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Chad: Recent Economic Developments

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CHAD

Recent Economic Developments

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Approved by the African Department

March 12, 1999

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Chad: Basic Data

Area, Population, and GDP per capita

Area	1,284,000 square kilometers
Population (mid-year 1998)	6.82 million
Population growth rate	2.4 percent
GDP per capita (1998)	US$ 245

	1994	1995	1996	1997	1998
	(In billions of CFA francs)				
Gross domestic product					
At current prices	654.9	718.0	830.7	887.9	984.2
At 1995 prices	710.6	718.0	743.1	773.8	827.6
	(In percent of GDP, at constant prices)				
Primary Sector	36.2	35.1	34.9	35.2	36.1
Secondary Sector	12.0	14.3	14.6	15.4	15.8
Tertiary Sector	50.0	48.4	47.5	46.3	44.4
	(Annual changes in percent)				
Real GDP	10.2	1.0	3.5	4.1	7.0
Nominal GDP	57.9	9.6	15.7	6.9	10.9
Prices					
GDP deflator	43.3	8.5	11.8	2.7	3.6
Consumer price index	41.3	9.1	11.8	5.9	4.4
	(In billions of CFA francs)				
Central government finance					
Revenue	32.0	44.8	59.6	68.4	76.2
Total expenditure and net lending	124.8	130.3	151.8	158.9	153.8
Of which: Current expenditure	65.6	64.7	77.2	73.5	75.4
Capital expenditure	59.2	65.6	74.6	85.4	78.4
Overall deficit (commitment basis, excluding gran	-92.8	-85.5	-92.2	-90.6	-77.6
Change in arrears (decrease -)	5.8	6.4	-28.9	-11.8	-3.8
Errors and omissions	0.0	0.0	0.0	-0.1	0.3
Overall deficit (cash basis, excluding grants)	-87.0	-79.0	-121.2	-102.5	-81.1
Financing	87.0	79.0	121.2	102.5	81.1
Domestic	-0.8	-6.8	11.7	-3.6	2.5
External	87.8	85.9	109.5	106.1	78.6
Of which: Net drawings	17.2	20.3	48.4	47.3	25.5
Current grants	17.8	14.5	16.2	6.6	12.8
Project grants	44.2	39.2	34.4	49.8	38.1
	(In percent of GDP)				
Current fiscal balance (+/-. surplus / deficit)	-5.1	-2.8	-2.1	-0.6	0.1
Overall deficit (commitment basis, excluding gran	-14.2	-11.9	-11.1	-10.2	-7.9
Overall deficit (cash basis, excluding grants)	-13.3	-11.0	-14.6	-11.5	-8.2

Chad: Basic Data (concluded)

	1994	1995	1996	1997	1998
	(In billions of CFA francs)				
Money and credit					
Net foreign assets	30.2	62.3	64.7	58.5	47.3
Net domestic assets	49.8	45.6	64.9	59.0	63.5
Of which: Net claims on the Government	47.9	35.1	45.0	41.1	35.8
Money and Quasi-money	79.3	107.8	129.5	117.4	110.8
Balance of payments					
Exports, f.o.b.	75.1	123.3	113.1	123.2	145.3
Of which: Cotton	24.7	63.7	55.3	66.6	86.2
Imports, f.o.b.	-113.1	-140.6	-148.0	-165.5	-175.0
Trade balance	-38.0	-17.3	-34.9	-42.3	-29.7
Services, net	-84.9	-93.6	-99.5	-115.5	-117.5
Income	-15.5	-13.9	-16.6	-17.0	-17.9
Private transfers	1.2	-1.5	-1.9	-3.2	-3.7
Current account excluding grants	-137.2	-126.2	-152.9	-178.0	-168.8
Official transfers	61.7	51.3	51.9	44.8	47.2
Capital account	40.3	35.9	36.4	36.1	28.4
Capital transfers	40.3	35.9	36.4	36.1	28.4
Financial account	35.3	39.0	64.6	97.2	93.2
Of which: Direct investment	7.9	5.0	7.6	9.2	15.8
Public sector drawings (net)	26.1	37.1	75.7	50.1	53.5
Net change in arrears	4.3	-14.1	-39.2	-2.7	-4.1
Reserve assets	-42.6	-36.8	-20.7	6.2	5.1
	(In percent of GDP, unless otherwise specified)				
Trade balance	-5.8	-2.4	-4.2	-4.8	-3.0
Exports, f.o.b.	11.5	17.2	13.6	13.9	14.8
Imports, f.o.b.	-17.3	-19.6	-17.8	-18.6	-17.8
Current account deficit excluding grants	-21.0	-17.6	-18.4	-20.1	-17.2
Current account deficit including grants	-11.5	-10.4	-12.2	-15.0	-12.4
External public debt					
Disbursed and outstanding (medium and long ter	60.0	55.8	56.4	60.8	56.7
Debt service ratio including the Fund (percent of goods and services)	13.0	9.6	11.3	13.4	13.2
	(In millions of US dollars)				
Gross official reserves					
Gross reserves	111.4	183.9	188.2	143.1	131.5
	(CFA francs per U.S. dollar)				
Exchange rates					
Period average	555.2	499.1	511.6	583.7	590.0
End of period	534.6	490.0	523.7	598.8	562.2

I. BACKGROUND

1. Chad is a large, landlocked country in the Sahel region of Africa, with an area of 1,284,000 square kilometers. The population was estimated at some 7 million at end-1998, with an annual growth rate of 2.4 percent. Prolonged civil strife, dating back to 1979, destroyed the country's infrastructure, which, when added to recurrent droughts, has resulted in a widespread disruption of the economy. Since the return to political stability in 1993, the country has made considerable progress in consolidating democracy and reforming the economy.

2. The Chadian economy depends heavily on the primary sector, which accounts for almost 40 percent of GDP, and is highly vulnerable to the vagaries of the Sahelian climate. Exports are composed primarily of cotton and livestock. Cereal production falls short of domestic needs, with a deficit exceeding 30 percent of domestic consumption in drought years. Because of very low savings, the public investment program is mainly financed by foreign aid.

3. Chad resumed its economic adjustment efforts in 1994-95, in the aftermath of the devaluation of the CFA franc of 1994, and embarked, in mid-1995, on a comprehensive structural adjustment program. This program was supported by the IMF through a three-year arrangement under the Enhanced Structural Adjustment Facility (ESAF) which initially covered the period 1995-98, but was extended in 1997 to March 1999. It has also received financial assistance from the World Bank and other multilateral and bilateral assistance, in the form of budgetary grants, concessional loans, and debt relief.

II. OVERALL DEVELOPMENTS

4. During the period 1994-98 significant economic progress was made in Chad, with the implementation of economic and financial reforms and enhancement of the policy environment. As a result, macroeconomic performance improved markedly, and the economy's domestic and external imbalances were reduced. Economic growth was restored, with real GDP growth averaging some 5 percent per year, and inflation was brought under control, declining from 10 percent in 1995 to less than 5 percent in 1998. Fiscal policy was strengthened, and the budgetary current deficit was reduced progressively from 5 percent of GDP in 1994 to 0.6 percent of GDP in 1997, turning into a surplus (0.1 percent of GDP) in 1998. With the effects of the devaluation of the CFA franc still being felt throughout the period, the recovery of economic growth and the consolidation of public finances was accompanied by a restructuring of the domestic demand. Fixed investment rose from 12 percent of GDP in 1994-96 to 14.5 percent in 1997-98, with private sector investment more than doubling from 4.4 percent of GDP in 1994 to an estimated 9.2 percent in 1998; government investment fluctuated around 6.5 percent of GDP. Total consumption declined by

some 2 percentage points of GDP, with the decline affecting mainly the central government and other public agencies (Table 3).[1] Private consumption per capita is estimated to have increased by an average of 1.5 percent per year in real terms.

5. Banking during the period reflected the authorities' desire to revitalize the banking system and focused on bank privatization and rehabilitation; efforts were also undertaken to strengthen bank supervision. Credit policy was prudent, and advances to the Treasury were contained. On the external front, the trade deficit narrowed to less than 4 percent in 1997-98, from 6 percent of GDP in 1994, and the external current account deficit (excluding grants) declined from 21 percent in 1994 to 17 percent in 1998; however, the official reserves declined from an estimated 3.3 months of imports (US$ 110 million) in 1994 to 2.8 months of imports (some US$132 million) in 1998.

6. The improvement in the balance of payments boosted savings, and allowed for an increased contribution of domestic resources to the financing of the economy. Overall gross domestic savings, which were negative through 1997, turned positive in 1998, reaching 0.2 percent of GDP (Table 3 and Figure 1). By contrast net recourse to foreign savings declined markedly from 19 percent of GDP in 1994 to some 10 percent in 1998; this decline affected particularly grants which were reduced by 50 percent in terms of GDP (Table 15).

III. Production and Prices

A. Production Trends

7. Chad's economy is structured around a large primary sector which accounts for 37 percent of GDP[2] and a sizable service sector, including public administration which represents 47 percent of GDP. The secondary sector, mainly industry and construction, accounts for less than 14 percent of GDP. In 1994-96, economic growth in Chad was

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[1] All the ratios to GDP are expressed in terms of the new measure of GDP (see Box 1).

[2] The country has two main agricultural regions: the Sahelian grassland in the center of the country and the Sudanian zone, essentially a savanna in the south. Cotton and more than 70 percent of foodstuffs are raised in the Sudanian zone. The agricultural subsector essentially comprises the production of foodstuffs for the domestic market and the production of cotton seed which, after local processing, is exported. Subsistence production of food crops by individual farmers is the principal economic activity and fluctuates widely depending upon rainfall; cereals (mainly millet, sorghum, maize, and rice) account for 60 percent of output, while oils, groundnuts, and sesame seeds account for 40 percent. Cotton and livestock activities constitute the most important source of income for the rural population. A detailed analysis of the economics of the two regions is impeded by the absence of regional economic data.

Box 1. The New National Accounts and Key Macroeconomic Ratios

In January 1998, the authorities adopted a new set of national accounts. These new accounts, based in 1995, are comprehensive and consistent with the methodology of the United Nations 1993 System of National Accounts. For the first time, they include an input-output table.

In the new accounts, GDP is on average 40 percent higher than previously estimated. This is because of two adjustments that have been introduced: (a) incorporation of nonmarket household production, which represents some 10 to 12 percent of the new GDP; and (b) better coverage of the informal sector, consistent with the survey on consumption and the informal sector undertaken in 1995, which resulted in an upward revision of some 15 percent of the value added of the commerce, transportation, and nongovernment services sectors. These adjustments are important, given the state of the Chadian economy, which is still recovering from a 30-year civil war. In particular, it is expected that household subsistence activity will continue to be a major source of income for the poorest segments of the Chadian population.

Key macroeconomic ratios	1994	1995	1996	1997	1998
	(In percent of GDP, unless otherwise specified)				
New national accounts system					
Total revenue	4.9	6.2	7.2	7.7	7.7
Total expenditure	19.1	18.1	18.3	17.9	15.6
Fiscal current deficit/surplus (-/+)	-5.1	-2.8	-2.1	-0.6	0.1
External current account deficit/surplus (-/+)	-21.0	-17.6	-18.4	-20.1	-17.1
External debt outstanding	60.0	55.8	56.4	60.8	56.7
GDP (in billions of CFA francs)	655	718	831	888	984
Old national accounts					
Total revenue	6.9	8.5	9.9	10.2	...
Total expenditure	27.1	24.8	25.3	24.0	...
Fiscal current deficit/surplus (-/+)	-7.3	-3.8	-2.9	-1.0	...
External current account deficit/surplus (-/+)	-29.7	-24.1	-25.5	-26.6	...
External debt outstanding	85.3	76.3	78.1	80.6	...
GDP (in billions of CFA francs)	461	525	600	670	...

substantial but uneven: after a vigorous 10 percent increase in GDP in 1994, economic growth slowed down to 0.9 in 1995 and did not exceed 3 percent in 1996 because of unfavorable weather conditions and unstable security conditions in the most economically advanced regions. In 1997-98, with improved weather and security conditions, economic activity rebounded, growing by 4 percent in 1997 and by some 7 percent in 1998 (Tables 1 and 2).

Primary sector

8. During the period under review, the government agricultural policies focused on boosting output of cash crops, particularly cotton,[3] and on expanding and diversifying foodstuff production. To that end, efforts were made to improve rural infrastructure and to provide extension services to farmers. Until 1997, government policies were hampered by the persistence of unfavorable weather conditions, with the result that total foodstuff production fluctuated around 1.5 million tons. However, with the return of favorable weather conditions, output increased by some 9 percent in 1997, and reached the record level of 2.1 million tons in 1998, 34 percent higher than in 1997 (Table 4 and Figure 2). The government also encouraged livestock production by providing vaccinations and other sanitary services, which reduced losses and stimulated growth of the herd. In volume terms, the size of the herd grew at an annual rate of 2.7 percent, reaching an estimated 12.8 million head at end-1998 (Table 6). Overall the real value added of the sector increased by some 4 percent per year on average (Table 2).

Secondary sector

9. The secondary sector is relatively small in Chad, averaging 13.6 percent of GDP over the period 1994-98. It is dominated by manufacturing activities, which represent 80 percent of the value added of the sector and are mainly concentrated in four enterprises: the Société Cotonnière du Tchad (COTONTCHAD), the Société Sucrière du Tchad (SONASUT), the Manufacture de Cigarettes du Tchad (MCT), and the Brasserie du Logone (BDL). The value added of the subsector increased steadily during 1994-98 at an average rate of some 12 percent in real terms, driven by booming cotton ginning which grew by an average of 29 percent per year. Sugar output fluctuated around 30 thousand tons whereas production of cigarettes grew rather sharply by an average 15 percent per year. The value added of the electricity and water sector has declined steadily since 1995, reflecting a continuous reduction in the production capacity of the electricity and water company, STEE, caused by a lack of capital investment. Activity in the construction and public works sector grew throughout the period at a pace of some 10 percent per year in real terms, owing mainly to the sizable increase in the public investment program and in the rebound of households' investment in construction.

Tertiary sector

10. The tertiary sector performed modestly during the period. In particular activity in the sectors of commerce and transportation fluctuated widely, in connection with the weather conditions prevailing during the rainy seasons. Overall, after a decline by some 3 percent in

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[3] Developments in the cotton sector are reviewed in Appendix II.

real terms in 1994, the value added of the sector rose moderately by an annual average of 2 percent during the remainder of the period (Table 2). Developments in the area of marketing of petroleum products, which is an important segment of commercial activities, are reviewed in Appendix III.

B. Prices

11. Except for the year 1994 when prices rose by some 42 percent on account of the devaluation of the CFA franc, the rate of inflation as measured by the CPI[4] declined throughout the period, from 10 percent in 1995 to less than 5 percent in 1998. These developments reflect improvement in the public finances, the return of confidence and favorable import prices. However, by and large, price changes continue to be closely linked to the availability of foodstuffs. The index of foodstuff prices rose by a cumulative 22 percent in 1995-96, following the drop in food production caused by a severe drought that brought the country's cereal deficit to 30 percent of total food requirements. With foodstuffs growing again in 1997 and 1998, the increase in the index decelerated to an annual average of 6 percent. After an increase of some 17 percent in 1995, mainly on account of imports, the rate of growth of the index of manufactured goods and services decelerated to some 9 percent in 1996 and to an annual average of 3.5 percent in 1997-98 (Table 7 and Figure 3).

IV. PUBLIC FINANCE

12. The fiscal year in Chad coincides with the calendar year, with a complementary period of one month in the following year. Government revenue and expenditure are recorded on a cash basis and on a payment order basis, respectively.[5] Efforts have been made in recent years to improve budgetary procedures and to address some of the statistical weaknesses hampering public finance analysis. However, budgetary management continues to suffer from a lack of qualified and well trained personnel as well as material resources.

A. Main Developments

13. Since 1994 the Government's financial situation improved markedly. The current fiscal deficit declined from 5 percent of GDP in 1994 to 1 percent of GDP in 1997, and turned into a surplus of 0.1 percent in 1998. Investment expenditure stabilized at 9 percent of GDP and were mostly financed through foreign grants (60 percent) and concessional external loans (38 percent). As a result, the overall fiscal deficit on a commitment basis was reduced to some

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[4] The official consumer price index (CPI) for N'Djaména dates back to 1988 and is based on a 1972 household survey. The weights of local goods and imported goods are 77 percent and 23 percent, respectively (Table 7).

[5] Government financial operations are restricted to those of the Treasury.

8 percent of GDP in 1998, from 14 percent in 1994 (Table 9). Also, some CFAF 80 billion in arrears, both external and domestic, were reimbursed, partially with external aid in the form of debt relief.

B. Revenues

14. Revenue increased substantially during the period under review, from 4.9 percent of GDP in 1994 to 7.7 percent of GDP (Table 9 and Figure 4). This considerable improvement was the result of: (a) the implementation of comprehensive fiscal reforms agreed at the level of the Central African Economic and Customs Union (UDEAC);[6] (b) the strengthening of tax and customs administration; (c) the streamlining of the various financial agencies and improvement in the coordination between their various staff; and (d) the progress made by the government in combating fraud and tax avoidance.

15. The tax directorate was reorganized, with the establishment of a large tax payer unit, the satellite unit of the tax directorate within the customs directorate was reinforced, and a close monitoring of delinquent taxpayers with systematic follow up procedures was put in place. The reform of the customs administration included measures to eliminate political and military interference, the restoration of a professional corps of customs officials, the streamlining of customs clearance procedures, the strengthening of control on exemptions, the establishment of a reference value database and its regular update, and the reorganization of the customs department. These reforms and administrative measures improved tax assessment and collection procedures, and enhanced revenue collection. They also resulted in noticeable changes in the structure of government revenue. In particular, it is worth noting that (a) nontax revenue which represented less than 4 percent of total revenue in 1994 more than doubled its share to some 9 percent in 1998; (b) the distribution of tax revenue between taxes on international trade (including petroleum taxes) and domestic taxes was improved in favor of the former, whose share increased from 26 percent in 1994 to 41 percent in 1998; and finally, that the share of income tax in total domestic tax revenue exceeded 52 percent in 1998, as against 39 percent in 1994 (Table 10).

C. Expenditure

16. During 1994-98, the government expenditure policy was characterized by a prudent wage policy, increased funding of the priority sectors (health, education, social affairs and public works) and containment of nonpriority current expenditure. The selection of investment projects was improved, but monitoring of investment spending remained weak, resulting in insufficient allocation of counterpart funding and delays in project execution.

17. Substantial progress was made in the area of budgetary management. The current and investment expenditures were integrated into a unified budget, budget preparation was

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[6] For a detailed presentation of these reforms, see Appendix I.

streamlined, and the coordination between the Ministry of Finance and the other ministries was improved. The authority of the budget directorate was reinforced, and spending outside the normal budgetary channels was abolished. A system of quarterly reports on the financial execution of the operating budget was put in place. Efforts were made also to increase control over the wage bill, including the establishment of a wage index matrix, and the computerization of the payroll file.

18. Overall, current expenditure was reduced, from 10 percent of GDP in 1994 to 7.7 percent of GDP in 1998, with the decline affecting mainly primary current expenditure (i.e. mainly noninterest current expenditure, which are under the government's control) (Table 9 and Figure 4). Spending on priority sectors (health, education, public works and social affairs) increased from 0.4 percent of GDP in 1994 to 0.6 percent of GDP in 1998. With a freeze on wages in effect since 1995, the increase in the nonmilitary wage bill was limited to 1.5 percent per year on average, mainly reflecting new recruitment in the sectors of education and health; it declined sharply throughout the period if expressed in terms of revenue, from 81 percent in 1994 to 52 percent in 1996 and 41 percent in 1998. Military expenditure, excluding demobilization outlays, were also compressed from CFAF 12 billion in 1994 (1.8 percent of GDP) to CFAF 9.5 billion in 1998 (less than 1 percent of GDP), while the demobilization operations which continued throughout the period resulted in the reduction in the size of army by some 25 percent (7,000 soldiers). Other non-primary current expenditure, mainly interest on public debt, fluctuated around CFAF 9 billion, but declined as a ratio to GDP from 1.5 percent in 1994 to 0.9 percent in 1998.

19. Investment outlays were concentrated in infrastructure (34 percent of the total), in agriculture (24 percent of total), and in human resource development (23 percent of the total) (Table 12).

D. Repayments of Arrears

20. The chronic lack of financial resources during the period 1991-94 led to an accumulation of both domestic and external arrears by the government. External arrears, mainly on external debt, reached a peak of CFAF 58 billion (US$ 110 million) in 1994. They were cleared through rescheduling and cancellation (CFAF 46.5 billion) and cash payments (CFAF 9 billion). At end-1998 there remained only a residual stock of 2.5 billion.[7]

21. On the domestic front, an exhaustive inventory of arrears was carried out in 1995-96 which validated a total stock of some CFAF 45 billion of both wage and nonwage arrears, excluding arrears to the social security agencies. Since 1996, a net amount of CFAF 24 billion was repaid, which is less than envisaged by the government; this is because the disbursement

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[7] Part of this stock is expected to be cleared in the short run as discussions on a debt relief agreement on arrears amounting to CFAF 2.3 billion with one of Chad's Paris Club creditors are well advanced. The remaining amount cannot be rescheduled at this time.

of external budgetary assistance was substantially smaller than anticipated, leading the government to cut its program of repayments of domestic arrears accordingly.

V. Structural Reform

22. During the period 1994-98, Chad implemented a comprehensive set of structural reforms. All prices were liberalized, except for those of electricity, water, petroleum products, and some 60 essential drugs. All import and export licenses were abolished, except for a negative list of products involving health and public safety considerations. The monopoly of sugar imports entrusted to the sugar company SONASUT was lifted and replaced by a temporary protection mechanism. Labor market flexibility was enhanced, with the removal of minimum wage legislation in favor of freely negotiated agreements between employers and employees, and freedom given to social partners to make discretionary decisions regarding trade offs between wage level and employment. The investment code was simplified to encourage local and foreign investment, and banking activity was liberalized. The privatization program of small- and medium-sized enterprises was almost completed with the privatization of 18 enterprises and the liquidation of 4 others, mostly in tourism, manufacturing and insurance. As for the large public enterprises, the most tangible progress was registered in the electricity and sugar sectors, with efforts well under way to put the electricity and water company (STEE) under private management, and to privatize SONASUT.

VI. Money and Banking

A. Background

23. Chad is one of the six member countries that constitute the Central African Monetary Area and share a common currency, the CFA franc. Monetary policy for the area is formulated by the board of the regional central bank, the Banque des Etats de l'Afrique Centrale (BEAC). The Chadian banking system is relatively small and comprises four deposit money banks, a development bank and a postal checking system, Centre des Chèques Postaux (CCP).[8] Since 1994, the monetary authorities have undertaken a comprehensive rehabilitation

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[8] The commercial banks are the Banque Tchadienne des Crédits et des Dépôts (BTCD), the Méridien Banque Internationale pour l'Afrique (BMBT), Financial Bank of Tchad (FBT), and the Banque Commerciale du Chari (BCC); the development bank is the Banque du Développement du Tchad (BDT). The BMBT, BCC and FBT are private banks, while efforts to privatize the BTCD and BDT are well advanced.

program of the banking system, involving enhancement of central bank supervision through the Commission bancaire de l'Afrique Centrale (COBAC),[9] and the liberalization of banking activity. Credit policy was tightened, and the direct advances to the Treasury by the Central Bank were stabilized.

B. Monetary and Credit Policy

24. Monetary reforms in the BEAC zone in the recent years centered on progressive moves toward indirect instruments of monetary management, the development of the regional money market, and the establishment of a regional interbank market, where transactions are settled with no interference by the central bank. The new monetary instruments included the weekly money market auctions, albeit at rates still determined by the central bank, which is open to banks and financial institutions, and the repurchase agreement (*prise en pension*), set to provide temporary liquidity to banks at a rate between the discount rate and the money market rate.

25. During the period under review, monetary developments in Chad were characterized by wide fluctuations in the demand for money, with broad money increasing by an annual average of 28 percent in 1995-96, before declining by some 10 percent in 1997 and by 6 percent in 1998 (Table 13 and Figure 6).[10] The evolution of net domestic assets was also irregular; in terms of beginning-of-period money stock, it declined by 5 percent in 1995 and increased by 18 percent in 1996, only to decline again by 4.5 percent and to rise again by 3.8 percent in 1998. This erratic trend reflects partly the wide fluctuations in net claims on government (Statistical Appendix Table 38). Overall, the composition of the money stock was stable, with the share of currency in circulation averaging 72 percent, while demand deposits and time and savings deposits accounted for an average of 23 percent and 5 percent of the total, respectively.

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[9] The COBAC was established in 1992 and has the responsibility of enacting and updating bank regulation, and conducting region-wide bank supervision. Its prudential ratios include: capital adequacy, coverage of fixed assets, division of risks, liquidity and risks of transformation.

[10] However, caution is required in interpreting monetary statistics in Chad, as a substantial stock of unsorted BEAC banknotes remain at the national agency of the BEAC in Chad. Staff estimates assume that 50 percent of the unsorted bills are Chadian bills (thus bills not in circulation) and that the other 50 percent are non-Chadian bills and are treated as foreign assets. The stock of unsorted bills was equivalent to CFAF 30 billion in 1995, CFAF 20 billion in 1996 and an average of CFAF 5 billion in 1997-98.

VII. External Sector

A. Overall Balance of Payments Trends

26. During the period 1994-98, Chad's balance of payments was characterized by: (a) an external current account deficit, excluding grants, fluctuating around 18 percent of GDP, and reflecting unstable terms of trade and exports volumes; (b) a marked reduction in net current transfers, from some 10 percent of GDP (US$113 million) in 1994 to 4.5 percent of GDP in 1998 (US$79 million); and (c) a steady decline in capital inflows (including errors and omissions) from an average of some 24 percent in 1994-95 to less than 12 percent in 1998. Official reserves which peaked in 1995-96, averaging US$186 million, declined thereafter to an average of US$140 million in 1997-98 (Table 14, and Figure 7).

27. In 1994-95, in the wake of the devaluation of the CFA franc, there was a reduction of the current account deficit, excluding official transfers, by more than 3 percent of GDP to some 17 ½ percent of GDP. After this brief respite, the balance of payment picture deteriorated again during 1996-97. This was caused by a decline in the country's terms of trade (averaging 4 percent per year), which affected mainly cotton; cotton export prices declined by an annual average of 9 percent, almost offsetting the 13 percent annual increase in volumes (Statistical Appendix Table 43). As a result the external current account deficit widened to 18.4 percent of GDP in 1996 and to 20.1 percent in 1997. However, in 1998, the external current account deficit, excluding grants, was reduced again, by 3 percent of GDP, as a result of the combined effects of an improvement in the terms of trade, buoyant cotton exports and a slowdown in imports. With net capital inflows not exceeding 12 percent of GDP, 3 percent of GDP less than in 1997, net foreign reserves are estimated to have declined by some US$12 million.

B. Merchandise Trade

28. Exports of goods almost doubled in value terms, from CFAF 75 million in 1994 to CFAF 145 billion in 1998. However, little progress was made on export diversification and the export base remained dominated by cotton and livestock which represented on average 64 percent and 22 percent of total (Figure 7). Cotton export volumes doubled in 1995 to 61,000 tons, but remained constant in 1996. They then grew by an annual average of 25 percent in 1997–98, reaching some 97,000 tons in 1998. After an increase of some 31 percent to a record CFAF 1,040 per kg, (equivalent to 95 cts/lb) in 1995, the average price per kilogram of cotton declined by 16 percent to CFAF 873 (73 cts/lb) in 1996, and by an additional 3 percent to CFAF 850 (66 cts/lb) in 1997. In 1998, the export price for the Chadian cotton averaged CFAF 893 per kg (69 cents per pound), an increase of 5 percent over 1997, as some 70 percent of Chadian cotton exports for 1998 were settled in 1997 in the future market at an average price of CFAF 910 per kg (70 cents per pound), while the remaining 30 percent were sold in 1998 at an average price of CFAF 854 per kg (66 cents per pound). Thus, the intervention in the future market in 1997 shielded the country from the sharp reduction in world cotton prices that took place in 1998. Exports of livestock, mainly to

neighboring Nigeria and Cameroon, increased continuously from 192,000 head in 1994 to an estimated 247,000 head in 1998. Other exports, mainly Arabic gum and animal hides are estimated to have increased by an annual average rate of 5 percent in real terms.

29. After an increase by 50 percent in 1995, which followed the devaluation-related sharp reduction of 1994, import volumes grew moderately at an annual average of 5 percent per year, while the increase in import prices throughout the period did not exceed 2.4 percent per year. Imports in all categories of goods increased. Imports of intermediate goods grew by 26 percent in 1995 and by an average of 7 percent thereafter, reflecting increased activity in the sectors of cotton and sugar. Imports of equipment increased by 25 percent in 1995 and by an average of 7 percent thereafter, owing to increased public investment, the maintenance and renovation of the cotton ginning plants, and the preparations for the exploitation of the country's oil resources. Imports of consumption goods increased by 11 percent in 1995 and by an average of 3 percent per year in 1996-98, in connection with improved economic conditions and restoration of confidence (Figure 7).

C. Services and Transfers

30. The service and income deficit declined from 15.3 percent of GDP in 1994 to 14.9 percent in 1996 and 13.7 percent in 1998, reflecting moderate import prices, rather than an increase in exports of services. This trend reflected that of the services' deficit (some 85–90 percent of the total), which fell below 12 percent of GDP in 1998, from 14 percent in 1994. As in the past, the major components in services were the payments on freight and insurance, foreign airline charges, and technical services provided by nonresidents. The income balance deficit remained largely dominated by compensation of nonresident employees and by interest on external debt; it declined also throughout the period, from 2.4 percent of GDP in 1994 to 2 percent in 1996 and to1.8 percent in 1998 (Statistical Appendix Table 42).

31. Unrequited transfers include private transfers and official non-project foreign aid. Net private transfers remained negative throughout the period, at an average of 2 percent of GDP. Credit items include savings remittances from nationals living abroad, pensions paid by foreign countries, and transfers to NGO's; debit items consist mainly of wage remittances by the large expatriate community. Official transfers consist mainly of budgetary aid, food aid, and technical assistance, on the credit side; and of contributions to international organizations on the debit side. During the period 1994-98, net official transfers declined from 9.4 percent of GDP in 1994 to 6.2 percent in 1996 and 4.8 percent in 1998. This decline affected all the components on the credit side; while transfers on the debit side increased at an annual average of 12 percent per year (Statistical Appendix Table 42).

D. Capital and Financial Account

32. During the period 1994-98, the capital and financial account was constantly in surplus, reflecting continuous capital inflows in support of the public investment program and debt relief obtained. However, the overall account balance, excluding gross accumulation of

reserves assets, which fluctuated around CFAF 188 billion (US$340 million), declined in terms of GDP from 18 percent of GDP in 1994 to 12.5 percent in 1998 (Table 14), owing mainly to the decline in project grants which amounted to less than 3 percent of GDP in 1998, compared with some 6 percent of GDP in 1994. During the period, the financial account surplus, net of gross accumulation of reserves also narrowed markedly, from 12 percent of GDP in 1994 to 9.6 percent in 1998. This development reflects a sharp increase in external debt amortization (including the Fund), from CFAF 7.3 billion (1.1 percent of GDP) in 1994 to CFAF 16.3 billion (1.7 percent of GDP) in 1998, and repayments of external arrears (Table 15).

E. External Debt and Debt Service

33. Chad continued to pursue a prudent external debt policy, as evidenced by its relatively stable low debt service ratio and ratio of debt to GDP. Total external debt outstanding increased from CFAF 393 billion (60 percent of GDP) in 1994 to CFAF 558 (56.7 percent of GDP) in 1998 (Table 16 and Figure 8). The share of the debt stock owed to the multilateral institutions declined only slightly from 87 percent in 1994 to 85 percent in 1998. By contrast, the share of debt to bilateral donors rose by 2 percentage points to 15 percent of total, as the loan component of their project assistance was increased, rising from 24 percent of total project aid in 1994 to an average of some 44 percent in 1998.

34. External debt service obligations, including those to the Fund, increased by 15 percent per on average, from CFAF 13.8 billion in 1994 to CFAF 23.8 billion in 1998. However, expressed in terms of exports of goods and services, they remained relatively low throughout the period, with the debt service ratio fluctuating around 11.5 percent.

F. Exchange System

35. Until the end of 1998, the CFA franc was pegged to the French franc at a fixed rate, and movements against the SDR and foreign currencies therefore reflect the movements of the French franc vis-à-vis these currencies. The central bank maintains an operations account with the French Treasury. Effective January 12, 1994, the CFA franc was devalued by 50 percent in foreign currency terms, and the exchange rate against the French franc was adjusted to FF 1 = CFAF 100, from FF1 = CFAF 100 previously. Starting in January 1, 1999, the CFA franc is pegged to the Euro at the fixed rate of Euro 1 = CFAF 655.95. There are no taxes or subsidies on purchases or sales of foreign exchange. Chad accepted the obligations of Article VIII, Sections 2, 3, and 4 of the Fund's Articles of Agreement on June 1, 1996.

36. Chad maintains an exchange system that is virtually free of restrictions on payments and transfers for current international transactions. However, in August 1993, Chad, together with the other members of the CAEMC, partially restrained convertibility of the BEAC issued bank notes, in an effort to stem capital outflows. This measure was extended to the West African Monetary Union zone in December of the same year. In 1995, all external trade-related licenses were repealed, and the negative list of products subject to special import

authorization was restricted to products involving health and public safety. A detailed survey of Chad's exchange and trade system is contained in the Fund's *Annual Report on Exchange Arrangements and Exchange Restrictions*.

37. After a decline by some 57 percent in 1994, following the devaluation of 1994, the nominal effective exchange rate increased by a cumulative 7 percent during the years 1995-98. However a sharp deterioration in the country's competitiveness took place during the years 1995-98, with a 20 percent cumulative appreciation of the real effective exchange rate, which partly offset the 35 percent real depreciation of 1994 (Statistical Appendix Table 44).

Table 1. Chad: Gross Domestic Product by Sector of Origin, 1994-98

(At current prices)

	1994	1995	1996	1997	1998
	(In billions of CFA francs)				
Primary sector	243.7	252.3	308.5	331.9	376.7
Agriculture	141.7	128.2	175.4	194.1	234.3
Livestock	79.4	99.0	109.6	112.0	114.3
Fishing and mining	22.6	25.1	23.5	25.8	27.6
Oil	0.0	0.0	0.0	0.0	0.5
Secondary sector	76.9	102.8	111.7	130.5	138.5
Manufacturing and handicrafts	59.4	83.4	92.5	110.6	117.8
Water and electricity	5.9	6.5	5.4	5.5	5.4
Construction and public works	11.6	12.9	13.8	14.4	15.4
Tertiary sector	323.6	347.2	388.0	400.2	436.7
Commerce, transport	167.5	186.9	204.2	214.2	239.9
Public administration	86.1	82.8	98.6	95.0	104.7
Services	70.0	77.5	85.2	91.0	92.1
Sum of value added	644.2	702.3	808.2	862.6	951.9
Duties and taxes on imports	10.7	15.7	22.5	25.3	32.3
GDP at market prices excl. oil	654.9	718.0	830.7	887.9	983.8
GDP at market prices	654.9	718.0	830.7	887.9	984.2
Memorandum items:					
Marketed Value Added	483.2	532.9	616.4	667.1	735.6
Nonmarketed Value Added	161.0	169.4	191.9	195.5	216.4
Of which: households	74.9	86.6	93.3	100.5	111.7
GDP excluding households	580.0	631.4	737.5	787.4	872.6
	(In percent of total)				
Primary sector	37.2	35.1	37.1	37.4	38.3
Agriculture	21.6	17.9	21.1	21.9	23.8
Livestocks	12.1	13.8	13.2	12.6	11.6
Fishing and mining	3.5	3.5	2.8	2.9	2.8
Oil	0.0	0.0	0.0	0.0	0.0
Secondary sector	11.7	14.3	13.4	14.7	14.1
Manufacturing and handicrafts	9.1	11.6	11.1	12.5	12.0
Water and electricity	0.9	0.9	0.7	0.6	0.5
Construction and public works	1.8	1.8	1.7	1.6	1.6
Tertiary sector	49.4	48.4	46.7	45.1	44.4
Commerce, transport	25.6	26.0	24.6	24.1	24.4
Public administration	13.1	11.5	11.9	10.7	10.6
Services	10.7	10.8	10.3	10.2	9.4
Sum of value added	98.4	97.8	97.3	97.2	96.7
Duties and taxes on imports	1.6	2.2	2.7	2.8	3.3
Memorandum items:					
Marketed Value Added	73.8	74.2	74.2	75.1	74.7
Nonmarketed Value Added	24.6	23.6	23.1	22.0	22.0
Of which: households	11.4	12.1	11.2	11.3	11.3
GDP excluding households	88.6	87.9	88.8	88.7	88.7

Sources: Chadian authorities; and staff estimates.

Table 2. Chad: Gross Domestic Product by Sector of Origin, 1994-98

(At constant 1995 prices)

	1994	1995	1996	1997	1998
		(In billions of CFA francs)			
Primary sector	257.1	252.3	259.0	272.5	298.5
Agriculture	131.9	128.2	133.2	143.9	166.4
Livestocks	100.2	99.0	101.5	104.6	107.4
Fishing and mining	25.0	25.1	24.3	24.0	24.3
Oil sector	0.0	0.0	0.0	0.0	0.4
Secondary sector	85.6	102.8	108.8	119.1	130.6
Manufacturing and handicrafts	66.5	83.4	84.9	95.6	106.2
Water and electricity	6.1	6.5	5.4	5.3	5.1
Construction and public works	13.0	12.9	18.5	18.2	19.3
Tertiary sector	355.4	347.2	352.9	358.1	367.8
Commerce, transport	179.5	186.9	185.8	195.4	199.0
Public administration	97.9	82.8	88.5	81.8	87.1
Services	78.0	77.5	78.6	80.9	81.7
Sum of value added	698.1	702.3	720.7	749.7	796.8
Duties and taxes on imports	12.5	15.7	22.4	24.1	30.8
GDP at market prices excluding oil	710.6	718.0	743.1	773.8	827.3
GDP at market prices	710.6	718.0	743.1	773.8	827.6
Memorandum items:					
Marketed Value Added	521.0	532.9	551.1	577.1	616.8
Nonmarketed Value Added	177.1	169.4	169.6	172.6	180.1
Of which: households	79.2	86.6	81.1	90.8	92.9
Duties and taxes on imports	12.5	15.7	22.4	24.1	30.8
		(Annual changes in percent, unless otherwise specified)			
Primary sector		-1.9	2.7	5.2	9.5
Agriculture		-2.8	3.9	8.0	15.6
Livestocks		-1.2	2.5	3.1	2.7
Fishing and mining		0.4	-3.2	-1.2	1.1
Oil sector		...	...	...	...
Secondary sector		20.1	5.8	9.5	9.6
Manufacturing and handicrafts		25.4	1.8	12.6	11.1
Water and electricity		6.6	-16.9	-1.9	-3.9
Construction and public works		-0.8	43.4	-1.6	6.0
Tertiary sector		-2.3	1.6	1.5	2.7
Commerce, transport		4.1	-0.6	5.2	1.8
Public administration		-15.4	6.9	-7.6	6.5
Services		-0.6	1.4	2.9	1.0
Sum of value added		0.6	2.6	4.0	6.3
Duties and taxes on imports		25.6	42.9	7.3	28.0
GDP at market prices excluding oil		1.0	3.5	4.1	6.9
GDP at market prices		1.0	3.5	4.1	7.0
Memorandum Items:					
Marketed Value Added		2.3	3.4	4.7	6.9
Nonmarketed Value Added		-4.3	0.1	1.8	4.3
Of which: households		9.4	-6.4	12.0	2.3
GDP excluding households		0.0	4.9	3.2	7.6
GDP deflator (1995=100)	92.2	100.0	111.8	114.7	118.9
(change in percent)		8.5	11.8	2.7	3.6

Sources: Chadian authorities; and staff estimates.

Table 3. Chad: Supply and Use of Resources at Current Prices, 1994-98

	1994	1995	1996	1997	1998
	(In billions of CFA francs)				
Supply of resources	883.4	983.1	1,109.9	1,201.4	1,312.0
Gross domestic product	654.9	718.0	830.7	887.9	984.2
Non oil sector	654.9	718.0	830.7	887.9	983.8
Oil sector	0.0	0.0	0.0	0.0	0.5
Imports of goods and services	228.5	265.1	279.2	313.5	327.8
Non oil sector	228.5	265.1	279.2	305.4	310.0
Goods	113.1	140.6	148.0	159.8	162.6
Services	115.3	124.5	131.2	145.6	147.4
Oil sector	0.0	0.0	0.0	8.2	17.8
Use of resources	883.4	983.1	1,109.9	1,201.4	1,312.0
Gross domestic expenditure	777.9	828.9	965.1	1,045.7	1,131.5
Consumption	668.9	754.6	853.3	900.9	981.9
Central government	52.9	52.5	64.9	58.8	57.9
Other public bodies	29.7	32.7	35.5	38.2	36.2
Private	586.3	669.4	752.9	803.9	887.8
Gross capital formation	109.0	74.3	111.8	144.8	149.6
Gross fixed capital formation	77.0	83.2	98.8	128.0	144.6
Central government	48.3	45.3	52.5	58.8	53.9
Private sector	28.7	37.9	46.3	69.2	90.7
Non oil sector	28.4	32.5	35.9	51.3	72.0
Oil sector	0.3	5.4	10.4	17.9	18.7
Changes in inventories	32.0	-8.9	13.0	16.8	5.0
Exports of goods and services	105.5	154.2	144.7	155.7	180.5
Non oil sector	105.5	154.2	144.7	155.7	180.5
Goods	75.1	123.3	113.1	123.2	145.3
Services	30.4	30.9	31.6	32.5	35.2
Oil sector	0.0	0.0	0.0	0.0	0.0
Memorandum items:	0.2	0.1	0.1	0.0	0.0
Gross domestic savings	-14.0	-36.6	-22.6	-13.0	2.4
Resource gap	-123.0	-110.9	-134.4	-157.8	-147.2
Private transfers	1.2	-1.5	-1.9	-3.2	-3.7
Budgetary grants (current)	17.8	14.5	16.2	6.6	12.0
Other public transfers (current)	44.1	36.9	35.8	38.2	35.2
Factor income	-15.5	-13.9	-16.6	-17.0	-17.9
Gross national savings	33.6	-0.6	10.9	11.6	28.0
	(In percent of GDP)				
Supply of resources	134.9	136.9	133.6	135.3	133.3
Gross domestic product	100.0	100.0	100.0	100.0	100.0
Imports of goods and services	34.9	36.9	33.6	35.3	33.3
Goods	17.3	19.6	17.8	18.0	16.5
Services	17.6	17.3	15.8	16.4	15.0
Use of resources	134.9	136.9	133.6	135.3	133.3
Gross domestic expenditure	118.8	115.4	116.2	117.8	115.0
Consumption	102.1	105.1	102.7	101.5	99.8
Central government	8.1	7.3	7.8	6.6	5.9
Private	89.5	93.2	90.6	90.5	90.2
Gross capital formation	16.6	10.3	13.5	16.3	15.2
Gross fixed capital formation	11.8	11.6	11.9	14.4	14.7
Central government	7.4	6.3	6.3	6.6	5.5
Private sector	4.4	5.3	5.6	7.8	9.2
Changes in inventories	4.9	-1.2	1.6	1.9	0.5
Exports of goods and services	16.1	21.5	17.4	17.5	18.3
Goods	11.5	17.2	13.6	13.9	14.8
Services	4.6	4.3	3.8	3.7	3.6
Memorandum items:					
Gross domestic savings	-2.1	-5.1	-2.7	-1.5	0.2
Resource gap	-18.8	-15.4	-16.2	-17.8	-15.0
Private transfers	0.2	-0.2	-0.2	-0.4	-0.4
Budgetary grants (current)	2.7	2.0	1.9	0.7	1.2
Other public transfers (current)	6.7	5.1	4.3	4.3	3.6
Factor income	-2.4	-1.9	-2.0	-1.9	-1.8
Gross national savings	5.1	-0.1	1.3	1.3	2.8

Sources: Chadian authorities; and staff estimates.

Table 4. Chad: Production of Principal Food Crops, 1994/95-1998/99

(In thousands of metric tons)

	1994/95	1995/96	1996/97	1997/98	1998/99
Sudanian zone	970	846	884	907	860
Cereals	566	485	521	528	499
Millet	120	86	110	79	86
Sorghum and berber	306	291	279	322	284
Rice and maize	140	108	132	128	130
Oils	185	210	210	220	199
Groundnut	163	206	203	212	188
Sesame	22	4	7	8	11
Vegetables	219	152	152	159	162
Fonio, niebe, pois de terre	38	32	33	35	32
Cassava	181	119	119	124	130
Sahelian zone	667	637	575	686	1,300
Cereals	609	388	356	457	797
Millet	200	142	148	170	280
Sorghum and berber	297	210	165	199	373
Rice and maize	109	33	40	84	143
Wheat	3	3	3	4	1
Oils	47	93	62	65	287
Groundnut	44	87	57	59	283
Sesame	4	6	6	6	5
Vegetables	11	157	157	164	215
Fonio, niebe, pois de terre	6	8	8	9	53
Cassava	4	148	148	155	162
Total cereals	1,175	872	877	985	1,296
Total oils	233	303	273	285	486
Total vegetables	229	308	309	323	377
Total agricultural production	1,637	1,484	1,459	1,592	2,160

Sources: Chadian authorities; and staff estimates.

Table 5. Chad: Cereal Production, Consumption, and Deficit, 1994-98

(In thousands of metric tons)

	1994	1995	1996	1997	1998
Production	1,175	872	877	985	1,296
Losses and seed use 1/	176	131	132	148	194
Domestic consumption 2/	1,039	1,066	1,093	1,121	1,150
Cereal deficit 3/	-41	-324	-348	-284	-48

Sources: Chadian authorities; and staff estimates.

1/ Estimated at some 15 percent of production.
2/ Calculated by using minimum food requirements of 145 kg per habitant per year.
3/ Covered by external food aid and border trade.

Table 6. Chad: Livestock Population and Exports, 1994-98

	1994	1995	1996	1997	1998
			(In thousands of head)		
Size of herd					
Cattle	4,653	4,746	4,860	4,977	5,096
Sheep and goats	5,850	6,025	6,206	6,360	6,534
Horses	214	224	229	233	237
Camels	595	613	697	646	663
Donkeys	253	256	263	266	270
Pigs	17	18	18	19	20
Total	11,582	11,882	12,273	12,501	12,820
			(Annual percentage changes)		
Cattle	3.1	2.0	2.4	2.4	2.4
Sheep and goats	13.1	3.0	3.0	2.5	2.7
Horses	1.9	4.7	2.2	1.7	1.7
Camels	2.9	3.0	13.7	-7.3	2.6
Donkeys	2.0	1.2	2.7	1.1	1.5
Pigs	6.3	5.9	0.0	5.6	5.3
Total	7.8	2.6	3.3	1.9	2.6
Exports 1/			(In thousands of head)		
Cattle	127.6	117.2	142.4	123.2	126.1
Sheep and goats	9.3	13.9	9.6	17.1	17.6
Camels	0.3	1.3	1.5	2.8	2.9
Total	137.2	132.4	153.5	143.1	146.6

Sources: Chadian authorities; and staff estimates.

1/ These data from the Ministry of Agriculture cover only official exports. They are different from balance of paymen which include unrecorded exports.

Table 7. Chad: Consumer Price Index, 1994-98

(February 1988 = 100)

	Local	Imported	Food	Nonfood	Services	Overall	Percentage change	
Weights (in percentage)	77.0	23.0	59.0	30.3	10.7	100.0	(A)	(B)
1994	129.5	136.6	129.5	127.6	126.8	131.1	41.3	41.3
1995	137.9	159.6	138.4	155.4	133.3	143.0	9.1	9.1
1996	154.9	176.6	158.3	167.5	147.7	159.9	11.8	11.8
1997	166.1	180.1	171.0	170.3	158.1	169.4	5.9	5.9
1998	174.1	185.7	178.5	181.4	154.9	176.8	4.4	4.4
1994								
March	107.2	115.0	107.8	111.2	109.1	109.0	14.1	21.7
June	134.6	139.9	137.8	134.7	128.1	135.8	24.6	47.8
September	140.8	145.4	144.6	139.4	134.0	141.9	4.4	49.5
December	135.4	146.3	135.5	143.2	136.6	137.9	-2.8	44.4
1995								
March	132.9	152.6	132.0	150.9	130.1	137.5	-1.9	13.8
June	138.8	160.7	141.2	153.6	131.5	143.9	5.3	3.7
September	141.4	162.9	141.5	158.9	137.8	146.4	-0.1	1.6
December	142.2	169.4	144.5	163.0	130.0	148.6	-0.2	8.5
1996								
March	136.8	171.0	138.0	163.3	129.6	144.8	-1.6	5.3
June	161.9	179.9	168.4	173.1	133.3	168.4	6.1	17.0
September	165.4	178.1	168.4	167.7	169.9	168.3	-0.2	15.0
December	159.1	179.4	162.8	166.9	160.6	163.8	-1.0	10.2
1997								
March	155.0	178.0	158.4	165.1	157.8	160.3	-2.3	10.7
June	176.0	179.8	182.9	170.8	160.5	176.9	2.8	5.0
September	172.8	181.5	176.9	176.0	160.0	174.9	0.2	3.9
December	160.1	180.0	164.2	173.2	143.7	164.7	-2.9	0.5
1998								
January	160.5	182.5	163.5	175.5	149.5	165.6	0.5	1.8
February	161.2	188.6	164.5	178.7	153.4	167.6	1.2	2.1
March	157.3	186.2	158.2	179.0	153.8	164.1	-2.1	2.4
April	166.5	185.4	170.8	176.9	154.4	170.9	4.1	3.0
May	173.7	191.3	179.5	183.0	153.4	177.8	4.0	3.4
June	176.6	181.3	182.3	176.8	155.2	177.7	-0.1	0.5
July	182.8	181.4	187.9	181.0	156.3	182.5	2.7	3.0
August	195.3	190.0	205.2	185.1	158.5	194.1	6.4	11.2
September	201.1	185.0	210.7	185.4	157.5	197.3	1.6	12.8
October	180.0	187.5	184.0	186.0	157.3	181.3	-8.1	6.9
November	167.5	186.4	166.6	187.4	157.2	171.9	-5.2	1.3
December	166.8	183.3	168.2	182.0	152.5	170.7	-0.7	3.6

Sources: Chadian authorities; and staff estimates.

1/ (A) is relative to preceding period, and (B) relative to same period of preceding year.

Table 8. Chad: Consolidated Government Operations, 1994-98

(In billions of CFA francs)

	1994	1995	1996	1997	1998 Prel.
Total revenue and grants	94.0	98.5	110.2	124.7	127.1
Total revenue	32.0	44.8	59.6	68.4	76.2
Tax revenue	30.7	39.7	53.0	61.3	69.8
Income tax	9.2	17.4	22.4	22.4	23.2
Tax on goods and services	9.1	6.6	11.1	17.0	14.4
Of which: petroleum taxes	2.3	2.0	2.9	3.4	3.5
Tax on international trade	6.2	12.2	18.6	20.7	27.4
Other taxes	6.2	3.5	1.0	1.3	4.7
Nontax revenue	1.2	5.1	6.5	7.1	6.5
Total grants	62.0	53.7	50.6	56.4	50.9
Current grants	17.8	14.5	16.2	6.6	12.8
Project grants	44.2	39.2	34.4	49.8	38.1
Total expenditure	124.8	130.3	151.8	158.9	153.8
Current expenditure	65.6	64.7	77.2	73.5	75.4
Primary current expenditure	56.1	56.9	64.4	61.3	65.7
Wages and salaries	26.0	30.1	30.8	30.8	31.5
Materials and supplies	12.7	11.9	17.1	14.6	16.1
Transfers	5.0	5.0	3.9	6.1	8.6
Defense	12.3	10.0	12.7	9.7	9.5
Demobilization	1.3	0.5	0.3	3.4	0.8
Elections	0.0	0.0	3.8	0.3	0.0
Other	0.6	0.0	0.3	0.0	0.0
Interest	7.6	7.3	8.4	8.5	8.9
Of which: external	6.5	6.3	7.1	7.0	7.5
Current balance (- deficit)	-33.6	-19.8	-17.6	-5.1	0.8
Investment expenditure	59.2	65.6	74.6	85.4	78.4
Domestically financed	1.2	0.3	0.6	4.1	5.0
Foreign-financed	58.0	65.3	74.0	81.4	73.3
Overall deficit (commitment basis)					
Excluding grants	-92.8	-85.5	-92.2	-90.6	-77.6
Including grants	-30.8	-31.8	-41.6	-34.2	-26.7
Change in payments arrears	5.8	6.4	-28.9	-11.8	-3.8
External (interest)	2.3	-3.7	-19.3	-0.7	-0.2
Domestic	3.5	10.2	-9.6	-11.1	-3.6
Errors and omissions	0.0	0.0	0.0	-0.1	0.3
Overall deficit (cash basis, excluding grants)	-87.0	-79.0	-121.2	-102.5	-81.1
Overall deficit (cash basis, including grants)	-25.0	-25.4	-70.5	-46.1	-30.2
Financing	25.0	25.4	70.5	46.1	30.2
External (net)	25.8	32.2	58.9	49.7	27.7
Loans	25.1	26.1	54.6	54.5	35.3
Amortization due	-7.8	-5.8	-6.2	-7.2	-9.7
Change in external arrears (principal)	4.3	-10.3	-19.9	-2.0	-1.3
Debt relief/rescheduling obtained	4.2	22.2	30.4	4.5	3.5
Domestic (net)	-0.8	-6.8	11.7	-3.6	2.5
Banking system	1.6	-6.1	11.1	-4.9	1.9
Nonbank sector	-2.4	-0.9	0.2	-0.1	0.0
Sale of assets	0.0	0.2	0.3	1.3	0.6

Sources: Chadian authorities; and staff estimates.

Table 9. Chad: Indicators of Central Government Operations, 1994-98

	1994	1995	1996	1997	1998 Prel.
	(In percent of GDP)				
Total revenue and grants	14.3	13.7	13.3	14.0	12.9
Total revenue	4.9	6.2	7.2	7.7	7.7
Tax revenue	4.7	5.5	6.4	6.9	7.1
Of which: tax on goods and services	1.4	0.9	1.3	1.9	1.5
tax on international trade	0.9	1.7	2.2	2.3	2.8
Nontax revenue	0.2	0.7	0.8	0.8	0.7
Total grants	9.5	7.5	6.1	6.4	5.2
Current grants	2.7	2.0	1.9	0.7	1.3
Project grants	6.8	5.5	4.1	5.6	3.9
Total expenditure	19.1	18.1	18.3	17.9	15.6
Current expenditure	10.0	9.0	9.3	8.3	7.7
Primary current expenditure	8.6	7.9	7.7	6.9	6.7
Wages and salaries	4.0	4.2	3.7	3.5	3.2
Materials and supplies	1.9	1.7	2.1	1.6	1.6
Transfers	0.8	0.7	0.5	0.7	0.9
Defense	1.9	1.4	1.5	1.1	1.0
Demobilization	0.2	0.1	0.0	0.4	0.1
Elections	0.0	0.0	0.5	0.0	0.0
Other	0.1	0.0	0.0	0.0	0.0
Interest	1.2	1.0	1.0	1.0	0.9
of which: external	1.0	0.9	0.9	0.8	0.8
Current balance (deficit=-)	-5.1	-2.8	-2.1	-0.6	0.1
Investment expenditure	9.0	9.1	9.0	9.6	8.0
Domestically financed	0.2	0.0	0.1	0.5	0.5
Foreign-financed	8.9	9.1	8.9	9.2	7.5
Overall deficit (commitment basis)					
Excluding grants	-14.2	-11.9	-11.1	-10.2	-7.9
Including grants	-4.7	-4.4	-5.0	-3.8	-2.7
Overall deficit (cash basis, excluding grants)	-13.3	-11.0	-14.6	-11.5	-8.2
Overall deficit (cash basis, including grants)	-3.8	-3.5	-8.5	-5.2	-3.1
Financing	3.8	3.5	8.5	5.2	3.1
External (net)	3.9	4.5	7.1	5.6	2.8
Loans	3.8	3.6	6.6	6.1	3.6
Amortization due	-1.2	-0.8	-0.7	-0.8	-1.0
Change in external arrears (principal)	0.7	-1.4	-2.4	-0.2	-0.1
Debt relief/rescheduling obtained	0.6	3.1	3.7	0.5	0.4
Domestic (net)	-0.1	-1.0	1.4	-0.4	0.3
Banking system	0.3	-0.8	1.3	-0.5	0.2
Nonbank sector	-0.4	-0.1	0.0	0.0	0.0
Sale of assets	0.0	0.0	0.0	0.1	0.1
	(Annual percentage changes)				
Total revenue	9.7	40.3	32.8	14.8	11.5
Tax revenue	36.0	29.1	33.6	15.5	13.8
of which: income tax	33.6	89.9	28.6	-0.3	4.0
tax on goods and services	34.9	-28.0	68.5	53.1	-15.2
tax on international trade	56.5	96.3	52.5	11.6	32.3
Nontax revenue	-81.3	319.5	26.8	8.6	-8.4
Total grants	224.4	-13.4	-5.7	11.4	-9.7
Total expenditure	48.9	4.4	16.5	4.7	-3.2
Current expenditure	26.2	-1.3	19.3	-4.8	2.6
Primary current expenditure	24.8	1.5	13.1	-4.8	7.3
Wages and salaries	14.3	15.9	2.2	0.2	2.2
Materials and supplies	45.1	-7.0	44.0	-14.4	10.2
Transfers	113.5	-1.0	-22.2	58.4	40.6
Defense	11.3	-18.9	26.8	-23.5	-1.9
Interest	57.8	-4.9	15.9	1.3	4.3
Investment expenditure	99.9	10.8	13.7	14.5	-8.3

Sources: Chadian authorities; and staff estimates.

Table 10. Chad: Government Revenue, 1994-98

	1994	1995	1996	1997	1998 Prel.
	(In billions of CFA francs)				
Total revenue	32.0	44.8	59.6	68.4	76.2
Tax revenue	30.7	39.7	53.0	61.3	69.8
Taxes on income and profits	8.7	16.6	21.5	21.6	22.6
Companies	3.1	8.4	11.9	9.7	10.7
Individuals	4.6	7.2	8.5	10.8	10.6
Employers' payroll tax	1.0	1.0	1.1	1.0	1.4
Property tax	0.5	0.8	0.9	0.8	0.7
Taxes on goods and services	8.3	6.6	11.1	17.0	14.4
Turnover tax	3.1	1.7	6.5	10.8	8.5
Tax on petroleum products	2.3	2.0	2.9	3.4	3.5
Single tax	2.5	2.0	0.3	0.0	0.0
Other	0.5	0.8	1.4	2.8	2.3
Taxes on international trade	6.2	12.2	18.6	20.7	27.4
Import taxes	4.9	9.6	17.0	18.7	25.7
Export taxes	1.0	1.4	0.9	1.4	1.3
Other	0.2	1.1	0.6	0.7	0.5
Other tax revenues	6.2	3.5	1.0	1.3	4.7
Nontax revenue	1.2	5.1	6.5	7.1	6.5
Property income	0.4	1.2	0.4	1.3	1.3
Administrative fees	0.1	0.1	0.3	0.4	0.4
Nonindustrial sales	0.4	0.8	1.1	1.1	1.3
Other	0.3	3.0	4.7	4.3	3.5
	(In percent of total)				
Total revenue	100.0	100.0	100.0	100.0	100.0
Tax revenue	96.2	88.5	89.1	89.7	91.5
Taxes on income and profits	27.2	37.1	36.1	31.6	29.6
Companies	9.6	18.7	20.0	14.2	14.0
Individuals	14.4	16.0	14.2	15.8	13.8
Employers' payroll tax	3.2	2.3	1.9	1.5	1.8
Property tax	1.5	1.8	1.5	1.1	0.9
Taxes on goods and services	26.1	14.7	18.6	24.8	18.9
Turnover tax	9.6	3.9	10.9	15.9	11.2
Tax on petroleum products	7.1	4.6	4.8	4.9	4.6
Single tax	7.9	4.5	0.6	0.0	0.0
Other	1.5	1.8	2.3	4.1	3.0
Taxes on international trade	19.4	27.1	31.2	30.3	35.9
Import taxes	15.5	21.4	28.5	27.3	33.7
Export taxes	3.3	3.2	1.6	2.0	1.6
Other	0.6	2.5	1.1	1.0	0.6
Other tax revenues	19.5	7.9	1.7	1.8	6.2
Nontax revenue	3.8	11.5	10.9	10.3	8.5
Property income	1.1	2.8	0.7	1.8	1.7
Administrative fees	0.3	0.3	0.5	0.6	0.5
Nonindustrial sales	1.4	1.8	1.8	1.6	1.8
Other	1.1	6.6	7.9	6.3	4.6

Sources: Chadian authorities; and staff estimates.

Table 11. Chad: Economic Classification of Central Government Expenditure, 1994-98

	1994	1995	1996	1997	1998 Prel.
	(In billions of CFA francs)				
Total expenditure	124.7	130.3	151.8	158.9	153.8
Current expenditure	65.5	64.7	77.2	73.5	75.4
Primary current expenditure	56.0	56.9	64.4	61.3	65.7
Wages and salaries	26.0	30.1	30.8	30.8	31.5
Materials and supplies	12.7	11.9	17.1	14.6	16.1
Health	1.1	1.0	1.3	2.1	2.7
Education	1.0	0.9	1.2	2.0	2.5
Public works	0.3	0.7	0.3	0.4	0.5
Social affairs	0.0	0.0	0.0	0.3	0.4
Other	10.3	9.3	14.3	9.9	10.0
Transfers	5.0	5.0	3.9	6.1	8.6
International organizations	...	1.8	0.3	1.6	0.3
Scholarships	...	0.8	0.7	1.1	0.9
Pensions	...	0.7	0.4	1.0	1.4
Subsidies	...	1.5	2.0	2.3	2.5
Other	0.0	0.2	0.3	0.1	3.4
Defense	12.3	10.0	12.7	9.7	9.5
Salaries	9.0	7.1	10.7	8.4	8.3
Materials and supplies	3.3	2.9	1.9	1.3	1.2
Demobilization	1.3	0.5	0.3	3.4	0.8
Elections	0.0	0.0	3.8	0.3	0.0
Other current expenditure	0.6	0.0	0.3	0.0	0.0
Interest	7.6	7.3	8.4	8.5	8.9
Domestic	1.1	1.0	1.3	1.5	1.3
External	6.5	6.3	7.1	7.0	7.5
	0.0	0.0	0.0	0.0	0.0
Investment expenditure	59.2	65.6	74.6	85.4	78.4
Domestically financed	1.2	0.3	0.6	4.1	5.0
Foreign-financed	58.0	65.3	74.0	81.4	73.3
Grants	44.2	39.2	34.4	49.8	38.1
Loans	13.8	26.1	39.6	31.6	35.3
Restructuring of banking system	0.0	0.0	0.0	0.0	0.0
	(In percent of total expenditure)				
Total expenditure	100.0	100.0	100.0	100.0	100.0
Current expenditure	52.5	49.6	50.9	46.2	49.0
Primary current expenditure	44.9	43.7	42.4	38.6	42.7
Wages and salaries	20.8	23.1	20.3	19.4	20.5
Materials and supplies	10.2	9.1	11.2	9.2	10.5
Transfers	4.0	3.8	2.5	3.8	5.6
Defense	9.9	7.7	8.4	6.1	6.2
Demobilization	1.0	0.4	0.2	2.1	0.5
Elections	0.0	0.0	2.5	0.2	0.0
Other current expenditure	0.5	0.0	0.2	0.0	0.0
Interest	6.1	5.6	5.5	5.4	5.8
Domestic	0.9	0.7	0.9	0.9	0.9
External	5.2	4.8	4.7	4.4	4.9
Investment expenditure	47.5	50.4	49.1	53.8	51.0
Domestically financed	1.0	0.2	0.4	2.6	3.3
Foreign-financed	46.5	50.1	48.8	51.2	47.7
Grants	35.5	30.1	22.7	31.3	24.8
Loans	11.1	20.0	26.1	19.9	22.9

Sources: Chadian authorities; and staff estimates.

Table 12. Chad: Public Investment Program, 1994-98 1/

	1994	1995	1996	1997	1998 Est. 2/
			(In billions of CFA francs)		
Agriculture, forestry, and livestock	24.5	13.8	20.4	15.0	22.9
Mining, industry, and energy	4.0	4.0	1.0	0.9	2.1
Infrastructure and transport	15.6	28.8	38.7	25.4	30.3
Human resources	21.3	16.3	13.5	21.0	22.4
Multisectoral investment	6.6	4.1	2.9	4.9	7.1
Development support	11.6	7.8	5.4	8.6	2.6
Total	83.6	74.7	81.9	75.8	87.5
			(In percent of total)		
Agriculture, forestry, and livestock	29.3	18.5	24.9	19.8	26.2
Mining, industry, and energy	4.7	5.4	1.2	1.2	2.4
Infrastructure and transport	18.7	38.5	47.3	33.5	34.7
Human resources	25.5	21.8	16.5	27.7	25.6
Multisectoral investment	7.9	5.4	3.6	6.5	8.1
Development support	13.9	10.4	6.6	11.3	3.0
Total	100.0	100.0	100.0	100.0	100.0
			(In percent of total)		
Financing					
Grants	72.0	57.6	46.9	63.0	57.3
Loans	27.7	40.4	51.6	31.7	33.8
National budget	0.3	2.0	1.4	5.2	8.9

Sources: Chadian authorities; and staff estimates.

1/ Based on the physical execution of the investment program.

2/ Based on end-September 1998 execution's rates.

Table 13. Chad: Monetary Survey, 1994-98

	1994	1995	1996	1997	1998 Est.
	(In billions of CFA francs)				
Net foreign assets	30.2	62.3	64.7	58.5	47.3
Central bank	36.3	65.9	63.8	47.9	38.6
Commercial banks	-0.4	2.0	0.9	10.6	8.8
Postal debt	-5.6	-5.6	0.0	0.0	0.0
Medium- and long-term foreign liabilities	-0.7	-0.1	0.0	-0.1	0.0
Net domestic assets	49.8	45.6	64.9	59.0	63.5
Domestic credit	79.2	70.5	92.6	91.3	90.2
Claims on government (net)	47.9	35.1	45.0	41.1	35.8
Treasury (net)	43.3	38.5	50.5	47.0	48.0
Other	4.6	-3.4	-5.5	-5.9	-12.1
Claims on the private sector	31.3	35.4	47.6	50.2	54.4
Other items (net)	-29.5	-24.9	-27.7	-32.3	-26.7
Of which: revaluation account	-9.8	-9.8	-9.8	-9.8	-9.8
Money and quasi-money	79.3	107.8	129.5	117.4	110.8
Currency outside banks	56.3	76.6	99.7	81.3	78.3
Demand deposits	20.1	23.4	24.5	30.3	26.8
Quasi-money	2.9	7.9	5.4	5.9	5.8
	(Changes in percent of beginning-period money stock)				
Net foreign assets	66.8	40.5	2.2	-4.8	-9.5
Net domestic assets	0.2	-5.3	17.9	-4.5	3.8
Domestic credit	14.8	-11.0	20.5	-1.0	-1.0
Claims on government (net)	8.1	-16.2	9.2	-3.0	-4.5
Of which: treasury (net)	-1.4	-6.1	11.1	-2.7	0.9
Claims on the private sector	6.7	5.3	11.3	2.0	3.5
Money and quasi money	66.3	36.0	20.2	-9.3	-5.7
Currency outside banks	42.9	25.6	21.4	-14.2	-2.6
Demand deposit	22.0	4.1	1.1	4.5	-3.0
Quasi money	1.4	6.3	-2.3	0.4	-0.1
Memorandum items:					
Currency outside banks					
As a percentage of broad money	71.0	71.0	76.9	69.2	70.6
As a percentage of deposits	245.1	245.2	333.6	224.5	240.4
Velocity of broad money	8.3	6.7	6.4	7.6	8.9

Sources: BEAC and staff estimates.

Table 14. Chad: Balance of Payments, 1994-98

(In billions of CFA francs)

	1994	1995	1996	1997	1998
Goods and services	-123.0	-110.9	-134.4	-157.8	-147.2
Goods	-38.0	-17.3	-34.9	-42.3	-29.7
Exports f.o.b	75.1	123.3	113.1	123.2	145.3
Of which : cotton	24.7	63.7	55.3	66.6	86.2
Imports fob	-113.1	-140.6	-148.0	-165.5	-175.0
Services	-84.9	-93.6	-99.5	-115.5	-117.5
Credit	30.4	30.9	31.6	32.5	35.2
Debit	-115.3	-124.5	-131.2	-148.0	-152.8
Income	-15.5	-13.9	-16.6	-17.0	-17.9
Of which : public sector interest	-6.5	-6.3	-7.1	-7.0	-7.5
Current transfers	62.9	49.9	50.0	41.6	43.5
General government (net)	61.7	51.3	51.9	44.8	47.2
Other sectors (net)	1.2	-1.5	-1.9	-3.2	-3.7
Current account balance	-75.6	-74.9	-101.0	-133.2	-121.6
Excluding official transfers	-137.2	-126.2	-152.9	-178.0	-168.8
Capital and financial account	124.4	122.0	114.7	139.6	112.0
Capital account	40.3	35.9	36.4	36.1	28.4
Capital transfers	40.3	35.9	36.4	36.1	28.4
Of which : debt forgiveness	4.2	8.9	12.1	1.8	0.6
Financial account	35.3	39.0	64.6	97.2	93.2
Direct investment	7.9	5.0	7.6	9.2	15.8
Other investment	21.2	23.7	64.1	75.4	81.9
Public sector drawings	33.3	45.7	85.0	63.8	69.8
Of which : IMF purchases	8.3	6.3	12.3	6.6	6.6
Debt rescheduling (agreed)	0.0	13.3	18.2	2.7	4.8
Public sector amortization	-7.3	-8.6	-9.4	-13.8	-16.3
Of which : IMF repurchases	-1.2	-2.8	-3.2	-6.6	-6.6
Net change in arrears	4.3	-14.1	-39.2	-2.7	-4.1
Change in liabilities of the BEAC	7.9	3.7	13.8	9.6	4.6
Private sector (net)	-17.1	-3.1	13.9	18.5	28.0
Of which : deposit money banks	-8.0	3.4	7.4	9.7	10.0
Reserve assets	-42.6	-36.8	-20.7	6.2	5.1
Errors and omissions	48.8	47.0	13.7	6.3	-9.6
Memorandum items					
External financing	89.7	76.3	92.2	96.6	96.3
Project financing (net)	43.9	47.4	57.6	58.6	58.1
Project loans	13.8	26.1	39.6	31.6	40.0
Project grants	36.1	27.1	24.3	34.3	27.8
Amortization	-6.0	-5.8	-6.2	-7.2	-9.7
Debt relief already obtained	4.2	22.2	30.4	4.5	5.4
Exceptional financing	37.3	20.7	43.4	36.2	37.0
Program loans already obtained	11.3	0.0	15.0	23.0	18.3
IMF disbursement	8.3	6.3	12.3	6.6	6.6
Program grants already obtained	17.8	14.5	16.2	6.6	12.0
Net change in external arrears (+ increase)	4.3	-14.1	-39.2	-2.7	-4.1

Sources: BEAC; and staff estimates.

Table 15. Chad: External Financial Assistance, 1994-98

	1994	1995	1996	1997	1998
			(In billions of CFA francs)		
Total grants	98.0	78.4	76.2	79.1	73.4
Current grants	61.9	51.4	52.0	44.8	47.2
Budgetary	17.8	14.5	16.2	6.6	12.0
Other	44.1	36.9	35.8	38.2	35.2
Capital grants	36.1	27.1	24.3	34.3	26.2
Net drawings	17.8	17.5	50.4	40.3	18.0
Gross drawings	33.3	32.4	66.8	61.2	41.9
Project loans	13.8	26.1	39.6	31.6	35.3
Program loans	11.3	0.0	15.0	23.0	0.0
IMF resources	8.3	6.3	12.3	6.6	6.6
Debt service	-15.6	-14.9	-16.4	-20.8	-23.9
Of which: IMF (principal)	-1.2	-2.8	-3.2	-6.6	-6.6
Net repayments of arrears (- reduction)	6.7	-14.1	-39.2	-2.7	-1.6
Debt relief	4.2	22.2	30.4	4.5	3.5
Total net foreign assistance	126.6	104.1	117.8	121.2	93.3
			(In percent of GDP)		
Total grants	15.0	10.9	9.2	8.9	7.5
Current grants	9.4	7.2	6.3	5.0	4.8
Budgetary	2.7	2.0	1.9	0.7	1.2
Other	6.7	5.1	4.3	4.3	3.6
Capital grants	5.5	3.8	2.9	3.9	2.7
Net drawings	2.7	2.4	6.1	4.5	1.8
Gross drawings	5.1	4.5	8.0	6.9	4.3
Project loans	2.1	3.6	4.8	3.6	3.6
Program loans	1.7	0.0	1.8	2.6	0.0
IMF resources	1.3	0.9	1.5	0.7	0.7
Debt service	-2.4	-2.1	-2.0	-2.3	-2.4
Of which: IMF (principal)	-0.2	-0.4	-0.4	-0.7	-0.7
Net repayments of arrears	1.0	-2.0	-4.7	-0.3	-0.2
Debt relief	0.6	3.1	3.7	0.5	0.4
Total net foreign assistance	19.3	14.5	14.2	13.7	9.5

Sources: Chadian authorities; and staff estimates.

Table 16. Chad: External Debt Outstanding, Public and Publicly Guaranteed, 1994-98

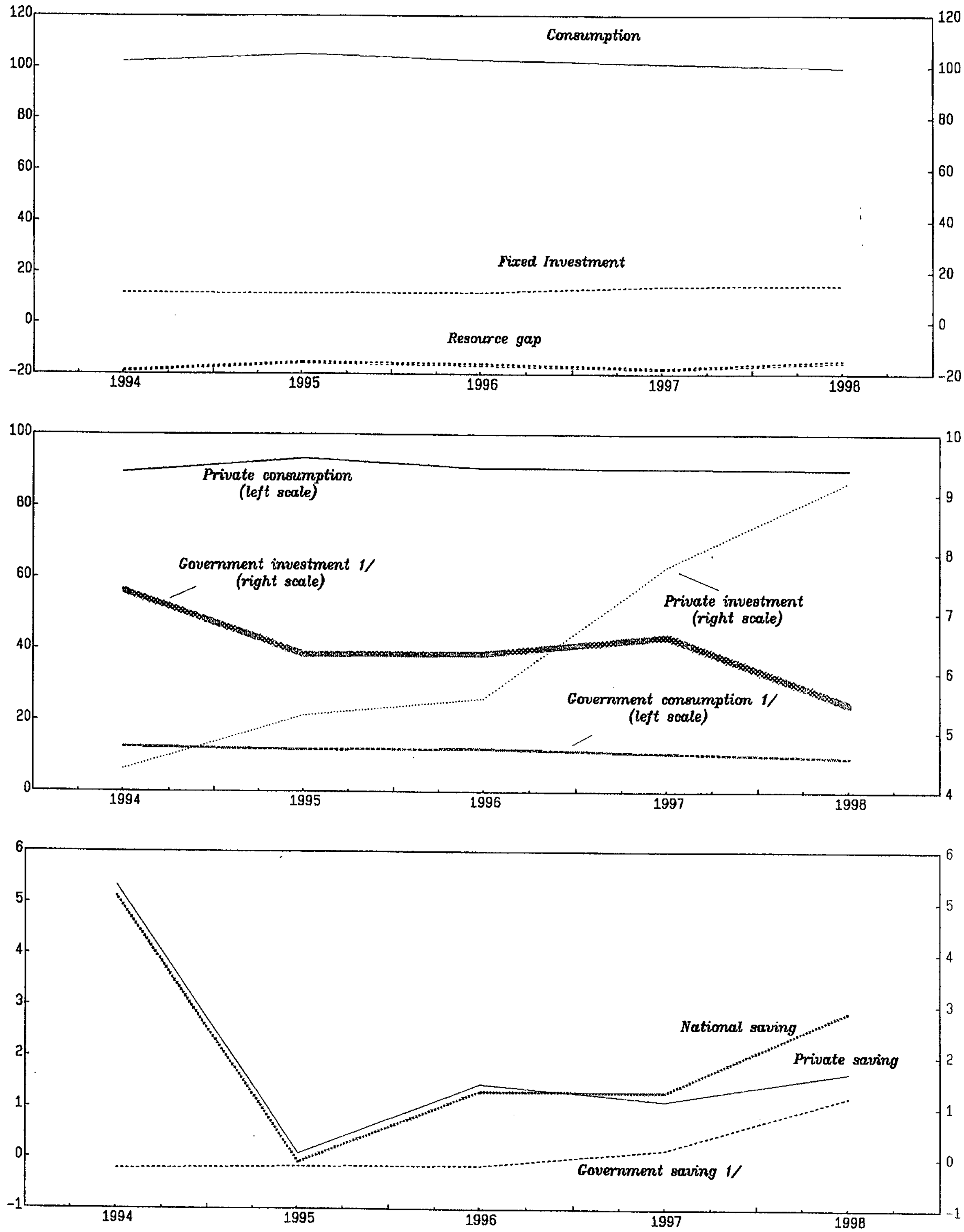
(In billions of CFA francs)

	1994	1995	1996	1997	1998
Total	393.23	400.86	468.30	539.75	558.35
Multilateral loans	343.33	337.95	396.77	457.11	476.11
IMF	22.78	24.50	29.81	37.07	37.83
World Bank (IDA)	189.46	192.47	221.05	273.51	284.50
African Development Fund/Bank	102.77	93.60	98.23	120.70	128.60
EDF/EIB 1/	11.56	11.73	6.72	5.38	5.11
Other	16.76	15.66	40.96	20.45	20.08
Islamic Development Bank	6.81	5.93	6.35	6.24	6.60
OPEP Special Fund	3.14	3.09	27.01	4.25	5.22
BADEA 1/	5.14	4.52	4.39	4.71	2.93
BDEAC 1/	1.17	1.26	1.29	1.56	1.25
FIDA	0.51	0.87	1.93	3.69	4.07
Bilateral loans	49.90	62.91	71.53	82.64	82.24
Paris Club official debt	24.05	35.82	35.03	32.79	31.48
Pre cut-off	19.13	27.95	28.47	27.21	26.56
France	16.16	23.42	24.21	22.86	22.14
COFACE	16.16	23.42	24.21	22.86	22.14
Rescheduling 89	16.16	10.46	8.72	8.72	6.10
Rescheduling 95	0.00	12.96	12.96	12.96	12.96
Rescheduling 96	0.00	0.00	2.53	1.18	3.07
Germany (Ferrostaal)	0.78	0.52	0.26	0.26	0.27
Rescheduling 87	0.78	0.35	0.00	0.00	0.00
Rescheduling 95	0.00	0.16	0.15	0.15	0.15
Rescheduling 96	0.00	0.00	0.12	0.12	0.12
Italy	1.36	3.15	3.51	3.60	3.71
Italdit	0.96	2.04	2.33	2.32	2.34
Rescheduling 89	0.96	0.85	0.79	0.78	0.71
Rescheduling 95	0.00	1.19	1.22	1.21	1.21
Rescheduling 96	0.00	0.00	0.33	0.32	0.42
Techno Frigo	0.40	1.12	1.17	1.28	1.36
Rescheduling 89	0.40	0.40	0.43	0.37	0.39
Rescheduling 95	0.00	0.72	0.74	0.74	0.74
Rescheduling 96	0.00	0.00	0.00	0.18	0.23
Netherlands (Philips)	0.70	0.76	0.43	0.43	0.45
Rescheduling 89	0.70	0.30	0.00	0.00	0.00
Rescheduling 95	0.00	0.45	0.43	0.43	0.45
Austria (Daimler)	0.13	0.10	0.06	0.06	0.00
Post cut-off	4.92	7.87	6.56	5.57	4.92
Spain (ICO)	4.92	4.87	4.90	4.91	4.92
USA (Camac Inc.)	0.00	3.00	1.66	0.67	0.00
Non Paris Club official debt	17.36	17.26	28.22	42.31	45.00
China	11.83	11.44	12.72	24.24	24.56
Gabon	1.23	1.23	1.23	0.00	0.00
Saudi Arabia	1.91	2.44	2.38	2.77	4.24
Kuwait	0.00	0.00	9.69	12.77	13.64
Israel	0.12	0.12	0.12	0.15	0.15
Russia	2.28	2.05	2.10	2.39	2.41
Other creditors	8.48	9.83	8.28	7.54	5.77
Prochimco Gauff	0.10	0.05	0.02	0.00	0.00
Payeur de France (FF)	0.74	0.74	0.64	0.55	0.46
Postal Debt	5.01	5.26	4.26	4.26	3.37
Assistance Publique	1.91	3.19	2.79	2.14	1.59
SCOA Paris	0.03	0.03	0.00	0.00	0.00
Paribas	0.27	0.20	0.21	0.13	0.11
BFC	0.42	0.35	0.36	0.45	0.23

Source: Chadian authorities: and staff estimates

1/ EDF, European Development Fund, EIB, European Investment Bank, BADEA, Arab Bank for Economic Development of Africa; BDEAC, Central African States Development Bank; CFD, French Fund for Development; SCOA Societe Commerciale Ouest-Africaine; BFC, Banque Internationale Cooperative.

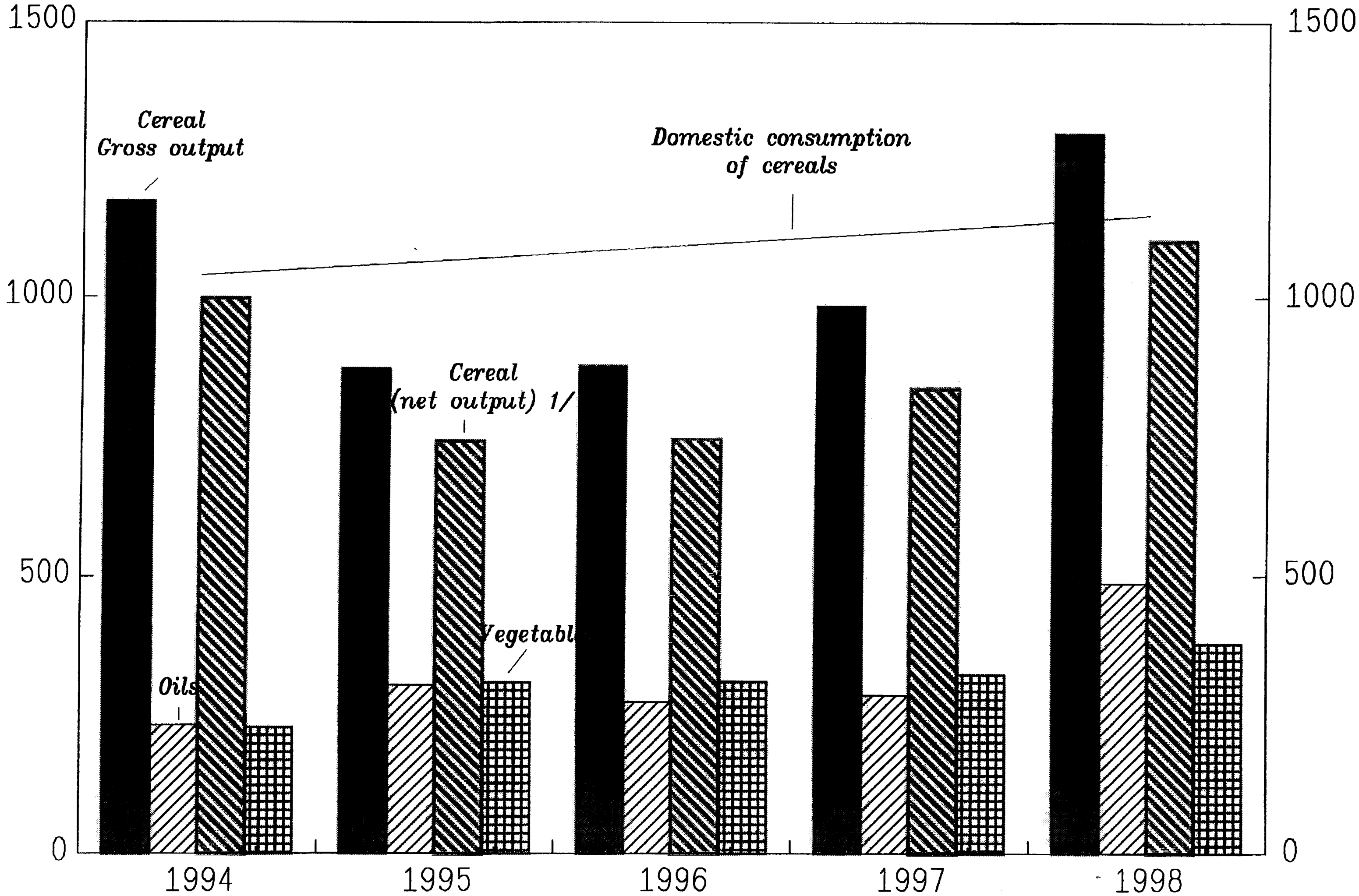
Figure 1. Chad: Expenditure, Resource Gap, and Saving, 1994-98
(In percent of GDP)



Source: Chadian authorities.

1/ The government includes the Treasury and other public agencies not part of central government.

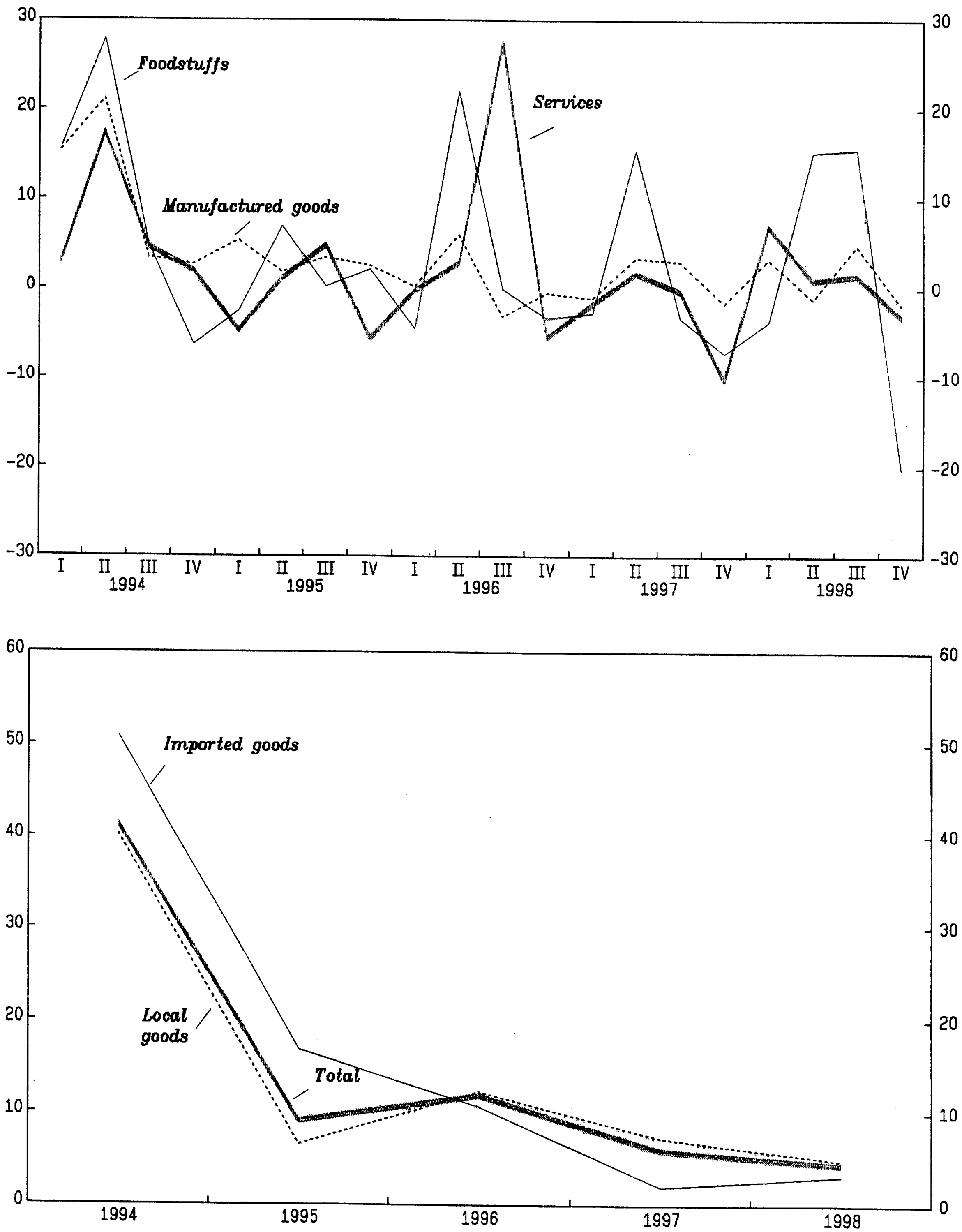
Figure 2. CHAD: Foodstuff Output, 1994-98
(In thousands of tons)



Source: Chadian authorities.

1/ Net of losses.

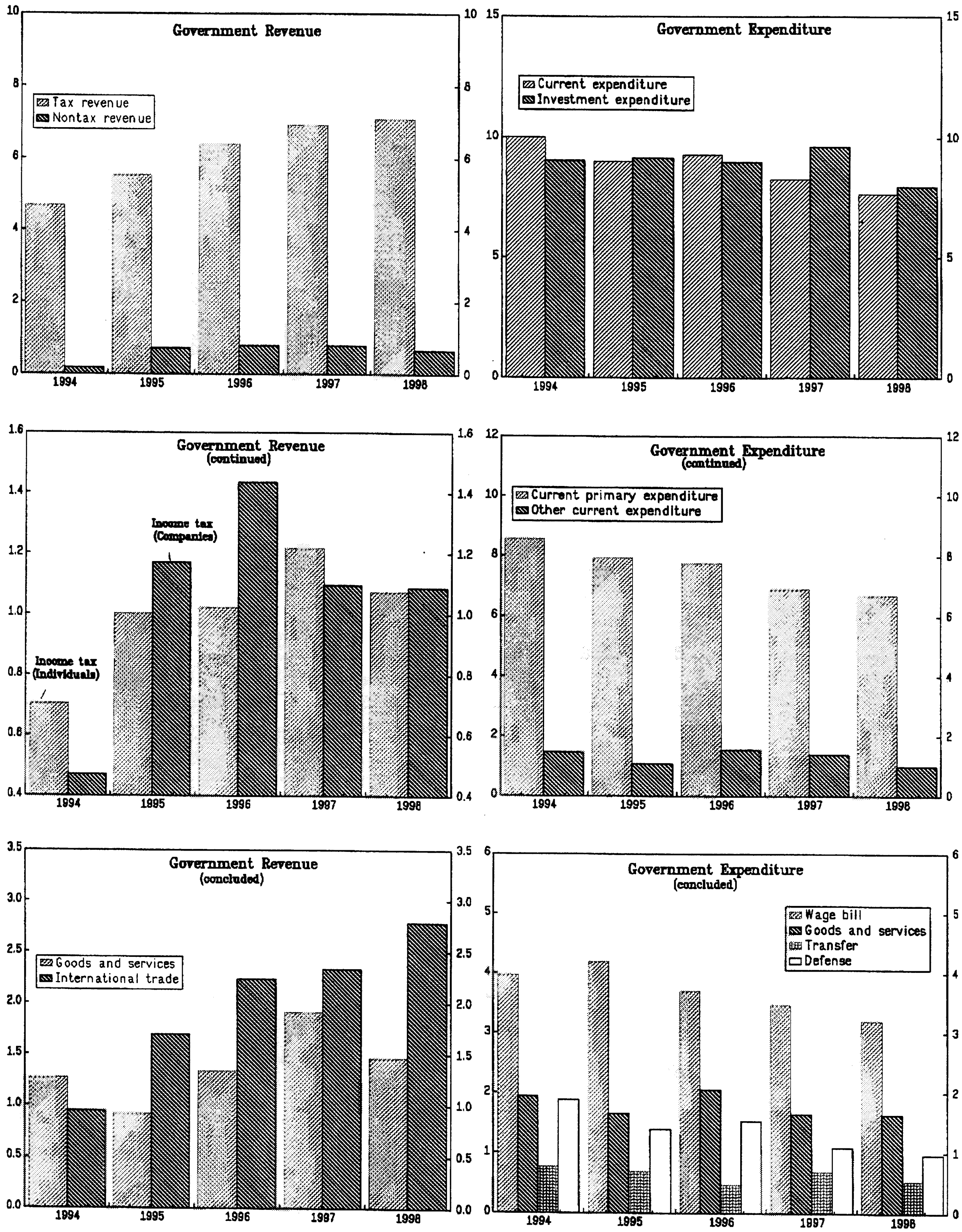
Figure 3. CHAD: Consumer Price Index, 1994-98
(Changes in percent)



Source: Chadian authorities.

Figure 4. Chad: Central Government Operations, 1994-98

(In percent of GDP)



Source: Chadian authorities.

Figure 5. Chad: Money and Financial Savings, 1994-98
(In percent of GDP)

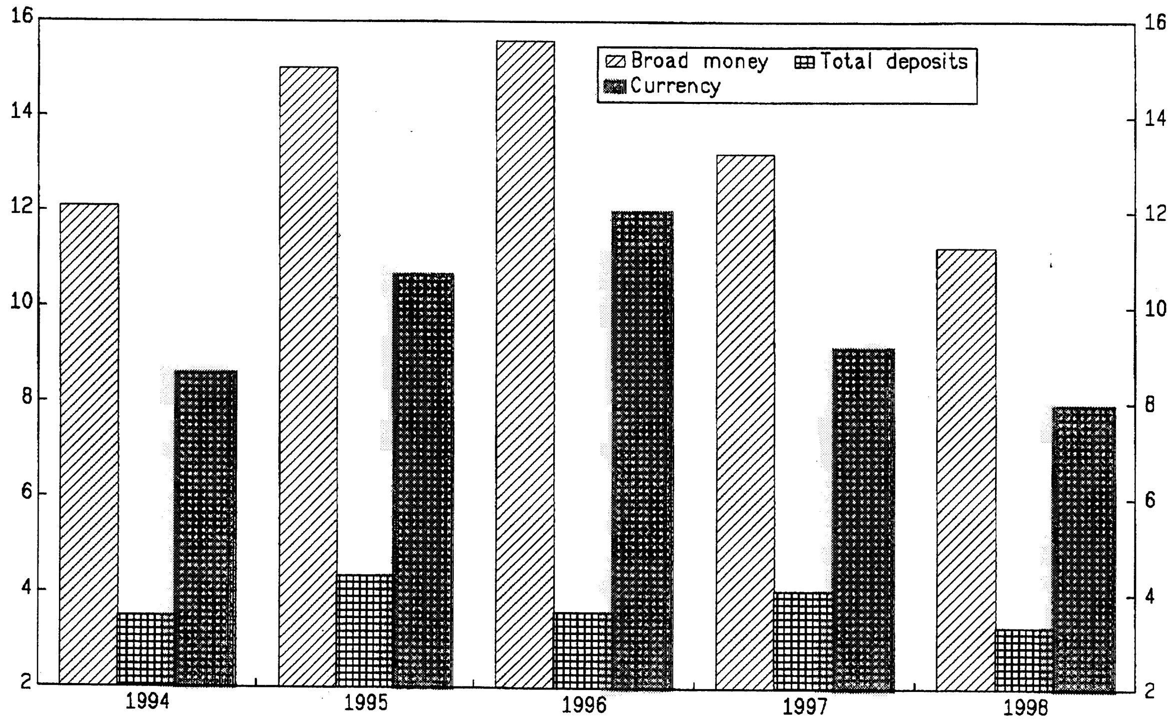
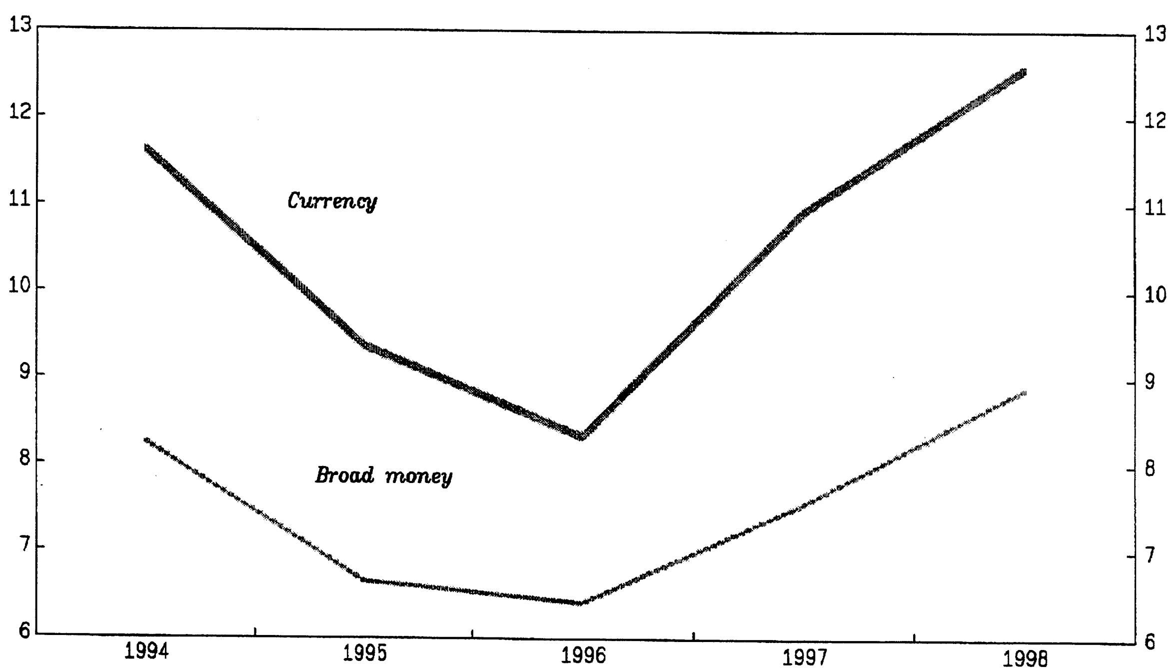
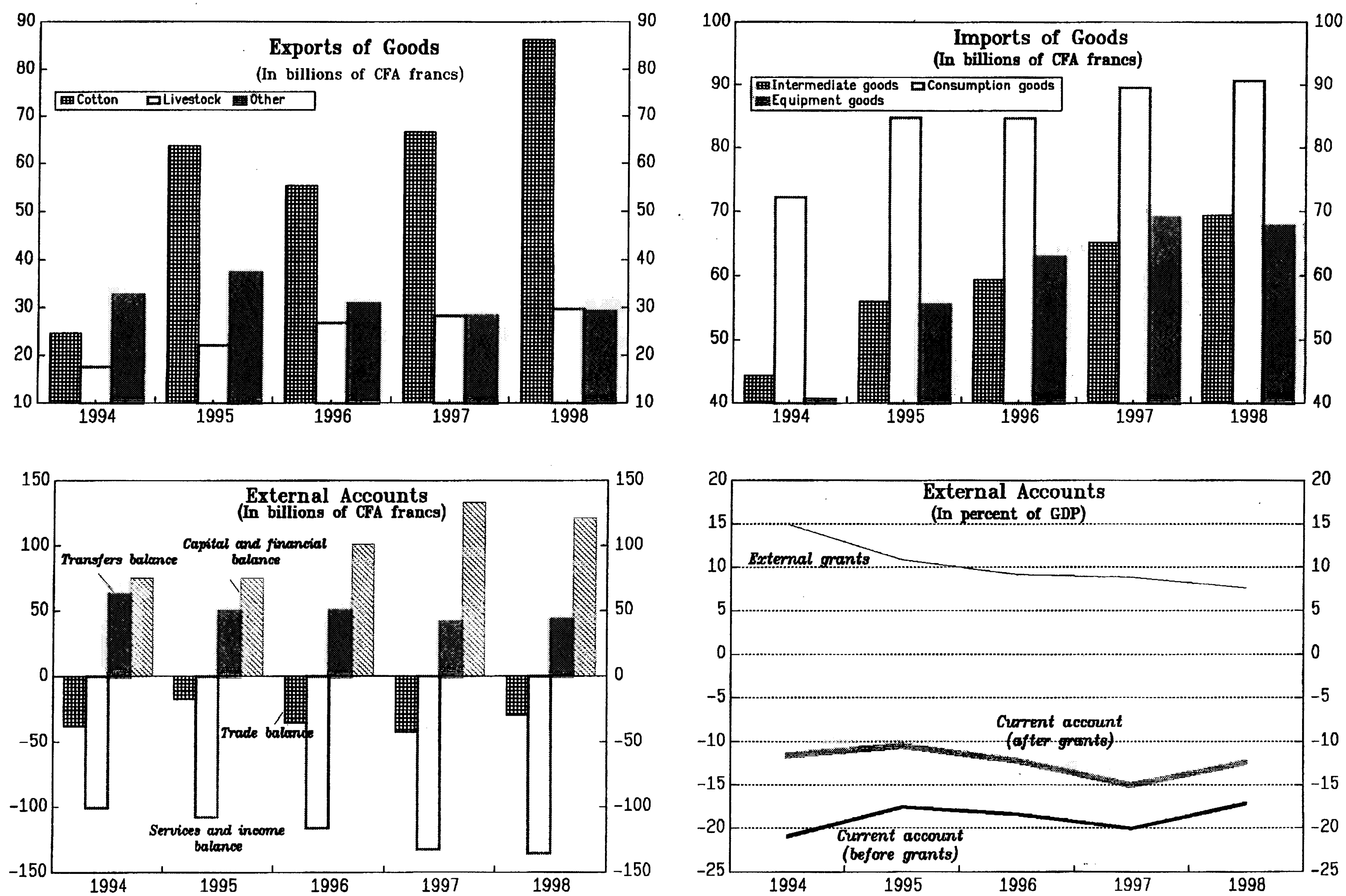


Figure 6. Chad: VELOCITY, 1994-98



Source: Chadian authorities.

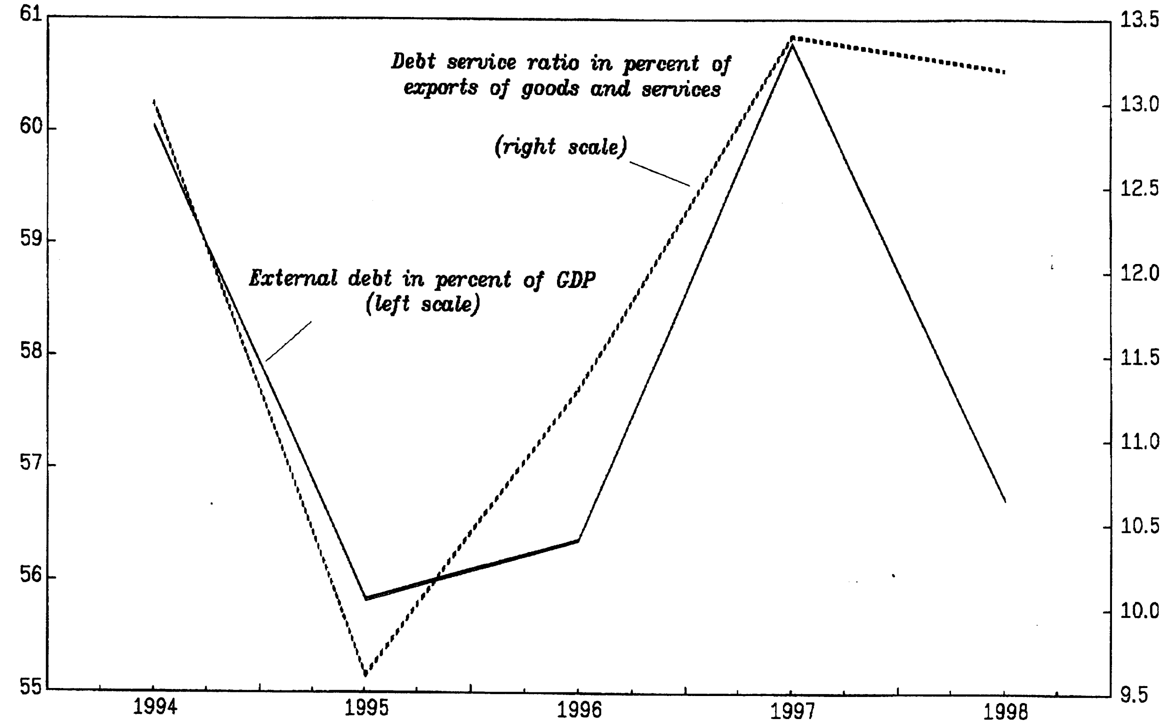
Figure 7. Chad: External Trade, 1994-98

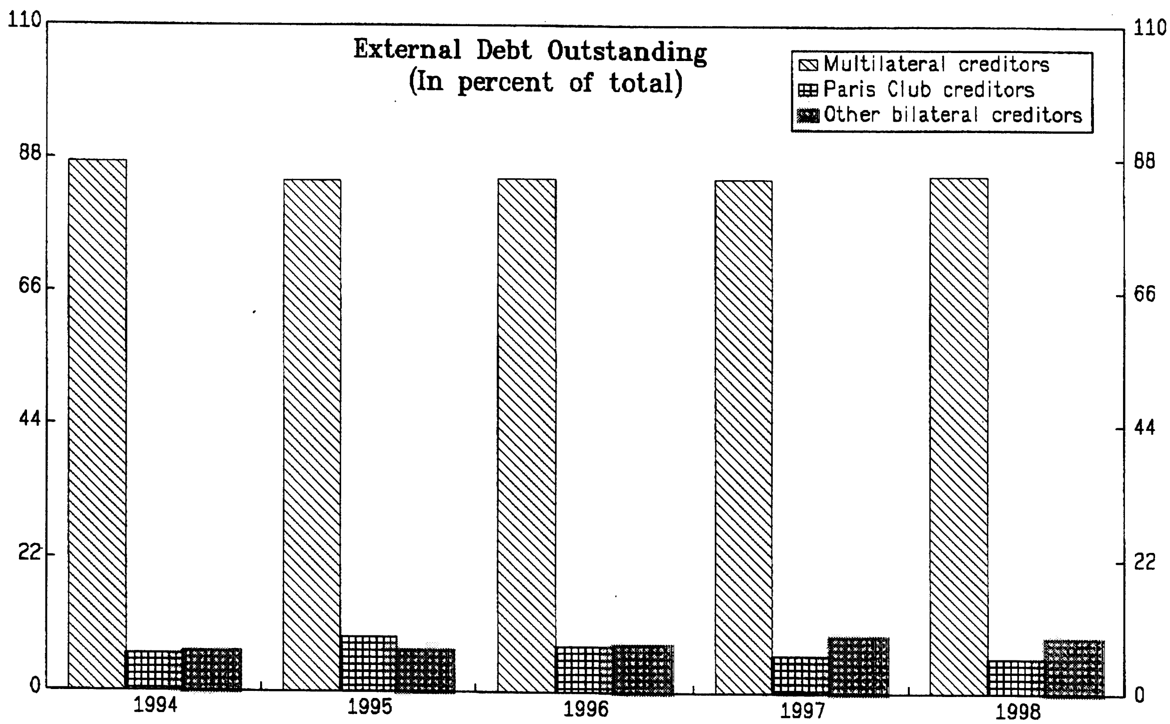


Source: Chadian authorities.

Figure 8. Chad: External Debt and Debt Service (including IMF), 1994-98

(In percent of GDP)

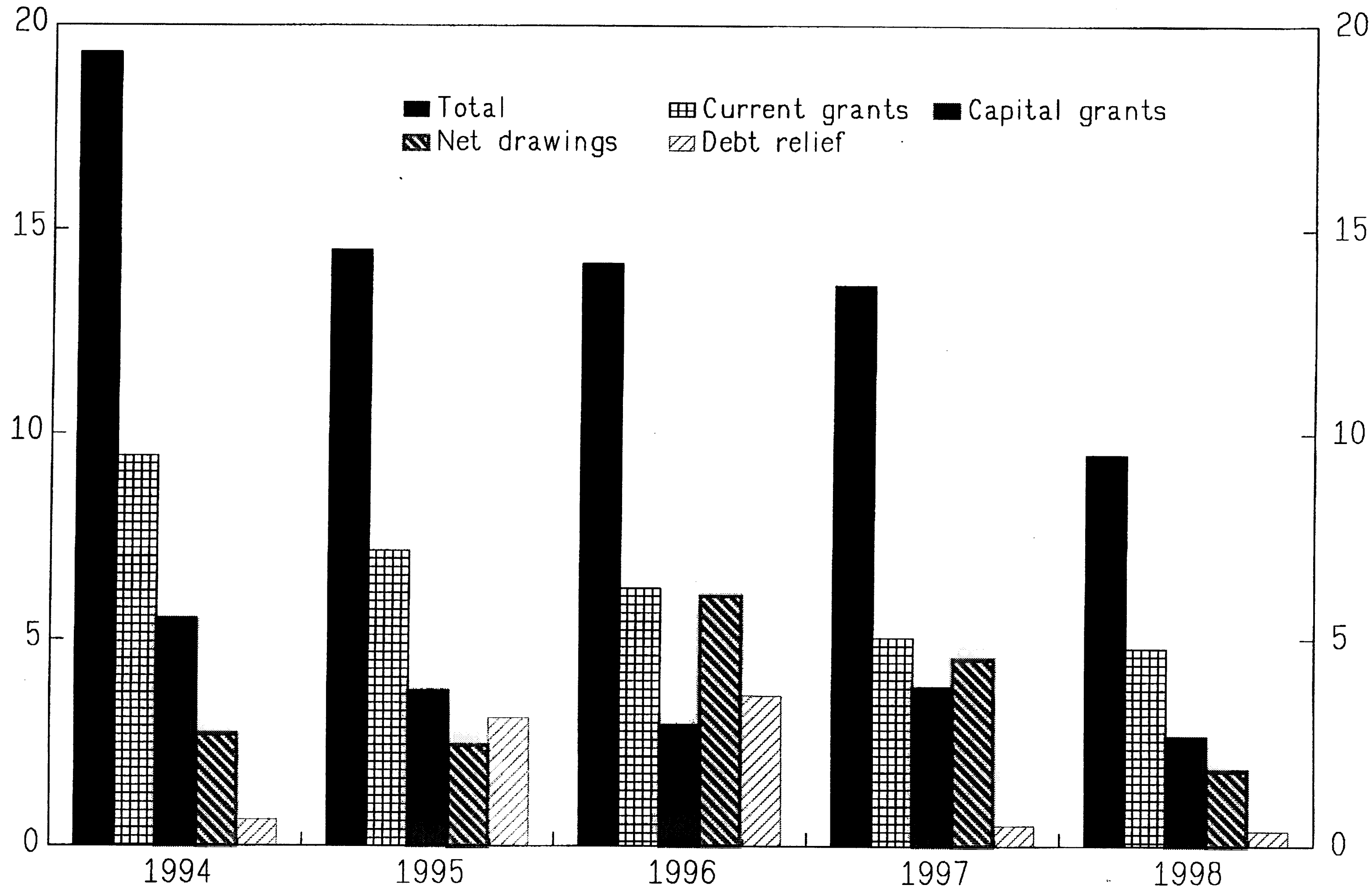




Source: Chadian authorities.

Figure 9. Chad: External Financial Assistance, 1994-98

(In percent of GDP)



Source: Chadian authorities.

CEMAC Indirect Tax and Customs Reform: Implementation Status Update and Government Revenue Implications of Trade Reform

I. Introduction

38. The objective of the Central African Economic and Customs Union (UDEAC)[11] Treaty of Brazzaville adopted in 1964 was to set up a customs union with a common external tariff (*tarif extérieur commun*; TEC) system, eliminating tariff and nontariff barriers within the region, and harmonizing the indirect tax system. Nevertheless, the primary objectives of the custom union were largely forgotten over time, and tax and customs legislation in the region evolved into a highly complex and distortionary system.[12] Against this background, the member countries of the UDEAC gave a new impetus to regional economic integration by enacting, in June 1993, a broad reform of customs tariffs, and indirect taxes, in the context of a regional reform program (*Programme de Réforme Régional,* PRR). These decisions opened the road to the signing of the Central African Economic and Monetary Community (CEMAC) Treaty in March 1994. The Treaty sets up the legal framework to establish a common market among the six member countries based on a customs union and the harmonization of indirect tax legislation, as well as to coordinate macroeconomic and sectoral policies. The treaty is supplemented by the two conventions on the Central African Economic Union (UEAC) and the Central African Monetary Union (UMAC), including the revised statutes of the BEAC. The PRR is under the supervision of a steering committee,[13] aided by the General Secretariat of CEMAC, which was set up to monitor the reform program implementation.

39. This appendix is organized as follows: Section II provides a summary of the CEMAC regional reform program; Section III deals with the status of the CEMAC customs and indirect tax reform components after the first four years of implementation (1994-97); Section IV examines the quantitative impact of the reform implementation, with a focus on the

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[11]The UDEAC comprises six African countries of the CFA franc zone: Cameroon, the Central African Republic (CAR), Chad, the Republic of Congo, Equatorial Guinea, and Gabon, with the Bank of Central African States (BEAC) as a common central bank.

[12]The UDEAC tax system prior to the 1993 reform was reviewed in *the CAR IMF Staff Country Report No 97/24, April 1997.*

[13]The steering committee is a consultative body, which comprises representatives of member countries and makes recommendations to the CEMAC Council of Ministers on the reform implementation. Representatives of the CEMAC donors can also participate in its meetings.

government revenue implications of the tariff and domestic indirect taxation reform; and Section V draws some conclusions and recommendations on future actions to complete the reform agenda and to address the next steps for streamlining the PRR in the context of the entry into effect of the CEMAC Treaty.

II. SUMMARY OF THE CEMAC REGIONAL REFORM PROGRAM

40. The overall objectives of the PRR were to (a) establish a full-fledged customs union within the region based on a free-trade area without tariff and nontariff barriers (NTBs); (b) promote trade liberalization vis-à-vis third countries by removing quantitative restrictions (QRs) and other NTBs, as well as reducing the level of taxation; and (c) harmonize and streamline domestic tax regimes, mainly indirect taxation, with a view to tax sectors and firms more uniformly. On the whole, the PRR sought to offset the expected loss in government revenue from the lowering of import tariffs by broadening the base of domestic consumption taxes. The PRR also includes the establishment of a legal framework for transport and transit services, which is of critical importance for landlocked member countries.[14] The main components of the PRR are summarized in Box 2.

41. As regards the TEC, its four-tier rate structure was set at 5, 15, 35, and 50 percent during its preparatory stage in 1993,[15] with the aim to gradually phase down the highest rate to 35 percent by January 1, 1998. The decision to accelerate the reduction of the TEC rate dispersion to its current structure (5, 10, 20, and 30 percent) was taken by member countries in the aftermath of the CFA franc devaluation in January 1994. Overall, the current tariff structure, based on the UN broad economic classification (BEC) of commodities, shows an unweighted average rate of 18.4 percent for the four main broad economic categories.[16]

[14]This component of the PRR is not discussed in this report since little headway has been made so far.

[15]The old import taxation structure consisted of various import taxes and duties, the maximum cumulative rate of which reached 305 percent.

[16]The category rates of 5, 10, 20 and 30 percent correspond respectively to 5, 46, 12, and 37 percent of the total tariff positions.

Box 2: Main Components of the Regional Reform Program (PRR)

- Implementation of a four-tier common external tariff (TEC), with rates set at:
  5 percent for essential commodities (*biens de première nécessité*);
  10 percent for raw materials and capital goods;
  20 percent for intermediate goods; and
  30 percent for consumption goods.

- Implementation of the preferential tariff rate (TPG) on imports from UDEAC countries with a zero rate for local products (*produits du crû*) and 20 percent of the applicable TEC for other eligible goods, which was to be phased out gradually by January 1, 1998.

- Introduction of a turnover tax (TCA) on imports and domestic products including a normal rate (7-18 percent) and a reduced rate (3-6 percent); reduced rates limited to five essential products. Exemptions permitted on a common list of goods (mostly some equipment goods, medicines, schoolbooks, and fertilizers).

- Introduction of an excise tax on a specific list of products with rates in a range of 0-100 percent, with a compulsory rate above zero for alcohol, beverages, and tobacco.

- Revision of national investment codes in conformity with the reform provisions on customs and indirect taxes.

- Renegotiation of special tax agreements (*conventions d'établissement*) with enterprises benefiting from fiscal provisions contrary to the reform before end-December 1995.

- Introduction of a temporary surcharge of 30 percent maximum on a two restricted lists of goods, with the first list comprising goods previously subject to quantitative restrictions (QRs). Surcharges on the first list are to be eliminated at the latest by June 1999. Surcharges on the second list of goods are to be eliminated at the latest by June 2000.

III. Implementation Status Update of the CEMAC Reform

42. The main provisions of the CEMAC indirect tax and customs reform were put in place in 1994. However, the sequencing and pace of reform implementation were uneven across countries. Furthermore, member countries over time had adopted measures that diverged from the original reform objectives. The main deviations, which are discussed below, took place during the course of 1994 in an attempt to mitigate the inflationary impact of the CFA franc devaluation in January 1994. Nevertheless, four years later, significant headway had been made to correct several aspects of the reform slippages. This section reviews the implementation status of the PRR over the first five years (Appendix Table 17), focusing on the application of: (1) TEC and temporary surcharges; (2) the preferential tariff rate for

regional trade; (3) the turnover tax (TCA); and (4) the excise tax system. It also examines progress made in eliminating exemptions on customs and indirect taxes contrary to the reform.

A. Implementation of the Common External Tariff

43. Member countries introduced tariff measures that deviated from the original reform proposal. First, member countries could not agree on a common classification for a few categories of essential products in the TEC,[17] while Equatorial Guinea decided unilaterally to downgrade 20 products to the lowest category rate of the TEC.[18] Second, in the wake of the CFA franc devaluation, member countries had recourse to safeguard clauses, which consisted of either exempting a few essential goods from customs duties, or reclassifying a number of products to the lowest category rate of the TEC (see Part c of Appendix Table 17). Third, more recently the Republic of Congo took exceptional measures contrary to the reform without prior consultation with the CEMAC General Secretariat. It decided to modify the TEC by setting up a 50 percent temporary customs duty relief on construction materials for two years starting in January 1998 as a compensation for the extensive damage caused by the 1997 civil war.

44. **As regards surcharges**, the reform program envisaged that they could be temporarily imposed on goods previously subject to QRs as well as on a limitative list of other goods.[19] Regarding goods previously subject to QRs, surcharges were to be rescinded within three years after the QRs' elimination. Given that most QRs were removed with the implementation of the PRR in 1994, all corresponding surcharges should have been repealed by 1998. However, not all of those surcharges have been effectively eliminated to date (see Part i of Appendix Table 17). Furthermore, Gabon has yet to rescind QRs on two products (sugar and mineral water).

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[17]These products are mainly: meat, fish, rice, wheat, tobacco, salt, and cement; there is not yet an agreement among member countries on their classification in the TEC.

[18]These products include animal and vegetable products, prepared foodstuffs (like wheat, semolina, butter, sugar, animal feed), mineral products (like salt, sulfur, lime and cement), and paper.

[19]The first list (Annex 1A of Act 7/93-UDEAC-556-SE1) refers to goods previously subject to QRs, on which the removal of QRs was expected to take place not later than June 1996. Thus, surcharges on this first list should be eliminated at the latest by June 1999. The second list (Annex 2B of the same above Act) refers to other eligible products, on which surcharges should be rescinded within six years from the reform implementation, but not later than June 2000.

B. Implementation of the Preferential Tariff Rate

45. The TPG aims at promoting intra regional trade and applies to goods complying with the rules of origin and imported from member countries which.[20] Set initially at 20 percent of the TEC, the TPG was reduced to 10 percent in January 1996, although with delays for some countries (Cameroon, Gabon, and Equatorial Guinea). All internal tariffs on trade between member countries related to products eligible for the TPG were to be eliminated on January 1, 1998. However, Equatorial Guinea has not yet phased out the TPG, while the Republic of Congo increased it to 20 percent of the TEC in January 1998 on a temporary basis (Part d of Appendix Table 17).

46. The UDEAC texts governing the rules of origin for goods traded in the region are not precise enough and have resulted, to some extent, in revenue losses for landlocked member countries. As the texts do not specify a minimum local content of manufactured goods eligible for the TPG, goods imported by coastal member countries are easily turned into "locally-processed" products, and are reexported to countries like the CAR or Chad under the TPG regime, although these products should have been eligible for the TEC. Finally, two member countries (Gabon and the Republic of Congo) were reported to continue to levy surcharges on goods manufactured and imported from UDEAC region.

C. Implementation of the turnover tax (TCA)

47. The replacement of the various previous domestic production and sales taxes by the TCA was broadly implemented, and led to an improved collection of taxes on goods and services (Part e of Appendix Table 17). However, member countries modified the range of the TCA rates at end-1996, reducing the range of the normal rate from 7-18 percent to 10-18 percent and broadening the reduced rate from 3-6 percent to 0-8 percent. In order to correct this deviation, some member countries decided to eliminate the TCA reduced rate, in a move toward a greater simplification of the domestic indirect tax system. This would pave the way to transform the TCA into a broad-based VAT system for the region, a move that was already adopted by Gabon in April 1995, by the Republic of Congo in May 1996, and, more recently, by Cameroon in June 1998. However, some member countries, like the Republic of Congo, Chad and the CAR, took the opportunity of introducing a single TCA rate to expand the lists of TCA-exempted goods.[21] More recently, the Republic of Congo, in its effort to reconstruct the damages incurred by the 1997 civil war, decided to reduce its VAT rate from 18 percent to 12 percent on construction materials for a period of two years.

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[20] The rules of origin is applicable to "UDEAC products" defined as local raw materials originating entirely from a member country and final consumer goods manufactured in a member country using local raw materials, as well as imported inputs from third countries, once custom duties and surcharges, if applicable, have been collected on those imports.

[21] These TCA-exempted goods comprise mainly goods previously taxed at the reduced TCA rate.

48. Finally, the introduction of the TCA sets out the possibility for economic operators to deduct the TCA that they paid on their purchases of intermediate goods from the TCA that they owe on final sales. However, no mechanism was established for the deduction of TCA credit. As a result, the processing of tax deductions varies widely across member countries. In the case of Cameroon, TCA credit can be used to pay other taxes, while in Chad, outstanding TCA credit has to be utilized within a maximum of a three-month period. Consequently, a correction of the large discrepancies on the existing TCA system across member countries is crucial. Specifically, a properly functioning of the deduction mechanism of TCA credit is a prerequisite to the introduction of a VAT system.

D. Implementation of the Excise Tax

49. All member countries introduced excise taxes on a limited number of products on the common list[22] aimed at complementing the TCA system. The taxation rates varied widely across countries, even for identical eligible goods (Part f of Appendix Table 17). The revenues raised are limited because of extensive smuggling and fraud in the trade of goods like tobacco products and alcoholic beverages. In addition, application of a lower tax base on excisable products by some manufacturing companies and weak control by the tax departments have contributed to the weakening of excise tax collection.

E. Elimination of Exemptions Contrary to the Reform

50. One of the main objectives of the reform program is to broaden the tax base by eliminating all indirect tax and customs exemptions other than those authorized by international agreements. In particular, the reform targets the elimination of ad hoc exemptions awarded on a discretionary basis, the revision of national investment codes and the renegotiation of special bilateral tax agreements with large companies (*conventions d'établissement*), to bring them into conformity with the reform provisions. Nevertheless, after fours years of reform implementation, the value of exempted imports and forgone revenue were still sizable for some member countries. Despite progress made in revising national investment codes, which are now in conformity with the reform provision, discretionary exemptions still continued to be granted by some member countries (Equatorial Guinea, the CAR and Chad), while the renegotiations of special tax agreements in most member countries (Gabon, Cameroon, the CAR and Equatorial Guinea) were either delayed or not fully implemented. More specifically, special agreements in the petroleum, mining, and forestry sectors still need to be brought in line with the reform program. (Parts g and h of Appendix Table 17). In this context, the UDEAC General Secretariat should play a major role in monitoring member countries' exemptions on imports by customs regimes.

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[22]The excise tax is mainly applicable on alcohol, beverage, tobacco, and some luxury products, but not petroleum products.

IV. Government Revenue Implications of the CEMAC Tax Reform

51. This section evaluates the government revenue implications of the indirect tax and customs reform during the first four years of its implementation. In particular, it highlighs the reform implications for tax revenues, with particular focus on import taxes. To that end, the approach is to analyze government revenues during the period 1992-97 for the six countries of the CEMAC region. For analytical purposes, the sample period was divided in two sub-periods: the periods 1992-93, the years preceding the reform, and 1994-97, covering the first four years of the reform implementation. Indicators to assess the overall impact of the trade reform include: (1) the ratio of total imports to GDP and (2) the ratio of collected import tax revenues to imports. The reform implications for government revenue are evaluated using: (1) the ratio of tax revenues to GDP, (2) the ratio of import tax revenues to GDP, (3) the ratio of import taxes to government revenue, and (4) the ratio of domestic taxes on goods and services to government revenue.

52. In summary, this analysis concludes that the ratios on trade indicators show sizable reduction in average tariff rates on imports within the zone, associated with some recovery of imports during the period 1995-97.[23] This trend in import taxation is corroborated by the sizable reduction in the ratio of import taxes to GDP during the initial stage of the trade reform in 1994, and the stabilization of its level thereafter. As regards government revenue, the tax revenue-to-GDP ratio[24] for the zone stood in 1997 at about the same level as in 1992, which indicates that the tax reform did not result in an improvement in the member countries' revenue-generating capacity.[25] More specifically, the decline in the tax revenue-to-GDP ratio at end-1994 implies that revenue loss in import taxes was not offset by the expected improvement in the collection of domestic taxes, because of delays and slippages in the implementation of both the customs and domestic indirect tax reform components. Nevertheless, the gradual increase in the tax revenue-to-GDP ratio during the period 1995-97 showed some positive outcome of the reform, reflecting progress made in correcting some of the slippages. Finally, the increase in domestic taxes on goods and services, as opposed to the decline in the share of import taxes in government revenue, shows, to some extent, a higher reliance on domestic taxation as a source of budgetary revenue.

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[23]This trend also reflects trade developments attributable to the effects of the CFA franc devaluation during 1994, as the adjustment in relative prices was completed in 1995. The data do not allow an easy separation of these effects. Furthermore, political turmoil in the Republic of Congo and the CAR affected economic performance in 1996-97.

[24]Excludes tax revenue from oil production.

[25]The quantitative objectives underlying the tax reform had projected an increase in the tax revenue-to-GDP ratios of member countries from 1993 to 1994.

53. With regard to the ratio of imports to GDP, the comparison between the periods prior to the reform (1992-93), and after it (1994-97) reveals that, on average, the value of total imports c.i.f. for the CEMAC zone increased by almost 9 percentage points of GDP to 24 percent of GDP (Appendix Table 18). The ratio increased at a faster pace for the Congo (27 percentage points of GDP), Equatorial Guinea (10 percentage points of GDP), and Chad (8 percentage points of GDP), and a slower pace in the CAR (5 percentage points of GDP), Cameroon (5 percentage points of GDP), and Gabon (3 percentage points of GDP). The sizable increase of the ratio reflects not only the cost effect on imports of the CFA franc devaluation in 1994, but also the impact of equipment imports for oil producing member countries, in particular imports of a large oil drilling platform for the Republic of Congo in 1996. Although the CFA franc devaluation resulted in a contraction of import volume in 1994 (Appendix Table 19), the share of imports in GDP increased in the three ensuing years. The gain in import value, associated with the growth of import volume, suggests some recovery of trade imports in the entire region during 1995-97.

54. As regards **the collected tariff rate, defined as import tax revenues divided by total imports c.i.f.,**[26] the ratio for the zone declined from 20.4 percent in 1992 to 9.1 in 1994, and remained stable at almost the same level during the period 1995-97 (Appendix Tables 18 and 20, and Figure 10).[27] A large decline occurred for all member countries, with the average rate falling by about one half from 19.1 percent in 1992-93 to 10 percent during 1994-97.On the whole, the decreasing trends in the collected tariff rate confirm that the CEMAC reform implementation during 1994-97 contributed to significant declines in the nominal tariff protection within the zone.

55. The data series on government revenues for each member country are presented in Figure 11, and Appendix Tables 21 and 22. During the period 1992-93, preceding the CEMAC reform, **tax revenue and import taxes relative to GDP** [28] for the region were, on

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[26]Import tax revenue includes taxes on petroleum product imports, while total imports c.i.f. exclude equipment imports of the oil sector.

[27]The collected tariff rate, as defined, is underestimated because the value of imports in the balance of payments includes exempted imports and estimates of unrecorded trade. It would have been more accurate to measure the ratio of import taxes to taxable imports, which could not be estimated for all member countries because of lack of comparable customs data over time. For example, in 1996, a rough calculation of the collected import taxes relative to taxable imports for the zone shows a rate of 17.7 percent on the basis of an average ratio of taxable imports to total imports of 56.3 percent (Appendix Table 23). Furthermore, the reduction of the collected tariff rate could also reflect a change in the composition of imports, as a result of the adjustment in relative prices following the CFA franc devaluation.

[28]Import taxes include custom duties and surcharges (including taxes on petroleum product

(continued...)

average, respectively at 9.5 percent and 2.5 percent in the context of highly complicated and distorted tax and customs systems. The tax revenue ratio for the region as a whole, excluding revenue from oil extraction, declined by 2.0 percentage points from 1992 to 1994 to 8.8 percent of GDP in 1994. Likewise, import taxes as a percent of GDP declined from 2.8 percent in 1992 to 1.4 percent in 1994 (Figure 12). The decrease in revenue would have been larger, if the devaluation of the CFA franc had not doubled the value of taxed imports.

56. As suggested above, the reform implementation initially resulted in a weakening of tax yield and did not improve member countries' revenue generating capacity because the broadening of the tax base did not occur as expected. There are several reasons that explain the weak revenue performance during the initial stage of the reform. First, in order to mitigate the inflationary impact of the CFA franc devaluation, member countries either exempted temporarily a few essential goods, or reclassified a number of products to the lowest category of the TEC. Second, some member countries did not immediately adjust upward the customs valuation base after the CFA franc devaluation, or continued to apply the old exchange rate for the purpose of customs tax assessment for a few months. Third, some members delayed the rescinding of the single tax (taxe unique, TU) preferential regime.[29] Fourth, some members introduced the TCA at a lower normal rate than envisaged, or applied the TCA reduced rate to a broader range of goods than agreed in the reform. Fifth, exemptions contrary to the reform continued to be granted.

57. Starting in 1995, when the basic components of the CEMAC reform were broadly put in place for the entire region, tax revenue relative to GDP for the zone began to gradually increase, rising from 7.3 percent in 1994 to 9.4 percent in 1997. The increase would have been larger if Equatorial Guinea, the CAR, and the Republic of Congo had not undergone difficult transitions.[30] Nevertheless, despite this progress, tax revenue as a share of GDP for the region had only recorded in 1997 its 1992 level.

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[28](...continued)
imports), and exclude domestic taxes collected at the custom border (mainly, tax on turnover or value-added tax, and excise tax).

[29]The single tax was a discretionary preferential regime, which enabled large enterprises to negotiate a single indirect tax and to be exempted from customs duties and all other indirect taxes. The TU was supposed to be rescinded once the PRR is implemented.

[30]Equatorial Guinea showed a downward trend of tax revenue over the review period, reflecting the country's incomplete implementation of the reform (Appendix Table 17), combined with extensive granting of tax exemptions contrary to the new rules. The CAR's public finances were affected by the political turmoil in 1996-97, which resulted in a lower tax revenue-to-GDP ratio in 1997 (7.2 percent) than in 1992 (8.5 percent). The civil war in the Republic of Congo during the second half of 1997 resulted in a dramatic fall in the tax revenue-to-GDP ratio to 6.5 percent in 1997 from 11 percent in 1996.

58. This outturn indicates that, on the one hand, the region was able to reverse the downward trend of the tax revenue-to-GDP ratio as the reform progressed over time, although import taxes relative to GDP remained stable;[31] in particular, this reflects some positive interaction of trade liberalization with the strengthening of the domestic tax system. On the other hand, the tax reform was not carried out fully, and therefore has resulted in a modest revenue increase after four years of implementation. More specifically, the tax base on domestic activities did not expand as envisaged in the PRR because the TCA was gradually and unevenly implemented over time by member countries (part c of Appendix Table 17). Finally, the modest revenue performance is also attributable to extensive exemptions, contrary to the reform,granted over the review period.[32] Likewise, there were delays in finalizing the revisions of national investment codes and the renegotiations of special tax agreements (parts g and h of Appendix Table 17). Corrections of some slippages in the ensuing four years of the reform implementation explain the slight improvement in the share of tax revenue in GDP between 1995 and 1997. In particular, the share of exempted imports in total imports for the region still represented, on average, 43 percent in 1996, compared with a level of 54 percent in 1994 (Appendix Table 23). During the same period, the ratios remained particularly high for Equatorial Guinea (to 84 percent from 87 percent), the CAR (to 53 percent from 71 percent), Gabon (to 51 percent from 54 percent), and Chad (to 38 percent from 43 percent). Nevertheless, recent information seems to indicate improvement in tax exemption management by some member countries. This is confirmed, in particular, by (1) further progress in the completion of the renegotiations of special tax agreements with a number of large companies (part h of Appendix Table 17), (2) the establishment of a mechanism to monitor the taxation of foreign-financed public contracts, and (3) by a better application of the provisions of the CEMAC Act 2/92 limiting ad hoc exemptions.

59. Another factor which contributed to some recovery in revenue performance is the adoption by member countries of appropriate macroeconomic policies under Fund-supported programs.[33] In particular, these programs pay great attention to the strengthening of administrative capacity within the member countries' customs and tax departments, usually with technical assistance from donors. Two specific administrative measures were particularly effective: the creation of a specialized unit within the tax department for monitoring of

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[31]Import taxes, after declining to 1.4 percent of GDP in 1994, stabilized at 1.6 percent of GDP during the period 1995-97.

[32]The revision of the provisions of Act 13/65 of the CEMAC customs code by Act 2/92 reduces substantially the number of authorized tax exemptions

[33]Starting in 1994 and following the devaluation of the CFA franc, all member countries embarked on adjustment programs supported by the Fund, although track records of program implementation varied among countries.

assessments and collections of taxes due by the largest taxpayers, and the computerization and the reinforcement of clearance procedures at customs.

60. Finally, with regard to **import taxes as a share of government tax revenue**, the ratio for the zone was reduced on average from 26.0 percent in 1992-93 during the period preceding the reform to 16.2 percent between 1994 and 1997 (Appendix Table 24). On the other hand, the share of **taxes on good and services** in total tax revenue for the region, including indirect taxes levied at the border (turnover taxes or value-added taxes and excise taxes), increased on average from 29.5 percent in 1992-93 to 36.2 percent in 1994-97.[34] Likewise, the ratio of taxes on goods and services to GDP for the zone also improved, rising from 2.9 percent in 1993 to 3.4 percent in 1997 (Appendix Table 22). In particular, Gabon's early adoption of a VAT system was notable, as it resulted in an increase of collected taxes on goods and services from 3.0 percent of GDP in 1993 to 4.6 percent of GDP in 1997. On the whole, simultaneous implementation of the tariff and indirect tax reforms led to a reduction in the CEMAC region's dependency on international trade taxes, while domestic taxation as a source of budgetary revenue took a more important role (Figure 11).

V. CONCLUDING REMARKS: COMPLETION OF THE REFORM AGENDA AND THE CHALLENGES AHEAD

61. Significant progress was made by member countries in the implementation of the major components of the CEMAC customs and indirect tax reform during the period 1994-97. The reform has greatly helped the region move to a more streamlined indirect tax system, adopt a more liberalized trade regime vis-à-vis third countries, as well as establish free trade within the zone. More importantly, the ongoing ratification by respective national parliaments of the CEMAC treaty, as well as that of the UEAC and UMAC conventions, will provide a comprehensive institutional framework for tax harmonization and reform. However, some of the reform components, which were unevenly applied by member countries and had deviated from original plans, need urgently to be corrected in order to eliminate distortions in resource allocation. Moreover, the reform's objective to improve member countries' revenue-enhancing capacity was mixed after four years of reform implementation, as the broadening of the tax base did not occur at the speed and the scale that had been envisaged, in particular the elimination of tax exemptions.

62. Completing the PRR implementation requires mainly the following actions:

- Restoring the TEC integrity, by ensuring full consistency of the classification of goods across member countries;

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[34]The Congo and Chad were the only countries which recorded some decline in the share of domestic taxes on goods and services in government revenue during the review period.

- Abolishing customs duties and surcharges in intra-regional trade;

- Completing the renegotiation of the remaining special tax agreements that do not conform to the reform;

- Eliminating urgently all remaining QRs, and removing surcharges on goods previously subject to QRs at the latest by June 1999, as well as other temporary surcharges by June 2000.

The ratification of the CEMAC Treaty will represent an important step for further liberalization of external trade vis-à-vis the rest of the world, while strengthening economic integration within the region. Therefore, the challenges ahead are to move beyond the PRR framework and to start the implementation of a full-fledged economic union. Future actions should then focus on consolidating the customs union and strengthening the harmonization of indirect tax legislation. These actions could include the following measures:

- Reducing the dispersion of the TEC along an agreed timetable, taking into consideration potential losses of revenue; this could follow the scheme agreed upon by member countries of the West African Economic and Monetary Union (WAEMU).[35]

- Achieving the introduction of a VAT for member countries still under the TCA system.[36]

- Harmonizing the VAT system in the entire region, including the adoption of a common and reduced list of exempted products that would be limited to essential goods.

- Improving the rules of origin for intraregional trade of goods eligible for the TPG, including the adoption of a better mechanism to determine what are locally processed goods.[37]

- Adopting a streamlined harmonized investment charter for the CEMAC region; the Gabonese Investment Charter represents a first step in that direction, while the draft Common Investment Code under consideration in the WAEMU could serve as a reference for the CEMAC member countries.

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[35]On November 1997, the WAEMU member countries agreed to introduce by January 1, 2000 a common external tariff with three rates (5, 10, and 20 percent) and a statistical tax of 1 percent.

[36]This applies to Chad, the CAR, and Equatorial Guinea.

[37]Within the WAEMU, eligibility of industrial products to preferential regime for intra regional trade is predicated on a minimum regional value added equal at least to 40 percent of total value added, or on a minimum regional content of 60 percent.

- Strengthening the CEMAC General Secretariat to play a more forceful role in monitoring the completion of the PRR,[38] as well as in designing and supervising future actions to improve the efficiency of the customs union and the legislation on indirect taxation within the region.

[38]In particular, the CEMAC General Secretariat should establish a monitoring system of import exemptions by custom regimes.

Table 17. CEMAC Member Countries: Implementation of the CEMAC Indirect Tax and Customs Reform

(As of December 31, 1998)

Reform Components	Central African Republic	Cameroon	Gabon	Chad	Republic of Congo	Equatorial Guinea
A. Starting implementation date	April 1, 1994	February 1, 1994	February 1 , 1994	May 1, 1994	April 1, 1994	June 6, 1994
B. Implementation of a four-tier common external tariff (TEC), with rates set initially at 5, 15, 35 and 50 percent, and revised to 5, 10, 20 and 30 percent.	In April 1994, with revised rates (5, 10, 20 and 30 percent)	In February 1994, with revised rates (5, 10, 20 and 30 percent)	In February 1994 with revised rates (5, 10, 20 and 30 percent).	In May 1994 with revised rates (5, 10, 20 and 30 percent)	In April 1994, with revised rates (5, 10, 20 and 30 percent).	Adopted in June 1994; revised rates (5, 10, 20, and 30 percent) in August 1994
C. Adoption of safeguard clauses (mainly to mitigate price increase following the CFA franc devaluation in January 1994).	Exemptions of duties and taxes for six essential commodities: salt, flour, milk, textbooks, edible oil and medicines, until October 1994.	– Exemptions of duties and taxes for five products: wheat, rice, textbooks, and medicines until June 1994, then replaced by taxation at lowest rates of TEC (5 percent) and TCA (5 percent); – Flat rate of 5 percent levied on flour and sugar abrogated in July 1994.	Exemptions of duties and taxes limited to books, press edition in conformity with the Florence Convention.	Exemptions of duties and taxes on four essential commodities: flour, rice, millet, and medicines from May to December 1994.	– 44 products normally taxed at 20 and 30 percent were taxed at the reduced rate of 5 percent; measures rescinded during the first quarter of 1995. – Implemented a 50 percent temporary customs duty relief on construction materials for two years starting in January 1998.	20 products down-graded to the lowest category rate (5 percent) in Nov. 1994.
D. Implementation of the preferential tariff rate (TPG) on imports from CEMAC countries equivalent to a zero rate for local products and to 20 percent of the applicable TEC, reduced to 10 percent on January 1, 1996 and to 0 percent by January 1, 1998; and abrogation of the single tax regime.	Implemented in October 1994 and single tax regime rescinded at the same time; rate reduced to 10 percent on January 1, 1996. TPG was reduced to zero in January 1998.	– TPG effective since February 1994; single tax regime abrogated by law in July 1994. – TPG was reduced to zero in January 1998.	– TPG effective February 1994. – TPG was reduced to zero in January 1998.	Implemented in December 1994; rate reduced to 10 percent on January 1, 1996. Single tax regime abrogated in December 1995. TPG was reduced to zero in January 1998.	TPG effective since April 1994; single tax abolished in May 1994; TPG reduced to 10 percent on January 1, 1996. TPG increased at 20 percent in January 1998.	TPG introduced in June 1994. TPG reduced to 10 percent in 1996. TPG not rescinded in January 1998.

Table 17. CEMAC Member Countries: Summary of the CEMAC Indirect Tax and Customs Reform

(As of December 31, 1998)

Reform Components	Central African Republic	Cameroon	Gabon	Chad	Republic of Congo	Equatorial Guinea
E. Introduction of a turnover tax (TCA) on imports and domestic products including a normal rate (7-18 percent) and a reduced rate (3-6 percent); reduced rates limited to 5 items (meat, milk, rice, bread, baby food, and books); textile products added to the list in December 1994. Exemptions permitted on a common list of goods (mainly equipment goods, medicines, schoolbooks, and fertilizers).	Implemented in April 1994, with normal rate of 10 percent and reduced rate of 5 percent; in October 1994, normal rate increased to 16 percent; in April 1996 normal rate increased to 18 percent and reduced rate eliminated, except for textile products; first tranche of water usage added to the common list of goods exempted from TCA.	Implemented in February 1994, with normal rate of 12.5 percent and reduced rate of 5 percent (except for firms benefiting from single tax and domestic production tax regime until July 1994); normal rate increased to 15 percent in July 1994, and to 17 percent in July 1995, while reduced rate increased to 8 percent on July 1, 1996, including a reduction in the list of TCAexempted products. Adopted in June 1998 a VAT Law to take effect on January 1, 1999.	– Implemented in February 1994 on imports, with two rates (5 and 10 percent). – Introduction of a value-added tax with a single rate of 18 percent in April 1995, with limited exemptions. – VAT applicable to cements and telecommunication services in October 1996 and March 1997, respectively.	– Introduced in May 1994 with a flat rate of 10 percent. – Two-tier TCA implemented since January 1995 by the customs department and since July 1995 by the tax department, with a reduced rate of 5 percent (increased to 6 percent in January 1996) and a normal rate of 15 percent; reduced rate applied to some goods and services previously taxed at normal rate in May 1995 (tourism, transport, communications, edible oil, soap, water, and electricity), and rescinded in April 1996. – Implemented a single TCA rate of 15 percent adopted by the 1997 Budget Law, with exemptions applicable on equipment goods, agricultural inputs, medical, cultural, social, and religious products .	– Implemented in April 1994, with normal rate of 12 percent and reduced rate of 5 percent (goods already taxed at the lowest customs duty rate were also taxed at reduced TCA rate); – Temporary exemptions of TCA granted on some imports in September 1994. – Normal TCA rate increased to 15.25 percent in March 1995 and to 17 percent in March 1996, while reduced TCA rate rescinded. – Limited list of goods previously subject to the reduced rate is now exempted from TCA. – VAT Law adopted in May 1997, with a single rate of 18 percent and a zero rate for exports and international transport services. – Introduced a temporary 12 percent VAT on construction materials and exempted VAT on imports for one year.	Introduced in July 1994, with normal rate of 12 percent, reduced rate of 5 percent, and a list of exempted goods.

Table 17. CEMAC Member Countries: Summary of the CEMAC Indirect Tax and Customs Reform

(As of December 31, 1998)

Reform Components	Central African Republic	Cameroon	Gabon	Chad	Republic of Congo	Equatorial Guinea
F. Introduction of excise tax on a specific list of products within a range of 0-100 percent and with a compulsory rate above zero for alcohol, beverages, and tobacco.	– Introduced within a range of 0-50 percent in April 1994 for tobacco, beverages, and alcohol, but effectively implemented with an uniform rate of 20 percent since October 1994, when the single tax regime was eliminated. – Adopted a uniform rate of 30 percent on all eligible goods in April 1996, reduced to 20 percent in July 1997. – Tax not applicable for cement starting in September 1996.	– Introduced with an uniform ad valorem rate of 25 percent in February 1994 on a specific CEMAC list of products including alcohol, tobacco, beer, perfumes, cosmetics jewelry, and guns; – Exemptions on some beverage until July 1994. – Excise tax on perfumes and cosmetics abolished in 1998.	– Introduced within a range of 10-30 percent mainly on: beer, wine, cigarettes, tobacco and cosmetic products.	Introduced within a range of 5-30 percent in June 1995 for mineral water, alcohol, tobacco, perfumes, jewelry, and weapons, of which 15 percent for cigarettes and 16 percent for alcohol.	– Introduced in April 1994 on a list of imported goods (tobacco, alcohol, cars, weapons, VCRs, cameras, and luxury food products) with a rate of 24 percent and on domestic products (tobacco and alcohol) with a rate of 12 percent; – Adopted a uniform rate of 24 percent in March 1995.	Introduced in June 1994 on almost all eligible goods within a range of 20-80 percent; ad hoc exemptions have been granted.
G. Revision of national investment codes in order to bring them in conformity with the customs and indirect tax reform.	Introduced a transitory tax system of 5 percent applied to customs duties and 10 percent to TCA until end-1994 for 21 companies under the investment code regime,; – TCA applicable since August 1995; – New investment code in conformity with the reform promulgated in May 1996.	Introduced the revised investment code in compliance with the reform in January 1994; however, exemptions under the previous code and the single tax and domestic production tax regimes were only rescinded in July 1994.	– Eliminated customs exemptions under the special tax regime in February 1994; – Abrogated exemptions contained in legislative and regulatory texts, including the investment code, in July 1994. – Draft investment charter voted by the Parliament.	– Single tax and preferential customs regime under the investment code regime kept until end-December 1995. – Investment code brought in compliance with the reform since end-December 1995.	– Enterprises benefitting from the investment code were temporarily subject to a specific TCA rate, based on the level of their previous single tax; – Investment code revised in March 1996, with TCA applicable normally to all beneficiaries since May 1996.	Adopted a new investment code in April 1996, although exceptional exemptions granted to timber and oil sectors.

Table 17. CEMAC Member Countries: Summary of the CEMAC Indirect Tax and Customs Reform

(As of December 31, 1998)

Reform Components	Central African Republic	Cameroon	Gabon	Chad	Republic of Congo	Equatorial Guinea
H. Renegotiation of special tax agreements (*conventions d'établissement*) with enterprises benefiting from fiscal provisions contrary to the reform before end-December 1995.	All special tax agreements renegotiated in conformity with the reform in May 1996, except for one enterprise.	Law passed on July 1, 1994 allowing for normal taxation of public enterprises; Some tax agreements still being renegotiated in 1998.	Exemptions granted to public enterprises eliminated in March 1996. Special conventions with the oil companies will be renegotiated on their expiration date. Oil subcontractor companies comply with the VAT regulations since March 1996.	– Special tax agreements renegotiated in conformity with the reform since March 1997.	Special tax agreements renegotiated in May 1996.	Special tax agreements not yet renegotiated.
I. Introduction of a temporary surcharge of 30 percent maximum on a restricted list of goods, some of them previously subject to quantitative restrictions (QRs) as of January 1992. Surcharges on the latter were to be eliminated within three years from the removal of the QRs at no later than June 1996. Surcharges on the other list of goods are to be eliminated within six years from the reform implementation at no later than June 2000. Surcharges are no longer applicable for intra-CEMAC trade.	Surcharge of 30 percent on imports of tobacco and soap adopted in October 1994. 1997 financial law rescinded surcharges on products previously subject to QRs.	Import surcharge of 20 percent introduced in December 1994 on: concrete reinforcing bars, plastic bags, trailors, maize meal and cement and eliminated in July 1995 except for maize meal (30 percent) and cement (10 percent). Surcharges are slated to be eliminated by 1999-2000.	– QR removed in July 1994 and surcharge of 30 percent levied on imports of flour, edible oil, cement, soap, poultry, and eggs for a period of three years; reduced to 20 percent in June 1996. – QR on sugar and mineral water to be clarified. – Surcharges are applied on some products manufactured in other CEMAC countries.	– Surcharge of 25 percent on imports of edible oil, sugar, beer, cigarettes and soap adopted in June 1994. – Surcharge on sugar eliminated in June 1995. Surcharges on goods manufactured by other CEMAC countries rescinded on January 1, 1998.	Surcharge of 30 percent on imports of products in conformity with the CEMAC list adopted in April 1994; list of products includes beer, cigarettes, sugar, soap, mineral water, fabrics, eggs, yogurts, honey, and jam. Surcharge is applied on cigarettes manufactured in other CEMAC countries.	Surcharge of 38-15 percent on alcoholic beverages and tobacco products.

Source: CEMAC member countries.

Table 18. CEMAC Member Countries: Trade Reform Indicators, 1992 -1997 1/

	Total imports c.i.f. 2/ (In percent of GDP)		Collected tariff rate 3/ (In percent)	
	Avg. 1992-93	Avg. 1994-97	Avg. 1992-93	Avg. 1994-97
Cameroon	11.1	16.7	21.9	9.7
Central African Republic	14.1	19.0	17.0	8.5
Chad	20.0	27.6	8.4	4.1
Congo, Republic of	23.3	51.1	17.7	9.8
Equatorial Guinea	33.0	42.7	12.1	2.9
Gabon	17.9	20.8	20.6	12.2
CEMAC zone	15.1	23.5	19.1	10.0

Sources: CEMAC member country ministries of finance; and staff estimates.

1/ The CEMAC reform on customs and indirect taxes started in early 1994.
2/ Based on value of total imports c.i.f. in CFA franc terms in the balance of payments, including imports equipments for the oil sector equipment.
3/ Corresponds to the ratio of import taxes (including taxes on petroleum product imports) to total imports c.i.f. (excluding equipment imports of the oil sector).

Table 19. CEMAC Member Countries: Total Import c.i.f. Value and Volume, 1992-97 1/

	1992	1993	1994	1995	1996	1997
Imports c.i.f. value 1/	(In percent of GDP)					
Cameroon	11.2	11.0	15.3	17.2	16.9	17.5
Central African Republic	14.7	13.6	21.5	19.4	14.1	16.1
Chad	19.7	20.3	25.8	29.5	25.8	29.3
Congo, Republic of	20.9	25.6	46.5	41.7	66.1	50.2
Equatorial Guinea	35.5	30.5	49.0	49.3	43.2	29.2
Gabon	18.2	17.6	20.9	20.5	19.3	22.5
CEMAC zone	15.0	15.3	22.3	22.4	24.7	24.0
Import volume	(Annual percentage changes)					
Cameroon	0.8	3.0	-5.7	13.2	18.8	9.6
Central African Republic	3.6	-13.4	-3.0	10.4	28.2	9.6
Chad	-7.3	-11.8	-18.8	56.9	1.0	15.9
Congo, Republic of	-14.0	25.7	17.2	-4.1	122.6	-30.6
Equatorial Guinea	...	-10.6	26.9	28.8	157.1	57.2
Gabon	-1.0	0.8	-9.9	3.1	9.4	13.8

Sources: CEMAC member country ministries of finance; and staff estimates.

1/ Based on c.i.f. value of total imports in the balance of payments (including equipment imports for the oil sector).

Table 20. CEMAC Member Countries: Collected Tariff Rates, 1992-97 1/

	1992	1993	1994	1995	1996	1997
			(In percent)			
Cameroon	26.1	17.8	10.3	9.1	9.7	9.8
Central African Republic	17.9	16.1	5.4	9.0	8.9	10.8
Chad	8.9	7.9	3.1	3.4	5.1	4.8
Congo, Republic of	17.1	18.3	8.2	13.3	12.5	5.3
Equatorial Guinea	11.2	13.0	3.8	3.2	2.1	2.5
Gabon	19.7	21.4	11.9	13.1	13.1	10.7
CEMAC zone	20.4	17.8	9.1	9.8	10.1	9.1
Memorandum items						
			(In billions of CFA francs)			
Total import value (c.i.f.) 2/						
Cameroon	332.6	305.7	443.6	615.6	675.2	766.8
Central African Republic	55.8	50.0	101.8	109.7	76.5	92.3
Chad	87.0	83.6	168.8	212.1	214.7	259.9
Congo, Republic of	121.2	119.0	190.8	195.8	242.0	345.3
Equatorial Guinea	14.9	13.5	35.0	44.3	62.7	96.6
Gabon	242.6	249.3	435.0	453.6	453.6	615.3

Sources: CEMAC member country ministries of finance; and staff estimates.

1/ Defined as the ratio of import taxes (including taxes on petroleum product imports) to total imports c.i.f. (excluding equipment imports of the oil sector).

2/ Based on c.i.f. value of imports (excluding equipment imports of the oil sector, but including petroleum product imports) in the balance of payments.

Table 21. CEMAC Member Countries: CEMAC Reform Impact on Government Revenues, 1992 - 97 1/
(In percent of GDP, unless otherwise indicated)

	Government Revenue 2/		Tax Revenue 3/		Import taxes 4/	
	Avg. 1992-93	Avg. 1994-97	Avg. 1992-93	Avg. 1994-97	Avg. 1992-93	Avg. 1994-97
Cameroon	15.0	13.5	8.8	9.1	2.2	1.4
Central African Republic	8.3	8.0	7.7	7.2	2.4	1.4
Chad	7.4	6.5	5.7	5.9	1.7	1.0
Congo, Republic of	23.3	25.8	10.8	9.1	2.8	1.9
Equatorial Guinea	20.9	15.6	13.8	7.8	4.0	1.3
Gabon	22.8	27.5	11.6	10.5	3.4	2.2
CEMAC zone	17.0	18.3	9.5	9.1	2.5	1.6

Sources: CEMAC member country ministries of finance; and staff estimates

1/ The CEMAC reform on customs and indirect taxes started in early 1994.
2/ Including revenue from oil production.
3/ Excluding tax revenue from oil production
4/ Import taxes include custom duties, TPG and surcharges (including taxes on petroleum product imports).

Table 22. CEMAC Member Countries: Budgetary Revenue, 1992-97 1/

(In percent of GDP; unless otherwise indicated)

	1992	1993	1994	1995	1996	1997
Total non-oil revenue 1/						
Cameroon	10.5	10.7	9.4	10.4	11.2	11.4
Central African Republic	8.9	7.7	7.5	8.8	6.1	7.8
Chad	7.4	7.4	4.8	6.2	7.2	7.7
Congo, Republic of	11.1	11.7	8.3	11.2	11.2	6.7
Equatorial Guinea	19.1	18.0	14.1	12.4	8.2	6.0
Gabon	12.3	12.4	9.5	11.6	10.6	11.7
CEMAC zone	10.8	10.9	8.8	10.4	10.4	10.3
Tax revenue 2/						
Cameroon	8.9	8.6	7.9	8.8	9.7	9.9
Central African Republic	8.2	7.2	6.8	8.4	6.0	7.5
Chad	5.8	5.5	4.6	5.5	6.4	6.9
Congo, Republic of	10.6	11.0	7.9	11.1	11.0	6.5
Equatorial Guinea	13.9	13.7	10.9	9.3	6.2	4.9
Gabon	11.4	11.8	9.0	11.2	10.2	11.5
CEMAC zone	9.6	9.1	7.3	9.0	9.2	9.4
Taxes on goods and services 3/						
Cameroon	...	2.7	2.1	3.7	3.8	3.6
Central African Republic	0.8	0.7	1.5	2.0	1.2	2.1
Chad	1.9	2.0	1.4	1.5	1.9	2.3
Congo, Republic of	5.0	5.3	3.2	4.5	4.1	1.7
Equatorial Guinea	1.3	1.1	0.8	1.4	1.0	0.6
Gabon	3.1	3.0	2.9	4.2	3.3	4.6
CEMAC zone	3.1	2.9	2.4	3.6	3.4	3.4
Import taxes 4/						
Cameroon	2.7	1.7	1.3	1.4	1.4	1.5
Central African Republic	2.6	2.2	1.2	1.7	1.3	1.2
Chad	1.7	1.6	0.8	1.0	1.3	1.0
Congo, Republic of	2.7	2.9	1.6	2.5	2.3	1.4
Equatorial Guinea	4.0	4.0	1.9	1.6	0.9	0.7
Gabon	3.2	3.5	2.2	2.4	2.1	2.2
CEMAC zone	2.8	2.2	1.4	1.7	1.6	1.6
Nominal GDP (in billions of CFAF)						
Cameroon	3195.3	3155.0	3416.0	4130.0	4571.0	4932.0
Central African Republic	379.6	367.8	473.6	564.3	543.8	574.9
Chad	441.1	412.4	654.9	718.0	830.7	887.9
Congo, Republic of	776.4	760.1	982.4	1056.2	1292.3	1344.5
Equatorial Guinea	42.0	44.3	71.5	89.8	145.1	330.9
Gabon	1480.3	1531.7	2326.8	2475.2	2890.8	3013.7
CEMAC zone	6314.7	6271.3	7925.2	9033.5	10273.7	11083.9

Sources: CEMAC member country ministries of finance; and staff estimates

1/ Excluding tax revenue from oil production; for Cameroon, the fiscal year begins July (column 1992 corresponds to fiscal year 1991/92).

2/ Includes taxes on petroleum product imports.

3/ Include domestic taxes levied at the customs border.

4/ Import taxes include custom duties, TPG and surcharges (including taxes on petroleum product imports).

Table 23. CEMAC Member Countries: Taxable Imports and Exempted Imports as a Share of Total Imports, 1993-97 1/

(In percent)

	1993	1994	1995	1996	1997
Taxable imports 2/					
Cameroon	...	...	84.3	80.4	86.8
Central African Republic	51.1	22.0	41.8	37.5	36.7
Chad	...	57.0	59.6	62.2	70.6
Congo, Republic of	64.6	85.6	80.5	88.7	...
Equatorial Guinea	26.1	13.1	15.9	16.1	...
Gabon	50.5	50.5	40.9	52.7	...
Average	48.1	45.6	53.8	56.3	64.7
Exempted imports 3/					
Cameroon	...	...	15.7	19.6	13.2
Central African Republic	48.9	78.0	58.2	62.5	63.3
Chad	...	43.1	40.4	37.8	29.4
Congo, Republic of	35.4	14.4	19.5	11.3	...
Equatorial Guinea	73.9	86.9	84.1	83.9	...
Gabon	49.5	49.5	59.1	47.3	...
Average	51.9	54.4	46.2	43.7	35.3

Sources: CEMAC member country ministries of finance; and staff estimates

1/ The CEMAC reform on customs and indirect taxes started in early 1994.

2/ Correspond to the tax base of imports under the normal regime.

3/ Including partial exemptions.

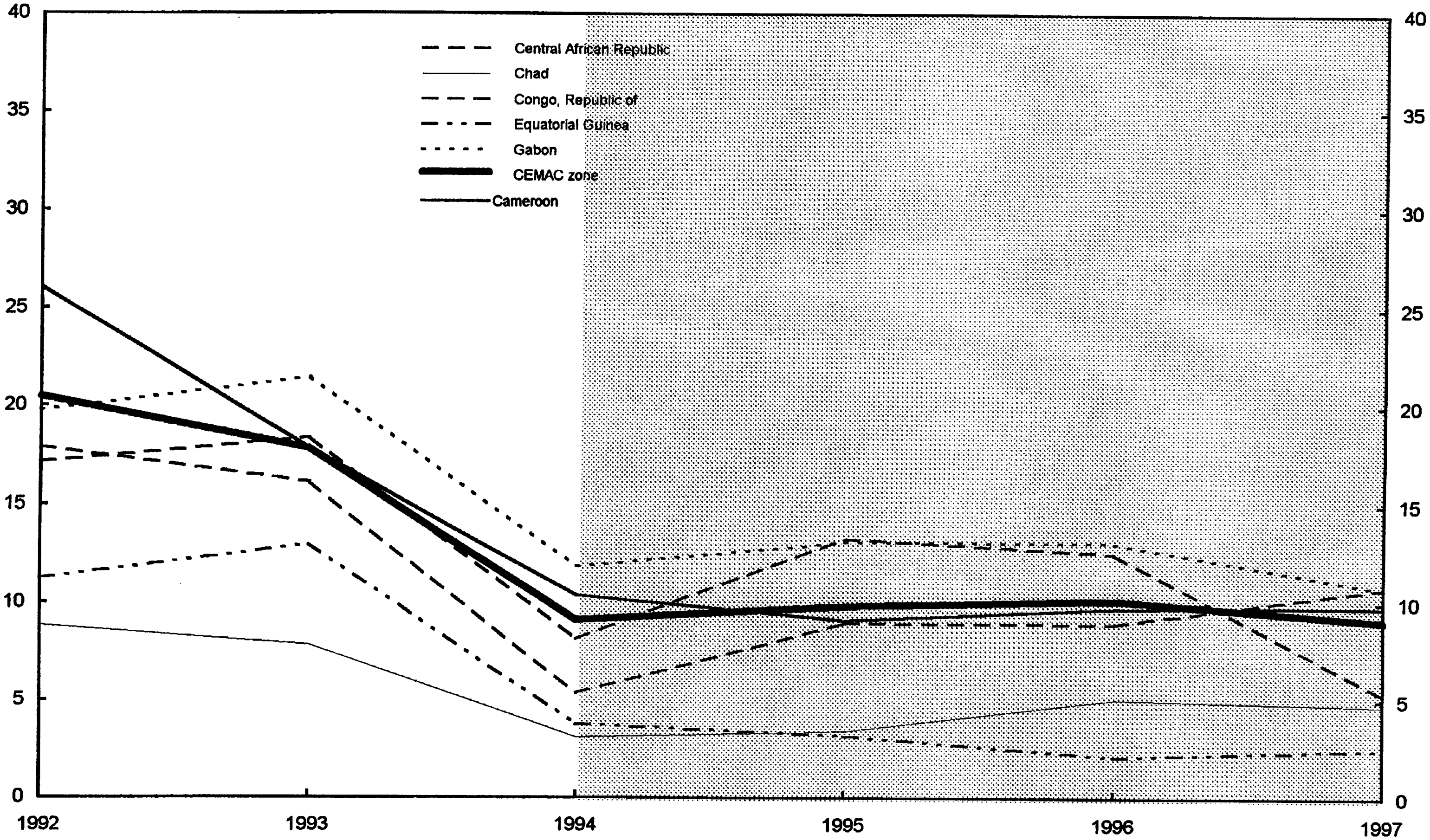
Table 24. CEMAC Member Countries: CEMAC Reform Impact on Government Revenues, 1992 - 97 1/
(In percent)

	Import taxes 2/ as a share of tax revenue 4/		Tax on goods and services 3/ as a share of tax revenue 4/	
	Avg. 1992-93	Avg. 1994-97	Avg. 1992-93	Avg. 1994-97
Cameroon	25.2	15.7	31.2	36.3 5/
Central African Republic	31.2	18.8	9.7	23.4
Chad	29.5	17.8	33.8	29.3
Congo, Republic of	25.5	21.2	47.5	35.9
Equatorial Guinea	28.7	15.6	8.7	12.7
Gabon	28.9	21.3	26.3	35.5
CEMAC zone	26.0	16.2	29.5	36.2

Sources: CEMAC member country ministries of finance; and staff estimates.

1/ The CEMAC reform on customs and indirect taxes started in early 1994.
2/ Import taxes include custom duties, TPG and surcharges (including taxes on petroleum product imports).
3/ Include domestic taxes levied at the customs border.
4/ Excluding revenue from oil production, but including taxes on petroleum product imports.
5/ Covering the 1994/95 to 1997/98 fiscal years.

Figure 10. CEMAC Countries : Average Collected Tariff Rate, 1992-97 1/ 2/
(In percent)

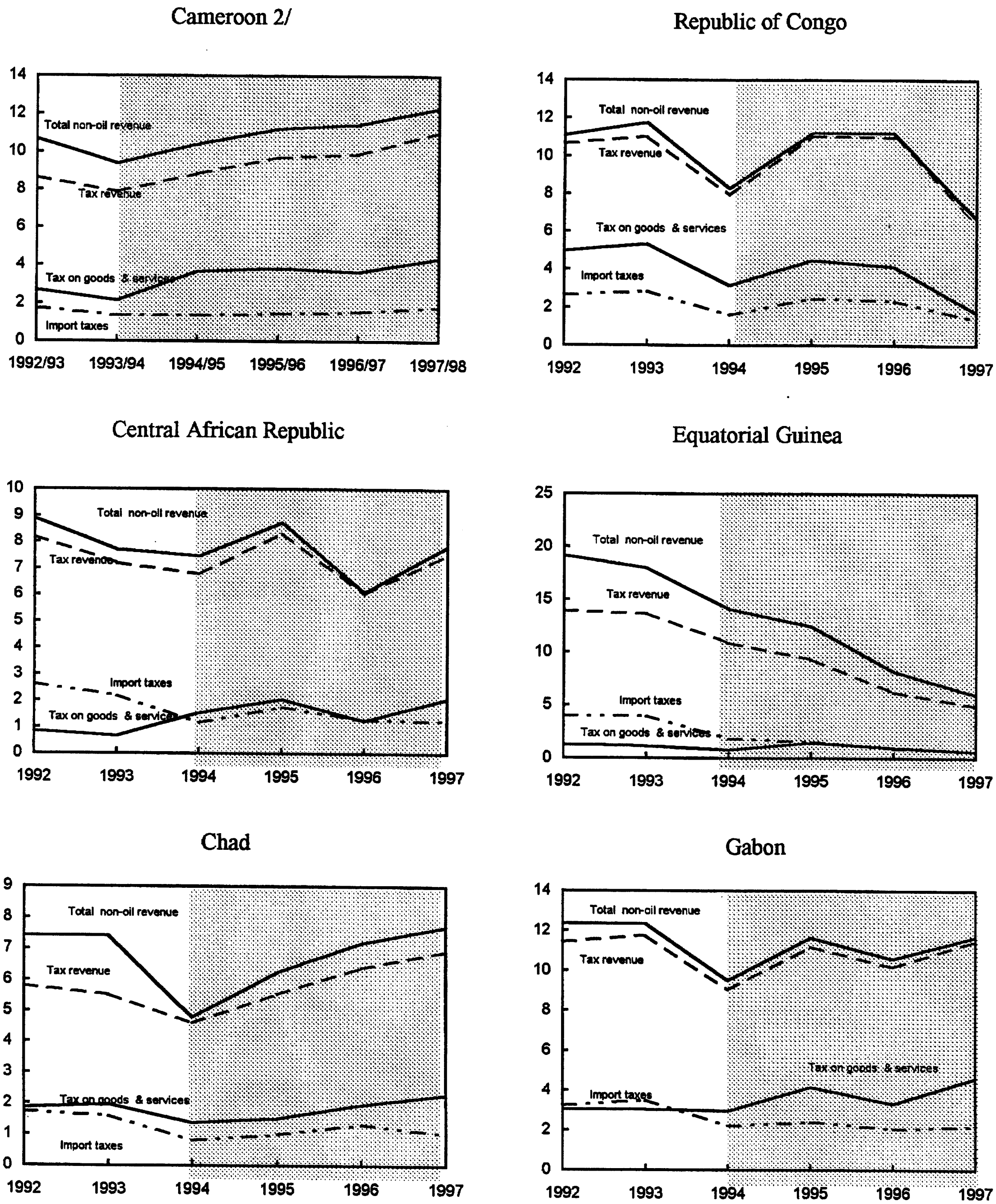


Sources: CEMAC Countries; and staff estimates.

1/ Defined as the ratio of import taxes (including taxes on petroleum product imports) to total imports c.i.f. (excluding equipment imports of the oil sector). Shaded area represents CEMAC reform implementation period.
2/ For Cameroon, the fiscal year begins July (1992 corresponds to fiscal year 1991/92).

Figure 11. CEMAC Member Countries: Government Revenue, 1992-97 1/

(In percent of GDP)



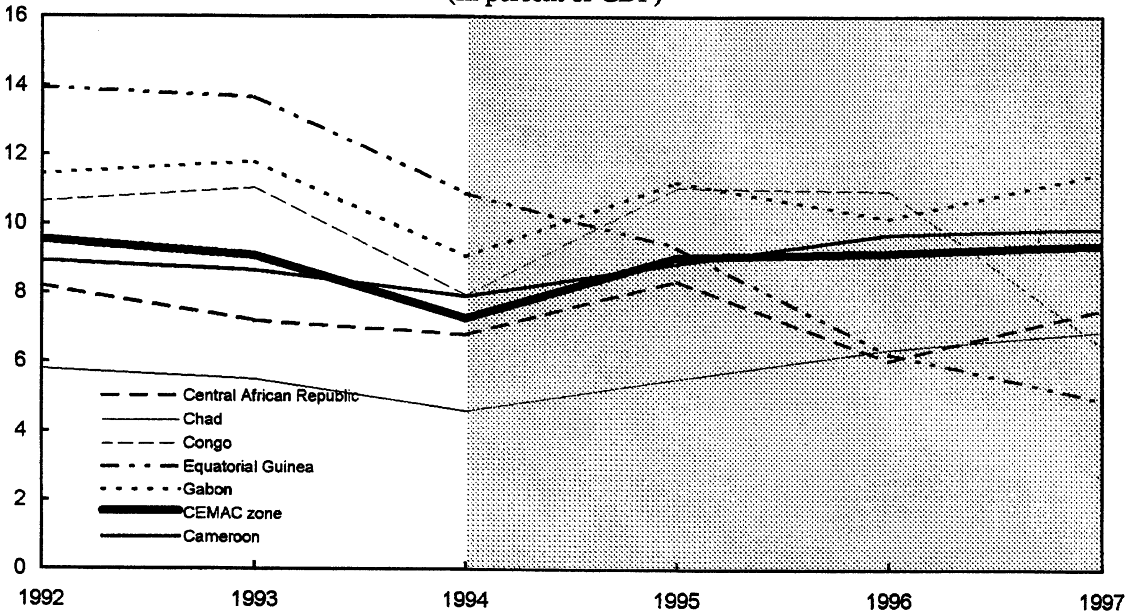
Sources: CEMAC Countries; and staff estimates.

1/ Shaded areas represent CEMAC reform implementation period.

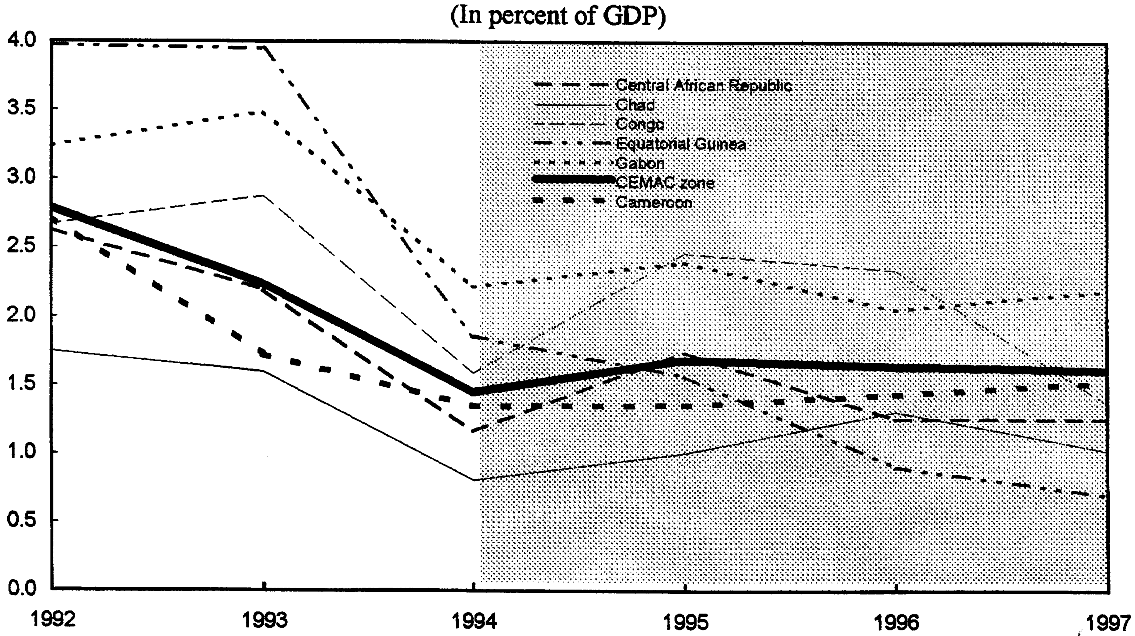
2/ For Cameroon, the fiscal year begins in July.

Figure 12. CEMAC Member Countries: Tax Revenue and Import Taxes, 1992 - 97 1/

Tax Revenue 2/
(In percent of GDP)



Import Taxes 3/
(In percent of GDP)



Sources: CEMAC countries; and staff estimates.

1/ Shaded areas represent the implementation period of the CEMAC reform. For Cameroon, the fiscal year begins in July (1992 corresponds to fiscal year 1991/92).
2/ Excluding revenues from oil extraction.
3/ Include customs duties and surcharges, but exclude domestic taxes collected at the customs border (value-added tax, tax on turnover, and excise tax).

DECIDING THE FUTURE OF THE CHADIAN COTTON MONOPSONY

The debate on the Chadian cotton-sector reform program will reach a conclusion relatively soon. The attempt to overcome the institutional weaknesses of the vertically integrated, monopolistic filière *system—while protecting its strengths—has proven difficult. Regardless of the ultimate approach taken to further develop the crucially important cotton-producing and processing capacities of the cotton parastatal (COTONTCHAD), a preliminary consensus has evolved, portending to the introduction of competitive elements to the internal cotton market. These are to ensure that increases in production and revenue will actually translate into higher profits and incomes for the sector's stakeholders. International financial support might be needed for a transitory period.*

I. INTRODUCTION

63. Changes arouse fear, some reasonable and much unfounded. This type of reaction becomes even more pronounced when a conceivable "worst-case scenario" outcome—even if quite unlikely—would have devastating consequences not only for the personal livelihoods of millions of people, but also for the economic viability of an entire country. In such an environment, the danger exists that even highly promising and beneficial reform programs do not exhibit a sufficient degree of dynamism necessary to overcome an endemic status-quo inertia.

64. This type of "instinctive" opposition appears to be the main obstacle to the successful conclusion of reforms leading to a liberalized, more cost-effective, and ultimately more productive cotton sector in Chad. The current institutional setup—centered around a monopsonic *filière* of the kind that is typical of many of the francophone countries in Africa—has a long history and is deeply rooted in the country's politico-economic tradition. Microeconomic analysis, on a purely theoretical level, has long demonstrated that such an organizational structure leads to outcomes that are detrimental to the interests of the many "atomistic sellers"—the farmers—and to overall welfare. On the other hand, the *filière*'s monopsonic structure has aided the country in its development and maintenance of the required rural infrastructure, partially in lieu of an absent state, and the various pivotal services, on which the farmers crucially depend. Nonetheless, the *filière*'s economic self-interest—and its dominant market power vis-à-vis the individual producers—has resulted in low prices being paid to the individual farmers. In comparison to those countries in Africa and Asia that have liberalized their cotton markets, the price pass-through to the *filière*-dependent farmers is particularly meager.[39]

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[39] According to estimates, Chadian farmers were paid between US$0.24 and US$0.30 per kilogram of seed cotton in the post-devaluation seasons 1994/95–1996/97, compared to

(continued...)

65. Since the introduction of the crop about three quarters of a century ago, Chad's economic development and its ability to earn foreign exchange have been inextricably linked to the cotton industry, located in the country's fertile southern provinces. The estimated 300,000 farmers, who are currently contracted by the state-owned cotton monopsony (COTONTCHAD) indicate an indirect economic dependency of up to about two million Chadians—that is, of a third of the country's population. The cotton sector as a whole, producing an internationally competitive, highest-quality product,[40] generates roughly half the export earnings and is therefore of paramount interest to the country. Fundamental restructuring of such an industry, quite logically, is bound to collide with powerful and well-organized interests. By contrast, those groups that are to gain the most—viz., the farmers—exhibit the lowest degree of organization and the least amount of comprehension regarding the reforms' inherent benefits. The imminence of domestic oil production (see also SM/96/111) and the attraction wielded by the relatively high-wage jobs, which farmers could expect the petroleum firms to offer, adds a further impetus for a timely conclusion of the cotton-sector reforms, as it is in no-one's interest to accommodate a large-scale migration from the country-side into urban centers.

66. Abstracting from the technical issues surrounding the various proposed plans for the *filière*'s (partial) privatization, this chapter will place the description of the recent economic development of Chad's cotton sector into the broader economic framework, which underlies the liberalization effort and the ensuant criticism. From the inception of a vertically integrated network comprising production, distribution, and marketing, the "rural development" component played a dominant role in the cotton sector's growth; frequently, however, to the explicit advantage of only those already privileged by the system. By evaluating the various approaches brought forward in the liberalization debate, that is, the gradualist vs. the market-based reform concepts, this paper will attempt to demonstrate the leitmotif behind the plans for fundamental reforms of Chad's cotton sector.

67. Section II will review the contribution of the cotton sector to Chad's recent economic development and underscore the problems that it has encountered over the previous years. The theoretical framework offered by monopsony theory will structure Section III's evaluation of the strengths and weaknesses of the current institutional organization. In it, the political progress made in settling COTONTCHAD's future institutional structure will be

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[39](...continued)
US$0.49–US$0.65 in Zimbabwe and US$0.48–US$0.70 in India, both countries with liberalized markets for cotton seeds.

[40]Of all the cotton fiber being produced, between 96 percent (in 1997/98) and 99 percent (in 1995/96 and 1996/97) are first quality.

discussed. In placing the final section into the framework of the widely agreed objectives motivating the proposed reform programs, the chapter concludes with an appraisal of the policy challenges ahead.

II. The Pivotal Importance of Cotton Production in Chad

68. The 1997/98 cotton season, with highly favorable weather conditions and strong world-market prices, has produced excellent results, both in terms of production and revenues. Problems, however, existed in translating these positive developments into profits; they actually fell, and did so rather sharply. Production and export of cotton, as demonstrated in the accompanying Figure 13, have significantly benefited from the 50 percent devaluation of the CFA franc in 1994. In the last two years alone, the production of cotton fiber (for details, see also Table 28) increased by two thirds, from approximately 59,000 metric tons in 1995/96 and 86,000 tons in 1996/97 to more than 103,000 tons in 1997/98, representing annual growth rates of 39 and 20 percent, respectively. Given the high price elasticity of supply,[41] the double-digit increases in producer prices, set by the authorities, accelerated the growth in cotton production (see Table 25).

69. During the previous three years, export prices—in c.i.f. terms—fluctuated between CFAF 948 per kilogram of cotton fiber in 1995/96, CFAF 906 in 1996/97, and CFAF 947 in 1997/98. Overall, the value of cotton sales, domestic as well as international, soared to CFAF 95 billion, compared with revenue of CFAF 75 billion in 1996/97 and CFAF 55 billion in 1995/96. The Chadian cotton sector's foreign sales, on a calendar-year basis,[42] amounted to approximately 59 percent in 1998 of overall export earnings (the figures for 1997 and 1996 are 54 and 49 percent, respectively). Notwithstanding the marked improvements in the exports of cotton during the previous years, the results, if measured in relation to overall export earnings, remained broadly within historical levels—in particular, because there seems to be every reason to believe that the 1998 figure was an outlier. The combination of unusually favorable external conditions, including exceptional weather and rising world-market prices (obtained as a result of the high percenage of forward sales), and rising

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[41] See, for instance, U. J. Lele, N. van de Walle, and M. Gbetigouo, 1989, *Cotton in Africa: An Analysis of Differences in Performance* (Washington: World Bank), in which the authors estimated the price elasticities for Kenya (2.06), Nigeria (2.02), and Tanzania (0.60).

[42] COTONTCHAD reported exports worth CFAF 91.1 billion for the 1997/98 cotton season, compared with CFAF 70.7 billion and CFAF 54.6 billion in 1996/97 and 1995/96, respectively. In order to make cotton exports comparable with other foreign sales, the balance-of-payment export figures (see Table 14) are compiled for the period January 1 to December 31, thus causing the harvest seasons to overlap. These "redefined" export figures, authorities have estimated, equal CFAF 86.2 billion (in 1998), 66.6 billion (in 1997), and CFAF 55.3 billion (in 1996).

producer prices were responsible for the record harvest (rather than yield increases[43] or improved management skills).

70. The export figures, as depicted in Figure 14, indicate—albeit indirectly—the pivotal role that the cotton sector has played in the Chadian economy as an instrument of both promoting economic self-sustainability and of developing the sparsely populated rural areas in the south. At the same time, they also hint at the possibility that this industry's institutional setup hinders further expansion. When the crop was introduced in the 1920s, this was done with the specific aim of nurturing a viable export sector,[44] and for that purpose, cotton production was organized around a vertically integrated monopoly, which was entrusted with the provision of inputs (fertilizers and pesticides) as well as the purchase, processing, transport, and export of the crop. At first privately run, the colonial government began to tightly regulate the cotton company, primarily to reduce producer-price fluctuations and to limit abuses, which, periodically, led to farmers' revolts against their local chiefs. And, with increasing government involvement, the producers' living standards rose noticeably.

71. After independence in 1960, Chadian governments built on the export-promoting strategy of previous administrations and increased their politico-economic stakes in cotton. Meanwhile, France's interest in the cotton sector remained high, through the 25 percent interest in COTONTCHAD by the *Compagnie Française pour le Développement des Fibres Textiles* (CFDT) as well as its subsidies to the Chadian cotton sector. The Chadian state holds the remaining 75 percent.

72. Over the years, COTONTCHAD extended its economic role far beyond what its balance sheet, as summarized in Table 28, would indicate. The enterprise has increasingly been viewed as the solution to two of Chad's main economic dilemmas, viz., the country's geographic vastness and its population sparsity. With the southern provinces being economically dominated by cotton cultivation, COTONTCHAD's vertical integration together with its size and its legally and politically secured monopoly position allowed it to take over a

[43]The average yield in kilograms per hectare increased in 1996/97 by 7 percent, while falling by 3.5 percent in the following season; see Table 25.

[44] In the early days of cotton cultivation, the southern Chadian farmers were coerced into the plantation and harvest of this crop and, in the process, subjected to widespread, at times physical abuses. They were required to grow an amount sufficient to pay the French a significant head tax (equivalent to the region's export quota) and their local chiefs, with whom the French collaborated for administrative purposes, and additional levy. Forced cotton cultivation was abolished in 1956. See V. Thompson and R. Adloff, 1981, *Conflict in Chad* (University of California: Berkeley), pp. 10, and, particularly, U. Stürzinger, 1983, "Tchad: 'Mise en valeur' coton et développement," *Revue Tiers Monde*, 95, pp. 643–652, for a comprehensive assessment of the historical importance of the cotton sector to the Chadian economy.

significant amount of "state functions," including the provision and maintenance of basic infrastructure (such as feeder roads), the establishment of collateral-free credit programs for farmers, the funding of a site-specific cotton-research program (in coordination with the Paris-based CIRAD institute), as well as some education and health functions. The adoption of these "public functions" has relieved the government of its obligations on both the expenditure and revenue side. Consequently, the low price pass-through to the farmers represents a form of implicit taxation, exempting the government, to a large degree, from tax-collection efforts in the rural areas of the country and from providing credit guarantees.

73. Nonetheless, COTONTCHAD's "bottom line" has deteriorated considerably over the years. Despite significant increases in production and revenues (see Table 28) in both the 1996/97 and 1997/98 harvest seasons, profits fell by 16 and 19 percent, respectively. The falling profits are, in part, the result the government-decreed increases in producer prices, in part of factors that are exogenous in nature, such as the rise in transportation costs resulting from Chad's energy crisis (see Appendix III). The speed, however, with which costs[45] have increased in recent years, suggests that a streamlining of management procedures is necessary. If any further arguments were needed, this outcome has underlined the critical importance for the introduction of discipline-enforcing competitors into Chad's protected cotton market. While, to date, the authorities can report on only very little progress in terms of implementation, the cotton-sector reform—next to the imminent oil exploration—remains high on the political agenda, with the decisive struggle among the various domestic and foreign players coming to a slow conclusion.

III. The Undecided Future of the Chadian Cotton *Filière*

74. As diverse as the various recommendations—to be discussed below—are, all of them would ultimately end COTONTCHAD's unique position as a vertically integrated monopoly, controlling almost every activity associated with cotton production: input delivery and credit supply to farmers, crop procurement, processing, and the export of cotton products. Also, and in concurrence with the authorities, COTONTCHAD sets both input and producer prices.[46]

75. From the perspective of the individual cotton farmers, COTONTCHAD is hence the only market participant, to whom they are allowed to sell their products and from whom they may buy their inputs. From a microeconomic point of view, the long-run consequences of COTONTCHAD's unique market position are quite predictable: low producer and high input prices as well as institutional disincentives for output expansion (see also Box 3). In short, the institutional setup has resulted in welfare losses to farmers while benefiting the monopsonic company (and, by implication, the Chadian state and the foreign shareholders). For the

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[45] Excluding oil-and-soap production, costs increased by approximately 30 percent in 1997/98 and almost 47 percent in 1996/97—see Table 28.

[46] In recent years, the government has set the producer prices unilaterally.

enterprise, there are few incentives to press ahead with the—full or partial—liberalization of the cotton sector.

76. Various studies have indicated that Chad's cotton sector has been underperforming, even when compared with countries, which operate under a similar institutional setup.[47] Notwithstanding the long history of cultivation and the above-average yield-level increases, these studies concluded that the 20-percent rise in cotton production between the 1970s and 1990s compared rather unfavorably to the quadrupling of output in other franc-zone countries. Moreover, yield levels, despite their growth rates, have remained below the franc-zone average. Whereas it is difficult to characterize the ensuing—by now publicly reverberated[48]—discussion among the Chadians, their bilateral and multilateral partners about the design of the cotton sector's liberalization program as completely amicable, its underlying goals, nonetheless, are uncontroversial. All of the involved parties have publicly affirmed that they seek to pursue policies that would increase the price pass-through to the individual farmers, develop cotton-processing capacities in Chad over the medium term, and increase the value-added within the sector. While it should be possible to achieve these goals with changes to COTONTCHAD's institutional organization and the liberalization of the various cotton-dependent markets, a variety of serious, largely unresolved problems are at the very core of the current debate; the most important are the following four:

- **The sector's size:** The repercussions of a possible (even if unlikely) failure of the cotton sector's reform and its inherent social risks in a region that is already burdened by ethnic and political tensions has clearly dampened the political determination to swiftly press ahead with the reforms. As 300,000 farming families are directly affected by the changes to this enterprise, a potential—even temporary—decline in their living standards is seen to result in serious political problems. The same considerations could also affect the potential investors (in case of the parastatal's privatization), who are well aware of the stakes and thus might be hesitant to take on such an immense and risky task.

- **The industry's economic success**: Critics of the plan to de-monopolize COTONTCHAD are aided in their argument by the fact that the industry, in its current setup, has been relatively successful. As described above, the Chadian *filière* produces a high-quality product and generates most of the country's export earnings. It would have been easier to overcome the powerful status-quo inertia, if it had been

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[47] Information is contained in various internal World Bank studies.

[48] See, for instance, *Jeune Afrique économique* of July 20–August 2, 1998 (*Coopération française contre Banque mondiale*), *Jeune Afrique économique* of June 1–14, 1998 (*Luttes d'influence autour du coton africain*), *Jeune Afrique* (*La guerre du coton*), or, for the case of Mali, *Le Monde* of September 6, 1997 (*Les producteurs de coton malien s'inquiètent des intentions de la Banque mondiale*).

demonstrated that the current system did not work—it is much more difficult to convincingly demonstrate that alternative systems would likely be "even more" efficient.

- **The existence of "market failures":** The existence of several important "market failures" represents the basis for the strongest argument made in defense of the vertically integrated *filière* system prevailing in much of French-speaking Africa. Not only does the very low population density of Chad's cotton-growing provinces result in high transportation costs, but also has the state been absent from many types of infrastructure investments that are generally viewed as being in the "public" realm, particularly in regards to the construction and maintenance of roads. If it is not the government that provides this "public good"—and if there is not a single, dominant enterprise for whom the marginal benefits of building and maintaining roads exceeds the marginal costs of doing so—then nobody will provide for these infrastructure investments. Cotton *filières*, therefore, cannot be solely understood as an enterprise; they have, from their days of inception, been used as an instrument of rural development. The low prices being paid to the cotton farmers, subsequently, are viewed as indirect taxation paid in exchange for the provision of infrastructure and famers' services, such as cotton credits or extension services (and especially pest control). These "public goods" would otherwise be unavailable altogether. With this "economic efficiency" argument, it is asserted that the government is freed from its obligation to fund rural tax-collection, credit-provision, and other rural-development agencies, since COTONTCHAD took these "public roles". The fact that the southern Chadian provinces are cotton "monocultures" has facilitated this development.

- **The lack of clear alternatives:** While there seems to be a consensus in regards to the necessity to develop the productive capacities of the sector and the earning potentials for the cotton enterprise(s) and the individual farmers, the Chadian government and its bi- and multilateral partners have not yet managed to agree on a generally acceptable reform strategy. No clear—never mind universally accepted—blueprint exists outlining the reform of the overall sector. Apart from periodically voiced doubts regarding the existence of serious private-sector investors, it is generally acknowledged that the local capacity to implement comprehensive changes is quite weak. And beyond the fear that privatization could open additional venues for corruption, questions exist as to the ability to secure price flexibility: given this sector's pivotal importance to the Chadian economy and its socio-economic development, it is widely expected that the authorities will continue to intervene in this sector, thereby deterring potential investors.

77. The growth, revenue, and poverty-alleviation potentials (motivating the reforms) balanced with the aforementioned, generally undisputed problems (inhibiting the various actors from pressing ahead) resulted in two main schools of thought. According to the gradualists, the cotton monopsony ought to be retained, albeit in a modernized form, while the proponents of a fully market-based approach advocate the principles of free entry, competition, and privatization as the yardstick for reform. Neither strategy can be refuted on purely theoretical grounds—and both hence warrant closer inspection. Irrespective of the reform program that will be ultimately agreed on, the ensuant changes will be highly consequential for the future development of the Chadian economy. And, as will be seen in the following, the opposing approaches do not allow for much of a comprise between them.

A. The Gradualist Reform Approach

78. Under the *filière* system (and with the support of very productive research on site and at CIRAD), cotton has become a very efficient crop in Chad; it has profoundly contributed to rural development, exports, and overall economic growth. The proponents of a gradualist approach attempt to build on these successes by focusing on the preservation of the efficient and comparatively advantageous elements of the cotton monopsony. The main achievements, to which "gradualists" point, include the effective international marketing of the cotton lint, high farm-level yields[49], the disciplined use of appropriate insecticides (thus preventing pest immunity observed elsewhere), the choice of only few[50] but regionally particularly well-adapted, disease-free seeds, the high recovery rates of input credits, significant advances in farmers' education, as well as excellent fiber qualities guaranteeing high export prices.

79. By concentrating efforts on streamlining internal management procedures and on extending the use of—competitively awarded—sub-contracting practices for cotton production and peripheral activities, gradualists aim to reform the sector without having to drastically change past practices, which might undermine the system's strengths—particularly in regards to beneficial "public good" activities that presuppose a minimum enterprise size and, for reasons of access to international capital markets, "prestige." Only on a large scale, it is argued, is it possible for a profit-oriented enterprise to finance infrastructure investments and "public good" services.

80. The main weakness, though, of the gradualist approach is the expectation that the fundamental problems inherent in a monopsonistic structure—viz., management inefficiencies and the low prices paid to the farmers—are not addressed. In a *filière* system, cotton prices

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[49] Notwithstanding the fact that Chad's yield of 805 kilograms per hectare in 1996/97 (and "only" 777 kilograms in the following season) compare unfavorably to the yields of between 1,000 and 1,200 kilograms that the World Bank estimates have been harvested in Benin, Cameroon, Côte d'Ivoire, Mali, and Togo.

[50] Thus allowing the cotton monopsony to exploit economies-of-scale advantages.

are the result of the bargaining process among the various interested groups in the government, at COTONTCHAD, the farmers' associations, and the—easily outsourceable—peripheral enterprises in the transportation or ginning sectors. Knowing the political difficulty in decreasing producer prices in seasons with low world-cotton prices, the cotton enterprise has reacted hesistantly in raising these, when world-market prices rise. While, from a welfare-derived "consumption smoothing" perspective, this could be justified as actually being desirable, it nevertheless continues to expose the government to high financial risks. These stem from the knowledge that the "collective bargaining process" within the cotton sector would likely coerce the government into the bail-out of the cotton company during periods with plummeting world-market prices. The probable political aftermath of the government's permission to let prices fall to international price equivalents—particularly in the light of smouldering ethnic tensions—are simply too menacing.[51]

B. The Market-Based Approach

81. A more ambitious reform program would center around the removal of barriers to competition, which is expected to significantly increase the farmers' average incomes, albeit at the expense of a larger fluctuations in the year-to-year cotton prices. Under this approach, markets would be created for small firms to operate in essentially all segments of the cotton sector: input supply, credits for input and equipment, transport, ginning, trading in seed cotton, cotton lint and cotton seed. While such reforms would undoubtedly be more difficult, particularly on the political level, and, subsequently, more risky, tackling the industry's inherent deficiencies by means of an institutional regime shift towards a competitive system promises far larger socio-economic rewards in the end—especially in terms of increased efficiency, profits, production and, higher prices paid to individual farmers. The *filière*'s—or, more likely, the state's—post-liberalization role would, in a market-based system, be reduced to one of regulation, arbitration, and coordination, thus ensuring the continued existence of the cotton-specific and for the sustainable development of this sector crucially important "public goods."

82. Fundamentally, the market-driven liberalization process encompasses two elements—first, the adoption of a legal framework that would remove, nationally or, preferably, regionally, the barriers to free market entry ("liberalization"); and second, the sale of COTONTCHAD, or parts of it, to private investors ("privatization"). The decisions that need to be made concern (*i*) the elements to be included; and (*ii*) the sequencing of events.

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[51]Preliminary attempts have been made to increase price flexibility to some extent by introducing annually paid bonuses (called *ristourne*), which is calculated according to a formula incorporating a three-year average figure of the spot and forward "A" index lint prices—as well as the "priority" claims of federal taxes, stabilization fund allocations, stockholder dividends, and retained profits for COTONTCHAD itself.

83. A pure liberalization strategy (without privatization) would entail only[52] changes to the legal framework allowing privately owned cotton companies to compete with COTONTCHAD. It will thus be the farmers who determine with whom they want to work, weighing the private sector's price advantages against the parastatal's "package deal". Consequently, the ensuing competition among the different players will result in an enhanced position that farmers have vis-à-vis the cotton firms, thus increasing their benefits from cotton production over the medium term.

84. A comprehensive—simultaneous or sequenced—liberalization-cum-privatization strategy would combine the sale of (the various units of) COTONTCHAD with the removal of existing market-entry barriers. That way, the regime shift towards a competitive system would be accomplished more quickly, with the decentralized system of cotton procession and marketing, creating additional incentives to increase production (potentially too rapidly to be sustainable), driven by and resulting in higher prices being paid to the individual farmers. Crucial will be the correct sequencing.

85. The "balance" among the various players, in either scenario, could likely be enhanced by strengthening the regulatory and financial frameworks, within which a minimum degree of mutual confidence between, for instance, the banks (whose "collateral" is next season's harvest valued at uncertain prices) and the farmers (who fear punitively high risk premia on their loans) could develop. This setup could be complemented by the accelerated institutionalization of farming cooperatives, through which farmers could strengthen their ability to collectively borrow in order to be able to invest in seeds and farm equipment. With such a strategy, a coordination and monitoring mechanism must be devised, which would ensure that the production increases remain sustainable.

86. The fiscal implications of such a strategy are two-fold. The increased price pass-through will, in the immediate post-reform period, result in higher costs and, consequently, in a lower profitability of the cotton enterprise. That might, ceteris paribus, create fiscal problems for the government. However, given the fact that various studies have found cotton production to be rather price sensitive, the tax (and dividend) losses should be compensated by the overall increase in production, which, in turn, would enlarge economic welfare. The government's tax revenues from the cotton sector can thus be expected to increase substantially in the medium term, providing the basis for increased prosperity in the future. Furthermore, the state's problems of collecting taxes from the farmers has to be addressed.

87. If it is eventually decided to pursue the market-driven liberalization strategy, it will be pivotal to incorporate that results of the various studies analyzing the inherent risks in order to deliver all of the reform's potential benefits while minimizing the (potentially) negative side

[52] This strategy would still include the privatization of COTONTCHAD's oil-and-soap facilities. The remainder of the company would be left intact, as a public entity but on a level playing field, and be subjected to the competitive forces of the market.

effects. Moreover, it is essential to note that, once the reform process has begun, it must be completed in a timely and correctly sequenced fashion. Full program ownership is thus essential.

IV. Policy Challenges Ahead

88. The importance and size of Chad's cotton sector, as well as its long history, have made the institutional reform program both a difficult and important economic project. The benefits—to the state, the cotton enterprise(s), and the farmers—that can be reaped from the reforms are considerable. At the same time, a large number of arguments exists that caution to proceed very carefully.

89. The immediate task for the Chadian authorities and their partners is to build on the preliminary consensus regarding goals and the general understanding of the inherent risks. In essence, two points require further clarification: (*i*) the actual approach with which competitive elements are to be introduced to the Chadian cotton sector, including the particular specifications safeguarding, in some form, the "public good" activities currently provided by COTONTCHAD, and (*ii*) designing special support mechanisms for, in particular, the farmers during the transition period. The investment into an efficient, competitive cotton sector in Chad will—for this transitory period—require financial contributions by international organizations and the donor community. Together with the oil-exploration revenues, an efficient cotton market should be able to set Chad onto the path of enhanced economic viability, more rapid economic growth and development—announcing a future that promises to be more prosperous for a large number of Chadians.

Box 3. Monopsony Theory

In a monopsonic (or "inversely monopolistic") market, many competitive sellers try to sell their homogeneous input factors (e.g., raw cotton) to one single buyer. The supply curve, which constraints the monopolist's purchasing decisions, is hence identical to the one characterizing the entire industry. This implies that—in contrast to a competitive market, where the marginal cost of buying one additional unit of the input factor is equal to its per-unit price—the monopsonist's marginal costs comprise of the per-unit price *and*, given a positively-sloped supply curve, the increase in prices paid to all the other producers.

In the present context, it is the monopsonic *filière*, which buys domestically produced raw cotton, denoted c, at the price $w(c)$—the first derivative $w_c > 0$—, from a large number of individual farmers. It, then, processes the raw cotton, as represented by some unspecified production function $f(c)$, and sells the final product (cotton fiber) in a perfectly competitive world market at an exogenously determined price p. The *filière*'s overall revenue is thus simply the product $pf(c)$. In the absence of uncertainty, the *filière*'s short-run profit function, π, is defined by the difference of total revenue and costs: $\pi = pf(c) - w(c)c$. Its unconstrained maximization yields the familiar "marginal revenues equal marginal costs" condition: $pf_c = w_c c + w(c)$. Solving that equation for c gives the optimal amount of cotton that will be bought by the cotton monopsony: c_m. By substituting c_m into the cost function, $w(c)$, the monopsonist determines the price, which it will pay the producers: w_m.

If the market were competitive on both market ends, the buyers would be price-takers and their marginal costs equal to the products' price. Given their individual, profit-maximizing "marginal revenues equal marginal costs" conditions, a competitive industry would buy a quantity c^* at a price w^*. As the monopsonist's marginal-cost curve is steeper than the competitive firms' equivalent,
$c_m < c^*$ and $w_m < w^*$ (see Figure).
This relationship is depicted in the graph to the left, showing that the monopsonist buys a smaller quantity of cotton at a lower price than would firms in a competitive environment. In an oligopsonistic market with a few dominant buyers, the actual market outcome would depend on the strategic interaction between the firms. Game theory predicts an eventual "competitive" Nash equilibrium, characterized by c^* and w^*.

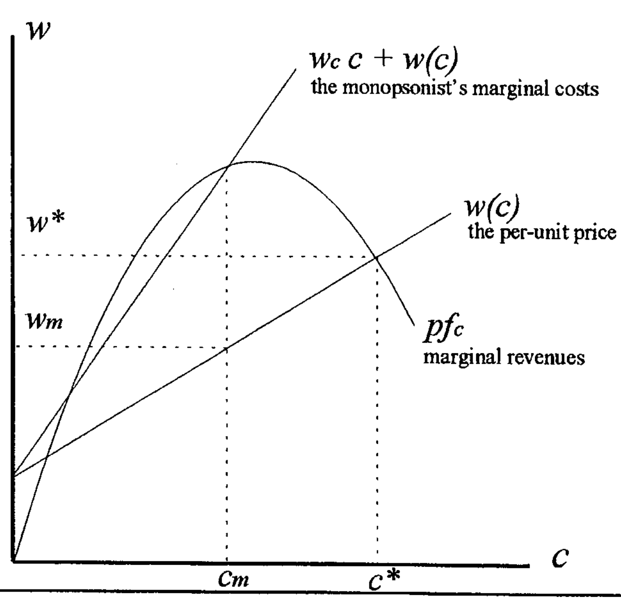


Table 25. Chad: Cotton Production, 1986/87-1998/99 1/

	1986/87	1987/88	1988/89	1989/90	1990/91	1991/92	1992/93	1994/95	1995/96	1996/97	1997/98	1998/99
					(In thousands of metric tons)							
Production												
Unginned	90	128	138	151	158	174	122	157	158	213	261	220
Traditional cultivation	24	40	60	34	21	45	61	47	54	44	72	...
Productivity program	66	88	77	117	137	130	61	110	104	169	190	...
Processed cotton	90	128	138	151	158	174	122	95	154	157	212	259
Ginned cotton production	34	48	53	58	60	68	47	37	61	62	86	103
Ginning ratio (in percent)	37.9	37.5	38.3	38.5	38.0	38.9	38.8	39.1	39.8	39.4	40.4	39.9
					(In thousands of hectares)							
Area under cultivation												
Total	124	148	199	185	195	283	200	204	210	265	336	298
Traditional planting	58	79	111	69	47	118	100	61	71	55	92	106
Productivity program	67	69	88	116	148	166	100	143	138	210	244	192
Share of productivity program (in percent)	53.7	46.5	44.1	62.9	75.8	58.5	50.0	70.2	66.0	79.4	72.5	64.5
					(In kilograms per hectare)							
Yield per hectare												
Total average yield	721	865	690	818	812	614	611	770	751	805	777	739
Traditional planting	410	499	542	501	449	379	611	769	751	804	...	...
Productivity program	989	1,287	878	1,005	928	782	611	770	751	805	...	...
					(In CFA francs per kilogram)							
Producer prices												
Grade 1	100	100	100	90	90	90	80	120	140	170	194	194
Grade 2	40	40	75	70	70	70	60	90	100	120	120	120
Grade 3	...	...	50	45	45	45	30	60	60	60	60	60
Average weighted price 2/	99	99	97	88	88	88	77	120	139	170	191	191
					(In billions of CFA francs)							
Producers' gross income	8.8	12.6	13.3	13.3	14.0	15.4	9.7	18.8	22.1	36.9	50.7	42.5

Sources: Chadian authorities; and staff estimates.

1/ Marketing year, starting in November.

Table 26. Chad: Financial Indicators of Cotton Marketing, 1994/95-1998/99 1/

	1994/95	1995/96	1996/97	1997/98	1998/99
	(In thousands of metric tons)				
Export volume of ginned cotton	53	58	78	97	84
	(In CFA francs per kilogram)				
Average export price and cost					
Export price (f.o.b.)	948	898	862	923	832
Export cost 2/	664	765	809	875	815
Net profit (+) or loss (-)	284	133	53	48	17

Sources: Chadian authorities; and staff estimates.

1/ Marketing year, starting in November.

2/ Includes provisions for amortization, but excludes other charges.

Table 27. Chad: Cost Structure of Cotton Processing and Marketing, 1994/95-1998/99 1/

(In CFA francs per kilogram)

	1994/95	1995/96	1996/97	1997/98	1998/99
Producer price for raw cotton 2/	120	140	170	191	168
Producer price in equivalent of ginned cotton 3/	307	354	450	479	419
Ginning 4/	47	50	52	56	57
Financial charges	33	23	21	26	34
Transportation, insurance, and other outlays	101	113	114	135	124
Freight and insurance	67	80	80	81	78
Other	109	145	93	97	104
Total average export cost (c.i.f. Douala)	664	765	809	875	815

Sources: Chadian authorities; and staff estimates.

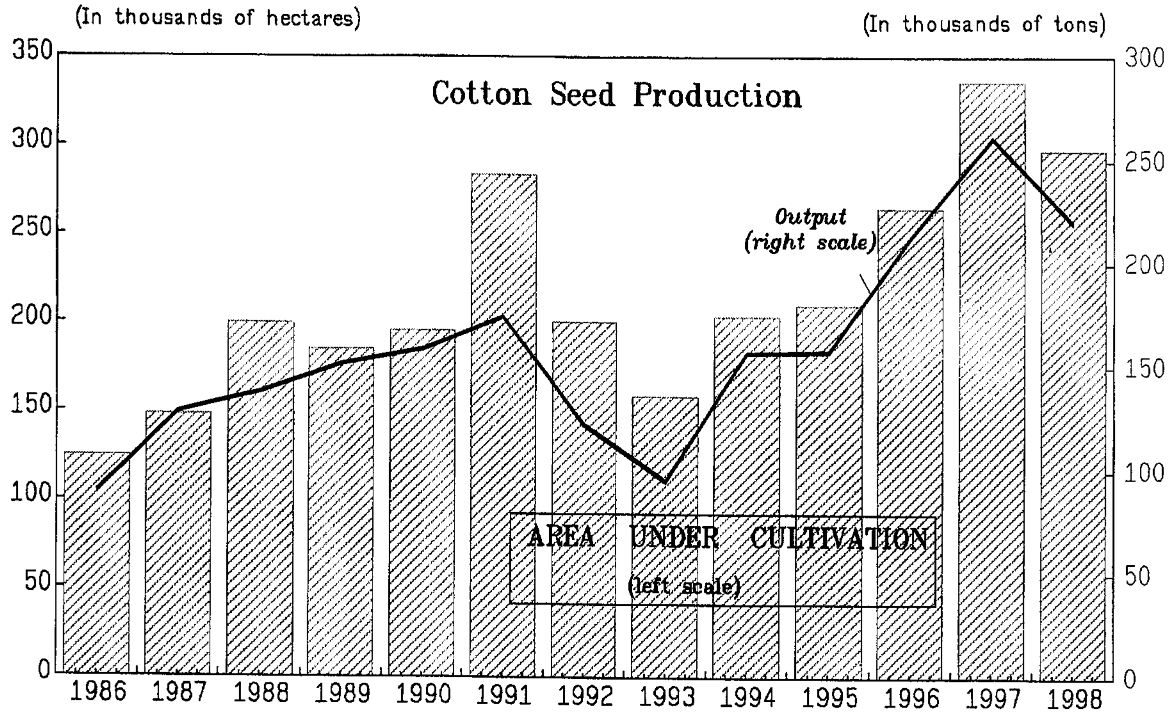
1/ Marketing year, starting in November.
2/ Weighted average producer prices for white and yellow cotton.
3/ Fiber equivalent of raw (unginned) cotton prices and costs.
4/ Includes provisions for depreciation.

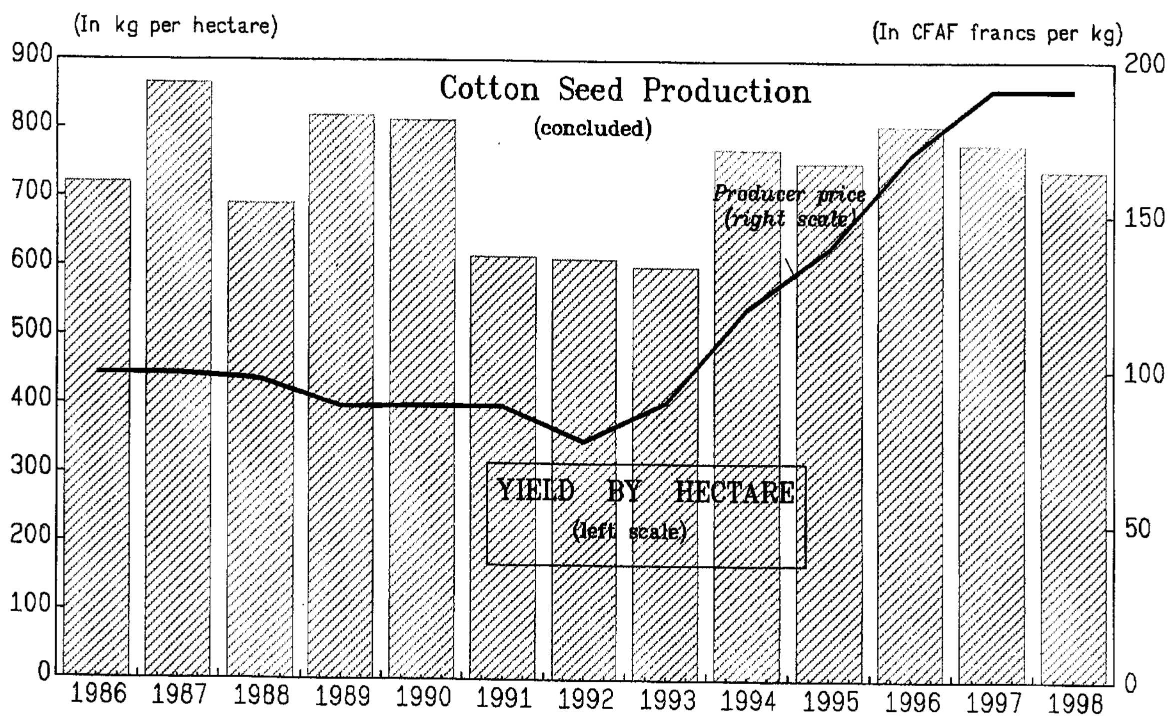
Table 28. Chad: Balance Sheet COTONTCHAD, 1995/96 - 1998/99

	1995/96	1996/97	1997/98	1998/99 Budget
	(In millions of CFA francs)			
Revenues	62,767	84,129	104,226	83,399
Cotton	55,513	73,964	95,240	73,232
Soap and oil	7,254	10,165	8,986	10,167
Costs	53,742	76,585	98,137	81,182
Cotton (c.i.f., Douala)	47,300	69,409	90,337	71,757
Variable costs	39,267	57,775	80,044	61,296
Purchase of cotton seeds	22,113	36,145	49,794	36,894
Transport of cotton seeds	2,216	2,035	3,655	2,842
Ginning	3,083	4,418	5,829	4,974
Other 1/	11,855	15,177	20,766	16,586
Fixed costs	8,033	11,634	10,293	10,461
Soap and oil	6,442	7,176	7,800	9,425
Raw materials	844	1,087	2,404	3,074
Preparatory production processes	1,000	1,081	1,029	1174
Soap production	1,476	1,923	1,878	2215
Oil production	1,152	1,423	1,004	1,339
Financing, fees, and overhead	1,970	1,662	1,485	1,623
Profits	9,025	7,544	6,089	2,217
Cotton	8,213	4,555	4,903	1,475
Soap and oil	812	2,989	1,186	742
	(In metric tons)			
Production of cotton seeds	157,476	213,057	261,292	220,000
Ginned cotton seeds	157,008	212,372	259,608	220,000
Losses	468	685	1,684	0
Use of cotton seeds	157,008	212,372	259,608	220,000
Production of cotton fiber	58,602	85,775	103,236	88,000
Domestic sales	603	7,399	6,660	4,000
Foreign sales, f.o.b.	6,791	6,106	7,000	8,400
Foreign sales, c.i.f.	51,208	72,270	89,576	75,600
Production of cotton seed	88,203	120,433	146,086	125,895
Seeds for planting	9,240	11,413	12,000	11,000
Seeds for oil-manufacturing	78,963	109,020	134,086	114,895
Other uses	10,203	6,164	10,286	6,105

Sources: COTONTCHAD; and staff estimates.

Figure 13. CHAD: Cotton Seed Production, 1986-98

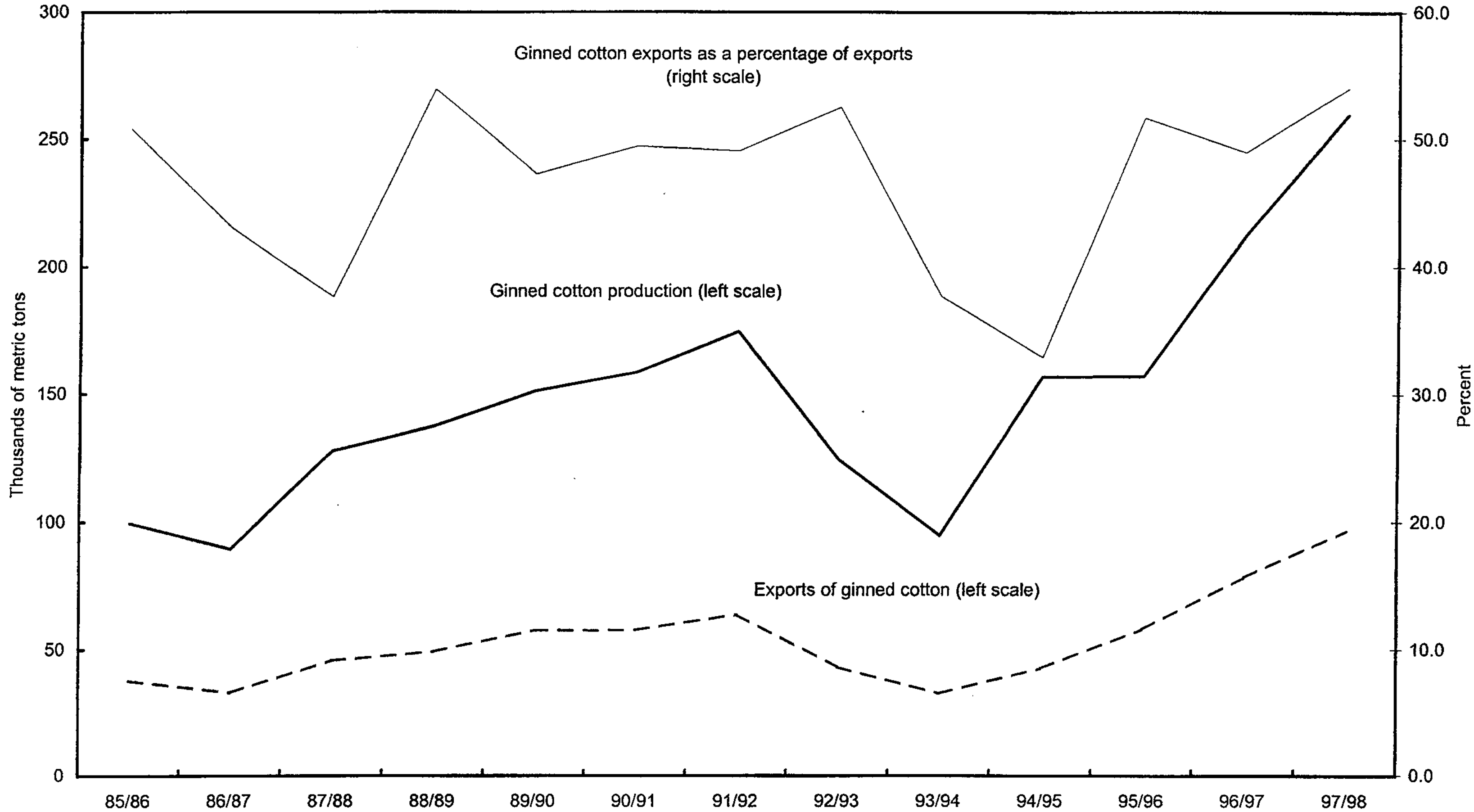




Source: Chadian authorities.

1/ Net of losses.

Figure 14. Chad: Ginned Cotton Production, 1985/86-1997/98



Source: Chadian autorities.

FUELING STANDSTILL: THE 1998 ENERGY CRISIS IN CHAD

An explosion at a Nigerian refinery in early 1998 severely disrupted the import of petroleum products to Chad. The situation was aggravated further by both problems in the provisioning from the alternative Cameroonian sources and inadequate policy responses by the government. As a result, the severe shortage of fuel interfered with formal-sector production and impeded public administration. To date, the authorities have made little progress in developing a coherent strategy aimed at assuring a sufficient level of fuel provisioning, partly due to the fact that the various parties involved—the government and the two competing trade associations representing foreign- and domestically-owned importers of petroleum products—effectively cut the communication lines among them, notwithstanding some preliminary overtures by the government in early December 1998, with which it attempted to re-launch a national dialogue on energy issues.

I. INTRODUCTION

90. Since early 1998, the signs of an energy crisis have been omnipresent. The country's filling stations were closed, petrol and diesel unavailable except in liter bottles sold "privately" alongside the roads. The production of electricity in Chad—which, in the absence of hydroelectric, nuclear, or regenerative sources of energy, rests solely on the availability of imported petroleum products—was highly erratic, with frequent and, at times, prolonged power failures. The formal sector's human resources were reported to be diverted, to a considerable degree, from productive occupations to the search and the acquisition of required petroleum products. While gasoline prices have collapsed elsewhere, the charges for fuel have been soaring in Chad to among the highest levels in the world.[53]

91. For the large majority of Chadians, the tight situation on the domestic petroleum-product market (see Table 29) has had no or only minor direct repercussions as only about two percent of Chadian households have access to electricity; their main source of energy is wood, charcoal, or biomass fuel.[54] According to World Bank estimates, Chadians' energy requirements, even in a regional context, are extremely moderate—per-capita energy consumption is roughly one fifth of that in other sub-Saharan countries. However, the

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[53] Average "informal" market prices for gasoline, which used to be 15 to 30 percent lower than official prices (see, for example, SM/96/111), have "stabilized" at a level a little less than twice the official price, which have been set—unchanged in 1998—at CFAF 390 per liter (or \$2.60 per U.S. gallon) for gasoline, including CFAF 112 per liter (or \$0.75 per U.S. gallon) in petrol taxes.

[54] See, for instance, the estimates of the 1991 census.

consequences of the fuel shortages are considerable.[55] The transport of input factors and consumption goods is being affected, as is the process of developing a viable, formally organized private sector in Chad's post-civil-war society, which is in danger of being asphyxiated should the situation lasts for much longer.

92. Historically, petroleum products and, to a much larger extent, electricity have been expensive factors of production. The high energy prices reflect the country's geographic constraints of being vast, sparsely populated, landlocked, and of having an under-developed—and often only seasonably passable—road infrastructure. Without direct seaport access, Chad has always depended on an energy provision by overland route, limiting its options in the choice of possible suppliers of petroleum products to its immediate oil-producing neighbors Nigeria and Cameroon.[56]

93. For reasons of purchase-price differentials and transportation costs, Chad provisioned itself, for the most part, from the Nigerian refinery located 150 kilometers to the east of N'Djaména. The country's (domestic) importers benefited considerably from the Lagos government's subsidies on petroleum products sold at Nigerian pumps as well as from a substantial naira/CFAF premium offered in that country's parallel foreign-currency market,[57] thus leading to effective import prices, which were more favorable than those quoted in the world market. An explosion at a Nigerian refinery in early 1998, however, interrupted the supply of petroleum products to Chadian importers, leading to a situation, in which Chad's fuel-provisioning options were limited to its only remaining one—in Cameroon.

94. The government's efforts in securing the required provision of petrol and diesel at the relatively nearby Cameroonian storage depots in Ngaoundéré brought with it its own set of

[55] There are many observers who claim that there are no shortages, just high prices and non-existent quality controls. The latter problem arises from the fact that kerosene, imported tax-free, is frequently mixed with gasoline and then sold alongside the street. While the acquisition of gasoline proved particularly difficult during the initial stages of the energy crisis, the supply of diesel fuel has been the main problem during the latter half of the year (for underlying reasons of this change, see Section II.B).

[56] Libya perceivably represents a third alternative. In mid-1998, the authorities—seriously but only temporarily—considered this option, following the apparently highly concessional conditions offered by the government in Tripoli. These included large quantities of "free" petroleum products. One requirement, however, that was implicit in the bilateral understanding—viz., the need for Chadian importers to haul the petrol down south themselves—resulted in the ultimate understanding that the accruing transportation costs alone made this strategy a rather unprofitable one.

[57] As a result, they had managed to supply approximately four-fifths of the market, with the remainder being provided by multinational companies.

problems—apart from the fact that the "effective" purchase prices (without government subsidies and the benefit from parallel foreign-exchange markets) were significantly higher than the ones previously paid in Nigeria. First, the Cameroonian depots at Ngaoundéré have been suffering from an irregular stream of exclusively rail-delivered supplies,[58] leading to suspensions in fuel sales. Second, with the additional demand from previously Nigerian-supplied clients, Cameroon's main depot in Douala, too, has become a "binding constraint" in the petroleum-product provision of northern Cameroon, Chad, and, more recently, northern Nigeria. Finally, even the distant facilities in Cameroon's far south do not represent a secure "fall-back" option at the moment, following access limitations to the sea-based refineries and port facilities, inadequate bilateral transport arrangements, and the fact that the Chadian truck fleet is ill-equipped to reliably haul large quantities of refined petroleum products over the 2,000-kilometer stretch between the coastal facilities and N'Djaména.

II. Domestic Petrol Policies

95. These developments alone would have sufficed to place a severe burden on the Chadian economy, requiring a concerted effort by the authorities and importers to devise a nationally coordinated response to the crisis. An "energy round table," however, did not emerge. Worse still, the government exacerbated the situation by implementing policy measures, discussed below, that complicated the suppliers' administrative import procedures even further, thus adding to an already large set of import disincentives.

96. It is, however, important to note that the different petroleum companies were asymmetrically affected by the external developments. The "national" suppliers—as represented by the SPP[59] "cooperative"—have long dominated the Chadian market for petroleum products, largely as a result of their inexpensive Nigerian sources. The loss of the Nigerian supplies in early 1998 affected them disproportionally—particularly, as the SPP's "multinational" competitors, organized under the GPP[60] umbrella, suddenly held all the trump cards. Not only were their established provisioning routes (through Cameroon) unaffected, but they were also shareholders of the Cameroonian refineries (SONARA), depots (SCDP), railway system (Regiferam), and owners of the storage facilities in Chad. The multinationals hence enjoyed a virtual monopoly over oil imports from Cameroon. The SPP's competitive

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[58] The roads between Douala and Ngaoundéré cannot be used for the transport of petroleum products by trucks.

[59] The SPP, the *Synidicat des Producteurs Pétroliers*, is an association that coordinates the activities of the independent Chadian companies.

[60] *Le Groupement Professionnel de l'Industrie du Pétrole de la République du Tchad* is the trade association that represents the multinational importers (Total Tchad, Shell Tchad, and Mobil Oil Tchad). Elf Tchad, while frequently supporting GPP positions, is not a formal member of this grouping.

situation became even worse, because they were forced to purchase petroleum products in this "unfamiliar" market in Cameroon, in which they were unable to directly buy from the GPP-controlled depots. Instead, they had to rely on intermediaries, which, of course, had their own economic objectives, charging them a substantial premium.

97. The government reacted to these external bottleneck situations and the unevenness in the distribution of economic disadvantages, as experienced by the national and multinational importers, with a heavy hand, doing little to alleviate the root problems of the energy crisis. Its pivotal actions, initiated in response to the aforementioned developments, will be summarized under three separate—though not disconnected—headings.

A. Adverse Administrative Measures

98. Both the SPP and GPP have expressed serious concerns about the deteriorating business climate and their ability to make rational management decisions. The foreign-owned petrol importers, in particular, have complained about discriminatory policy interventions by the central Chadian government that make all but impossible the development of a coherent business strategy. These "policies" include the removal of the *entrepôts fictifs*[61] (bonded warehouses), *retroactively applied* increases in tax rates and bridge tolls,[62] a newly decreed import-licensing procedure, requisitions made on behalf of state-owned enterprises, the continued insistence on government-decreed official prices at filling stations and the unresolved issue of usage rights to the combined GPP storage capacities (see also para. 104). The latter facilities were at the center of complaints brought forward by the SPP, arguing that the multinationals were using their depot monopoly to dominate the market. In addition, both the SPP and GPP representatives characterized the situation as an "intolerable" state of legal and legislative uncertainty.

B. Public Priority-Provisioning Requests

99. Following the irregular supply of, in particular, diesel fuels, electricity has been unreliable for much of 1998. For "reasons of security," the government has been intervening, mainly through requisitions of diesel fuel, on behalf of STEE, the electricity-and-water parastatal.[63] These actions not only increased the oil-importing companies' uncertainty

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[61] This measure was taken in the 1998 budget, before the energy crisis began, and was aimed at combating fraud and tax evasion. In view of its negative impact on the import trade, it was abolished in the context of the 1999 budget.

[62] The criticism was primarily aimed at the retroactive nature in the application of these fiscal changes.

[63] This public enterprise is jointly owned by the Chadian government (81.3 percent) and the

(continued...)

regarding the size of the requisitions and hence the quantities available for sale to the market, but also resulted—following STEE's chronic solvency problems—in irregular payments to the suppliers. Contrary to the multinationals, which insisted on cash payments from STEE on delivery, the national petroleum importers were willing to give 30-day credits to the electricity company, thus influencing the government's belief that only the national importers could secure the continued production of electricity and other products vital to the welfare of the population.

C. Petrol Politics

100. The debates concerning access to the GPP-owned storage capacities or security requisitions represent crucial areas in the tripartite dispute. Yet, these are but proxy controversies camouflaging the players' longer-term aspirations. In the light of the various external developments, the overall balance in this lucrative market has been irreversibly disturbed, and the ultimate result of this readjustment process is far from being certain. Even more importantly, the discovery of exploitable oil deposits in the central and southern parts of the country has raised the stakes, and all the different actors have been trying to place themselves into strategically beneficial positions for the "new era" of Chadian oil exploration, which is expected to begin in about two years.

101. As summarized above, the multinationals, which have traditionally supplied about a fifth to a quarter of the overall market with "regularly" priced Cameroonian oil, gained a significant advantage following the closure of the nationals' "underpriced" source in Nigeria.[64] The combination of the GPP's domestic depot monopoly and its exclusive access to Cameroonian oil has led to the multinationals' opportunity of a significant inroad into the Chadian market, at least in the medium-term. The GPP's market share, as reported by the Finance Ministry, increased to almost one third in the first three quarters of 1998, as compared with only 19 percent in 1997 (Table 30).

102. The GPP claimed that storage constraints in Cameroon would prevent the multinational suppliers from expanding their market share even further. Since these quantity restrictions are only short-term in nature, the central government's policy reactions are best understood when viewed in the context of the widespread fears of a GPP-dominance.

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[63](...continued)
Agence Française de Développement (18.7 percent).

[64] In late December 1998, the Nigerian government reduced the subsidies, leading to a doubling of the petrol prices. The informal market's exchange rate has also become more unfavorable to the Chadians, implying that the SPP has thus lost much of its price advantage over its competitors even after the Nigerian supply routes will have been reestablished.

103. Taken by itself, the economic logic behind the government's decree[65] requiring importers to possess a ministry-approved import permission at a time when the country already suffers from an acute fuel shortage is difficult to comprehend. However, when placed in the context of the effects that the external shocks had on the balance of power between the nationals and multinationals, such a strategy could become rationally reconstructible as an attempt to regulate the market.

104. A similar motif appears to underlie the policies vis-à-vis the country's GPP-owned storage capacities. The government has required the suppliers (again, by the simple act of a ministerial decree) to keep in st ock a month's worth of petrol and diesel. Not only do the multinational suppliers have to demand a ministerial authorization for any sale that is drawn from this emergency supply, but also are they obliged to put at the nationals' disposal a depot space "equivalent to the security stock's capacity." Even though these policies have not been enforced, they have exacerbated the tensions between the GPP on the one hand and the government and the SPP on the other one.

D. Refueling a Country

105. Although supply constrains in Nigeria and Cameroon have relaxed somewhat toward the latter half of the year, a solution to the problem does not appear in sight. The direct communication lines between the nationals, multinationals, and the government, which have effectively broken down, impeded attempts at finding a non-confrontational solution to the Chadian energy crisis that respected the vested interests of all the parties involved. A first step, though, was taken in early December. The *Cellule d'Ajustement Structurel*, a high-ranking government agency within the Presidency, brought the two energy suppliers and the relevant ministries together to engage them in a discussion about the sector's future institutional framework. While the differences in opinions, both between the suppliers and within the government, could not be settled, the government has repealed the import-licencing decree on December 21, 1998 and is in the process of negotiating, on a multilateral basis, a possible alternative supply channel, which would accommodate the national suppliers.

106. These first steps are encouraging but insufficient. An economically viable response to the energy crisis or, more ambitiously, any comprehensive reform program aimed at ending the country's damaging fuel shortage needs to incorporate incentive mechanisms that induce both the SPP and GPP to increase their import activities, to reopen the filling stations, and to "voluntarily" replenish the national emergency reserves. Moreover, the government needs to explore ways, by which the international provisioning routes, mainly those through Cameroon, could be secured for Chadian importers in, at least, the medium term. While the achievement of the latter goal presupposes the cooperation from the Yaoundé government and thus requires a certain amount of time and patience, the former ones could be accomplished more easily, through the development and adoption of a policy package that, in cooperation with

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[65] The decree was signed by the Minister of Mines, Energy and Petrol on August 24, 1998.

the SPP, GPP, and STEE, accelerates imports, unifies the taxation, and makes the distribution of petroleum products more transparent. Necessary elements in such an anti-crisis plan, which would benefit all participants, need to include the liberalization of prices, the definition of a legal framework that specifies the taxes and fees to be paid by all importers and users, and the elimination of all petroleum-tax exemptions used to "regulate" the market. Within that frame, the "unnecessary" degree of risk and uncertainty involved in the suppliers' provisioning activities would be ended, holding the key to the Chadians' ability to—again—buy the desired quantities of petrol and diesel at internationally comparable market prices.

Table 29. Chad: Petroleum Product Imports (as Cleared by Customs), 1996-98

	1996	1997	1998 (Jan. - Sept.)
		(In liters)	
Total imports	93,766,212	100,014,386	47,056,715
Diesel fuels	64,490,583	63,500,161	22,352,923
Super	18,623,931	24,392,462	16,379,113
Gasoline	10,651,698	12,121,763	8,324,679

Source: *Ministère des Finances*, *Bureau de la Fiscalité Pétrolière*, and staff estimates.

Table 30. Chad: Petroleum Product Imports by Importers, 1997-98

	GPP 1/	Non-Aligned 2/	SPP 3/
		(In liters)	
Total imports, 1997 (Jan. - Dec.)	19,388,560	13,063,026	67,562,800
Total imports, 1998 (Jan. - Sep.)	14,921,448	6,278,612	25,856,655
Diesel, 1997 (Jan. - Dec.)	7,668,633	10,056,118	45,775,410
Diesel, 1998 (Jan. - Sep.)	7,996,552	2,803,732	11,552,639
Super, 1997 (Jan. - Dec.)	11,642,395	2,994,553	9,755,514
Super, 1998 (Jan. - Sep.)	6,922,897	3,033,784	6,422,432
Gasoline, 1997 (Jan. - Dec.)	77,532	12,355	12,031,876
Gasoline, 1998 (Jan. - Sep.)	1,999	441,096	7,881,584
		(In percent)	
Total imports, 1997 (Jan. - Dec.)	19.4	13.1	67.6
Total imports, 1998 (Jan. - Sep.)	31.7	13.3	54.9
Diesel, 1997 (Jan. - Dec.)	12.1	15.8	72.1
Diesel, 1998 (Jan. - Sep.)	35.8	12.5	51.7
Super, 1997 (Jan. - Dec.)	47.7	12.3	40.0
Super, 1998 (Jan. - Sep.)	42.3	18.5	39.2
Gasoline, 1997 (Jan. - Dec.)	0.6	0.1	99.3
Gasoline, 1998 (Jan. - Sep.)	0.0	5.3	94.7

Source: *Ministère des Finances*, *Bureau de la Fiscalité Pétrolière*, and staff estimates.

1/ *Le Groupement Professionnel de l'Industrie du Pétrole de la Republique du Tchad*: Total, Mobil, Shell.

2/ Elf-Tchad.

3/ *Le Syndicat des Producteurs Pétroliers*: Almanna and other Chadian-owned importers.

Chad: Summary of the Tax System, 1998

(Amounts expressed in CFA francs)

Tax		Nature of Tax	Exemptions and Deductions	Rates
1.	Tax on net income and profits			
1.1	Tax on net income and profits of companies			
1.1.1	Tax on companies (IS) (General Tax Code, Art. 115 to 135)	Annual tax on profits of incorporated entities exercising an industrial, commercial, agri-cultural, or noncommercial activity. Capital gains from disposition of assets are considered part of gross profits with the exception of disposition when ceasing activity for which only a fraction is included, in proportion to the length of operation; disposition occurs after five years (50 percent if disposition occurs within less than five years). Possibility of capital gains exemption if reinvested. Profits are declared within three months from the year-end and tax must be paid on a voluntarily basis in the month following the filing of the return.	Agricultural production and consumption cooperatives; agricultural associations; teaching and professional training associations and cooperatives. Exemption during the first five years of operations for new enterprises eligible under one of the Investment Code schemes (see Art. 118 of the General Tax Code).	– 45 percent on purchase-resale without processing; banks, insurance, credit, forwarding agents; brokers and business agents; leasing of equipment and funds; – 45 percent for other activities; – 25 percent for property income and income from investments earned by a nonprofit organization.
1.1.2	Minimum tax (General Tax Code, Art. 183 to 186)	Levied as a nonrefundable installment on the tax on profits. Based on turnover in the current year.	Same as 1.1.1	– Unified rate of 1.5 percent for all taxpayers.

Chad: Summary of the Tax System, 1998 (continued)

(Amounts expressed in CFA francs)

	Tax	Nature of Tax	Exemptions and Deductions	Rates
1.2	Income tax on withdrawals (IRPP)	Based on net annual income received or earned, whatever its source. Principle of taxation by household. Gross income is calculated by adding together income from the different categories. Net income is obtained after deduction of deficits from previous years and interest on borrowing for capital investment as well as maintenance payments. The tax return must be filed by March 1 of each year. Income is assessed according to rules established for each category. There are seven categories of income: (1) wages and salaries, pensions and annuities; (2) property income; (3) investment income; (4) industrial and commercial profits; (5) professional income; (6) remuneration of managers with a majority shareholding; and (7) income from abroad. Law No. 09/PR/97 established a 4 percent withholding tax on IRPP, collected on all sales or purchases by individuals with wholesalers.	The tax situation is taken into account by applying the family system of income splitting (1 share for the husband, 1 share for the wife and 1/2 share per dependent child up to a maximum of 5 shares per family). Moreover, the following reductions apply: – the assessment is reduced by 20 percent for income per share not exceeding CFAF 300,000; – the 20 percent reduction of the assessment is reduced by 1 point per CFAF 1,000 for income per share between CFAF 300,000 and CFAF 310,000; – the assessment is reduced by 10 percent for income per share between CFAF 310,000 and CFAF 600,000; – the 10 percent reduction applicable to the assessment is decreased by 1 point per CFAF 1,000 for income per share between CFAF 600,000 and CFAF 610,000.	Gradual range from 20 percent to 65 percent. Rate per share: – CFAF 1 to 300,000 20 percent – 300,001 to 800,000 25 percent – 800,001 to 1,000,000 30 percent – 1,000,001 to 1,500,000 40 percent – 1,500,001 to 2,000,000 45 percent – 2,000,001 to 3,000,000 50 percent – 3,000,001 to 6,000,000 55 percent – 6,000,000 and above 65 percent

Chad: Summary of the Tax System, 1998 (continued)

(Amounts expressed in CFA francs)

Tax	Nature of Tax	Exemptions and Deductions	Rates
1.2.1Wages, salaries, pensions and annuities (General Tax Code, Art. 37 to 41)	The tax base consists of total gross remuneration and benefits in cash, and kind, assessed at 15 percent for free housing. The tax base for other benefits are determined by Decree No. 209 of January 20, 1968.	From the amount obtained are deducted withholdings by the employer for the creation of pension funds and social security withholdings. The amount thus obtained is subject to a standard abatement of 40 percent.	The tax is obtained by applying the IRPP scale after deduction of a tax credit of 4 percent of net taxable income in the form of wages and salaries. It is withheld at source by the employer and forwarded to the Treasury in the first ten days of the following month. The amount withheld is an installment on tax ultimately payable.
1.2.2Property income (General Tax Code, Art. 12 and 13)	The tax base consists of gross income from developed and undeveloped property that is not included as part of the profits of an industrial, commercial, artisanal, or agricultural enterprise, or non-commercial profession.	Net income is obtained by reducing gross income by 30 percent for management, insurance, repair, maintenance, and amortization costs. Owner-occupied premises are exempt.	Withheld at source when the lessee is an individual or incorporated company, whether or not it is subject to the tax on companies, in the amount of: – 15 percent of the rent if the beneficiary resides in Chad; – 20 percent if the beneficiary does not reside in Chad. The amount withheld is credited against the properly income tax and is paid monthly.
1.2.3Income from investment capital (General Tax Code, Art. 51 to 68)	The tax base consists of income from securities, shares, shares in the form of bonds (parts obligatoires), directors' fees and remuneration, income from claims, security and other deposits, investments. Gross income is obtained by adding all the amounts collected and the related tax liabilities or tax credits.		Unified withholding rate at source of 20 percent.

Chad: Summary of the Tax System, 1998 (continued)

(Amounts expressed in CFA francs)

Tax	Nature of Tax	Exemptions and Deductions	Rates
1.2.4 Industrial and commercial income			
1.2.4.1 Industrial and commercial profits (BIC) (General Tax Code, Art. 14 to 35)	Levied as an installment on personal income tax (IRPP) and tax on companies (IS). Gross income consists of net profits received or payable from industrial, commercial, artisanal, and agricultural activities exercised by individuals. Capital gains from disposition of assets are normally considered to be profits. However, in the case of a complete disposition of assets, 50 percent of the capital gains are deducted if the transfer takes place within five years of creation and 33 percent if the transfer takes place after five years. Possibility of exemption for capital gains depending on the use thereof. The tax base is determined by : (1) estimated profits for actual profits for taxpayers with an annual turnover higher than CFAF 60 million (sales and farming) or CFAF 15 million (other activities).	Taxable profits are reduced by a standard abatement of 20 percent for activities other than: – purchase/resale; – insurance, banking, credit, freight forwarding; – brokers, business agents; – leasing of equipment or funds.	Unified withholding rate of 1.5 percent.

Chad: Summary of the Tax System, 1998 (continued)

(Amounts expressed in CFA francs)

Tax	Nature of Tax	Exemptions and Deductions	Rates
– Single Tax (IGL) (Law 09/PR/97 and new General Tax code, Art. 25 to 29	– Establishes a new single tax (Impôt Général Liberatoire—IGL) to replace the lump sum tax on industrial and commercial profits (BIC), the business license tax, and the lump sum turnover tax (TCA) for small taxpayers. The IGL is applicable to unincorporated inviduals with turnover less than:		– 5 percent on turnover from the previous fiscal year.
	– CFAF 30 million for commercial activities; CFAF 20 million for service activities; CFAF 10 million for noncommercial profit activities. To be eligible for IGL, incorporated entities must have turnovers within the above limits, for three successive fiscal years. However, taxpayers with turnover less than the above limits could also opt for taxation on actual profits. The IGL is declared and payable before end-February of the following fiscal year.		

Chad: Summary of the Tax System, 1998 (continued)

(Amounts expressed in CFA francs)

Tax	Nature of Tax	Exemptions and Deductions	Rates
1.2.4.2 Source deductions for wholesale purchases and sales (Ordinance No. 1 of 1/11/92, revised by Law 09/PR/97)	Levied on purchases from and sales to wholesalers. Deducted from the IRPP payable on total income; no refunds made. Extended to importers and government suppliers. Applies as turnover tax on services.	Purchasing companies subject to the tax on companies are exempt.	4 percent withholding tax on the invoiced amount for supplies, materials, and services.
1.2.4.3 Minimum tax	IRPP installment payable but not refundable. Based on turnover in the current year. Monthly payment is based on turnover in the previous month. Does not apply to taxpayers taxed on the basis of their actual profits.	Lump-sum taxpayers are not subject to the minimum tax. However, their business license is increased as an installment on the IRPP/BIC.	Unified withholding rate of 1.5 percent.
1.2.5 Noncommercial profits (BNC) (General Tax Code, Art. 42 to 50)	Gross income consists of net profits from a professional activity, position, or office, or a profitable operation not forming part of another income category. Income is calculated on the basis of either: - actual profits; or - estimated profits.	Only 80 percent of the profits identified are taxable.	Withholding rate of 20 percent levied as an installment on personal income tax on residents. 25 percent of income is withheld at source from taxpayers without a permanent professional office in Chad, in discharge of the IRPP.
1.2.6 Remuneration of directors with majority shareholding and directors of limited partnerships (General Tax Code, Art. 36)	The tax base consists of the wages, standard reimbursements of expenses, and any other remuneration deductible from company profits.	The deduction of professional expenses may not exceed 15 percent of the amounts collected.	

Chad: Summary of the Tax System, 1998 (continued)

(Amounts expressed in CFA francs)

Tax		Nature of Tax	Exemptions and Deductions	Rates
1.2.7	Income received outside Chad	Taxed in its entirety in Chad unless otherwise indicated in international conventions. If so, the "effective rate" rule applies.		
1.2.8	Tax on capital gains from dispositions of land	Affects capital gains realized by individuals or legal entities on dispositions of developed or underdeveloped land acquired less than seven years earlier. This tax has been abandoned in practice.	Capital gains = transfer price – (110 percent of the cost of the land + (cost of construction).	25 percent.
1.3	Miscellaneous			
1.3.1	Contribution to Fonds d'Intervention Rurale (FIR)	Payable by all individuals subject to head tax or IRPP.		– individuals subject to the head tax: CFAF 100. – individuals subject to the IRPP: CFAF 480, in 12 monthly installments of CFAF 40.
2. Social Security				
2.1	Family benefits	Employer is responsible for contribution.	Monthly salary ceiling = CFAF 130,000.	General scheme: 6 percent, including 0.1 percent to the manpower office; Domestic employees: CFAF 1,200 per month per employee.
2.2	Industrial accidents	As above.	As above.	General scheme: 2.5 percent (increased to 4 percent in case of violation of safety regulations).
2.3	Retirement	Contribution shared by employer and employee.	As above.	Employer = 4 percent. Employee = 2 percent. Civil service = 5 percent.

Chad: Summary of the Tax System, 1998 (continued)

(Amounts expressed in CFA francs)

Tax		Nature of Tax	Exemptions and Deductions	Rates
3. Payroll taxes				
3.1	Lump-sum tax payable by employers and those paying an allowance (General Tax Code, Art. 174 to 177)	The tax is based on total gross remuneration, consideration in kind, allowances, and lump-sum reimbursements. Paid by private sector employers on a monthly basis.		7.5 percent of gross taxable total.
3.2	Apprenticeship tax (General Tax Code, Art. 58 to 173)	Payable by any person subject to the BIC, BNC, and IS, on total wages, salaries and compensation.	Total or partial exemption possible with justification of measures taken to promote apprenticeships. Exemption fee transfered to apprenticeship fund (FONAP).	1.2 percent.
4. Property taxes				
4.1	Real estate			
4.1.1	Real estate taxes			
4.1.1.1	Tax on improved property (General Tax Code, Art. 678 to 690)	Annual tax on buildings and facilities or fixed equipment of industrial enterprises as well as land assigned to industrial or commercial use, levied on behalf of municipalities with financial autonomy. Calculated on the rental value assessed over five years by the direct taxes unit.	Abatement of 50 percent of the rental value for depreciation and maintenance costs. Temporary exemption for new construction: - five years for residential buildings; - two years for others. However, the exemption is removed for rental building and apartments when the rental value exceeds 15 percent of the market value.	12 percent of the rental value in N'Djamena; 11 percent elsewhere. Exemption on self inhabited property.

(Amounts expressed in CFA francs)

Tax	Nature of Tax	Exemptions and Deductions	Rates
4.1.1.2 Tax on unimproved property (General Tax Code, Art. 680 and 691 to 704)	Annual tax on unimproved land in urban areas and land in rural areas. Based on the following rental value: - urban areas = 10 percent of value established over five years by the Tax Directorate; - rural areas = value is established arbitrarily at CFAF 50,000 per hectare. Collected on behalf of autonomous local authorities.	Temporary exemption of three to eight years for land newly put in use for farming or stockraising. Permanent exemption for land belonging to the Central Government or local authorities. Standard abatement of 20 percent of the rental value.	20 percent of rental value in N'Djamena; 21 percent elsewhere.
4.1.2 Tax on recreational land, unimproved or insufficiently improved land, building lots (General Tax Code Art. 187 to 197)	Levied by the State on such land within the municipalities of N'Djamena, Sarh, and Moundou. In practice, this tax is no longer applied.		Recreational land: - N'Djamena - CFAF 20 per m2. - Sarh and Moundou - CFAF 15 per m2. Unimproved or insufficiently improved land: - N'Djamena - CFAF 40 per m2. - Sarh and Moundou - CFAF 30 per m2. Building lots: - CFAF 10 to 30 per m2.
4.1.3 Tax on rental value of professional premises (General Tax Code, Art. 764 to 768)	Levied on behalf of local authorities under same conditions as the business license, on industrial and commercial premises used to exercise an activity requiring a business license.		Annual rent: - less than 60,000 - exempt - from 60,001 to 120,000 - 6 percent - from 120,001 to 300,000 - 9 percent - from 300,001 to 600,000 - 12 percent - more than 600,000 - 15 percent

Chad: Summary of the Tax System, 1998 (continued)

(Amounts expressed in CFA francs)

Tax		Nature of Tax	Exemptions and Deductions	Rates
4.1.4	Mining taxes	Levied on quarrying activities.		Lump-sum taxes ranging between CFAF 200 and CFAF 1500 per cubic meter.
4.2	Estate duties and gift taxes (General Tax Code, Art. 269 to 285)	Levied on the net value of the assets transferred **causa mortis** or **inter vivos** in Chad.	Abatement of CFAF 5 million per living child or deceased child with heirs or per dependent elder.	Rate varies according to relationship of the inheritor or beneficiary to the deceased or donor.
4.3	Transfer taxes			
4.3.1	Taxes on the creation or merger of companies (General Tax Code, Art. 260)	Levied on the capital of new companies and companies created by mergers. Increase in capital, transfers of shares, and transfers of securities.		3 percent on new companies and increases in capital. 5 percent on increases from profits and reserves.
4.3.2	Property transfer taxes (General Tax Code, Art. 391 et seq.)	Levied on the sale, lease, or exchange of buildings.		5 percent of verbal leases. 10 percent for sales and exchanges of buildings. 6 percent for registered lease contracts.
4.3.3	Taxes on transfer of movable property	Levied on the sale and lease of movable property.		Rate varies from 3 percent to 6 percent depending on nature of operation. – 6 percent on sales – 3 percent on fixed-term leases – 6 percent on permanent leases.
4.3.4	Taxes on other operations	Levied on some transactions, in particular transfers of claims, goodwill, government contracts.		– 10 percent on sale of goodwill. – 3 percent on assignment of claims.
4.3.5	Land Registry	Duties levied upon the registration of real property rights.		– 2 percent on mortgage registration – 4 percent on registration of real property rights.

Chad: Summary of the Tax System, 1998 (continued)

(Amounts expressed in CFA francs)

Tax	Nature of Tax	Exemptions and Deductions	Rates
5. Taxes on goods and services			
5.1 General sales tax			
5.1.1 Turnover tax	Levied on activities exercised by individuals and companies, including public entities. Levied on production, manufacturing, tailoring and processing activities, services, sales for on-the-spot consumption, and professional activities not expressly exempted. Levied also on imports are taxable wholesale and retail sale activities. The taxable turnover consists of gross sales or receipts. The tax owed on sales made each month must be declared and paid by the 10th of the following month. The lump sum TCA system is replaced by the IGL (see 1.2.4.1). The turnover tax replaces the single tax previously levied on certain products. An additional excise tax is levied on cigarettes (20 percent) and alcohol (25 percent).	Exemptions: Retail or wholesale purchase-resale of products or goods subject to or exempt from the turnover tax on imports. Operations involving products or goods intended for export. Operations involving agricultural, forestry, livestock, or fishing products. Operations subject to the tax on insurance, or other taxation. Medical and paramedical sector. Religious, cultural, and social activities. Deduction: TCA levied on intermediary goods and services for activities subject to the tax.	A single rate of 15 percent is applied to the price including tax.
5.1.2 Tax on livestock sales (General Tax Code, Art. 153 to 157)	Levied on livestock sales. Paid by purchasers to market officials by means of tickets supplied by the Tax Administration.		Rate varies according to category of livestock from CFAF 100 (sheep and goats) to CFAF 200 (horses and camels).

Chad: Summary of the Tax System, 1998 (continued)

(Amounts expressed in CFA francs)

Tax		Nature of Tax	Exemptions and Deductions	Rates
5.2	Tax on petroleum products (Ordinance No. 11 bis of 7/31/87)	Assessed and collected by the Petroleum Taxation Bureau (BFP). The tax is distributed according to a distribution key for each product among the State Budget, Retirement Fund.	Petroleum by-products and derivatives are exempt (e.g., lubricants, heavy fuel oil, petroleum gas, vaseline, paraffin, petroleum wax, bitumen and bitumen blends, petroleum spirits, petroleum coke).	High-octane gasoline = CFAF 112 per liter. Gasoline = CFAF 112 per liter. Gas oil = CFAF 62 per liter except for the public utility STEE, which is exempt.
5.3	Tax on insurance contracts (General Tax Code, Art. 449 et seq.)	Levied on insurance contracts. Paid by the companies on a quarterly basis.		Life insurance = 1.5 percent. Maritime insurance = 7.5 percent. Auto insurance = 22.5 percent. Fire insurance = 37.5 percent.
5.4	Tax on the use of movable and immovable property or on the authorization to engage in activities			
5.4.1	Business license and license tax			
5.4.1.1	Business license tax (General Tax Code, Art. 705 to 739)	Annual tax levied on behalf of the autonomous local authorities, or, in their absence, the Central Government on individuals or companies involved in commercial, industrial, or professional activities that are not expressly exempted. Replaced by the IGL for eligible taxpayers (see 1.2.4.1).	New industries may be exempt for the first five years of operation.	The contribution has two components: (1) a fixed duty ranging from CFAF 2,000 to CFAF 292,000; (2) if appropriate, a variable tax according to the number of wage earners and the physical resources used. The duties are increased by 2 percent to 7 percent for the Chamber of Commerce and by 3 percent to 10 percent for the National Social Security Fund.

Chad: Summary of the Tax System, 1998 (continued)

(Amounts expressed in CFA francs)

Tax	Nature of Tax	Exemptions and Deductions	Rates
5.4.1.2 License tax (General Code, Art. 744 to 746)	Annual tax levied on behalf of the autonomous local authorities, or, in their absence, the Central Government, on all beverage vendors.		Rate varies from CFAF 2,000 to CFAF 165,000 depending on the value of the beverage, on whether or not it is consumed on the premises, and on whether or not it is imported.
5.4.2 Motor vehicles			
5.5.2.1 Motor vehicle use tax (General Tax Code, Art. 646 to 652)	Tax levied on motor vehicle registration, reregistration, transfer of ownership, and similar operations.	Government, embassy, and NGO vehicles.	Fixed rate ranging from CFAF 8,000 to 53,000, depending on the vehicle and its engine size.
5.4.2.2 Motor vehicle use tax (General Tax Code, Art. 653 to 663)	Annual tax payable by vehicle owner.	Same as above.	Fixed rate ranging from CFAF 6,185 to CFAF 61,875 depending on the vehicle and engine size Fixed rate ranging from CFAF 30,935 to CFAF 216,560 for commercial vehicles with carrying capacity between 35–52 tons.
5.5 Tax on international and domestic air travels.	Tax levied on passengers of international and domestic flights.	Civil servants on official missions, minors, sanitary evacuees.	International flights: - Nationals: CFAF 3,000 - Foreigners: CFAF 5,000 Domestic flights: CFAF 500
6. Duties and taxes on foreign trade			
6.1 Taxes on imports			

Chad: Summary of the Tax System, 1998 (continued)

(Amounts expressed in CFA francs)

Tax		Nature of Tax	Exemptions and Deductions	Rates
6.1.1	Common external tariff (TEC)	Applied to all imports from non-UDEAC countries, starting in May 1994.	Exemptions on four products: flour, rice, millet, and medicine. Rescinded in December 1994. - Imported products intended for inter-governmental agencies and offices and in general those intended for public services are also admitted tax free. - Imported goods financed by a grant or a loan.	Imports are classified into 4 categories: Cat. 1: Basic commodities: 5 percent ad valorem. Cat. 2: Raw materials and capital goods: 10 percent ad valorem. Cat. 3: Intermediate goods: 20 percent ad valorem. Cat. 4: Consumer goods: 30 percent ad valorem.
6.1.2	Turnover tax on imports (Rescinded when the TEC was established)	This tax is levied on all imported products, whatever their origin or source. The taxable base is the c.i.f. customs value, increased by the customs duty and entry tax and eventually excise taxes.	- Imported products intended for inter-governmental agencies and offices and in general those intended for public services are also admitted tax free. - Imported goods financed by a grant or a loan.	The rate applicable since January 1, 1990 is 10 percent.
6.1.3	Temporary surcharge	Levied on various imports. Nine (9) items are concerned: gross palm oil, refined palm oil, gross cotton seed oil, refined cottonseed oil, sugar, malt beer, cigarettes (2), alcohol, soap.	n.a.	Single rate of 25 percent or minimum of collection by products.

Chad: Summary of the Tax System, 1998 (concluded)

(Amounts expressed in CFA francs)

Tax		Nature of Tax	Exemptions and Deductions	Rates
6.1.4	Statistical tax	Levied on all operations requiring a detailed declaration. Based on the c.i.f. value of the goods.	Same as 6.1.1 – Transit and storage operations. – T6 bis declared operations. – Tax exempted on imports under public contract. – Exempted operations are listed in UDEAC Act. No. 2/92-UDEAC-556-CD-SF1 and Art. 241 of the Customs Code.	The rate is 2.0 percent with a minimum of CFAF 1000 collected per declaration.
6.1.5	Storage and custody tax	Levied on goods that have not been declared in detail within the legal deadline (15 days) or that remain in bond for other reasons.	n.a.	From CFAF 4 to CFAF 20 per day and per 50 kg or fraction thereof.
6.2	Export taxes and duties			
6.2.1	Export duty	Levied on animal products (livestock, skins) and vegetable products (oilseeds and arabic gum). Based on the standard or f.o.b. value. No export duty on cotton since 1987.	Products other than those indicated under "Nature of Tax."	3 percent to 8 percent of f.o.b. value.
6.2.2	Turnover tax on exports	Based on the standard or f.o.b. value of the goods. (livestock, arabic gum)	n.a.	3 percent.
6.2.3	Statistical tax	Collected on all export operations. Based on the f.o.b. value of goods.	n.a.	The rate is 2.0 percent with a minimum of CFAF 1,000 collected per declaration.

Table 31. Chad: Meat Production, 1994-98

	1994	1995	1996	1997	1998
	(In thousands of head)				
Animals slaughtered					
Cattle	100	100	117	126	129
Of which: N'Djaména	68	71	83	101	101
Sheep and goats	186	182	215	265	273
Of which: N'Djaména	66	69	82	109	112
Others 1/	5	2	3	5	5
Total	290	284	335	397	407
	(In thousands of metric tons)				
Total for N'Djaména	10	11	12	14	14

Sources: Chadian authorities; and staff estimates.

1/ Includes pigs, horses, and camels.

Table 32. Chad: Industrial Production, 1994-98

	1994	1995	1996	1997	1998
			(In thousands of hectoliters)		
Beer	107.7	101.3	118.2	123.0	135.0
Edible oil	84.0	130.0	114.1	156.1	160.0
			(In millions of packs)		
Cigarettes	25.4	28.5	35.0	39.0	43.0
			(In millions of meters)		
Textiles	0.2	0.2	0.8	1.0	1.1
			(In thousands of metric tons)		
Sugar	26.7	26.2	32.5	33.0	29.0

Sources: Chadian authorities; and staff estimates.

Table 33. Chad: Electricity and Water Supply and Consumption, 1994-98

	1994	1995	1996	1997	1998
	(In thousands of kilowatt-hours)				
Electricity					
Supply	84,723	89,179	92,128	81,165	74,878
Consumption	61,899	65,180	68,634	60,467	56,489
Difference 1/	22,824	23,999	23,494	20,698	18,389
	(In thousands of cubic meters)				
Water					
Supply	10,345	10,562	11,300	12,000	11,801
Consumption	6,282	6,247	7,011	7,446	8,479
Difference 1/	4,063	4,315	4,289	4,554	3,322

Sources: Chadian authorities; and staff estimates.

1/ Includes internal consumption of STEE, deficient measuring procedures, as well as distribution losses.

Table 34. Chad: Sales, Wage Bill, and Employment of Main Industrial Enterprises, 1994-98 1/

	1994	1995	1996	1997	1998
	(In billions of CFA francs)				
Sales					
COTONTCHAD 2/	32,598	63,516	62,767	84,128	103,874
SONASUT	19,761	24,527	23,133	23,303	20,785
STT					
Brasseries du Logone	3,354	3,823	6,313	6,791	...
STEE	9,835	12,326	12,191	12,045	12,170
MCT	4,996	6,027	7,618	8,484	...
Total	70,544	110,219	112,022	134,751	...
Wages and salaries					
COTONTCHAD 2/	1,605	2,020	2,426	3,109	...
SONASUT	2,725	3,199	3,673	3,814	...
STT					
Brasseries du Logone	28	36	58	65	...
STEE	900	1,106	1,272	1,354	1,500
MCT	545	545	523	570	...
Total	5,803	6,906	7,952	8,912	...
	(In number of employees)				
Employment					
COTONTCHAD 2/	2,014	2,000	2,145	2,287	...
SONASUT	2,339	2,501	2,108	2,641	...
STT					
Brasseries du Logone	167	163	156	161	249
STEE	486	470	459	436	514
MCT	124	123	123	134	123
Total	5,130	5,257	4,991	5,659	...

Sources: Chadian authorities; and staff estimates.

1/ The companies produce the following products: COTONTCHAD: cotton; SONASUT: sugar; STT: textiles; Brasseries
2/ Marketing year, starting in November.

Table 35. Chad: Central Government Employment, 1994-98

	1994	1995	1996	1997	1998 Est. 1/
Presidency	1,002	1,311	828	1,087	1,104
Services linked to the Presidency 2/	318	346	369	9	
Office of the Prime Minister	...	...	...	302	287
National Advisory Council (CST)	102	106	125		
Parliament				204	226
Planning and Cooperation	220	203	209	205	202
Information and Culture	481	412	300	370	355
Foreign Affairs	498	467	483	356	451
Finance and Computing Services	1,825	1,919	2,027	2,008	2,048
Civil Service	231	173	246	186	185
Justice	960	916	913	876	866
Interior	4,566	4,673	5,318	6,264	6,326
Education	8,464	9,032	8,925	8,910	9,084
Health	3,350	2,881	2,824	2,867	2,817
Women's conditions/social affairs	0	526	512	523	518
Agriculture	2,202	2,299	1,295	1,172	1,140
Livestock	891	891	770	753	751
Tourism	0	1	0	6	33
Commerce and Industry	298	272	242	223	220
Mines and Energy	346	217	284	447	122
Public Works	476	359	387	340	344
Post and Telecommunications	73	73	44	43	45
Other 3/	538	0	1,240	1,446	1,764
Total civil servants	26,523	27,077	27,341	28,597	28,888
National Defense 4/	246	489	1,108	1,208	...
Total	26,769	27,566	28,449	29,805	28,888

Sources: Chadian authorities; and staff estimates.

1/ As at end-September 1998.

2/ For 1994 and 1995, including the Prime Minister's office.

3/ Includes mainly the following ministries: Youth and Sports, Environment and Water, Superior Education.

4/ Excludes military personnel, but includes high military officers nominated by decrees.

Table 36. Chad: Summary Accounts of the Central Bank, 1994-98

(In billions of CFA francs, end of period)

	1994	1995	1996	1997	1998 Est.
Foreign assets	59.5	90.1	98.6	85.7	73.9
Gold	2.3	2.1	2.2	1.9	1.8
Foreign exchange	57.0	87.8	96.1	83.5	71.9
IMF	0.2	0.2	0.3	0.2	0.2
SDRs	0.0	0.0	0.1	0.0	0.0
Reserve position	0.2	0.2	0.2	0.2	0.2
Claims on government	48.5	49.7	61.9	65.5	64.4
Direct advances 1/	7.7	6.0	7.4	10.1	10.3
Rehabiliation of the banking sector 2/	18.0	19.7	19.7	18.2	18.2
Counterpart of IMF purchases	22.9	24.0	34.0	36.5	35.3
Claims on commercial banks	0.5	1.0	7.7	5.2	10.7
Short-term	0.5	1.0	7.7	5.2	10.7
Medium- and long-term	0.0	0.0	0.0	0.0	0.0
Total assets = Total liabilities	108.5	140.8	168.2	156.4	164.6
Reserve money	64.1	89.3	108.6	96.6	89.1
Of which: Currency outside banks	56.3	76.6	99.7	81.3	78.3
Bank reserves	6.4	10.1	7.4	12.8	10.1
Other reserves	1.4	2.7	1.5	2.6	0.8
Short term foreign liabilities	23.3	24.2	34.8	37.8	35.4
Of which: Use of Fund credit (net)	22.9	24.0	34.0	36.5	35.3
Government deposits	3.6	12.0	6.3	3.0	9.8
Of which: Treasury	3.6	12.0	4.4	3.0	9.8
Other items (net)	17.6	15.3	18.5	19.0	14.8
Of which: SDR allocations	7.3	6.9	7.1	7.6	7.2
Revaluation account	12.3	12.3	12.3	12.3	12.3

Source: BEAC and staff estimates.

1/ Includes short- and medium-term advances to the Treasury as well as compulsory withdrawals.

2/ Consolidation of the BEAC rediscounts to commercial banks into claims on the Government.

Table 37. Chad: Summary Accounts of the Commercial Banks, 1994-98

(In billions of CFA francs, end of period)

	1994	1995	1996	1997	1998 Est.
Reserves 1/	6.4	10.1	7.4	12.8	10.1
Foreign assets	5.9	4.9	5.5	19.4	13.6
Claims on Government 2/	2.4	2.6	2.2	2.5	1.9
Claims on private sector	31.3	35.4	47.6	50.2	54.4
Short-term	27.4	31.2	43.9	47.0	51.6
Medium-term	3.4	3.7	3.5	3.1	2.7
Long-term	0.5	0.5	0.2	0.2	0.1
Total assets = Total liabilities	46.0	53.0	62.7	84.9	80.0
Demand deposits	18.5	20.4	22.6	27.1	25.4
Time deposits	2.9	7.9	5.4	5.9	5.8
Short-term foreign liabilities	6.3	2.8	4.6	8.8	4.8
Long-term foreign liabilities	0.7	0.1	0.0	0.1	0.0
Government deposits	4.9	10.8	13.3	24.6	21.4
Of which: treasury	3.5	1.5	6.9	16.2	7.6
Credit from the central bank	0.5	1.0	7.7	5.2	10.7
Other items (net)	12.2	9.9	9.2	13.2	11.9
Of which: revaluation account	-2.5	-2.5	-2.5	-2.5	-2.5
Memorandum item:					
Bank reserves as a percentage of deposit	30.0	35.6	26.4	38.7	32.5

Source: BEAC.

1/ Includes cash and bank deposits at the BEAC.

2/ Government inludes the Treasury, and other public agencies.

Table 38. Chad: Net Claims of the Banking System on Government, 1994-98

(In billions of CFA francs; end of period)

	1994	1995	1996	1997	1998 Est.
Banking system's net claims on the treasury	43.3	38.2	50.1	46.3	47.3
Claims	50.4	51.7	63.3	65.5	64.7
Liabilities	7.1	13.5	13.2	19.2	17.4
Central Bank (net)	44.9	37.7	55.6	62.5	54.7
Claims on central government	48.5	49.7	61.9	65.5	64.4
Direct advances	7.7	6.0	7.4	10.1	10.3
Advances on current account	6.0	6.0	7.4	10.1	10.3
Compulsory withdrawal	1.6	0.0	0.0	0.0	0.0
Medium-term advances	0.0	0.0	0.0	0.0	0.0
Counterpart of use of IMF resources	22.9	24.0	34.0	36.5	35.3
Rehabilitation of the banking system	18.0	19.7	20.5	18.8	18.8
Liabilities	3.6	12.0	6.3	3.0	9.8
Deposits	3.5	10.7	4.4	1.4	7.5
Currency held by Treasury	0.1	1.3	1.9	1.6	2.3
Commercial banks (net)	-1.6	0.5	-5.5	-16.2	-7.3
Claims 1/	1.9	2.0	1.3	0.0	0.3
Liabilities	3.5	1.5	6.9	16.2	7.6
Postal checking deposits (CCP), net	0.2	0.3	0.4	0.7	0.6
Postal debt	5.6	5.6	0.0	0.0	0.0
Other commercial banks'claims on government	-0.7	-8.5	-4.8	-4.6	-10.8
Banking system's net claims on government	47.9	35.1	45.0	41.1	35.8

Source: BEAC.

1/ Including the postal checking system.

Table 39. Chad: Credit to the Private Sector, 1994-98

	1994	1995	1996	1997	1998 Est.
	(In millions of CFA francs)				
Claims on the private sector	31.3	35.4	47.6	50.2	54.4
COTONTCHAD	6.0	4.9	11.5	14.6	15.3
Crop credit	6.0	4.9	11.5	14.6	15.3
Other	25.3	30.5	36.1	35.6	39.0
Memorandum items:	(In percent of total)				
COTONTCHAD	19.1	13.8	24.1	29.1	28.2
Other	80.9	86.2	75.9	70.9	71.8
	(Annual changes in percentage)				
Claims on the private sector	11.4	13.3	34.3	5.6	8.2
COTONTCHAD	17.0	-18.0	134.4	27.3	4.8
Other	10.1	20.7	18.2	-1.4	9.6

Sources: BEAC and the cotton parastatal COTONTCHAD.

Table 40. Chad: Sectoral Distribution of Bank Credit to the Private Sector, 1994-97

(In millions of CFA francs and in percent of total; end of period)

	1994		1995		1996		1997	
	Value	Percent	Value	Percent	Value	Percent	Value	Percent
(Short term credit)								
Agriculture	182	0.7	296	0.9	233	0.5	149	0.3
Food processing	1,349	4.9	1,915	5.6	3,079	6.4	3,327	6.4
Textile manufacturing	723	2.6	177	0.5	177	0.4	177	0.3
Other manufacturing	568	2.1	406	1.2	639	1.3	1,264	2.4
Public utilities	163	0.6	87	0.3	16	0.0	519	1.0
Public works and construction	948	3.4	1,559	4.6	3,256	6.7	2,946	5.7
Commerce (retail and wholesale)	8,581	31.1	10,738	31.5	12,267	25.4	10,907	21.0
Fuel imports and distribution	1,838	6.7	2,311	6.8	1,933	4.0	2,686	5.2
Cotton export activities	7,005	25.4	9,588	28.1	17,570	36.4	20,238	39.0
Transportation	747	2.7	937	2.7	910	1.9	1,348	2.6
Services	2,246	8.1	1,809	5.3	6,064	12.6	6,896	13.3
Unallocated	3,214	11.7	4,314	12.6	2,103	4.4	1,377	2.7
Total	27,564	100.0	34,137	100.0	48,247	100.0	51,834	100.0
(Medium-and-long-term credit)								
Agriculture	20	0.2	20	0.2	20	0.2	12	0.1
Food processing	1,412	15.2	1,118	11.9	1,185	12.6	1,993	20.2
Textile manufacturing	473	5.1	432	4.6	208	2.2	53	0.5
Other manufacturing	491	5.3	545	5.8	868	9.2	871	8.8
Public utilities	93	1.0	107	1.1	14	0.1	114	1.2
Public works and construction	52	0.6	84	0.9	39	0.4	44	0.4
Commerce (retail and wholesale)	1,418	15.2	1,622	17.3	1,725	18.3	1,463	14.8
Fuel imports and distribution	35	0.4	0	0.0	0	0.0	0	0.0
Cotton export activities	222	2.4	222	2.4	222	2.4	222	2.2
Transportation	414	4.5	637	6.8	557	5.9	534	5.4
Services	2,063	22.2	1,719	18.3	3,574	37.9	4,443	44.9
Unallocated	2,607	28.0	2,878	30.7	1,010	10.7	140	1.4
Total	9,300	100.0	9,384	100.0	9,422	100.0	9,889	100.0
Memorandum items:								
Total credit 1/	36,864	100.0	43,521	100.0	57,669	100.0	61,723	100.0
Of which:								
Short-term credit	27,564	74.8	34,137	78.4	48,247	83.7	51,834	84.0
Medium- and long-term credit	9,300	25.2	9,384	21.6	9,422	16.3	9,889	16.0

Source: BEAC.

1/ As reported to the Centrale des Risques. Includes credit granted by BDT, which are not taken into account in the monetary survey.

Table 41. Chad: Structure of Interest Rates, 1994-98

(In percent per annum)

	1994	1995	1996	1997	1998
	End-December				
Central bank					
Base discount rate 1/	7.75	8.60	7.75	7.50	7.00
Penalty rate	15.00	15.00	15.00	15.00	15.00
Lending rates to the Treasury					
Within statutory ceiling	7.75	8.00	8.00	7.50	7.00
Outside statutory ceiling	10.50	10.50	10.50	10.25	10.50
Commercial banks 2/					
Maximum lending rate	16.00	16.00	22.00	22.00	22.00
Minimum deposit rate	5.50	5.50	5.00	5.00	4.75
Special deposits rate 3/					
Treasury	4.00	4.50	...	...	...
Banks	4.00	4.50	...	...	...

Source : BEAC.

1/ The money market was introduced in the BEAC area on July 1, 1994. The base discount rate is now the weekly auction rate, set by the Governor. For shorter refinancing (2 to 7 days), primary banks may resort to repurchase agreements, whose rates are fixed in a range of 1.5-2.0 percent above the weekly auction rate.

2/ Regulatory rates applicable to the activities of commercial banks and fixed by the central bank. They were introduced in October 1990.

3/ Applicable to deposits with the central bank. It was abolished on February 8, 1996.

Table 42. Chad: Services, Income, and Current Transfers Balance, 1994-98

(In billions of CFA francs)

	1994	1995	1996	1997	1998
Services	-84.9	-93.6	-99.5	-115.5	-117.5
Credit	30.4	30.9	31.6	32.5	35.2
Debit	-115.3	-124.5	-131.2	-148.0	-152.8
Income	-15.5	-13.9	-16.6	-17.0	-17.9
Credit	2.8	3.0	3.1	3.2	3.3
Debit	-18.3	-16.9	-19.7	-20.2	-21.1
Other	-6.5	-6.3	-7.1	-7.0	-7.5
Scheduled interest	-0.6	-0.7	-0.7	-0.8	-0.7
Of which: IMF	-11.8	-10.6	-12.6	-13.1	-13.6
Current transfers	62.9	49.9	50.0	41.6	43.5
Credit	73.1	61.6	62.9	55.2	57.7
Debit	-10.2	-11.7	-12.9	-13.6	-14.2
Private transfers	1.2	-1.5	-1.9	-3.2	-3.7
Credit	10.1	8.4	9.0	8.2	8.3
Debit	-8.9	-9.9	-10.9	-11.4	-12.0
Of which: wage remittances	-8.6	-9.4	-10.3	-10.9	-11.4
Public transfers	61.7	51.3	51.9	44.8	47.2
Credit	63.1	53.1	53.9	47.0	49.4
Of which: budgetary aid	17.8	14.5	16.2	6.6	12.0
food aid	13.7	11.0	10.7	10.5	10.8
other 1/	23.5	15.5	16.8	14.4	14.7
Debit	-1.4	-1.8	-2.0	-2.2	-2.2
Memorandum item:					
Technical assistance and other	23.5	15.5	16.8	14.4	14.7
Government	18.8	12.4	13.4	11.5	11.8
Wages	9.4	6.2	6.7	5.8	5.9
Materials and supplies	9.4	6.2	6.7	5.8	5.9
NGOs	4.7	3.1	3.4	2.9	2.9
Wages	3.8	2.5	2.7	2.3	2.4
Materials and supplies	0.9	0.6	0.7	0.6	0.6

Sources: BEAC; and staff estimates.

1/ Including military aid and technical assistance.

Table 43. Chad: Foreign Trade Indices , 1994-98

(1990 = 100)

	1994	1995	1996	1997	1998
Export indices					
Export value index	142.5	241.1	237.9	233.1	242.8
Changes in percentage	39.7	64.3	-8.3	9.0	17.9
Export price index	199.3	241.1	237.9	233.1	242.8
Changes in percentage	76.2	20.9	-1.3	-2.0	4.1
Implicit export volume index	71.5	97.1	90.2	100.3	113.6
Changes in percentage	-20.7	35.8	-7.1	11.2	13.2
Import indices					
Import value index	139.0	214.3	226.2	253.0	267.7
Changes in percentage	63.9	54.2	5.5	11.8	5.8
Import price index	166.3	170.8	171.1	179.8	183.3
Changes in percentage	79.8	2.7	0.2	5.1	1.9
Implicit import volume index	83.5	125.5	132.2	140.7	146.1
Changes in percentage	-18.8	50.2	5.4	6.4	3.8
Terms of trade	119.8	141.2	139.1	129.7	132.8
Changes in percentage	-3.5	17.8	-1.5	-6.7	2.4
Memorandum items:					
Cotton export price index	176.7	230.7	198.4	188.5	198.0
Changes in percentage	152.1	30.5	-14.0	-5.0	5.1
Cotton export volume index	53.7	106.0	107.1	135.8	167.3
Changes in percentage	-28.0	97.5	1.0	26.8	23.2

Sources: BEAC; and staff estimates.

Table 44. Chad: Exchange Rates, 1994-98

(Quarterly averages)

	CFAF/US$		CFAF/SDR		Nominal effectiv rate	Real effective rate
	Rate	Index 1/	Rate	Index 1/	Index 1/	Index 1/
1994						
First quarter	586.2	215.3	813.4	220.2	57.8	51.8
Second quarter	568.8	208.9	805.1	217.9	58.2	62.4
Third quarter	535.4	196.6	780.8	211.3	59.5	63.1
Fourth quarter	530.5	194.9	778.1	210.6	59.6	62.3
1995						
First quarter	516.9	189.9	771.7	208.9	62.7	63.6
Second quarter	491.8	180.6	770.2	208.5	64.8	62.8
Third quarter	494.9	181.8	738.9	200.0	65.2	63.8
Fourth quarter	493.0	181.1	736.0	199.2	65.7	67.1
1996						
First quarter	503.5	184.8	737.8	199.7	65.3	66.4
Second quarter	515.8	189.3	745.9	201.9	64.5	68.4
Third quarter	509.4	186.9	739.7	200.2	64.7	70.0
Fourth quarter	517.5	189.9	747.1	202.2	64.3	70.5
1997						
First quarter	559.7	205.4	779.4	211.0	62.7	68.4
Second quarter	577.8	212.0	798.7	216.2	62.0	68.5
Third quarter	608.8	223.4	830.1	224.7	60.6	66.9
Fourth quarter	588.4	215.9	803.7	217.5	62.0	67.8
1998						
First quarter	609.7	223.7	820.5	222.1	61.7	68.2
Second quarter	601.5	220.7	806.1	218.2	62.4	69.9
Third quarter	590.8	216.8	792.1	214.4	63.1	74.6
Fourth quarter	557.8	204.7	781.2	211.4	63.8	73.3

Sources: IMF, *International Financial Statistics*; and Information Notice System.