of 10,000 tons of food and ordered an additional 33,000 tons of food. The donor community – coordinated by the World Food Program - is importing an additional 47,000 tons of food. The Government's prompt reaction in face of this crisis is commended. In the medium-term, however, far-reaching measures are needed to increase agricultural productivity.

27. **Climate and environmental challenges add to already significant developmental challenges.** Chad is rated as "extreme risk" by the Climate Change Vulnerability Index and is exposed to natural disaster risks from multiple hazards, including drought, floods and landslide. These disaster risks represent potential threats to the economic development and poverty reduction efforts of the country. The significant shrinking of Lake Chad poses a risk for the water supply of the region and the southern advance of the Sahara Desert and the Sahelian zone require more focused efforts at mitigation for livestock and agriculture.

[14] "Republic of Chad Poverty Reduction and Growth Strategy Paper: NPRS2: 2008 – 2011", April 2008, Section 6.2.1.

28. **Chad's urban population represents 26 percent of the total population, up from an estimated 7 percent in 1960.** The trend of urbanization is continuing, where the cities of Chad need to accommodate for about 100,000 new residents every year. It is estimated that only 41 percent of the urban population has access to an improved water source (compared with 27 percent in 1984), and 30 percent access to improved sanitation (compared with 27 percent in 1990). Urban areas are engines of economic growth and currently contribute to about 77 percent of GDP, but rely heavily on external financing (95 percent of investment projects in the urban sector are being financed by the donor community).

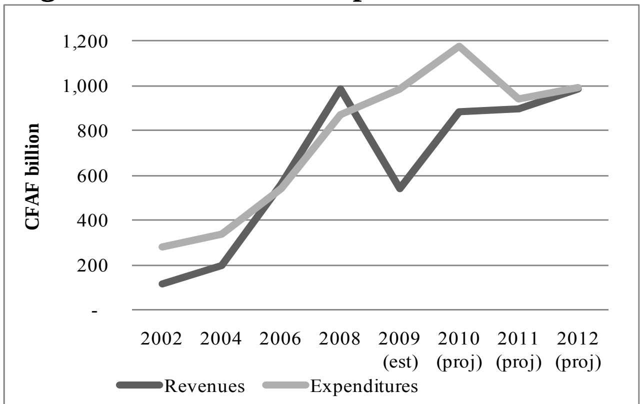
29. **While the private sector should be an engine for growth, its development is greatly hampered by an unfavorable business environment.** The private sector currently includes less than a dozen large enterprises operating in industry (breweries, sugar mills, cigarette manufacturers etc), construction and public works, services, and oil; a number of SMEs active in the agrifood sector, construction materials, and arts and crafts; and a high number of small-size companies operating primarily in the informal sector in a wide range of activities – including small-scale production, trade and services. Currently ranked 178 out of 183 countries in the IFC "Doing Business 2010 Report", Chad has yet to start its efforts to improve the country's business climate. This will be particularly crucial in the context of growth created by the extractive industry, to ensure that that the conditions are right for the development and diversification of the broader economy, including the emergence of a stronger SME base and the reduction of informality, both seriously constrained by the poor business enabling environment. Policy advocacy by the private sector in Chad rests on ad-hoc lobbying efforts by a small proportion of larger or better connected companies, and to a limited extent by the Chad Chamber of Commerce (CCIAMA) which represents the full spectrum of Chadian enterprises. In the absence of systematic follow up and in a context of distrust between the public and private sectors, few practical reforms result from these interactions. Furthermore, the development of the private sector is hampered by insecurity, limited access to credit, weaknesses in the justice sector, lack of skilled labor and capacity more broadly, and a lack of infrastructure. In particular, limited access to and the high cost of electricity also inhibit development and growth of the sector, with a rate of access to electricity of around two to three percent of the population. More than 80 percent of the electricity produced is consumed in N'Djamena. In spite of this, only one-third of the city has electricity. There is no electrical grid in the country. Renewable energy sources are scarcely tapped, even though Chad has significant potential being located in the sunniest part of Africa.

30. **Chad is ranked last among 121 countries in the 2009 World Economic Forum Enabling Trade Index** – having the lowest score of the 121 countries with regards to border adminis tration and transport and communications infrastructure. Nevertheless, through Chad's membership in the Economic and Monetary Community of Central Africa (*Communauté Econommique et Monétaire d'Afrique Centrale,* CEMAC, the country has demonstrated commitment to economic cooperation and regional integration initiatives. In addition, Chad is a signatory to an OHADA (Organization for the Harmonization of Business Law in Africa) treaty which seeks to mainstream a uniform, modernized, legal framework for commercial activities in West and Central African countries, including laws that aim to improve company and contract laws and arbitration.

31. **Chad's progress towards economic integration and access to external markets has been hampered not only by extended periods of instability but by weak transport infrastructure**. Transport costs in Chad are among the highest in the world and the low quality of transportation services represent a major constraint to access to regional and external markets. Underdevelopment of the road network, the instability of certain soils, the age of vehicles on the roads, the lack of professionalism among carriers, insecurity, and the legal and illegal levies imposed on road transport are the main reasons for the sector's lack of development. Nevertheless, the sector has seen some improvements in recent years. The network of paved roads has more than tripled in ten years – from 346 km in 2000 to 1,100 km in 2009, helping Chad move from last to second behind Cameroon in the Central Africa zone in terms of its paved road network. Despite this progress, the road network remains underdeveloped compared to the country's land area, population patterns, and needs.

32. **The isolation and high cost structure of Chad have held back the availability of affordable telecommunications infrastructure.** This has had an adverse effect on national and regional/international trade, as well as on the development of the private sector. There is no telecommunications fiberoptic backbone network in Chad, and long-distance and international connections are entirely satellite-based or using microwave radio technologies – resulting in high international calling prices. The incorporated state-owned Société des Télécommunications du Tchad (SOTELTCHAD), the country's incumbent operator, provides limited telecommunications and data services. Out of an estimated total population of 11.3 million, the number of main fixed-line operations in Chad is 13,000 and the number of mobile subscriptions is only 1.1 million. Internet uptake is suppressed by high access prices and poor quality of service (in N'Djamena an hour of access costs CFAF 2,000 - approximately US$4 - compared to CFAF 300, or US$0.6, in Benin).

Figure 11: Revenue vs expenditure, 2002-2010



Source: Chadian authorities and IMF staff estimates

33. **The Government demonstrates little commitment to reign in public spending and bring financial discipline.** The level of spending over 2008 to 2009 was not sustainable, government savings declined considerably, and public debt increased significantly. A 2009 budget deficit will likely extend to 2010. Oil revenues fell sharply in 2009—from 38 percent of non-oil GDP in 2008 to 13 percent in 2009—because of the drop in oil prices and the advancement of payments of oil tax from 2009 to 2008 (agreed with the oil consortium). Over the same period, expenditure increased—from 43 percent on non-oil GDP in 2008 to 46 percent in 2009. As a result, the overall fiscal balance moved from a sizable surplus—equal to seven percent of non-oil GDP in 2008—to a large deficit—estimated at 21 percent of non-oil GDP—in 2009. This deficit has been financed primarily by domestic financing, including savings accumulated by the Government at the Central Bank. For 2010, revenues are expected to recover somewhat and the budget includes a major reduction in the non-oil primary deficit. However, overspending on security and investment in 2009 absorbed an important part of the resources that

had been lined up to finance the 2010 budget. As a result, the authorities need to draw on a US$ 300 million non-concessional loan from Libya (15 percent grant element) to finance the 2010 budget. In addition, the Government faces significant under-funded spending pressures owing to food shortages, the upcoming elections, ongoing investments, and arrears. To return to a sustainable fiscal situation, the Government will need to limit spending (through focused spending on priority areas and postponing lower-priority spending), refrain from taking on new non-concessional debt, and improve financial management - in order to transform oil resources into higher non-oil sector growth and poverty reduction.

34. **An updated Debt Sustainability Analysis (DSA) reveals that the debt dynamics remain sustainable, while subject to important risks in the external environment and the conduct of economic policy.**[15] However, total public debt will increase greatly—from 24 percent of GDP in 2004 to 34 percent of GDP in 2010—on account of the non-concessional loan described above, a guaranteed €232 million loan (on commercial terms) to finance the Government's share in a new oil refinery (under construction, to be operated in a joint venture with a Chinese oil company), and central Bank credit. The two external loans will likely trigger the Bank's Non-Concessional Borrowing Policy. While the authorities consider there to be space for more debt, the DSA shows that without reductions in spending, debt will escalate to unsustainable levels in a few years.

35. **Relations with the Fund.** Having failed to complete any review under the last Poverty Reduction and Growth Facility (PRGF) and the 2009 Staff Monitored Program (SMPs), the authorities requested a new SMP in 2010. The aim of the program was to re-establish the Government's economic management and reform credentials and prepare the ground for an arrangement under the Extended Credit Facility and debt relief under the enhanced Heavily Indebted Poor Countries Initiative (HIPC) and Multilateral Debt Relief Initiatives (MDRI). In view of the difficulties containing spending pressures in 2010, an agreement was not reached for 2010. The IMF has proposed to only revisit the opportunity of negotiating a new SMP in 2011. As a result, progress towards the Completion point for the HIPC continues to lag—in spite of reaching Decision Point in May 2001 and achieving a number of the triggers for HIPC completion (including the adoption of a new PRSP, a new procurement code, and the audit of a number of public contracts). Since macroeconomic stability is at the core of the debt relief program, the Government needs to demonstrate the fiscal discipline to respect a budget before debt relief would have the desired effect.

36. **Growth prospects will continue to depend on the oil sector for the 2010-2012 period.** The overall fiscal balance is expected to gradually improve starting in 2011, owing to the recovery of oil prices and fiscal adjustments. While output from Chad's currently productive fields in the Doba basin is expected to decline during this period, output from the development of a second oil-field, the Ronier field, (in partnership with the China National Petroleum Corporation) is estimated at around 60,000 barrels per day. Scheduled to be operational in 2011, this field will primarily serve national consumption. Non-oil growth is expected to be boosted by the development of this new oil-field and the construction of a power plant and refinery. In the non-oil sector, the contribution of agriculture is estimated to remain broadly steady in 2010-12.

[15] Chad – Joint Fund-Bank Debt Sustainability Analysis under the Debt Sustainability Framework for Low-Income Countries (forthcoming).

Only slight increases are expected in the output of the sector's main commodities: cotton, sugar, cereals, oil seeds, gum arabic and livestock. Apart from the oil sector, the contribution to economic growth from national industry is expected to remain small. However, various new foreign-financed ventures, including a new vehicle assembly plant and a textile factory could boost industry's contribution to growth in 2010-11.

37. Under the oil revenue management plan – the heart of the Chad Cameroon Pipeline Program - the government had agreed to spend 70 percent of oil revenues on priority sectors. In reality, close to 50 percent of expenditures has gone to the military. Chad argues that this high level of military spending has been necessary in order to stabilize the country. In spite of oil revenues being exponentially higher than expected, the government has been unable to save any of its revenues for future generations, repeatedly failing to live within its budget, and proving unable to control extra-budgetary spending. In view of pressing development needs, the government has invested heavily in roads, hospitals, high schools, drainage and other infrastructure. They are also developing new oil fields and constructing a second pipeline and a refinery. The international community, particularly the Bretton Woods institutions, has repeatedly expressed concerns that many of these expenditures are poorly planned, sole-sourced, over-priced and unsustainable with respect to recurrent costs. There is concern that the nontransparent nature of expenditures in the military and on infrastructure leaves the door open for fraud and corruption. Equally there is concern that the quality of the expenditures does not lend itself to strong development outcomes.

III. World Bank Program in Chad

38. **The last World Bank CAS for Chad was presented to the Board November 2003, covering the FY04-06 period.** The main objectives of Bank engagement in Chad during this period were to help build national capacity to manage the petroleum economy and support the effective utilization of resources for poverty reduction. There was a strong focus on strengthening governance and enhancing non-oil economic opportunities. The oil revenue management arrangements that were put in place as part of the Bank's engagement in the oil sector were therefore at the core of the Bank's program in Chad. Furthermore, it was hoped that this unprecedented revenue management framework would allow Chad to utilize - in an equitable and responsible manner - additional resources that would become available and serve as a model for how natural resources can be used to alleviate poverty and enhance development.

39. World Bank-Chad relations have suffered in recent years due to disagreements with the Government of Chad on the use of oil revenues under the Chad-Cameroon pipeline projects. In January 2006, the Bank suspended all disbursements in Chad when the Revenue Management was not respected by the Government. The Bank and the Government then negotiated a transitional Memorandum of Understanding (MOU) for 2007 stipulating that the Government would spend 70 percent of all oil revenues on the priority sectors. Disbursements resumed, but by the end of 2007 it became clear this agreement would not be respected.

40. In February 2008, as a result of the rebel attack on the capital, the World Bank office closed, Bank staff evacuated, and mission travel was suspended. Since the MOU on oil revenues

had not been respected, Bank management decided to keep the office closed until a solution could be found. In September 2008, after discussions with Bank management, the Government of Chad fully repaid the balance on the pipeline and associated credits. After a review of the portfolio, which showed that, in the absence of Bank supervision, fiduciary management of the portfolio was adequate, the office was reopened on a reduced basis in January 2009. Since that time, dialogue between Chad and the Bank has continued, with an acknowledgement that the Government continues to struggle to make progress on the Millennium Development Goals, and in particular, to acquire the human resources necessary to succeed in the health and education sectors, as well as to solve the recurrent food shortages.

41. The IFC stayed involved in the pipeline program when IDA and IBRD exited from the energy sector in Chad, and as its loans to the pipeline companies remain in place and continue to be repaid as contractually scheduled, IFC is still involved in the oil sector. IFC's involvement keeps intact its overview of the original commitments of the project to comply with environmental and social safeguards agreed with the World Bank Group (WBG). In this respect, IFC continues to actively supervise the project, particularly with respect to environmental and social impacts, and maintains an ongoing dialogue with ExxonMobil, the project operator, in terms of mitigating environmental and social risks that the project may be generating. IFC also continues to support the local private sector in the oil producing region through a small and medium enterprise program.

42. **The current Bank portfolio in Chad consists of eight projects and represents a total of US$ 144 million in commitments.**[16] This includes US$ 96 million committed for four national IDA- and one GEF-funded operation, and US$ 48 million committed for three regional operations. US$ 73.8 million remain undisbursed. Current operations cover the following sectors: urban development, community development, education, public financial management, transport, telecommunications, and environment (see Annex 2). All national projects are "at risk", three out of the five are rated "problem projects".

Table 1: Current Chad Portfolio

Data as of April 30, 2010	**IDA + GEF**	**Regional**	**Total**
# of projects	5	3	8
Av. project age (yrs)	4.7	3.0	3.9
USD committed (M)	96.3	48.1	144.4
Disbursement ratio FY10	28%	25%	25%
# of problem projects	3	-	3
# of projects at risk	5	-	5
USD at risk (M)	96.3	-	96.3

IV. Evaluation of World Bank Engagement and Lessons Learned

43. When assessing the Bank's recent engagement and portfolio status in Chad, it is important to recognize the overall environment in which the Bank program has been implemented over the last years—an environment characterized by security threats (from within the country as well as from neighboring countries) and a complex political economy picture. This has translated into instability, a lack of government commitment to reforms, and diversions from the development agenda.

[16] As of April 30 2010.

44. The Bank has drawn important lessons of experience from the last CAS period, including from a 2009 IEG evaluation of the Chad-Cameroon Pipeline Program.[17] The petroleum and pipeline project is seen as a physical, technical, and financial success, and the program yielded some positive results, including increased spending on social sectors. However, lack of government commitment was the key obstacle to the success of the program; no alternative design or supervision could have substituted for real and sustained government commitment. There were significant issues with the quality of spending and the impact on poverty has not yet been measured, but is clearly less than it could have been expected given the increase in revenues. The Bank should have paid greater attention to capacity development issues; and – although the huge oil revenues triggered by a spike in commodity prices were not foreseen at the time of project design - there could have been stronger focus on preparing Chad better to absorb the influx of oil revenues.

45. An October 2009 Review of the Bank's current portfolio in Chad (CPPR) concluded that the complexity and level of ambitiousness in the design of many World Bank projects has a negative effect on the portfolio in Chad. A number of past and ongoing projects have suffered from high rotation of task managers, contributing to a lack of consistency in approach and support from the Bank's side. Consistent and increased supervision support to projects under implementation is needed to improve impact from operations. A review of past operations and engagement in Chad also shows that while clarity is needed with regards to the objectives, principles and parameters for engagement, project design and implementation modalities need to be flexible and evolve as the situation changes.

46. It is clear that the disruptions in overall World Bank-Chad relations, ongoing security issues, and the lack of in-country supervision have negatively affected portfolio performance. While financial management is characterized as adequate, the situation in the country has led to deterioration in the quality of documentation provided - as well as delays. Further support to implementation teams to assure financial management and procurement procedures are well understood and adhered to, is needed. The Bank will also need to engage in capacity development efforts to strengthen the capacity for developing and implementing appropriate monitoring and evaluation frameworks and tools as part of project implementation.

47. Project implementation is affected by high levels of turn-over in ministries and in project implementation units, where posts remain vacant for extended periods of time. Recruitment processes also tend to be lengthy and not transparent or competitive. The Government has committed to engaging in transparent and competitive recruitment processes and to assuring that assigned staff have appropriate skills and competencies. When possible, Bank projects will also aim to use existing national/local structures for the implementation of projects and to involve government control institutions to perform the internal audit-functions.

[17] IEG: Program Performance Report on the World Bank Group Program of Support for the Chad-Cameroon Petroleum Development and Pipeline Construction, 2009.

V. The World Bank’s Interim Assistance Strategy

48. Based on the Bank’s experience during the last CAS period, recent portfolio reviews, and ongoing discussions with Government on how IDA can best support Government efforts to improve the impact of government revenues on poverty reduction, the Bank is proposing the implementation of a new strategy for Bank engagement with Chad through a new Interim Strategy Note (ISN). An ISN, rather than a full Country Assistance Strategy, is considered the best approach due to the shift in the relationship between the Bank and Chad.

49. **Based on a low CPIA and poor portfolio performance, IDA resources available to Chad are limited.** Total IDA resource availability to Chad during the ISN period (FY10 to FY12) is estimated at approximately SDR 47.9 million. The FY11 and FY12 allocations are estimated at about SDR 12.4 million each. The FY11-12 allocations are indicative only and can change depending on: (i) total available IDA resources; (ii) the country’s performance rating; (iii) the performance and assistance terms of other IDA borrowers; (iv) the terms of IDA's assistance to Chad (grants or credits); and (v) the number of IDA-eligible countries. Non-compliance with the Bank’s Non-Concessional Borrowing Policy, as a result of the signing of two large, non-concessional external loans, may reduce the volume of available IDA. A ruling by the Committee cannot take place until a Debt Sustainability Analysis is finalized (June 2010). The FY12 indicative allocation assumes a similar level of replenishment in IDA16 as in IDA15. Should additional IDA resources materialize during the ISN period, these would be used to scale-up the amounts allocated to the pipeline of planned investments rather than necessitating the development of new ones. The Bank team will also seek to supplement IDA resources with various trust funds (GEF, SPF, IDF…) and explore the use of other, non-traditional support that can be provided through the World Bank Group (including guarantees).

Table 2: Chad IDA allocation, in SDR M

	Grants	Credits	Total
FY10 *	9.2	13.9	23.1
FY11	*5.5*	*6.9*	*12.4*
FY12	*5.5*	*6.9*	*12.4*
Total	***20.2***	***27.7***	***47.9***

* Includes 12.6 M SDR in grants backloaded from FY09, FY10 commitments of 1.9 M SDR subtracted
Italics – notional allocation

50. **The ISN, which covers the June 2010 to June 2012 period, proposes new directions for Bank engagement in Chad.** During this period, the main objectives for the Bank will be to fully reengage and reestablish a productive dialogue and working relationship with Chad. The strategy will therefore serve to strengthen the relationship between the Bank and the country, with special focus on the development of a heightened understanding of Chad’s complex development challenges and opportunities. The Bank will strengthen the dialogue with national stakeholders, state and non-state, as well as international development partners, and reinforce its engagement and knowledge of key sectors. This will give a solid base for the development of a future CAS. The strategy is fully aligned with the priorities as set forth in the Government’s SNRP II, and it aims to create synergies and leverage the work of development partners.

51. **The strategy focuses on the development and delivery of extensive knowledge and analytical and advisory activities (AAA) in various sectors.** This work will serve to strengthen the Bank’s knowledge base in Chad and to inform national stakeholders, establishing a platform for dialogue and exchange that may spur wider change and reform initiatives. It will also support

the Government in the implementation of its development agenda and sector strategies/policies, reinforce the impact of lending, and inform new lending and future Bank engagement in Chad (through a CAS). The Bank will supplement its own budget resources with trust funds in order to support a broad analytical agenda.

52. **The Bank will engage in outreach through the implementation of analytical and lending work.** This work will aim to draw in, engage, and strengthen the dialogue and relationship with state and non-state actors that can contribute to building space and demand for reform. Outreach will be integrated across the portfolio, where lessons and conclusions from AAA and lending operations will be distributed and disseminated through workshops and other forums. One tool for increased outreach is the implementation of a communications strategy. The Bank will develop and implement a communications strategy during the coming ISN period. The communications work aims to establish a stronger feedback loop between project beneficiaries, development actors, and the Bank in Chad regarding Bank engagement. It also aims to strengthen demand-side governance. It will be implemented from the start of FY11 and is based on an acknowledgement that the Bank's engagement in a country as diverse as Chad, with a number of different stakeholders, strategically focused and continued communication is needed to build wide participation and stakeholder confidence. The work will consist of the establishment of forums for dialogue and communication with stakeholders, at central and local levels and will be articulated around the following elements: (a) Systematic and comprehensive provision of communications assistance to all missions and activities led by the country team. This will include the organization of regular round-table discussions and information sharing and dialogue forums with the main stakeholders - CSOs, NGOs, the media, parliament, private sector, beneficiaries, and local communities - and activities that capture beneficiary feedback before, during, and after project implementation; (b) publishing of a quarterly report which will be distributed electronically to national counterparts and the Bank team. These reports will include information on project and ISN implementation; (c) field visit with representatives of the media – in order to establish communication between the press and beneficiaries of World Bank projects; (d) establishment of a mechanism for communication and dissemination of information/knowledge with the National Assembly; (e) support to implementing authorities, including project teams and key public entities like the Economic Unit ("Cellule Economique"); and (f) dissemination of governance, budget, and poverty data through the media. This will form an essential part of the governance program in terms of social accountability and public financial management.

53. **Lending will build on existing elements of success and pilot innovative approaches in key priority sectors.** Building on existing elements of success, the current Bank portfolio will be largely restructured, focusing efforts on investments which are having the most significant impact. Through existing and new lending, the Bank will pilot innovative approaches in key priority sectors, aiming to help the government improve the impact of its own spending. New lending will be limited to sectors and activities that have had proven impact, with additional financing for health and education activities, restructuring of Bank engagement in the water sector, and follow-on activities for rural development (phase 2 of existing APL) and agriculture. Proposed future activities aim to deepen successful past engagement and focus on providing support at the local level.

54. **The ISN gives particular attention to the gender aspects of development, and a gender perspective will be emphasized in all Bank operations undertaken under this strategy.** To build its analytic knowledge, the Bank will identify sources of information which will strengthen its understanding of the underlying historic factors that contribute to gender disparities in Chad. It will support efforts that aim to reduce gender disparities, through promoting women's rights and providing them with access to services and opportunities to improve their lives, including access to education and credit. It will also promote the inclusion of women in project implementation structures and processes. Support may include interventions that aim to modify perceptions and behaviors relating to issues such as female genital mutilation, polygamy, marriage of minors, and property and ownership rights. The Bank will continuously, throughout the ISN period, assess the gender impact and implication in each of its operations and ensure that appropriate gender diagnostics are undertaken.

55. **Selectivity**. As a result of lessons from past engagement, as well as limits set by available resources, the Bank will provide support to a limited number of sectors and operations during the coming ISN period. This is also in line with assessments of the SNRP II, which it is feared reproduces some of the shortcomings of the first PRSP in terms of a lack of prioritization and weaknesses in monitoring and evaluation systems. Proposed future Bank operations will build on engagements that have generated positive results and impact and focus on activities that respond directly to the needs and can have a direct impact on the population. The Bank will also continue to provide support to certain reform initiatives, notably public financial management, the strengthening of institutions, and capacity building, particularly at the decentralized levels. Emphasis will be put on results and monitoring. Selectivity will also apply to geographic coverage of operations.

56. **The Bank will work to simplify project structures.** To this end, the Bank will restructure certain on-going operations, notably in the education sector, and commits to designing more streamlined operations going forward. This will include less complexity in project design (number of components and activities) and in implementation structures.

57. **The proposed strategy for Chad has three main axes of engagement**: (i) strengthening governance and public financial management (a cross-cutting element); (ii) improving livelihoods and access to key social services; and (iii) improving regional integration and connectivity. Through its work, the Bank aims to leverage national resources—by working to render the public financial management system more effective and efficient and by complementing national spending in key social sectors. A draft ISN results framework, which will be updated throughout the ISN period, is presented in Annex 1.

(i) Axis 1: Strengthening governance and public financial management

58. The Bank's focus for improved governance in Chad will be on resource management, working with the Government of Chad to increase efficiency and transparency in the use of public resources. In this regard, the Bank will, in partnership with the IMF, provide advice and support which aims to address some of the weaknesses in the current budget preparation and implementation system and identify ways to improve effectiveness of resources allocated to priority sectors. The support will consist of a series of technical notes that will be provided to government. The Bank will also strengthen its implementation support to the IDA-funded Public

Financial Management Capacity Building Project (PARCAFIP, IDA grant approved in May 2007 for a total of USD 10 million[18]). PARCAFIP provides funding for activities identified under the government's Action Plan to improve public financial management (PAMFIP) - a five-year plan which aims to consolidate and deepen efforts to improve the quality of public financial management and strengthen institutional capacity to improve the developmental impact of public resources. The action plan implies important reforms in the sector and covers the entire budget and revenue mobilization cycle. Bank support aims to strengthen the institutional and technical capacity for undertaking the planned reforms, in coordination with other technical and financial partners. The Bank will also support the Government's work under the EITI. The strategy also includes more in-depth analysis of expenditure flows in the education and agriculture sectors.

59. The Bank will undertake a household poverty and consumption survey, ECOSIT3, with particular focus on gender issues. This will be a follow-up to a 2003 household study (ECOSIT2), which provides a baseline for poverty levels in Chad prior to the emergence of oil revenues. ECOSIT3 will provide up-to-date and reliable poverty data for Chad, highlight the evolution of poverty indicators since the onset of oil revenues, and allow for an evaluation and analysis of the impact of oil revenues and investments made in poverty reducing sectors in Chad. The development and implementation of ECOSIT3 will be done in partnership with the National Institute for Statistics and Economic and Population Research, INSEED (*Institut National de la Statistique, des études économiques et démographiques*) and possibly other national organizations—aiming to strengthen national capacity for undertaking surveys, gather, and analyze statistical data. INSEED, with support from the EU and the French, is currently updating the National Strategy for Development of Statistics in Chad. In support of this, the Bank will seek to establish a national partnership for financing and implementing the strategy which will promote improved national dialogue and partnership between data users and producers at the national and local levels. The Bank will seek trust fund resources, including from the Catalytic Fund for Statistics for Results Facility, to strengthen national statistical capacity, including activities which will improve the production and use of statistics. Such activities may include improvements in statistical infrastructure and data collection activities, improvements of physical infrastructure, training, and technical assistance.

60. Using ECOSIT3 as a base, the Bank will undertake a combined poverty and gender assessment during the ISN period. The work on gender will include the identification and assessment of gender-based barriers to economic growth and poverty reduction in Chad and aim to identify the underlying factors that contribute to gender disparities in Chad. This work will complement and build on current efforts led by the Ministry of Social Action, supported by UNFPA (which include a gender analysis and mapping, expected to be completed in the early summer 2010).

61. In order to gain further knowledge of the political economy picture in Chad, the Bank will undertake a political economy study on the environment of fiscal institutions. The study will have two broad objectives: (i) review and map the institutional, organizational and political economy relationships between the key players in carrying out the government's central finance

[18] PARCAFIP is currently rated "moderately unsatisfactory" (December 2009 ISR). Based on findings during an April 2010 implementation mission, including the preparation of a 2010 Work Plan and Budget and Procurement Plan and a recent peak in disbursement (at 13%), the project will be upgraded to "moderately satisfactory".

functions, such as budget preparation and execution, debt management and revenue collection. These institutions include the finance ministry, the central bank, the line ministries, the parliament, and civil society groups; and (ii) focus on specific issues of concern such as the planning and management of public investment, the interface between the ministries of finance and infrastructure, and the management of resource revenues. The study will make concrete recommendations on how these institutions and processes can be strengthened to improve the overall management and control of public finances.

62. In light of recent non-concessional borrowing and higher levels of debt, the Bank will assist the authorities in strengthening the country's debt management capacity—with the aim to avoid excessive accumulation of new obligations that can undermine the country's debt sustainability. Support will be provided through a Debt Management Performance Assessment (DeMPA) which will include the development of an action plan for debt management.

63. As additional support to the Government in its work to strengthen public financial management systems, the Bank will undertake a Country Procurement Assessment Report (CPAR) and/or a Country Financial Accountability Assessment (CFAA). The CPAR allows for an analysis of the country's procurement policies, organization, and procedures. Based on the CPAR, an action plan to improve the national system for procuring goods, works, and consulting services will be developed. The CFAA is a key diagnostic tool to describe the financial accountability arrangements in the public and private sectors, assessing the strengths and weakness of accountability arrangements and identifying the risks that these may pose to the use of Bank and other public funds. The work will be subject to availability of resources.

64. Under the new strategy, the Bank and the IMF will work together to analyze the status of the financial sector by conducting a Financial Sector Assessment Program (FSAP).

65. The strategy will support regional economic sector work (ESW) which will inform World Bank assistance strategies over the next several years with regard to stabilization and recovery for the war-affected border-land areas between Chad, Sudan, Darfur and Central African Republic (CAR). The primary objective of such an ESW will be to provide a set of recommendations for World Bank operational options, either at the national or regional level, to support interventions in these areas, with a focus on community recovery. It is anticipated that this work will also inform client governments on adopting appropriate approaches to the sub-region. The analysis and recommendations will inform possible future Bank engagement in this area under a new Bank strategy (CAS).

(ii) Axis 2: Improving livelihoods and access to key social services

66. Based on demand from government and an informal assessment of the impact from past and current Bank projects, it is proposed that the Bank focus new engagements in sectors that can have a direct impact on poverty, including health, education, water/urban development and rural development. Building on lessons from the implementation of recent/on-going rural development and health sector projects, the proposed approach for such engagement is to support a decentralized model for service delivery, where support is channeled more directly towards the end user. This will also strengthen capacity at the local level. The Bank's engagement will

accompany the Government's physical work in these sectors – to assure infrastructure investments are made operational. The Bank will also work with the Government to develop and or refine existing sectors strategies (notably education, agriculture/rural development).

67. The Bank proposes to support the Government in its efforts to improve reproductive health indicators and slow down the rate of new HIV infections through an additional financing to the existing Second Population and AIDS Project (PPLS2). The proposed additional financing will extend an integrated and decentralized approach to HIV/AIDS and maternal and child health services, introduced under PPSL2 from 2002, in ten health districts in five regions, in addition to the capital city, N'Djamena. It will also introduce a results-based financing (RBF) approach to improve maternal and child health outcomes. This approach is proposed piloted in two additional regions. The operation will increase availability and the provision of services in the areas of maternal health and HIV/AIDS through existing health centers and mobile teams. It will also support initiatives aimed to create increased awareness of the importance of maternal and child health and of sexually transmitted illnesses and HIV/AIDS through community and social mobilization and strengthen the capacity of health workers in the area of reproductive health and introduce. The project will contribute to improving family welfare by providing contraceptive and essential medicines related to child survival and will complement work undertaken and financed by the Government, the Global Fund and other donors.

68. The Bank proposes to restructure its current education sector operation (PARSET), to better support the work undertaken by the government and respond to needs and realities on the ground. As such, the project proposes to focus on teacher training and the financing of teaching and pedagogical material and school equipment. It will also finance the construction of school latrines and access to water and electricity. The project will pilot a new scheme for direct provision of School Grants to 150 public primary schools. The grants will cover costs of school supplies and extra-curricular activities and will be managed by School Committees. PARSET will also pilot support to secondary education focused on matching government efforts to render its new high-schools fully operational. The Bank will support the multi-donor effort which aims to allow Chad access to the Education for All Fast Track Initiative, EFA-FTI. In this context, additional financing to PARSET will be provided in FY12. The Bank will also undertake analytic work (on-going public expenditure tracking survey) and provide technical assistance which will support the Government in the development of policies and strategies around selected education issues – including gender-related issues. The Bank's engagement in the sector aims to increase the enrollment and completion rates in primary and secondary school, with particular focus on increasing the enrollment of girls. Teacher training initiatives will also target female teachers.

69. Bank proposed support to the water sector will focus on the completion of urgent investments in water production and distribution facilities aimed at increasing access to water supply in the major urban centers in Chad (N'Djamena and Abéché). It will also include support aimed at addressing structural issues in the water sector - potentially improving its financial sustainability – and assistance to the Government of Chad in the establishment of the new water utility, *la Société tchadienne des eaux* (STE, Chad Water Company). New Bank support will be through (and conditioned by) a retroactive extension and use of remaining funds from the Critical Electricity and Water Project (making use of the new investment lending reform

initiatives). Additional support may be provided through a local/rural development community-based project. The Bank's work will be integrated and complement sector work undertaken by the European Union and the African Development Bank.

70. The Bank will re-engage in the agriculture sector over the ISN period, where a programmed lending operation will aim to increase agricultural productivity, possibly focusing on water management for crops and livestock. The work will be aligned and support the Government's own efforts in the sector: the National Food Security Program (*Programme Nationale pour la Securisation Alimentaire,* PNSA). The Bank will also undertake analytic work in the sector, including a detailed analysis of public spending (Public Expenditure Tracking Study and/or Public Expenditure Review) and an updated sector review. Additional analytical work may include an analysis of the economic value of different irrigation systems. This work will inform further Bank engagement in the sector, including programmed lending, and include details of other donor engagement in the sector. Future Bank engagement in the agriculture sector will be coordinated with the work of other donors, particularly the EU and the FAO.

71. The strategy will provide continued support to local development, either through phase two of the on-going Local Development Program Support Project (PROADEL), or through a new lending operation. Support will focus on the delivery of services based on needs expressed by the population/community, identified and delivered using a community-driven development approach (CDD). The menu of activities to be supported under the project will be determined based on needs expressed by the population/communities, the needs expressed by Government, and lessons from the implementation of PROADEL. Priority will be given to subprojects which address gender concerns.

(iii) Axis 3: Improving regional integration and connectivity

72. In line with the SNRP II, which states that improvements in the transport sector in Chad is critical for Chad's economic development and poverty reduction, the Bank will continue its support to the CEMAC Trade and Transport Facilitation Program (TTFP). The project was approved by the CEMAC Heads of States in 2006 and is supported by IDA's CEMAC transit and transport facilitation project (approved by the IDA Board in June 2007 - US$ 201 million). The project aims to improve road and rail infrastructure from Douala (Cameroon) to N'Djamena (Chad) and Bangui (CAR). Customs reform at national level and capacity building are funded by the EC and AFDB. The project also aims to strengthen Central African regional institutions so that they can fulfill their mandates to encourage an expanded, better governed regional market, and a more transparent, better regulated and more competitive financial system. The Bank is also providing continued support under the Trade Facilitation Facility (TFF), which aims to promote an integrated soft infrastructure agenda which will complement the ongoing physical investments. The TFF and the CEMAC TTFP support the same objectives: to remove trade bottlenecks and advance the long-term objective of creating a functioning customs union, focusing on activities that enhance the potential for taking advantage of global trade opportunities through the reduction of trade costs and expansion of the export base.

73. The Bank will provide continued support, including support to phase 1b, to the ongoing Central African Backbone (CAB) Program during the ISN period. The CAB program aims to provide broadband connectivity to all capital cities and main secondary cities in Chad and 10

additional countries in Central Africa. The project also supports the modernization of the legal and regulatory framework for ICT, which will enhance competition and harmonization with other CEMAC countries, and the development of E-Government applications which will promote good governance and transparency in the public sector. The IDA and IBRD contribution for the CAB program is $215 million over a ten-year period, and the program aims to leverage additional $97.1 million from the private sector. Phase 1a of the CAB Program includes Cameroon, CAR, and Chad and was approved by the Board in September 2009. The subsequent horizontal APL phases of the CAB are being prepared based on individual countries' requests. The project is expected to significantly increase Chad's broadband access and lead to a reduction in the price paid by users for such connections.

74. **IFC support.** During the ISN period, IFC will continue its work to improve the business environment in Chad by supporting a newly established public-private dialogue mechanism, building on work undertaken as part of the CCPP. The support will continue during the entire ISN period and focus on regulatory simplification and "Doing Business" reforms, fostering a reduction of informality, enhanced micro, small and medium enterprise growth, and increased private sector investment and initiatives that will lead to the creation of more jobs in the formal sector. Building on a history of collaboration with the Chamber of Commerce (CCIAMA), the IFC will provide capacity development support to the Chamber of Commerce – to enable it to more effectively represent the voice of its members, build its service offering to the micro, small and medium enterprise sector, and sustain formal public-private dialogue. This will include strengthening the CCIAMA to manage the Enterprise Center set up as part of the CCPP to enable national entrepreneurs to benefit from Chad's oil projects. The EU and the AFD have expressed interest in supporting the program. IFC will also continue to support the "Business Edge" initiative, which provides capacity support to small- and medium-sized enterprises that are working in the value-chain of large companies. IFC will continue to support the reform of OHADA to improve the quality and effectiveness of the legal and institutional OHADA framework and help Chad increase its attractiveness for domestic and foreign private investment. The initiative aims to (i) review and amend OHADA acts, (ii) provide institutional support to the OHADA Permanent Secretariat, and (iii) enhance communication, advocacy and dissemination. The IFC will also continue work to monitor the environmental and social mitigation aspects of the CCPP – in partnership with Esso.

Table 3: Proposed non-lending work during ISN period		
Sector	**FY11**	**FY12**
Agriculture	Sector review	PETS/PER
Education	PETS EFA-FTI	
Conflict and recovery	Regional study	
Fiduciary		CPAR and/or CFAA
Financial		FSAP
Political economy	Study of the political economy environment of fiscal institutions	
Poverty & Gender		Poverty assessment
Public financial management	Technical notes (quarterly) Budget management TA	Technical notes (quarterly) DeMPA

Table 4: Proposed new lending during ISN period (in USD million) [19]				
Sector/proposed activity	**Modality**	**FY10**	**FY11**	**FY12 [20]**
Agriculture	New operation			15.0
Education – PARSET	Additional financing			10.0
Health - PPLS2 incl. household survey (ECOSIT3)	Additional financing	20.0		
Local development/CDD	New operation/ PROADEL phase 2		25.0	
Telecommunications - CAB	Phase 1b (charged against national IDA, total proposed cost: USD 14.7 M)		3.8	
Water	Reallocation of remaining resources under PRSEE		[25.0]	
TOTAL		**20.0**	**28.8 ***	**25.0**
* Excludes funds possibly reallocated from PRSEE				

VI. Implementation and Results Monitoring

75. **The ISN includes a strong focus on results.** ISN outcomes have been identified bearing in mind both the on-going portfolio objectives and the intended outcomes of the planned operations (see ISN results framework presented in Annex 1). The framework has been carefully structured to be realistic in the targets set out given the short time period of the ISN and the challenging country context. Most of the results that are expected to be achieved during the ISN period will be generated from the on-going operations and efforts have been made to closely relate the indicators and milestones selected to what is being measured and tracked in the portfolio. The ISN results framework is designed to be flexible and will be adjusted as and when projects are formally restructured to reflect any formal changes in those project indicators that are included in the ISN results framework. The results framework is meant primarily as a monitoring tool and to track progress, not as an evaluation tool. The CAS Completion Report will also include a review of progress and lessons learned under this ISN.

[19] Lending amounts will be adjusted to reflect the impact of a ruling by the Bank's Non-Concessional Borrowing Committee on the Libyan loan and the guarantee provided for the oil refinery (see paragraphs 18, 20, and 53).
[20] Based on front-loading of 30% as per IDA 15.

76. **The focus on results will be reinforced through strengthened program and project management and supervision**. As the Bank moves beyond the period of transition to a normalization of operations, the capacity of the Country Office will continue to be strengthened. This will include the hiring of a new Country Manager and additional local staff. Since the opening of the local office in January 2009, regular supervision/implementation activities have resumed, which has had a positive impact on the portfolio, with project ratings improving. This trend is expected to continue. To strengthen implementation support and supervision of new and on-going projects, the Bank will continue to undertake regular project-level supervision, mid-term reviews, and other operational reviews. Emphasis will be on the Bank team providing implementation support to the client—identified based on the needs of the national/local implementation teams as well as on monitoring progress and results. The Bank will undertake yearly portfolio reviews, aiming to improve project implementation, the achievement of results, while maintaining the already high disbursement ratio. A stronger presence in the N'Djamena office will ensure a more sustained dialogue with national counterparts and allow for closer implementation support to ongoing projects, where task team leaders will have back-up support from field-based staff. The Bank will work to strengthen local capacity for managing and implementing development projects—as part of the implementation support to individual projects and possibly also through portfolio-wide interventions. This will include training in procurement and financial management procedures, and monitoring and evaluation. Where possible, the Bank will also seek to work through already existing structures – at central and decentralized levels - to implement projects. All projects will be designed and implemented in a manner to offset corruption risks, with intensified supervision in procurement and financial management. The Bank team will also work with national counterparts to assure projects have adequate monitoring and evaluation frameworks and processes in place. This will be accompanied by further training in these areas when and where needed.

VII. **Partnerships**

77. The ISN was developed with input and in consultation with the main stakeholders in Chad, including Government, civil society (including Members of Parliament), private sector, and donors. Donors consulted include the IMF, the IFC, the United Nations (UNDP, UNICEF, UNFPA, WHO), the African Development Bank, the European Union, France, Germany, Switzerland, and the US. In-country consultations took place from April 12 – 22, 2010.

78. There is no formal aid coordination mechanism or regular and structured forum of consultation between the major technical and financial partners and the Government. Thematic consultations have, however, taken place in the areas of governance and basic infrastructure. Under the leadership of the Country Manager, the Bank will seek to play a role in the establishment of an aid coordination and monitoring forum/mechanism. This may also serve as a forum for improved engagement between Government and donors on PRSP implementation.

Table 5: Current donor support, Chad					
	Agriculture & Rural Dev't	Transport & Infrastructure	Water & sanitation	Education & health	Multi-sector, incl. governance
AfDB	√	√	√	√	√
AFD		√	√	√	√
EU	√	√	√	√	√
KFW-GTZ	√		√	√	
Switzerland	√	√		√	√
UNDP					√
WB	√	√	√	√	√

79. The Bank will work closely with other WBG partners and the multi-lateral and bi-lateral donors present in Chad in the implementation of the proposed strategy. Efforts to strengthen donor harmonization and coordination will be pursued during the period of implementing the strategy. The Bank will work to strengthen its relationships with partners in sectors of joint engagement, such as in the support to the Government's action plan for improved public financial management (also supported by the AfDB, the EU, the French), and work to establish new partnerships in sectors of renewed engagement or re-engagement (water, agriculture, local development). The Bank will work to leverage the work of other partners, e.g. in the transport sector where the CEMAC Trade and Transport Facilitation program is closely linked and coordinated with customs reform and capacity building initiatives supported by the AfDB and the EU.

VIII. Risks and Mitigation

80. The external and internal environment in Chad remains challenging and there are important risks to engagement. These risks will be factored into the design of the Bank's strategy. Lessons from past engagement, particularly with regards to complexity of design, ambitiousness, and implementation arrangements, will be integrated into new and ongoing operations. Some of the identified risks include:

- **Conflict/insecurity**, including uncertain prospects for a resolution of the crisis in Darfur and the spill-over of problems into Chad. Non-renewal of the mandate and withdrawal of MINURCAT forces may pose further risks to security and the situation in the north-east. A recently signed peace agreement between Déby and al-Bashir provide an important positive development in this regard. There is also a risk of heightened instability and insecurity in relation to the upcoming elections. Continued security risks and insecurity may affect the geographic coverage of the Bank's work in Chad. Proposed ESW sector work - consisting of a regional study on the conflict-affected border areas between Chad, Darfur and CAR – will provide further knowledge of sources and possible options for furthering peace.

- **Political tension and government ownership.** A high level of internal political tension remains and the process of preparing for open elections has made erratic progress. During past engagement in Chad, a lack of government ownership and commitment to implementation has been evident. The Bank's proposed focus on sectors with direct impact on poverty, together with support being channeled more directly to the end user should enable development impact even in the absence of strong political commitment. Consultations with government and non-government actors, including civil society and the private sector, were undertaken in the preparation of the strategy. The Bank will implement enhanced outreach as a distinct modality of support to further deepen the relationships with government and non-government actors, to ensure that Bank activities (AAA, lending and dialogue) respond to the needs of the people of Chad and optimize the opportunities for inclusive growth and poverty reduction. The Bank will also undertake political economy diagnostics to better understand the complex environment and to identify and support levers of change.

- **Governance.** Chad ranks 175th out of 180 countries in the 2009 Transparency International Corruption Perceptions Index, with a score of 1.6 (0 being "most corrupt", 10 being "least corrupt"). The Index has not improved over the last years. While President Déby has launched a campaign against corruption which has allowed a case linked to fraudulent procurement of textbooks to proceed unimpeded, the country suffers from weak institutional capacity and public management systems. The proposed program directly supports development of institutional capacity, improved public financial management systems, and the broad dissemination of budget analysis to promote increased social accountability. The political economy study on the environment of fiscal institutions will also identify concrete measures to strengthen PFM institutions and processes to improve the overall management and control of public finances

- **Macroeconomic stability.** The economy being heavily dependent on oil, Chad is increasingly vulnerable to oil shocks. Given the continuing lack of fiscal discipline and the challenge of getting back on track toward an IMF-supported program, Chad is unlikely to qualify for HIPC Completion Point before 2012. Further food shocks/shortages may also put additional pressure on spending. The Bank will continue to work closely with the Fund to inform the annual budget preparation and implementation process, using enhanced outreach to broadly disseminate findings of PFM diagnostics to enrich budget debate. Through PARCAFIP, the Bank will continue to work with the Government to strengthen public financial management systems. The Bank's program will support Government efforts to invest revenues in a manner that will support non-oil growth and improve the delivery of services at the local level. The planned FSAP will also assist the Bank, together with the IMF and the Government, to assess the health of the financial sector and its capacity to assist with the financing of Chad's development.

- **Availability of Bank resources** (for implementing the proposed strategy). IDA resources for Chad are limited and expected impact from engagement will need to correspond to available resources. The Bank team will proactively seek access to trust fund resources for Chad, explore the utilization of other funding modalities (guarantees, etc.), and use enhanced coordination with development partners to leverage the impact of all development resources.

Annex 1: ISN Draft Results Matrix

PRSP Axis	ISN Outcomes	ISN Outcome Indicators	ISN Milestones	Bank Portfolio
ISN Axis 1: Strengthening Governance and Public Financial Management				
Good governance	**1. Increased efficiency and transparency in the use of public funds**	• *PEFA indicator 25 (ii) (measuring quality and timeliness of annual accounts) is upgraded from C in PEFA 2009 to A in PEFA 2012*	• *2010 Treasury Accounts submitted to Chamber of Account by May 2011* • *2010 Loi de Règlement submitted to Parliament by September 2011* • *Circuit Intégré des Dépenses (CID, current IFMIS) is upgraded and rewritten by December 2011*	**Lending:** - PARCAFIP (PFM) (on-going) **Non-lending TA/AAA:** - Budget preparation and execution technical notes - Study on political economy environment of fiscal institutions - Debt Management Performance Assessment Country Procurement Assessment Report and/or Country Financial Accountability Assessment
	2. Improved access to reliable poverty data	• *Poverty and gender assessment based on new data undertaken by June 2012*	• *Household poverty and consumption survey undertaken by December 2011*	**Lending:** - ECOSIT3 (under PPLS2) **ESW:** - Poverty assessment - Conflict assessment - Communications strategy

PRSP Axis	ISN Outcomes	ISN Outcome Indicators	ISN Milestones	Bank Portfolio
ISN Axis 2: Improving livelihoods and access to key social services				
Investment in human capital	**3. Improved access to and quality of health services -** with a focus on maternal and child health and HIV/AIDS prevention	• *Pregnant women receiving antenatal care during a visit to a health provider: increase from around 79,000 in 2009 to 116,000 by June 2012* • *Children immunized: increase from around 94,000 in 2009 to 118,000 by 2012* • *Young people aged 15 to 24 years reporting the use of condoms in their last act of sexual intercourse with a non-regular partner in the last 12 months increase: Male: 25% (2004/05) to 65% (2012). Female: 18% (2004/05) 35% (2012)*	• *393,600 women of child-bearing age reached by CBO interventions by June 2012* • *5 million condoms distributed by June 2012 compared to 3.9 million by 2007*	**Lending:** - PPLS2 (health) (additional financing)
	4. Improved access to and quality of primary education	• *Primary level gross enrollment rate (GER) in targeted zones* *- Batha: 51% (2009) to 61% (2011)* *- LAC: 37% (2009) to 47% (2011)* *- BET: 66% (2009) to 76% (2011)* *- Salamat: 44 (2009) to 55% (2011)* • *Ratio of girls to boys primary level in targeted zones* *- Batha: 1.11 (2009) to 1.00 (2011)* *- LAC: 0.60 (2009) to 0.70 (2011)* *- BET: 0.60 (2009) to 0.70 (2011)* *- Salamat: 0.46 (2009) to 0.56 (2011)*	• *Interim Education Sector Plan (IESP) adopted by the government by December 2011* • *Curriculum for Grades 1 to 4 is validated by December 2011* • *1,500 additional Level 1 community teachers trained by December 2011* • *465 additional primary classrooms in targeted zones with equipment, and access to water and latrines by end 2011*	**Lending:** - PARSET (education), incl. additional financing (on-going) **ESW:** - Education sector PETS (on-going) **Non-lending TA:** - Education sector policy development - EFA-FTI (on-going)
	5. Improved access to water supply	• *People in project areas with access to Improved Water Sources: increase from 126,000 in 2007 to 190,000 by end 2011*	• *127 community water points rehabilitated by December 2011*	**Lending:** - PADUR (urban/water) (on-going/additional financing) - Potential new lending

PRSP Axis	ISN Outcomes	ISN Outcome Indicators	ISN Milestones	Bank Portfolio
Axis 2: Investment in human capital	**6. Improved agriculture productivity**	*(Targets will be set as part of the preparation of new operations – progress on agricultural productivity attributable to the Bank during the ISN period is expected to be limited)*	• *Agriculture/rural sector PER/PETS completed by December 2011 informing the development of a new lending operation*	**Lending:** - Agriculture (pipeline) - PROADEL phase 2/New operation (pipeline) **ESW:** - Agriculture/rural sector PER/PETS - Agriculture sector review
ISN Axis 3: Improving regional integration and connectivity				
Investment in infrastructure	**7. Improved transport linkages**	*(Transit time reductions between Doula and N'Djamena not expected until completion of project works in 2014)*	• *N'Djamena-Moundou-Cameroonian border paved road is maintained by December 2011*	**Lending:** - CEMAC (on-going)
	8. Improved internet connectivity	• *International Internet/Communications Bandwidth (bits per person): increase from 18.58 in 2008 to 36 by 2011* • *Average monthly price of wholesale international capacity link from N'Djamena to European hub (E1) in $: decrease from 7,000 in 2008 to 3,200 by 2011*	• *Legal and regulatory framework for Electronic Communications Services modernized and harmonized by 2011*	**Lending:** - CAB (APL 1A on-going and financing of APL phase 1B)

Annex 2: Bank Portfolio in Chad – projects under supervision

Data as of April 30, 2010

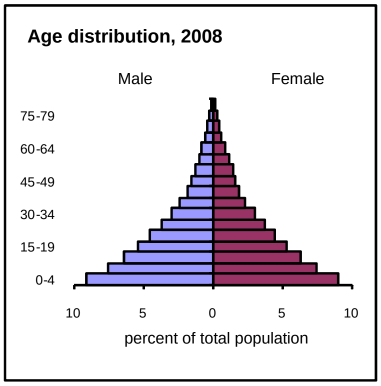
Project	Lending instrument	Approval date	Effectiveness date	Closing date	Net commited amount (USD M)	Total disbursed amount (USD M)	% disbursed	Latest DO	Latest IP	Problem project	Project at risk
1. Regular portfolio (including IDA, GEF, special financing, large recipient-executed activities and MP operations)											
Education Sector Reform (PARSET)	SIL	March 18 2003	Dec 17 2003	Dec 31 2010	42.3	35.3	83%	MU	MS	√	√
Local Development Program Support (PROADEL)	APL	Sept 16 2004	March 28 2005	June 30 2010	23.0	24.7	107%	MS	MS		√
Urban Development (PADUR)	SIL	March 6 2007	May 1 2007	Oct 30 2011	15.0	4.7	31%	MS	MU	√	√
Public Financial Management Capacity Building (PARCAFIP)	TAL	May 24 2007	April 22 2009	Dec 31 2012	10.0	1.3	13%	MU	MS	√	√
GEF Community-Based Ecosystems Management	SIL	June 28 2005	June 20 2006	March 31 2011	6.0	3.9	65%	MS	MS		√

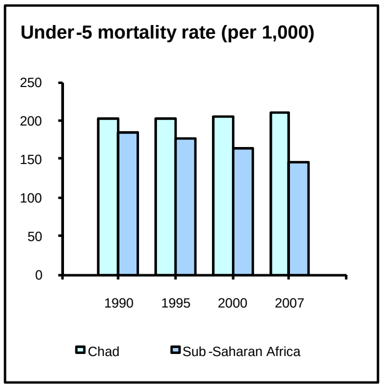
Project	Lending instrument	Approval date	Effectiveness date	Closing date	Net commited amount (USD M)	Total disbursed amount (USD M)	% disbursed	Latest DO	Latest IP	Problem project	Project at risk
2. Regional operations											
CEMAC Transport Transit Facility (IDA)	SIL	June 26 2007	Dec 5 2007	Jan 31 2013	30.0	2.7	9%	S	MS		
AFR Emergency Locust (IDA)	ERL	Dec 16 2004	May 27 2005	June 30 2010	9.1	6.9	76%	MS	S		
Central African Backbone	APL	Sept 24 2009	Feb 2 2010	March 15 2016	9.0	0.0	0%	MS	MS		

Annex 3: Chad at a glance

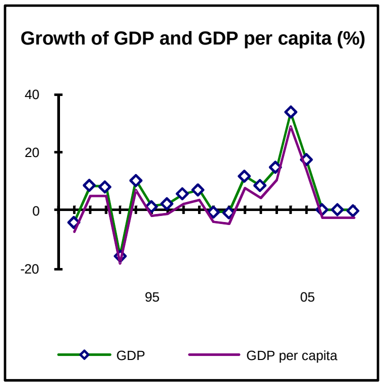
2/25/10

Key Development Indicators	Chad	Sub-Saharan Africa	Low income
(2008)			
Population, mid-year (millions)	11.1	818	973
Surface area (thousand sq. km)	1,284	24,242	19,310
Population growth (%)	2.8	2.5	2.1
Urban population (% of total population)	27	36	29
GNI (Atlas method, US$ billions)	5.9	885	510
GNI per capita (Atlas method, US$)	530	1,082	524
GNI per capita (PPP, international $)	1,160	1,991	1,407
GDP growth (%)	-0.2	5.0	6.4
GDP per capita growth (%)	-2.9	2.5	4.2
(most recent estimate, 2003–2008)			
Poverty headcount ratio at $1.25 a day (PPP, %)	62	51	..
Poverty headcount ratio at $2.00 a day (PPP, %)	83	73	..
Life expectancy at birth (years)	51	52	59
Infant mortality (per 1,000 live births)	124	89	78
Child malnutrition (% of children under 5)	34	27	28
Adult literacy, male (% of ages 15 and older)	43	71	72
Adult literacy, female (% of ages 15 and older)	21	54	55
Gross primary enrollment, male (% of age group)	87	103	102
Gross primary enrollment, female (% of age group)	61	93	95
Access to an improved water source (% of population)	48	58	67
Access to improved sanitation facilities (% of population)	9	31	38





Net Aid Flows	1980	1990	2000	2008 [a]
(US$ millions)				
Net ODA and official aid	35	311	130	352
Top 3 donors (in 2007):				
European Commission	9	21	18	75
United States	6	18	4	60
France	10	125	25	48
Aid (% of GNI)	3.4	18.0	9.5	6.0
Aid per capita (US$)	8	51	15	33



Long-Term Economic Trends	1980	1990	2000	2008	1980–90	1990–2000	2000–08
Consumer prices (annual % change)	..	0.6	3.8	8.3			
GDP implicit deflator (annual % change)	8.7	8.0	5.3	11.7			
Exchange rate (annual average, local per US$)	211.3	272.3	712.0	445.7			
Terms of trade index (2000 = 100)	..	125	100	218			
					(average annual growth %)		
Population, mid-year (millions)	4.6	6.1	8.5	11.1	2.8	3.3	3.4
GDP (US$ millions)	1,033	1,739	1,385	8,400	6.1	2.2	11.9
		(% of GDP)					
Agriculture	45.1	29.3	42.3	13.6	2.3	4.9	*2.2*
Industry	8.9	17.7	11.3	48.8	8.1	0.6	*50.7*
Manufacturing	*10.3*	14.4	8.9	6.6	..	..	..
Services	46.0	53.0	46.3	37.5	6.7	0.8	*9.1*
Household final consumption expenditure	98.3	97.6	86.8	68.1	*2.6*	1.5	*9.2*
General gov't final consumption expenditure	5.5	10.0	7.7	12.3	*17.0*	-8.3	*5.8*
Gross capital formation	3.2	6.8	23.3	15.1	*18.6*	4.0	*19.7*
Exports of goods and services	16.9	13.5	16.9	54.1	6.5	2.3	*52.0*
Imports of goods and services	28.9	27.9	34.7	49.6	9.9	-1.8	*27.0*
Gross savings	*-2.7*	-2.7	7.9	*5.7*			

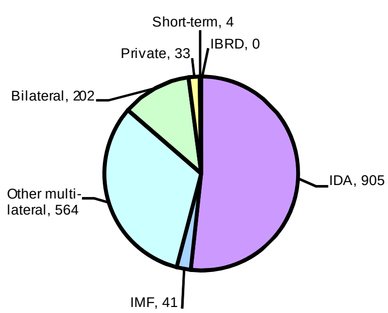
Note: Figures in italics are for years other than those specified. 2008 data are preliminary. .. indicates data are not available.
a. Aid data are for 2007.

Balance of Payments and Trade	2000	2008
(US$ millions)		
Total merchandise exports (fob)	184	2,951
Total merchandise imports (cif)	278	706
Net trade in goods and services	-247	377
Current account balance	-214	*485*
as a % of GDP	-15.5	*7.9*
Workers' remittances and compensation of employees (receipts)	..	..
Reserves, including gold	110	*539*

Central Government Finance		
(% of GDP)		
Current revenue (including grants)	7.8	9.6
Tax revenue	6.6	5.5
Current expenditure	8.8	4.6
Overall surplus/deficit	-11.4	-3.4
Highest marginal tax rate (%)		
Individual	..	..
Corporate	..	..

External Debt and Resource Flows		
(US$ millions)		
Total debt outstanding and disbursed	1,091	1,749
Total debt service	24	138
Debt relief (HIPC, MDRI)	227	..
Total debt (% of GDP)	78.8	20.8
Total debt service (% of exports)	10.0	4.2
Foreign direct investment (net inflows)	115	834
Portfolio equity (net inflows)	0	0

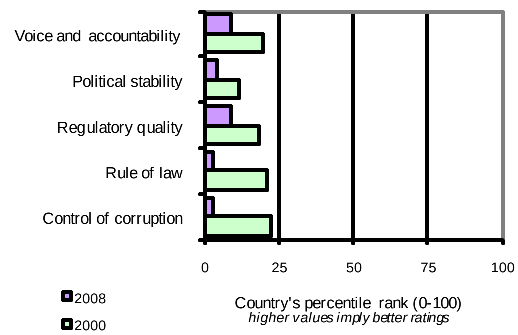
Composition of total external debt, 2008



US$ millions

Private Sector Development	2000	2008
Time required to start a business (days)	–	75
Cost to start a business (% of GNI per capita)	–	175.0
Time required to register property (days)	–	44
Ranked as a major constraint to business	**2000**	**2008**
(% of managers surveyed who agreed)		
n.a.	..	..
n.a.	..	..
Stock market capitalization (% of GDP)	..	..
Bank capital to asset ratio (%)	..	..

Governance indicators, 2000 and 2008



Source: Kaufmann-Kraay-Mastruzzi, World Bank

Technology and Infrastructure	2000	2008
Paved roads (% of total)	0.8	..
Fixed line and mobile phone subscribers (per 100 people)	0	*5*
High technology exports (% of manufactured exports)	..	..

Environment		
Agricultural land (% of land area)	39	*39*
Forest area (% of land area)	9.8	*9.5*
Nationally protected areas (% of land area)	..	*9.1*
Freshwater resources per capita (cu. meters)	*1,645*	*1,394*
Freshwater withdrawal (billion cubic meters)	0.2	..
CO2 emissions per capita (mt)	0.01	*0.01*
GDP per unit of energy use (2005 PPP $ per kg of oil equivalent)	..	..
Energy use per capita (kg of oil equivalent)	..	..

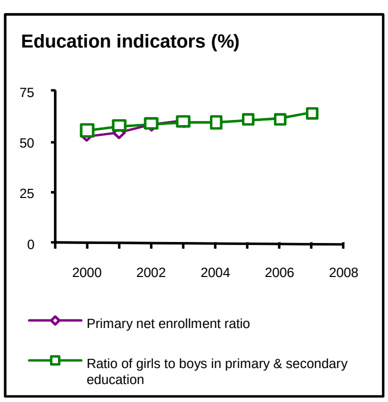
World Bank Group portfolio	2000	2008
(US$ millions)		
IBRD		
Total debt outstanding and disbursed	0	0
Disbursements	0	0
Principal repayments	0	26
Interest payments	0	1
IDA		
Total debt outstanding and disbursed	515	905
Disbursements	18	5
Total debt service	8	70
IFC *(fiscal year)*		
Total disbursed and outstanding portfolio	0	10
of which IFC own account	0	5
Disbursements for IFC own account	0	0
Portfolio sales, prepayments and repayments for IFC own account	0	2
MIGA		
Gross exposure	–	–
New guarantees	–	–

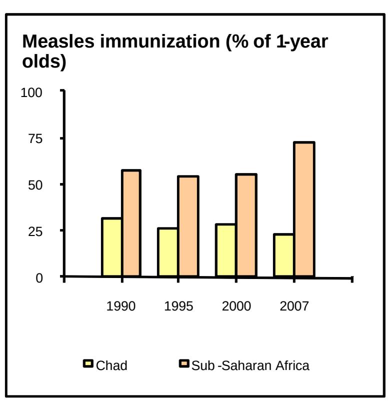
Note: Figures in italics are for years other than those specified. 2008 data are preliminary. 2/25/10
.. indicates data are not available. – indicates observation is not applicable.

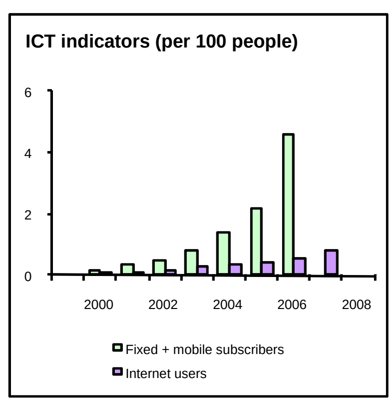
Annex 4: Millennium Development Goals

With selected targets to achieve between 1990 and 2015
(estimate closest to date shown, +/- 2 years)

	Chad			
Goal 1: halve the rates for extreme poverty and malnutrition	**1990**	**1995**	**2000**	**2008**
Poverty headcount ratio at $1.25 a day (PPP, % of population)	..	..	..	*61.9*
Poverty headcount ratio at national poverty line (% of population)	..	*64.0*	..	..
Share of income or consumption to the poorest qunitile (%)	..	..	..	*6.3*
Prevalence of malnutrition (% of children under 5)	..	*34.3*	29.4	*33.9*
Goal 2: ensure that children are able to complete primary schooling				
Primary school enrollment (net, %)	*34*	..	53	*60*
Primary completion rate (% of relevant age group)	16	14	22	*30*
Secondary school enrollment (gross, %)	6	8	11	*19*
Youth literacy rate (% of people ages 15-24)	..	*17*	38	*44*
Goal 3: eliminate gender disparity in education and empower women				
Ratio of girls to boys in primary and secondary education (%)	*42*	..	56	*64*
Women employed in the nonagricultural sector (% of nonagricultural employment)	4	..	..	..
Proportion of seats held by women in national parliament (%)	..	*17*	2	5
Goal 4: reduce under-5 mortality by two-thirds				
Under-5 mortality rate (per 1,000)	201	202	205	*209*
Infant mortality rate (per 1,000 live births)	120	120	122	*124*
Measles immunization (proportion of one-year olds immunized, %)	32	26	28	*23*
Goal 5: reduce maternal mortality by three-fourths				
Maternal mortality ratio (modeled estimate, per 100,000 live births)	..	..	..	*1,500*
Births attended by skilled health staff (% of total)	..	*15*	16	*14*
Contraceptive prevalence (% of women ages 15-49)	..	*4*	8	*3*
Goal 6: halt and begin to reverse the spread of HIV/AIDS and other major diseases				
Prevalence of HIV (% of population ages 15-49)	0.7	2.0	3.3	*3.5*
Incidence of tuberculosis (per 100,000 people)	125	181	262	*299*
Tuberculosis cases detected under DOTS (%)	..	36	*35*	*18*
Goal 7: halve the proportion of people without sustainable access to basic needs				
Access to an improved water source (% of population)	..	24	34	*48*
Access to improved sanitation facilities (% of population)	5	6	7	*9*
Forest area (% of total land area)	10.4	10.1	9.8	*9.5*
Nationally protected areas (% of total land area)	..	..	..	*9.1*
CO2 emissions (metric tons per capita)	0.0	0.0	0.0	*0.0*
GDP per unit of energy use (constant 2005 PPP $ per kg of oil equivalent)	..	..	..	..
Goal 8: develop a global partnership for development				
Telephone mainlines (per 100 people)	0.1	0.1	0.1	*0.1*
Mobile phone subscribers (per 100 people)	0.0	0.0	0.1	16.3
Internet users (per 100 people)	0.0	*0.0*	0.0	1.2
Personal computers (per 100 people)	..	..	0.1	*0.2*







Note: Figures in italics are for years other than those specified. .. indicates data are not available. 2/25/10

Development Economics, Development Data Group (DECDG).

Annex 5: Chad – Key Economic Indicators

Indicator	Actual 2005	2006	2007	2008	Estimate 2009
National accounts (as % of GDP)					
Gross domestic product[a]	100	100	100	100	100
Agriculture	12	12	13	14	..
Industry	60	61	54	49	..
Services	27	28	33	38	..
Total Consumption	65	64	79	80	106
Gross domestic fixed investment	17	13	17	14	15
Government investment	8	8	7	8	7
Private investment	9	5	10	6	8
Exports (GNFS)[b]	61	63	55	54	39
Imports (GNFS)	44	41	52	50	61
Gross domestic savings	35	36	21	20	-6
Gross national savings[c]	18	19	7	3	-9
Memorandum items					
Gross domestic product (US$ million at current prices)	5302	6099	7016	8400	6682
GNI per capita (US$, Atlas method)	410	460	510	530	..
Real annual growth rates (%, calculated from 95 prices)					
Gross domestic product at market prices	7.9	0.2	0.2	-0.2	1.6
Real annual per capita growth rates (%, calculated from 95 prices)					
Gross domestic product at market prices	4.3	-2.9	-2.6	-2.9	-1.2
Balance of Payments (US$ millions)					
Exports (GNFS)[b]	3219	3699	3775	4462	2523
Merchandise FOB	3124	3606	3679	4363	2424
Imports (GNFS)[b]	2150	2208	3599	4085	3978
Merchandise FOB	648	652	1549	1936	2057
Resource balance	1069	1491	176	377	-1456
Net current transfers	269	200	279	269	361
Current account balance	176	485	-745	-1024	-1685
Net private foreign direct investment	615	620	708	1204	781
Long-term loans (net)	85	71	13	-8	53
Other capital (net, incl. errors & ommissions)	-828	-1042	283	298	184
Change in reserves[d]	-48	-134	-259	-470	667
Memorandum items					
Resource balance (% of GDP)	20.2	24.5	2.5	4.5	-21.8
Real annual growth rates (YR95 prices)					
Merchandise exports (FOB)	8.5	-0.8	-8.2	-14.1	2.7
Merchandise imports (CIF)	-3.0	2.3	-3.6	-0.1	0.2
Public finance (as % of GDP at market prices)e					
Current revenues	..	16.9	22.8	26.3	10.9
Current expenditures	..	10.4	13.8	15.5	15.8
Current account surplus (+) or deficit (-)	..	6.5	9.0	10.9	-4.9
Capital expenditure	..	6.0	7.3	7.9	7.4

Foreign financing	..	2.8	2.1	0.7	1.5
Monetary indicators					
M2/GDP	8.9	11.8	11.5	13.3	17.0
Growth of M2 (%)	31.9	51.9	2.5	28.3	8.3
Price indices(YR95 =100)					
Merchandise export price index	336.9	399.8	..	..	..
Merchandise import price index	221.1	216.9	..	..	..
Merchandise terms of trade index	152.3	184.4	195.8	233.8	126.9
Real exchange rate (US$/LCU)f	..	..	..	..	..
Consumer price index (% change)	3.0	3.0	-7.4	8.3	4.0
GDP deflator (% change)	20.5	13.8	5.1	11.7	-17.4

a. GDP at factor cost
b. "GNFS" denotes "goods and nonfactor services."
c. Includes net unrequited transfers excluding official capital grants.
d. Includes use of IMF resources.
e. Consolidated central government.
f. "LCU" denotes "local currency units." An increase in US$/LCU denotes appreciation.

Annex 6: Chad – Key Exposure Indicators

Indicator	Actual				Estimated
	2005	2006	2007	2008	2009
Total debt outstanding and disbursed (TDO) (US$m)[a]	1585	1707	1797	1749	1764
Net disbursements (US$m)[a]	72	56	-2	-22	40
Total debt service (TDS) (US$m)[a]	54	63	72	138	90
Debt and debt service indicators (%)					
TDO/XGS[b]	49.0	46.0	47.4	39.1	69.5
TDO/GDP	29.9	28.0	25.6	20.8	26.4
TDS/XGS	1.7	1.7	1.9	3.1	3.5
Concessional/TDO	87.0	87.9	88.2	91.9	94.2
IBRD exposure indicators (%)					
IBRD DS/public DS	8.9	13.7	11.3	21.5	..
Preferred creditor DS/public DS (%)[c]	77.3	79.9	83.2	92.5	..
IBRD DS/XGS	0.1	0.2	0.2	0.6	..
IBRD TDO (US$m)[d]	35	30	26	0	0
Of which present value of guarantees (US$m)					
Share of IBRD portfolio (%)	0	0	0	0	0
IDA TDO (US$m)[d]	864	925	968	905	908
IFC (US$m)					
Loans					
Equity and quasi-equity /c					
MIGA					
MIGA guarantees (US$m)					

a. Includes public and publicly guaranteed debt, private nonguaranteed, use of IMF credits and net short-term capital.

b. "XGS" denotes exports of goods and services, including workers' remittances.

c. Preferred creditors are defined as IBRD, IDA, the regional multilateral development banks, the IMF, and the Bank for International Settlements.

d. Includes present value of guarantees.

e. Includes equity and quasi-equity types of both loan and equity instruments.

Annex 7: Chad – Selected Indicators of Bank Portfolio Performance and Management

As Of Date
3/11/2010

Indicator *	2007	2008	2009	2010
Portfolio Assessment				
Number of Projects Under Implementation [a]	7	7	5	5
Average Implementation Period (years) [b]	3.1	3.7	3.9	4.6
Percent of Problem Projects by Number [a, c]	0.0	57.1	60.0	60.0
Percent of Problem Projects by Amount [a, c]	0.0	57.7	74.1	69.9
Percent of Projects at Risk by Number [a, d]	42.9	57.1	100.0	100.0
Percent of Projects at Risk by Amount [a, d]	30.5	57.7	100.0	100.0
Disbursement Ratio (%) [e]	21.1	20.1	25.8	27.3
Portfolio Management				
CPPR during the year (yes/no)	no	no	yes	yes
Supervision Resources (total US$)				
Average Supervision (US$/project)				

Memorandum Item	Since FY 80	Last Five FYs
Proj Eval by OED by Number	36	4
Proj Eval by OED by Amt (US$ millions)	883.7	158.1
% of OED Projects Rated U or HU by Number	37.1	75.0
% of OED Projects Rated U or HU by Amt	27.7	56.0

a. As shown in the Annual Report on Portfolio Performance (except for current FY).
b. Average age of projects in the Bank's country portfolio.
c. Percent of projects rated U or HU on development objectives (DO) and/or implementation progress (IP).
d. As defined under the Portfolio Improvement Program.
e. Ratio of disbursements during the year to the undisbursed balance of the Bank's portfolio at the beginning of the year: Investment projects only.
* All indicators are for projects active in the Portfolio, with the exception of Disbursement Ratio, which includes all active projects as well as projects which exited during the fiscal year.

Annex 8: Chad – IBRD/IDA Program Summary

As of 3/11/2010

Proposed IBRD/IDA Base-Case Lending Program [a]

Fiscal year	*Proj ID*	*US$(M)*	*Strategic Rewards b (H/M/L)*	*Implementation b Risks (H/M/L)*
2010	TD-Pop. & HIV/AIDS II - Add.Fin	20.0	H	M
2010	**Result**	**20.0**		
2011	PROADEL phase 2	25.0	H	H
	CAB – phase 1b (regional)	3.8	H	M
2011	**Result**	**28.8**		
2012	TD-Agricultural Development Project	15.0	H	M
2012	PARSET – Add Fin	10.0	H	M
2012	**Result**	**25.0**		
	OVERALL RESULT	**73.8**		

Annex 9: Chad – Summary of Non-Lending Services

As Of Date
3/11/2010

Product	*Completion FY*	*Cost (US$000)*	*Audience*[a]	*Objective*[b]
Recent completions				
Underway				
Budget Management TA	FY10		Gov. Bank	Knowledge
Education Sector PETS	FY11	150	Gov. Bank	Knowledge
Planned				
Agriculture sector note	FY11		Public	Knowledge
EFA-FTI	FY11		Gov, Bank, donor	Knowledge
Public Expenditure Technical Notes	FY11		Public	Knowledge
Political economy environment of fiscal institutions study	FY11		Public	Knowledge
Regional Conflict Study	FY11		Public	Knowledge
Agriculture PETS/PER	FY12		Public	Knowledge
CPAR and/or CFAA	FY12		Public	Knowledge
DeMPA	FY12		Gov, Bank	Knowledge
FSAP	FY12		Public	Knowledge
Public Expenditure Technical Notes	FY12		Public	Knowledge
Poverty assessment, including gender	FY12		Public	Knowledge

a. Government, donor, Bank, public dissemination.

b. Knowledge generation, public debate, problem-solving.

Annex 10: Chad – Country Financing Parameters

Date: September 23 2004

Item	Parameter	Remarks/Explanation
Cost sharing. Limit on the proportion of individual project costs that the Bank may finance	100%	Counterpart funding will be generally encouraged.
Recurrent cost financing. Any limits that would apply to the overall amount of recurrent expenditures that the Bank may finance	No country-level limit	Bank financing of recurrent costs will be applied with caution. The Bank will consider, on a project-by-project basis, financing recurrent costs in circumstances where (i) the sustainability of project achievements would not be undermined, (ii) this would not impact negatively the future budgetary outlays. The current prudent approach to financing of salaries would be continued circumscribing it to a limited number of positions.
Local cost financing. Are the requirements for Bank financing of local expenditures met, namely that: (i) financing requirements for the country's development program would exceed the public sector's own resources (e.g., from taxation and other revenues) and expected domestic borrowing; and (ii) the financing of foreign expenditures alone would not enable the Bank to assist in the financing of individual projects	Yes	The two requirements are met. The Bank may finance local costs in the proportions needed in individual projects.
Taxes and duties. Are there any taxes and duties that the Bank would not finance?	None	As of June 2004, there are no taxes and duties that have been identified to be unreasonable or discriminatory.


IBRD 33385
0 100 200 300 Kilometers
0 100 200 Miles
15°E
20°E
25°E
20°N
15°N
10°N
CHAD
LIBYA
NIGER
NIGERIA
CAMEROON
SUDAN
CENTRAL AFRICAN REPUBLIC
To Akhaltsikhe
To Séguédine
To Fotokol
To Maroua
To Nyala
To Birao
To Kaga Bandoro
To Bozoum
To Bossangoa
Aozou
Pic Touside (3,315 m)
Tarso Emisou (3,376 m)
Tibesti
Zouar
Emi Koussi (3,415 m)
Sahara Desert
Borkou
BORKOU - ENNEDI - TIBESTI
Faya-Largeau
Fada
Ennedi
Wadi Howar
Bodélé
Koro Toro
Oum-Chalouba
O Fama
KANEM
BILTINE
Biltine
Bahr el Ghazal (Soro)
Mao
Salal
BATHA
LAC
Abéché
Bol
Moussoro
Mouzarak
Ati
Oum Hadjer
Batha
1963 Level
1973 Level
2001 Level
Lake Chad
Massaguet
Bokoro
Mangalmé
OUADDAÏ
N'DJAMENA
Mongo
Goz Beïda
CHARI-BAGUIRMI
Massalasef
Abou Deïa
Massenya
Gélengdeng
Melfi
GUERA
Am Timan
Bongor
Bousso
Chari
Bahr Salamat
SALAMAT
MAYO-KEBBI
TANDJILE
Haraze Mangueigne
Pala
Kélo
Lai
MOYEN-CHARI
Koumra
Sarh
Logone
LOGONE OCC.
Moundou
Doba
LOGONE ORIENTAL
Vina
Bangoran
Gribingui
Bamingui
Mbakaou Res.
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CHAD
SELECTED CITIES AND TOWNS
PREFECTURE CAPITALS
NATIONAL CAPITAL
RIVERS
MAIN ROADS
RAILROADS
PREFECTURE BOUNDARIES
INTERNATIONAL BOUNDARIES
SEPTEMBER 2004