

INTERNATIONAL DEVELOPMENT ASSOCIATION  
AND  
INTERNATIONAL MONETARY FUND

CHAD

**Poverty Reduction Strategy Paper  
Joint Staff Assessment**

Prepared by the Staffs of the International Development Association (IDA) and the  
International Monetary Fund (IMF)

Approved by Messrs./Mmes. Paula Donovan and Gobind Nankani (IDA)  
Donal Donovan and Michael Hadjimichael (IMF)

October 06, 2003

**I. OVERVIEW**

1. Chad's national poverty reduction strategy paper (PRSP) has progressed considerably when compared to the interim poverty reduction strategy paper (I-PRSP) that was presented to the Executive Directors of the IDA and IMF in July 2000. This progress is built, inter alia, upon: (i) issues highlighted by the PRSP consultations, including a sharper focus on participatory approaches for implementation of the PRSP; (ii) the urgent need to plan for the transparent use of petroleum resources; and (iii) the desire to reinforce partnerships with donors. The PRSP was finalized at a time when the Chad-Cameroon oil pipeline was almost complete, and the first petroleum exports are now expected in October 2003. The PRSP rightly emphasizes this unprecedented developmental opportunity, with a particular focus on using oil resources to promote growth and reduce poverty. In this context, sustained assistance from donors, including debt relief under the enhanced HIPC initiative, will be required for PRSP implementation. A strong focus on technical support will also be needed.

2. **The PRSP has several major strengths.** First, many stakeholders stressed the need to improve governance and security as prerequisites for effective implementation, especially in light of the rapidly evolving oil sector. This is clearly reflected throughout the PRSP. Second, the strategy emphasizes the government's commitment to ensure that oil revenues are used for poverty reduction by adopting a legal framework which allocates the bulk of oil revenues to key PRSP priority areas and promotes transparency and accountability in public expenditure management. Third, in preparing the PRSP, extensive consultations were undertaken that were instrumental in establishing a participatory poverty diagnosis, identifying key priorities and building consensus. These consultations were recently widened to include other important topics, such as the judicial system and other structural policies.

3. **Nevertheless, the staffs note a number of key areas that could be further strengthened or documented more fully in the strategy.** These include: (i) placing additional emphasis on reforms to promote governance and sustain support for agreed programs, including increasing transparency in public procurement; (ii) ensuring that capacities are built both at the national and local level to implement the priority programs, and that coordination is improved among the public sector, private enterprises and civil society; (iii) increasing the level of poverty-reducing spending and improving the quality of public service delivery in priority areas; (iv) ensuring that PRSP priorities are reflected in the medium term expenditure framework currently under preparation and costed and translated into sector strategies and poverty reduction programs; v) improving the analysis of the determinants of poverty and the monitoring of poverty and other outcomes; (vi) increasing non-oil revenue to ensure that resources for poverty reducing expenditures are adequate when oil revenue declines; and (vii) analyzing further the link between projected growth rates and poverty reduction objectives.

## II. COUNTRY OWNERSHIP AND PARTICIPATORY PROCESS

4. **The PRSP process was directed and undertaken by a Steering Committee, the Comité de pilotage de la Stratégie nationale de réduction de la pauvreté (CP).** The CP has 33 members, including 15 from key ministries and public sector institutions, 16 from civil society and private sector groups and 2 parliamentarians. The CP was supported by a Permanent Secretariat, the Secrétariat Permanent (SP), which eventually grew to a multi-disciplinary staff of four full-time professionals. The final PRSP was adopted by the High Interministerial Committee (HCI), chaired by the Prime Minister and responsible for the approval and monitoring of reform programs. Members of the National Assembly were briefed on the PRSP, in addition to being represented on the CP.

5. **Although the CP/SP framework was broadly satisfactory, the staffs note that there were also some weaknesses.** The members of the CP were not always of a sufficiently high-level to provide a strong liaison between their respective ministries, the PRSP and the macroeconomic and sectoral actions and programs. The civil society members often lacked the resources to inform and consult with their own members and the SP experienced difficulties in mobilizing financial resources. These constraints contributed significantly to the delays in finalizing the PRSP. Against this background, the CP/SP framework will need to be strengthened to ensure satisfactory PRSP implementation (see para. 38).

6. **The Chadian authorities invested a considerable effort in building national ownership of the PRSP, and in the view of the staffs, they were reasonably successful.** The preparation of the PRSP involved a novel and extensive consultative and participatory process. Despite resource constraints and difficulties in accessing some parts of the country, the PRSP CP was able to consult with groups in all regions of the country. In every region, consultations were held in secondary localities as well as in the main town. These efforts notwithstanding, the CP judged that urban groups, civil servants and men were overrepresented in the process, while rural groups, farmers, and women were underrepresented, and sought to compensate for this bias in the formulation of the report. The

staffs concur with this judgment and commend these efforts to ensure broad involvement of the population. They consider the resulting PRSP as adequately reflecting Chadian realities, information on local situations, and the marked differences among regions. The staffs also commend the efforts of the CP to disseminate the information about the PRSP to civil society at the local level. Key PRSP messages are being recorded in local languages and will be disseminated through the radio. The staffs believe that ownership of the strategy by the population can be further enhanced by highlighting, in the course of PRSP implementation, how inputs from the participatory process were translated into actions for poverty reduction.

7. Although many elements of the consultation process were novel to both local groups and the organizers, **the authorities and the staffs believe that the approach was very well received and resulted in the sending of clear messages.** These messages point to the particular importance of peace and good governance for reducing poverty and highlight the need for the judicious use of oil resources and of the savings stemming from the Initiative for the Heavily Indebted Countries (HIPC) to reduce external indebtedness. The staffs believe that the participatory process provided operational priorities for both public policies and donor-supported development programs. The participatory PRSP process has been instrumental in putting in place a new approach of consultation by the government with stakeholders in Chad. This approach is illustrated by the extensive consultations with stakeholders on the judicial system, and in the undertaking of a Poverty and Social Impact Analysis (PSIA) of the reforms in the cotton sector, the latter of which is expected to help promote stakeholders' participation in policy discussions. Nevertheless, the staffs also believe that more extensive consultations on, and assessments of, macroeconomic and structural policies, as well as the poverty impact of policy options, would have ensured greater endorsement of policies and strategies by all stakeholders. **Donors were consulted during most stages of the PRSP preparation.** The CP specifically sought feedback from donors at workshops in Washington and Brussels, as well as on a bilateral basis. These exchanges enhanced national confidence in the PRSP document and helped to sharpen its operational focus.

### III. POVERTY DIAGNOSIS AND IDENTIFICATION OF CONSTRAINTS

8. **Quantitative data on economic and social indicators, living conditions, and poverty in Chad are sparse, and the poverty diagnosis in the PRSP has had to be undertaken with very limited information.** As highlighted in the I-PRSP, Chad's statistical apparatus was woefully underfunded in the early 1990s, and many of the normal statistical functions of government were deferred, though the 1991 population census was a notable exception. In addition, even the existing data are not readily available and fully used, and the launching of the first national household survey (ECOSIT II), planned for 2001, was delayed until early 2003. The long delays in launching ECOSIT II aggravated the data problems.<sup>1</sup>

---

<sup>1</sup> The more-than-one-year delay in launching the ECOSIT II survey (Enquête sur la Consommation et le Secteur Informel au Tchad) was mainly due to the need to revisit several times its design and methodology. The poverty diagnosis was thus based on several surveys: (i) the 1995 ECOSIT survey, which provided information on

Nevertheless, the staffs consider that, although there is room for improvement, there is a clear effort in the PRSP to assess the determinants of outcomes and trends. The PRSP builds up a profile of the characteristics of the poor using data from the Demographic and Health Survey and the Migration Survey, although this profile could have been improved. In addition, it makes good use of the information from the consultations to diagnose the factors that undermine living standards and perpetuate high levels of poverty. These factors include civil war; the circulation of arms among uniformed and nonuniformed groups; still-uncleared minefields; poor governance and public resource management; competition for natural resources; geographic isolation and high transport costs; the low returns to the farmer from cotton and other major products; the failure of social services to reach many groups; and the lack of balance in gender roles.

9. **Although there is no systematic analysis of past policy performance and the growth and distributional impacts of policies and programs, partly owing to the lack of data,** the poverty diagnosis presents elements for the analysis of the determinants of poverty, which distinguishes the factors pertaining to policy choices, social aspects, structural constraints, and other causes. As recommended in the JSA of I-PRSP, the results of ECOSIT II will be used to deepen the understanding of poverty and related policy design, and to set a baseline for monitoring future progress. In particular, based on the results of the household survey, adjustments to the poverty strategy should be made in the next PRSP update as regards the integration of sector strategies into an overarching poverty reduction strategy and the explicit identification of trade-offs between sectors. Furthermore, the PRSP proposes a time-bound program of additional surveys to raise the database to more adequate standards. The staffs expect that the analysis of poverty and inequalities which will be based on the information from these planned surveys will strengthen the diagnosis and actions in progress reports and future updates of the PRSP.

#### IV. EVALUATION OF THE POVERTY REDUCTION STRATEGY

##### A. Strategic Priorities and Overall Feasibility

10. **The PRSP aims to reduce poverty to below half the estimated 1995 level by 2015, in line with the MDGs. Targets are also set for other poverty reduction objectives to be achieved by 2006.** The staffs concur with the strategic priorities of the PRSP, namely: (i) improved political, judicial, economic and social governance; (ii) strong and sustained growth; (iii) investments in human capital, including HIV/AIDS prevention and mitigation; (iv) improved living conditions of vulnerable groups; and (v) the protection and safeguarding of ecosystems. The staffs consider that the proposed 2004-06 action program outlined in the PRSP provides a sound and feasible first step. Most key actions are integrated into ongoing macroeconomic, sectoral, or thematic programs, often with donor support, and there is thus an assurance that the strategy will receive the resources needed for timely implementation. However, given the fragile institutional environment and weak capacities, achieving the

---

household living conditions for parts of the country, mostly urban; (ii) the 1997 Demographic and Health Survey; and (iii) the 1998 survey on migration.

main PRSP objective of halving poverty by 2015 through inclusive growth will depend critically on the quality of governance, pro-poor economic and social policy choices, and the judicious selection of programs and projects.

## **B. Macroeconomic Framework**

11. **The macroeconomic projections in the PRSP, which cover the period 2003-15, are relatively ambitious compared with historical levels, but they are deemed feasible** thanks to Chad's unprecedented opportunity to produce oil. The PRSP clearly states that reaching these levels would require an optimal use of oil revenues, in accordance with the Law on Petroleum Revenue Management (LPRM) and its implementation decrees. The growth projections in the PRSP are based on conservative assumptions regarding both the price of oil and the volume and duration of production. Specifically, the framework assumes that oil production would be limited to the three Doba oil fields. Cautious assumptions were also used for the projection of growth in the non-oil sector. As further explorations are underway, it is possible that new oil fields will become available for production. This factor, together with some uncertainty about the performance of the non-oil sector and the existence of risks relating to the use of oil revenue, adequacy of aid inflows, capacity to implement priority sector programs, and potential political difficulties (as outlined in paragraph 39 below), suggests that the first PRSP progress report should discuss alternative growth scenarios and analyze their implications.

12. **The PRSP argues persuasively that macroeconomic stability is key for the achievement of the economic growth projections.** The staffs concur with the main policy objectives defined in the PRSP.<sup>2</sup> The macroeconomic framework in the PRSP is also consistent with Chad meeting the Central African Economic and Monetary Community (CEMAC) convergence criteria for inflation, fiscal deficit, indebtedness, and the level of foreign reserves.

13. **The staffs agree with the PRSP vision that strong and sustainable economic growth is essential for poverty reduction.** There is still a need, however, to analyze further the link between the projected growth rates and poverty reduction objectives, notably the MDGs. Currently, the document provides a limited basis for assessing the extent to which projected growth rates will enable the incidence of poverty in Chad to be halved by 2015. The staffs recommend that such a detailed analysis be provided in the PRSP progress report once the ongoing household survey has been completed.

14. **The PRSP makes an effort to analyze the sources of growth of the non-oil sector.** In this context, it points out the importance of human resource development and infrastructure improvements for the growth of that sector. The first PRSP progress report

---

<sup>2</sup> These objectives are (i) low inflation; (ii) an appropriate real effective exchange rate and, more generally, external competitiveness; (iii) a sustainable level of indebtedness; and (iv) a comfortable level of official foreign reserves.

could further explore and elaborate on these links. In various places, the PRSP refers to the development of new industries as the explanation for the projected robust growth rates in some sectors. The first PRSP progress report should assess whether such industries have effectively emerged and discuss further prospects. To this end, the staffs recommend that the planned studies on the sources of the growth and the competitiveness of the Chadian economy be undertaken quickly, with a view to identifying measures to strengthen the performance of traditional sectors and foster the development of new industries.

15. **The first PRSP progress report needs to elaborate further on the growth impact of regional integration initiatives.** While the PRSP adequately discusses the constraints on macroeconomic policy implementation imposed by CEMAC membership, progress reports could usefully discuss in more detail the benefits associated with such membership. Progress reports and PRSP updates could also discuss the prospects for deeper CEMAC integration, particularly in the context of the convergence process, as well as the benefits to Chad from other regional initiatives, such as the New Partnership for African Development (NEPAD).

16. **The PRSP draws a coherent connection between increases in investment and economic growth, but it could benefit from a more explicit discussion of the underlying assumptions regarding productivity increases.** Major boosts in productivity appear to be underlying the long-term macroeconomic framework, an assumption that is consistent with the projected heavy government spending in priority sectors, including infrastructure. However, the staffs understand that the lack of reliable time-series data hinders a more in-depth discussion of growth accounting; PRSP progress reports could usefully include such a discussion when these data become available.

17. **The PRSP discusses the risk of Dutch disease and some appropriate possible policy responses to it.** However, a clearer analysis of the nontradable/tradable sectors in Chad is required to ensure that risks are thoroughly identified and addressed. Improvements in the quality of price data for individual products and regions, as well as of wage data in various sectors and regions, would be particularly useful.

18. **The staffs commend the focus in the PRSP on the need to increase non-oil revenue to sustain pro-poor spending when oil revenue dries up.**<sup>3</sup> In this context, non-oil revenue is projected to increase from 8 percent of GDP in 2002 to 15 percent by 2015, which is still 3 percentage points lower than the current average in sub-Saharan Africa. While ambitious, this target is achievable, provided that the authorities continue the steadfast implementation of the measures currently identified in the program supported by the IMF Poverty Reduction and Growth Facility (PRGF), including the full and timely implementation of the customs action plan and the reduction in exemptions. Meeting the above revenue target would also require additional measures to be identified and

---

<sup>3</sup> It is estimated that about 80 percent of the currently identified Doba reserves will already be extracted by 2015.

implemented over the longer term to ensure the continued widening of the tax base and increased efficiency of tax administration.

### **C. Governance and Public Resources Management**

19. **Reflecting the participatory consultations, the PRSP has made improved security and governance one of its central priorities.** An action-oriented governance strategy (Stratégie nationale de bonne gouvernance) has been prepared in parallel with the PRSP and its key conclusions integrated in the PRSP. The consultations found that, for the poor, some basic aspects of governance are in need of reinforcement. These include respect for human and civic rights; basic security, including clearance of minefields; respect for individual and community property rights; access to an impartial and effective justice system; and honest and transparent stewardship of public resources. The PRSP reaffirms the government's commitment to good governance in these areas.

20. **The staffs support the emphasis on improving governance and concur with the governance-related priorities** presented in the PRSP, including the focus on professionalizing security forces, strengthening the judiciary and parliament, reforming the civil service, and fighting corruption. In the views of the staffs, however, it would be necessary to review in more depth the issues pertaining to the legal and judicial system, and spell out the strategy for this reform, which is rightly identified as a key objective. A participatory Justice Roundtable (Etats Généraux de la Justice), held in June 2003, constitutes a move in the right direction as it is expected to serve as a basis for defining the judicial reform.

21. **The PRSP includes a special emphasis on efficiency, transparency, and accountability in the use of all public resources, including oil revenue, as key conditions for good governance.** In recent years, there have been governance shortcomings, as for example in the case of the diversion to nonpriority sectors (including for defense) of part of the signing bonus for the exploitation of the Doba oil, or procurement irregularities in the expenditures financed with savings from the enhanced HIPC Initiative. Nevertheless, progress has been made in managing public resources and in particular in transparency, as illustrated by the publication, by the Government, of several important audit reports, including for the cases mentioned above. In view of the imminent inflow of first oil revenues, there is an urgent need to further strengthen public resources management, oversight, and transparency. In recent months, the government has demonstrated policy initiative and ownership by making progress in this area, by taking steps to ensure the operability of the independent Petroleum Revenue Oversight Committee (Collège de Contrôle et de Surveillance des Ressources Pétrolières). Similarly, major progress has been made in the preparation for the oil era with the adoption of a comprehensive set of modalities for sterilizing oil revenues which could not be effectively absorbed in priority sectors, and sheltering spending from the volatility and exhaustibility of oil revenue. In addition, a presidential decree is under preparation with the objective of guaranteeing the true intergenerational character of the Fund for Future Generations.

22. **In this context, the staffs support the PRSP's emphasis on and proposed actions to further improve public expenditure management (PEM) as an effective vehicle for poverty reduction.** The key PEM challenges concern how to improve accountability, better monitor outcomes and strengthen implementation, and better deliver public services. The actions identified in the PRSP to meet these challenges are in line with the public financial management reforms undertaken in the past two years.<sup>4</sup> In addition, the staffs recommend the redistribution of human resources to priority activities to complement spending reallocation.

23. **The introduction of the medium-term expenditure framework (MTEF) and of program budgeting in priority sectors provides a sound framework** for prioritizing and monitoring public spending, as laid out in the PRSP and sector strategies. Given the weak capacity, the MTEF process will continue to benefit from technical assistance, notably by the World Bank. In this context, the staffs recommend that program budgets should ensure an appropriate balance between recurrent and investment expenditures. The staffs note that some progress has already been made in prioritizing the budget and monitoring expenditures, although the lack of reliable statistics on budget outcomes still constitutes a significant impediment to this process. In this respect, the staffs urge the authorities to strengthen the ongoing efforts supported by the United Nations Development Program (UNDP), the European Union, and other donors to improve the statistical work in key ministries.

24. **A preliminary aggregate costing of the strategy over the next three years is done in the PRSP.** In this context, the complete list of programs and projects for inclusion in the MTEF and program budgets for the priority ministries, is currently being prepared for 2004-06. These MTEF and program budgets will facilitate the monitoring of the poverty reduction impact of priority sector spending. The staffs recommend that the PRSP progress reports include detailed cost estimates of the strategy as well as the assessment of their consistency with priorities and targets, including the rationale for each sector's allocation as compared with other sectors, and the balance between investment and recurrent spending.

25. **The PRSP correctly underscores the need to increase absorptive capacity in priority sectors.** Priority sector spending is projected to increase by 15 percent annually in real terms over 2003-15, with its share in total expenditure rising from 44 percent to 63 percent over the same period. As the PRSP rightly points out, the effective use of the rapidly growing resources will require significant and continuing increases in absorptive capacity. Although the PRSP correctly identifies capacity-building in the public sector as a key underlying requirement, the PRSP could have elaborated more on the strategy that should be implemented to increase that capacity, both at the central and local levels. Given the current weaknesses in budget execution in priority sector ministries, the staffs recommend that the

---

<sup>4</sup> These actions include: (i) flow of all accruing oil revenue into the annual budget; (ii) strict enforcement of the Petroleum Revenue Management Law and Program; (iii) consistent implementation of agreed sector strategies; (iv) better assessment of the impact of public spending, notably in terms of equity and efficiency; and (v) further prioritization of expenditures based on the conclusions of the Public Expenditure Review process.

PRSP implementation progress reports explicitly discuss the bottlenecks to absorptive capacity and their sources, and present measures to improve absorptive capacity further.

#### **D. Sectoral Policies and Actions**

26. The PRSP reflects strategies/development plans already under implementation for the main sectors, as well as additional actions identified during the PRSP preparation process.

27. **Private and financial sector development.** The PRSP rightly identifies key structural constraints on private sector development in Chad, such as the unfavorable business environment, weak financial intermediation, low productivity in agriculture, scarce skilled human resources, and high transport costs. The PRSP correctly links the underdeveloped state of the banking system, and of the financial system more generally, to the low level of saving in the country. Nevertheless, the staffs find the proposals in this section of the PRSP to be tentative and urge the authorities to deepen the proposals in these key areas in the first PRSP progress report and the update of the PRSP. The PRSP proposes the promotion of local enterprises through a guarantee fund, long-term lines of credit, and a microfinance program. The staffs urge the authorities to review and learn from the experience of other countries in these areas. The first PRSP progress report and PRSP update could also usefully discuss in more detail the current status of, and prospects for, microfinance in Chad.

28. **Agriculture and rural development.** The PRSP includes a general action plan to promote agricultural and rural development. Many elements of the plan address the need to improve access to agricultural inputs, technologies, and financing for the poor. In the view of the staffs, the main issues pertaining to agricultural services have been addressed in a manner consistent with the current Agricultural Strategy and the framework being developed under the National Rural Development Plan (PIDR), both in terms of objectives and implementation. The PRSP rightly emphasizes that the purpose of the Agricultural Strategy is to raise agricultural production and productivity, as well as improve marketing of agricultural products. The Local Development Program, to be implemented with the support of donors, also highlights the links between rural development and decentralization plans.

29. **Although the PRSP strategy for agriculture is broadly adequate, its proposals need, in the view of the staffs, to be made more specific.** In particular, there is a lack of specificity on the constraints to agricultural growth and on the agriculture-private sector nexus, even though the private sector is acknowledged to play a key role. It is also important to identify the constraints on different sources of rural livelihoods, and additional reflection would be useful on ways to promote more diversified rural economic activities. On livestock development, the authorities should consider actions to lower animal mortality rates, increase exports of animal products, and engage the private sector in the provision of veterinary and export services. Regarding crops, greater private sector involvement in small-scale irrigation should be considered. The promotion of gum arabic and fisheries is also important for their respective regions. Raising labor productivity through farm equipment is a priority for the PRSP, but the specific actions to promote farm equipment will need to be clarified in the

PRSP updates. Furthermore, an overwhelming priority for agricultural and rural development is to improve the quality of the road network. It would be desirable to derive explicit criteria for upgrading the tracks included in this network, taking into account their potential to benefit poor areas.

30. **Cotton sector reform.** This is important for maintaining the competitiveness of the sector in a context of low international prices for cotton. However, the PRSP lacks detail on the status of, and prospects for, the implementation of cotton sector reform. Nevertheless, the staffs note that this reform is presently advancing with the support of IDA and other donors, though at a cautious pace, in light of the vulnerability of the 350,000 families that depend on cotton production. The PSIA process included in the PRSP action plan, through a series of ex-post quantitative surveys, will be instrumental in monitoring the impact of the reform process on the poor.

31. **Infrastructure.** The PRSP reflects the participatory consultations in emphasizing the importance of sound transport infrastructure for national reintegration and for the reduction of poverty. The PRSP proposals are fully consistent with the 1999 Transport Sector Strategy. For a landlocked country, the options identified in the PRSP rightly seek to improve accessibility and lower the costs of transport internally and externally. There is also an emphasis on ensuring the use of the road network along main axes and between regions throughout the year. In addition, institutional improvements are proposed to increase private sector and community involvement in the construction, maintenance, and financing of the local infrastructure. The key challenge will be to implement the various proposals effectively as the country benefits from increased oil receipts.

32. **Water supply and sanitation.** Reflecting the feedback from the participatory consultations, the PRSP stresses the priority of improved water supply and sanitation. However, the operational proposals to address this issue are relatively undeveloped. The national master plan (schéma directeur) for water development presents a strategy, policy framework, action plan, and monitorable indicators. The staffs therefore suggest a continuing review of the master plan and its integration into future updates of the PRSP. Similarly for sanitation, the staffs recommend achieving consistency and close integration of existing plans with the proposals in the PRSP.

33. **Health.** The PRSP draws attention to the importance of health status as a determinant of household living standards, as well as the vulnerability of many Chadians given that the trap of ill health due to poverty results in further impoverishment. The HIV/AIDS epidemic is of prime concern, even though it seems to have stabilized during the past three years. The prevalence of malnutrition, malaria, tuberculosis, water-borne diseases, as well as the frequency of unattended pregnancies and deliveries, also pose catastrophic risks for the poor, especially mothers and young children. The PRSP presents a series of actions to improve access to, and the quality of, health care, and puts emphasis on the implementation of programs to address the main areas of health risk indicated above. The staffs support the proposals of the PRSP but also recommend that actions be taken to increase the demand for health care services, including by making affordable drugs available in all the health districts.

Emphasis should also be put on motivating mothers to avail themselves of prenatal visits, as well as counseling and voluntary testing for HIV. In addition, effective action needs to be taken to address the acute lack of human resources in the sector, especially as the decentralization and deconcentration of health care facilities are placing new staffing demands on the system. Finally, the staffs note that the health section of the PRSP could distinguish more clearly objectives, actions and indicators. They also recommend closer integration between the sector strategy and the health section of the PRSP in terms of emphasis and factual information in future PRSP updates.

34. **Education.** The PRSP gives high priority to the development of education, literacy, and skills formation. The Ministry of Education put a ten-year development program for educational reform in place last year, and the donor community endorsed this at a roundtable meeting in March 2002. Two key issues identified in both this development program and the PRSP are the need to improve the quality of basic education, especially in community schools, and to increase school enrollment rates for girls. The PRSP shares the perspectives and objectives of the plan. However, the staffs note differences in the proposed action programs, notably with respect to the integration of community teachers into the civil service, the role of the National Curriculum Center, the quantitative objectives for teacher training, and the plans for training the Ministry of Education staff. Closer integration between the two strategies will therefore be needed. The staffs also consider that the indicators to be monitored under the PRSP will not permit effective monitoring of the strategy in contrast with the education development program, which contains pertinent indicators, as reflected in the Letter of Education Sectoral Policy of March 2003. The staffs therefore recommend (i) the introduction in the PRSP of appropriate budget indicators; and (ii) the definition of specific indicators to monitor progress in supporting Parents' Associations through the agency for promotion of community initiatives (APICED).

## V. TARGETS, INDICATORS, MONITORING AND EVALUATION

35. **Proposed indicators and targets and the way in which they will be monitored and evaluated are set out in the PRSP.** The staffs endorse the approach set out in the document. The PRSP notes that economic, sectoral, or thematic groups are already monitoring progress in many areas of interest and proposes that its own monitoring and evaluation effort build on these activities. A general principle underlying the monitoring system is that actors (sectoral ministries, nongovernmental organizations, and private sector groups) should play an important role in evaluating their own achievements, a commendable effort to strengthen the implementation culture. In addition, a number of cross-cutting statistical or qualitative surveys are deemed necessary for the adequate tracking of poverty outcomes. Also, since current data are weak in many areas, targets and baseline values for several indicators will probably need to be revised in the future, once data from the 2003 ECOSIT II survey become available.

36. **The PRSP proposes tracking a range of indicators covering** poverty and inequality; governance; economic growth; education results; health conditions, including HIV/AIDS; protection of vulnerable groups; housing; infrastructure; and external

indebtedness. For each indicator, a current or recent value is given, as well as a target for 2005. Altogether, around 74 indicators are proposed. The staffs consider that not all these indicators are of equal importance and recommend that the CP keep a sharp focus on the most important indicators, according to the strategic objectives in each area.

37. **The PRSP includes a varied and ambitious time-bound list of new statistical surveys to be conducted over 2003-05**, notably with the support of the World Bank. The staffs fully support this proposal. The National Statistics Institute will be responsible for such surveys in coordination with the ministries concerned. Surveys will involve the collection of qualitative as well as statistical data, and, as far as possible, these will be analyzed jointly with the results of the ECOSIT II survey. However, to strengthen its performance and accomplish its mission, the National Statistics Institute needs greater human and financial resources. The staffs recommend that (i) an assessment be made of the data needed to monitor policies and programs; and (ii) the authorities improve the collection of administrative data and make better use of this in evaluating performance and policy options. This involves providing data access to a broader circle of decision makers, as well as to stakeholders, and making fuller use of existing monitoring systems, such as the rural monitoring system. To achieve these goals, the staffs note that the need for considerable external support will continue. In this context, it will be helpful that Chad is a participant in the General Data Dissemination System (GDDS), which provides a comprehensive framework for evaluating data improvement needs and measuring progress in poverty reduction consistent with the Millennium Development Goals .

38. **The PRSP provides a relatively detailed proposed institutional setting for its monitoring and evaluation.** The CP will take the lead in overall monitoring and evaluation and will report to the Interministerial High Committee (HCI). It will also lead the preparation of the PRSP implementation progress reports and PRSP updates. However, the staffs recommend that the composition and resources of the CP be reviewed as it assumes responsibility for the implementation and monitoring stage. It is also proposed in the PRSP to put in place local bodies for monitoring implementation progress (comités de coordination locaux). The CP has begun defining the role and composition of these proposed elected local bodies. The staffs welcome this approach and commend the strong emphasis that the CP proposes to put on broadening stakeholder representation, notably of women, in these committees. The staffs also recommend that the CP have access to sufficient expertise in some key cross-cutting areas, notably the monitoring and evaluation of actions pertaining to gender, which have been identified relatively well in the document. As regards implementation, the PRSP underlines the importance of sequencing the actions appropriately, given the limited resources and institutional and human capacities. As such, the PRSP rightly acknowledges the need to strengthen capacities and promote cooperation among the state, civil society, and the private sector over time. The staffs urge the authorities to spell out more precisely the institutional setting for implementing the strategy and monitoring progress, while ensuring the increased participation of all stakeholders.

## VI. RISK ANALYSIS

39. **The PRSP does not contain an explicit section on risks to its effective implementation and successful outcome;** however, various areas of risk are clearly identified in different parts of the document, including up-front in the feedback from the participatory consultations. The identified risks include (i) political instability and/or difficulties in sustaining political support for agreed programs; (ii) macroeconomic instability, including Dutch disease; (iii) volatility in oil revenue as a result of changing world market conditions; (iv) the capture of oil and/or HIPC resources by influential special interest groups; (v) insufficient capacity at the national or local level to implement the priority programs in the PRSP; and (vi) inadequate or delayed donor support. In addition, the PRSP notes that success in securing the well-being of the poor will depend on effective programs to counter food insecurity, epidemic and endemic diseases, the spread of HIV/AIDS, and the depletion of natural resources. **The staffs agree with the authorities that these are the most important risks.**

40. **At the same time, the staffs agree that the principal actions to counter these risks are already contained in the PRSP. These include,** notably, (i) the focus on institutional strengthening in the context of the governance program; (ii) the emphasis on capacity building, especially at the local level; (iii) the arrangements for overseeing the use of petroleum and HIPC Initiative resources; and (iv) the continuing strict monitoring of economic developments and policies in the context of programs supported by the Bretton Woods institutions and other partners.

## VI. OVERALL ASSESSMENT

41. **In the view of the staffs, the proposed strategy spells out ambitious but attainable objectives and a credible set of actions for poverty reduction.** As oil revenue begins accruing and the HIPC Initiative completion point approaches, the key challenges will be to ensure that public resources are allocated and managed in a transparent and efficient way, and actually reach their beneficiaries. In this regard, the staffs recommend that, in the future, PRSP progress reports be prepared in time to inform the budget and MTEF preparation process. As underlined in the document, it will also be of the utmost importance to pursue capacity-building efforts in the public sector, both at the central and at the local levels. With the support of its partners, Chad will also need to design and implement a strategy for reinforcing capacities in the private sector and civil society, and to promote strong participation in the implementation and monitoring of the strategy.

42. **The staffs of the World Bank and the IMF consider that this PRSP presents a credible poverty reduction strategy and provides a sound basis for the World Bank and the IMF concessional assistance.** The staffs recommend that the Executive Directors of the World Bank and the IMF reach the same conclusion.