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**CHAD: AGRICULTURAL MARKETING  
POLICIES**

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**May 1990**

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**CHAD: AGRICULTURAL MARKETING POLICIES**

**Submitted to  
U.S. Agency for International Development  
N'Djamena, Chad**

**By**

**The Agricultural Marketing Improvement  
Strategies Project (AMIS)**

**Prepared By  
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## GLOSSARY

ADB	African Development Bank
BEAC	Banque des Etats d'Afrique Centrale
BdL	Brasseries du Logone
BGT	Boissons Gazeuses du Tchad
BIAT	Banque Internationale pour l'Afrique au Tchad
BTCB	Banque Tchadienne de Crédit et de Dépôt
CCCE	Caisse Centrale de Coopération Economique
COTONTCHAD	Société Cotonnière du Tchad
CTT	Coopérative des Transporteurs Tchadiens
FIR	Fonds d'Intervention Rurale
MSAPS	Ministère de la Sécurité Alimentaire et des Populations Sinistrées
OMVSD	Office de Mise en Valeur de Sategui-Deressia
ONADEH	Office National de Développement de l'Horticulture
ONC	Office National de Céréales
ONDR	Office National du Développement Rural
ONHPV	Office National de l'Hydraulique Pastorale et Villageoise
OPIT	Office de Promotion Industrielle du Tchad
SIMAT	Société Industrielle de Matériel Agricole
SME	Small- and medium-scale enterprise
SODELAC	Société de Développement du Lac
SONAPA	Société Nationale de Production Animale
SONASUT	Société Nationale Sucrière du Tchad
SOTERA	Société Tchadienne d'Exploitation des Ressources Animales
STT	Société des Textiles du Tchad
UDEAC	Union Douanière des Etats d'Afrique Centrale
UNACOT	Union Nationale des Commerçants du Tchad
VITA	Volunteers in Technical Assistance

## PREFACE

This paper examines policy and regulatory constraints to marketing of agricultural commodities in Chad. The consultant's fieldwork was done between April 28 and June 2, 1990. This study precedes the design of an agricultural marketing project, funded by USAID/N'Djamena, by the Agricultural Marketing Improvement Strategies Project (AMIS). As such, the paper attempts to identify potential barriers to the implementation of the USAID-funded Agricultural Marketing and Technology Transfer project by the Chadian Government, USAID and private marketing agents in Chad.

The AMIS Project, funded in part by the Bureau for Science and Technology of A.I.D./Washington, is implemented by Abt Associates Inc., the Post-Harvest Institute for Perishables of the University of Idaho, and Deloitte and Touche Management Consultants. The project seeks to improve the efficiency and effectiveness of agricultural marketing systems by doing the following:

- o Diagnosing marketing systems constraints;
- o Identifying opportunities to increase the productivity of marketing agents and the marketing system;
- o Formulating improved policies, institutional arrangements and management systems for upgrading the performance of agricultural marketing systems; and
- o Designing, monitoring and evaluating pilot innovations in technology, institutional, and organizational arrangements and management systems.

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## EXECUTIVE SUMMARY

The present study analyzes Chad's policies and regulations, both formal and informal, affecting agricultural marketing and private sector development, with the objective of identifying possible constraints to the successful execution of the Agricultural Marketing and Technology Transfer (AMTT) project. The study forms a basis for establishing conditionality prior to the execution of the project and engaging the Government in policy discussions.

Previous studies report that although Chad has a relatively liberal agricultural policy, there are official and unofficial taxes and regulations that prevent efficient trade and business operations. Among these constraints are (1) high import and export tariffs on certain products, and licensing requirements; (2) price controls; (3) transport taxes; (4) monopolies in import and distribution of inputs, marketing of crops, and transport; (5) limited access to credit by small- and medium-scale enterprises (SMEs); and (6) a difficult business registration process. As discussed below, several of these constraints have been removed or are in the process of being relaxed.

Chad belongs to the Central African customs union (UDEAC) together with Cameroon, the Central African Republic, Gabon, the Congo, and Equatorial Guinea. UDEAC members share a common schedule of external tariffs. Except for certain products subject to government regulations, goods circulate freely within the region. As a member of UDEAC, Chad cannot unilaterally engage in reform of the customs code, but it controls domestic surcharges on imports and exports.

Trade policies are relatively liberal except for licensing requirements. The import tariff consists of four major taxes; it is moderate for agricultural and industrial raw materials, average for semifinished or manufactured essentials and high for manufactured and luxury products. Import duties are relatively high for agricultural tools, chemicals, and transport equipment. Fertilizers, wheat flour, and cereals are exempt from import duties in support of the Government's food security policy. Imports of sugar and rice are temporarily suspended, the latter to allow marketing of domestically produced rice.

Parastatals are exempt from import taxation on agricultural materials and agricultural inputs for distribution to farmers or for use within a Government approved project, whereas private enterprises are assessed the full amount of the tax. This situation discourages competition by the private sector. However, the fact that fertilizers are exempt from import taxation should encourage imports for agricultural production and marketing. The fact that imports have not increased is attributed to the lack of capital and the narrowness of the Chadian market.

Most agricultural products, particularly vegetables and cereals, are subject to rather low export taxes. At present, however, exports of cereals are suspended, although Chad is not a net exporter of cereals. Cotton is exempt from export taxation, and export taxes on cattle are relatively high. Low export taxes have prompted exports of vegetables to Europe, although on a limited scale.

Limited exports also occur within the UDEAC region with possibilities for expansion. However, several structural marketing constraints--lack of market information, rudimentary marketing technology, lack of appropriate conservation facilities, lack of access to credit--would need to be overcome in order to develop a meaningful export sector. The AMTT project could address these areas effectively.

Prices of cereals, fruits and vegetables are usually determined by supply and demand. Market intervention by the National Cereals Office--less than 1 percent of total cereals production--has been limited mainly to the northern zones of difficult accessibility and thus has had a localized impact on prices. Until recently, the prices of a number of imported products, including food products, were subject to profit margin controls at the wholesale and retail levels. However, this system was abolished in April 1990. Some locally produced goods remain subject to price ceilings based on their cost of production (e.g. rice, cotton oil, and sugar). In practice, however, except for a few industrial products, these prices are ignored. In addition, there is a large unofficial market for most of these products where prices are usually below official levels.

The lack of an adequate road network is the major obstacle to Chad's economic development. The Road Rehabilitation and Maintenance Program financed by the World Bank and A.I.D. contemplates the rehabilitation of 3,800 km of roads, and the Transport Sector Adjustment/Investment Strategy of 1988 proposes a package of major policy reforms. The most important reform has been the elimination in 1989 of the road transport monopoly held by the Coopérative des Transporteurs Tchadiens (CTT) and of administered tariffs, allowing for free negotiation of transport costs between shippers and transporters. This reform has brought about a reduction of transport costs of as much as 20 percent in some areas.

Another important development toward liberalization of the transport sector is the Government's determination to abolish roadblocks set by the police and customs officials, as well as prefecture taxes. These taxes have no legal ground and have contributed to raising transport costs by as much as 46 percent on some routes. An interministerial committee is in charge of determining which barriers may be legalized. At present, most of these barriers have been eliminated.

The difficulty that SMEs have in gaining access to credit is one of the main constraints to enterprise development in Chad. Because SMEs are regarded as high risk, commercial banks set strict credit qualifying criteria. Commercial bank credit to the private sector is mainly short-term and directed to parastatals. The amount of credit extended to SMEs is negligible. The banking community attributes this situation to a lack of bankable projects, reflecting limited business planning and a lack of knowledge of financial analysis on the part of private entrepreneurs.

The credit constraint has been partially compensated for by the VITA project financed by A.I.D., which grants credit and technical assistance to SMEs under more flexible qualifying criteria. Under the Social Development Action Project funded by the World Bank and A.I.D., VITA will expand its activities to include the informal sector under a solidarity group guarantee scheme, and it will expand its activities to Moundou. The success of the VITA project has

aroused the interest of one commercial bank in co-financing schemes, which could be an important development in the promotion of private initiative. The AMTT project could certainly play a complementary role in developing joint ventures with VITA and the commercial banks by filling the much needed technical assistance gap in formulating project proposals and during project execution.

The process of formalizing a business in Chad is cumbersome and costly; the license tax discourages expansion and increases according to the number of employees. The process could be simplified by reducing both the number of steps and some unnecessary requirements, such as the health certificate and the obligatory bank account.

Several factors favor the development of the private sector in Chad. The 1989 Plan d'Orientation reaffirms the Government's policy to promote private initiative. Privatization has already taken place in some sectors: in the transport sector with the abolition of CTT's monopoly; and in the livestock sector with the abolition of the export monopoly held by the parastatal, SOTERA. In addition, privatization is underway for the parastatal, SIMAT, which produces agricultural tools. Future privatization is being considered for the parastatal, OMVSD, which produces and markets rice.

Finally, the Government intends to follow attractive fiscal and credit policies aimed at promoting SMEs and microenterprises. Promotional activities will include simplifying SMEs' access to the advantages of the investment code and introducing flexible commercial interest rates. The investment code grants reductions in import and export duties and fiscal exemptions to SMEs that are engaged in transformation activities and manufacturing mass consumption items.

As a whole, the policy framework was found to be propitious for execution of the AMTT project: relatively liberal trade policies; a movement toward free market prices; privatization of public enterprises and elimination of monopolies. In addition, several reforms are planned in the fiscal area, the customs code, and the labor code.

The study identified some policy constraints requiring reform, but these are not so severe as to prevent the success of the project. However, two of these constraints could be addressed effectively by the project prior to its execution and would their reform could contribute to the effectiveness of the project interventions. These reforms are (1) simplifying the process of formalizing a business and reforming the license tax; and (2) simplifying the process of qualifying for the advantages of the investment code. It is recommended that both actions be considered as preconditions to execution of the AMTT project. A dialogue with the private sector could be initiated to analyze both problems. The second issue should lead to the establishment of an automatic mechanism to qualify projects sponsored by AMTT for the benefits of the investment code. Both issues should be considered by the Ministry of Commerce.

An additional study of market opportunities for Chadian products in neighboring countries is recommended under the studies component of the project. Also worth considering under the study of competition at the wholesale level is an evaluation of the impact of parastatal reforms and privatization programs on the incentives and competitiveness of private producers, traders, and processors.

## 1. AGRICULTURAL GROWTH 1985-90

Chad is one of the largest landlocked countries in Africa with an area of 1.3 million square kilometers. Agriculture and livestock account for over 40 percent of gross domestic product (GDP) and for most of Chad's export earnings. Cotton alone accounts for half the export earnings. Eighty percent of the population is engaged in agricultural activities. Chad, a Sahelian country, is subject to a fluctuating pluviometry, which, added to a deficient road network, contributes to serious imbalances in production and distribution.

The Saharan zone in the north of the country is essentially desert; the Sahelian zone in the central part is grassland; and the Sudanese zone in the south is essentially savanna. Recurrent drought has caused the desert to shift southward at about 20 kilometers per year. About three-fourths of the country receives rainfall averaging less than 600 millimeters a year. The cotton zone in the south covers less than 20 percent of the total area of the country, receives an average rainfall of 1,000 millimeters a year, and has one-half of the rural population.

In 1984, Chad experienced a severe drought, which reduced agricultural production by more than half. In 1986 rainfall levels were normal for the first time in many years, resulting in increased harvests and a reduced dependence on food aid. Abundant rainfall in 1988 boosted food crop and cotton production.

The high dependence on rainfall has led to imbalances in regional food production, especially in the Sahelian zone, and to severe fluctuations in prices. The Government's 1989 Orientation Plan envisages food security as a primary goal. The National Cereals Office (ONC), under the supervision of the Ministry of Food Security (MSA), has been in charge of regulating cereal distribution throughout the country through its purchases and sales of cereals. However, its impact in the last five years has been negligible. The Government plans to address the issue of food security through the establishment of stocks of cereals at the regional and village level, with ONC playing the role of coordinator and manager of these stocks. In this manner, producers will also benefit from lower price fluctuations during surplus periods.

### 1.1 Production Trends of Major Products

Cotton is the most important cash and export crop. Cotton production has also been subject to weather fluctuations. In 1984/85, output dropped by 60 percent to 98,000 tons, mainly because of the drought. In 1986 world prices of cotton fell to \$0.83/kg from a peak of \$1.96/kg in mid-1984. In addition, the growing expenditures of the parastatal COTONTCHAD (involved in the processing, purchasing and marketing of the crop), led to implementation of an emergency plan supported by foreign donors aimed at reducing costs. The plan, under the Financial Rehabilitation Program of the World Bank, covers the period 1988/89-1990/91, and has three components: measures to increase efficiency; a cotton development program at the farm level; and a reform of the producer pricing system. Good weather conditions and implementation of the corrective measures

resulted in improved yields, with output reaching 128,000 tons in 1987/88 and 137,000 tons in 1988/89. Production is estimated at 128,000 tons for 1989/90.

The principal agricultural food crops are millet, sorghum, rice, maize, and groundnuts. Food production in the Sudanese zone is diverse, and includes over half the country's cereal output, over 80 percent of the groundnuts and sesame, sugarcane and a variety of fruits and vegetables. In the Sahelian zone there is substantial cereals production, about 70 percent of which is millet and sorghum, and the remaining, berber, maize, rice, and wheat. In addition, groundnuts, sesame and a variety of foods and vegetables are grown for subsistence and marketing. Food crop production is infrequent in the Saharan zone, and consists mostly of wheat and forage crops grown in oases and ouaddis (river beds) during seasonal flooding. Some vegetables and fruits are also produced in this zone.

Statistics on food production from the Office National de Développement Rural are shown in Exhibit 1. After experiencing a decline in 1984/85, overall food production nearly doubled in 1985/86, remained high in 1986/87, and declined in 1987/88 due to inadequate rainfall and a decline in areas planted. In 1988/89, output of food crops increased by over 40 percent, reflecting good rainfall, higher prices and increased area under cultivation. In 1989/90, production remained high although it declined some 15 percent in 1988/89.

Chad is largely self-sufficient in cereal production during years of adequate rainfall. Because of poor transportation infrastructure and the distances involved, most of the food is consumed close to the area of production. Thus, even in years of deficit production, border trade in cereals takes place with the neighboring countries of Cameroon and Nigeria. The food deficit, estimated at over 400,000 tons in 1984/85, had virtually disappeared in 1988/89.

## 1.2 International Trade and Prospects

Chad's major export commodity is ginned cotton, accounting for half of the total export earnings. In 1985-86 export earnings declined sharply, due to a drop in both international prices and the volume of production because of the drought. In 1988, export

Exhibit 1

Production of Food Crops, 1984/85-1989/90  
(in thousands of metric tons)

	1984/85	1985/86	1986/87	1987/88	1988/89	1989/90
<b>CEREALS</b>	<u>366.1</u>	<u>735.7</u>	<u>653.4</u>	<u>571.0</u>	<u>815.8</u>	<u>699.8</u>
Sudanese zone	304.9	434.9	414.6	356.7	409.3	423.9
millet	87.8	134.9	130.3	110.4	128.9	133.1
sorghum	194.2	260.5	229.3	197.1	208.9	216.7
berber	7.8	15.5	17.7	13.0	25.2	23.6
rice	1.6	7.6	14.7	19.4	28.4	27.1
maize	13.5	16.4	22.6	16.8	17.9	23.4
Sahelian zone	41.2	269.8	220.0	200.7	346.4	259.0
millet	23.0	117.4	122.7	105.0	183.7	114.2
sorghum	n.a.	48.3	69.2	60.4	76.0	84.4
berber	12.0	79.8	24.6	23.3	73.5	58.8
rice	0.8	0.2	0.2	0.1	0.2	0.0
maize	4.2	18.8	2.7	10.8	11.3	1.1
wheat	1.2	5.3	0.6	1.1	1.7	0.5
Other cereal prod.1/	20.0	31.0	18.8	13.6	60.1	16.9
<b>OTHER CROPS</b>	<u>88.0</u>	<u>123.0</u>	<u>115.4</u>	<u>102.7</u>	<u>257.7</u>	<u>153.8</u>
Sudanese zone	85.5	116.3	106.1	86.6	134.8	138.5
groundnuts	76.7	104.9	95.8	79.1	115.4	127.2
sesame	8.8	11.4	10.3	7.5	10.8	11.3
fruits					7.1	
vegetables					1.5	
Sahelian zone	2.5	6.7	9.3	16.1	99.0	15.3
groundnuts	2.4	6.6	8.4	13.6	17.7	14.1
sesame	0.1	0.1	0.9	2.5	2.2	1.2
fruits					12.5	
vegetables					66.6	
Saharan zone					23.9	
fruits					17.5	
vegetables					6.4	

Source: ONDR. "Evolution des superficies et productions des cultures vivrieres"  
 BIEP: "Les fruits et legumes, investaire et diagnostique." 1989  
 SODELAC: Annual Report.

1/ SODELAC agricultural projects.

earnings increased due to favorable prices and weather conditions as well as the successful implementation of the rehabilitation program. The heavy dependence on cotton exports leaves the country vulnerable to fluctuations in the terms of trade. The second most important export commodity is livestock.

Chad's imports mainly capital goods, which make up 50 percent of the total; another 25 percent consists of food and military equipment. Over a third of total imports are financed by official aid programs, most of which are in kind. Food-related imports, which peaked at CFAF 24 billion in 1985, dropped to some CFAF 4 billion in 1988. With the stabilization of the security situation, military imports are estimated to have dropped from CFAF 14 billion in 1986 to less than half that amount in 1989.

Some exports of food crops take place sporadically. Off-season export of melons and some vegetables to France began only recently and the prospects are good, although the lack of cold storage and air freight capacity is likely to limit large increases in volume. Onions and garlic are exported in steady though small quantities to the Congo. The marketing infrastructure is still poor, and an established distribution network does not yet exist.

Throughout the Sudanese zone and, to a lesser extent, the southern part of the Sahelian zone, there is potential to expand production of cereals, oilseeds, fruits and vegetables. Some export potential of these crops exists, especially in the large market of northern Nigeria, although fluctuations in production--particularly for traditional cereals--tend to be regional in nature. When southern Chad has a surplus, so do the northern regions of the Central African Republic, Cameroon, and Nigeria. None of these crops offer the potential for export to the European market, and Chad has so far been unable to compete in the European groundnut market due to its transport disadvantage relative to other producers. It is also unlikely that either Chadian sugar or tobacco could compete in external markets in the medium term.

ONDR is trying through the Chambre Consulaire to explore possibilities for developing an export market for sesame and pimento. Sesame already is sold to Nigeria, Cameroon, and the Central African Republic in small quantities but it does not appear in the official trade statistics. The private sector could dynamize this activity.

### 1.3 Border Trade

Except for France and the Congo, Chad's main trading partners are its neighboring countries, Nigeria, Cameroon and the Central African Republic. Commerce between Chad and these three countries is often due to ethnic or tribal interdependence among families having interests in more than one country, who can rapidly transfer their capital from one country to another in response to the commercial climate. Given that the frontiers of Chad are difficult to patrol, a large part of the imports and exports is not declared, with important consequences for fiscal receipts.

Products exported illegally from Chad are live cattle, fish, skins, cereals, tubers, cotton bales, cotton oil, raw peanuts, and onions. Local merchants indicate that neighboring country regulations on controlling

merchandise from Chad are relatively easy to meet. In Cameroon, for example, there is a phytosanitary inspection (CFAF 50/ton), a tax on circulation of meats (CFAF 100/kg), an animal inspection tax (CFAF 25-250/head), and a tax for inspection of fresh products (2%-3% ad-valorem). Illegal imports, especially from Nigeria and Cameroon, are petroleum products, spare parts, construction material, and consumer goods such as rice, sugar, fruits, textiles, cooking oil, soap, and cigarettes, which compete with local production.

Another reason for contraband has been the depreciation of the naira vis à vis the CFA franc. In addition, balance of payments restrictions have led Nigerian exporters to seek foreign exchange by means other than through the banking system. Industrial development in Nigeria, having achieved a relatively high degree of competitiveness, has stimulated exports towards neighboring countries. Chadian goods thus get a favorable exchange rate, and barter trade is advantageous in the sense that it is relatively cheap for Chadians to buy processed goods from Nigeria. A final cause of contraband is price differences due to differences in the structure of costs of production, such as costs of transport of imported inputs, as well as price fixing and fiscal policies.

The economic consequence of contraband is that enterprises confronted by competition from the informal sector fed by the contraband are less likely to meet their fiscal and customs obligations, and some experience financial problems.

Methods of correcting illegal trade include entering into bilateral agreements with neighboring countries to limit imports of merchandise that can enter duty free; establishing commercial sites or stations where products could be sold to the buyers from neighboring countries and paid in local currency at the official exchange rate; and moralizing customs agents.

#### 1.4 Interregional Trade and Prospects

The presence of surplus production and low prices in certain regions and of deficits and high prices in others reflects the inadequate flow of products among regions. The constraints to interregional trade, widely discussed in other studies, are the limited availability of market information; the poor transport network; high transportation costs; and limited availability of capital to encourage the active participation of private traders.

The Development Alternatives' "Analysis of the Grain-Marketing System in Chad" (1988) reports that sizable quantities of cereals are traded locally--one-fifth of the production in the Sahelian zone and up to 50 percent of the production in the Sudanese zone. Interregional trade, on the other hand, is much more limited. According to the World Bank's "Chad: Economic Situation and Priorities" (1987), domestic freight flows in a normal year total about 265,000 tons, of which domestic food accounts for about 50,000 tons. The remainder of the freight consists of beer, sugar, and other items.

The inadequate interregional trade gives rise to severe price fluctuations throughout the agricultural year. At harvest time, the surplus production depresses prices, whereas in the deficit season, prices recover and reach a maximum. This situation has adverse consequences for farmers' income, as farmers

are usually left at the mercy of the intermediary, often a store owner, who buys the product at a low price when the farmer is short of cash and most likely resells the same product at a higher price later in the season when the farmer sells his livestock or cotton and obtains cash.

With proper organization and access to credit, village groups and marketing cooperatives could play an important role in stabilizing prices and farmers' income. The Government's policy is to encourage the formation of such groups.

## 2. INTERNATIONAL TRADE POLICIES

Chad's external and internal trade regimes are generally liberal. However, there are selective import monopolies on some manufactured goods, a system of import and export licenses, as well as price setting on certain products. Chad is a member of the Central African customs union (UDEAC) and shares a central bank (the Banque des Etats de l'Afrique Centrale, BEAC), and the currency (the CFA franc) with Cameroon, the Central African Republic, Equatorial Guinea, Gabon, and the People's Republic of the Congo. After a hiatus of 15 years, Chad rejoined the Union in 1984. During 1990, Chad is expected to complete the harmonization of its customs tariffs with those of the UDEAC system. The World Bank is reviewing the customs system of Chad and UDEAC, which is complex and difficult to administer. Chad and other UDEAC members share a common external tariff with third countries, whereas goods circulate freely within the region, with the exception of certain products determined by each government. As a member of UDEAC, Chad cannot unilaterally engage in reform of the customs policy.

### 2.1 Import Regulations

The import tax system consists of a number of taxes which often assure high effective protection of several products, especially taking into account nontariff obstacles such as quantitative restrictions, monopolies, import prohibitions, and import licensing. All these factors have stimulated contraband and fraud, which reduce the effect of protection. Large enterprises, like BGT, STT, COTONTCHAD and BDL, are protected from foreign competition by high duties and import prohibitions, while SONASUT has the monopoly to import sugar.

Imports are subject to four taxes: customs duty, entry tax, turnover tax, and complementary tax. The turnover tax is levied on the cif value plus customs and entry duties. A turnover tax is also applied to domestic products, but it ceases to play any protective role when the rates are the same.

The regulations regarding imports of goods into Chad are subject to Decree 282/PR/MCI/89 of May 5, 1989. All products originating in the franc zone can be freely imported, except for some restrictions to protect certain industries, or for reasons of public concern, whereas products originating outside the franc zone are subject to import licensing and quotas.

Import authorizations are audited by the Sous Direction des Finances Extérieures et du Contrôle des Changes, after review by the Service des Douanes and the intermediary bank. The 14-member Import Commission meets twice a year to draw up the annual import program and to distribute quotas. Individual producers in industry and agriculture are free to import merchandise destined for their own use, and the Government may give priority consideration to certain imports of raw materials.

Duties are moderate for agricultural and industrial raw materials, average for semifinished and manufactured essential goods, and high for manufactured and luxury products. High nominal protection and quantitative restrictions have

shielded certain products from import competition. With a narrow domestic market, this situation has permitted high production costs and market prices for a number of articles (e.g. sugar, beer, and beverages), which has encouraged contraband.

Exhibit 2 reports import taxes for selected agricultural inputs and products and transport vehicles and equipment. Duties are relatively high for agricultural tools (50.25 percent) and chemicals (37.5 percent), but rather low for fertilizers (less than 8 percent). At present, import duties on fertilizers are temporarily suspended, a policy consistent with the food security goal. The relatively high duty on imported tools protects domestic production by the parastatal, Société Industrielle de Matériel Agricole du Tchad (SIMAT).

Import duties for wheat flour and cereals are suspended and may be imported freely, whereas imports of rice are prohibited to allow marketing of domestic rice stocks by ONC.<sup>1</sup> Sugar imports are a monopoly of the parastatal Société Nationale Sucrière du Tchad (SONASUT) and are temporarily suspended. Import taxes on processed fruits and vegetables are relatively high.

Vehicles for merchandise transport are subject to import taxes between 37 percent and 48.5 percent, and spare parts are subject to import taxes of 43 percent. These levels are rather high considering the country's heavy reliance on imported vehicles for merchandise transport, high maintenance costs, and the short life span of these vehicles, given the bad condition of the roads. All these factors result in high transport costs and discourage marketing of agricultural products.

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<sup>1</sup>/During deficit years, duty-free imports of wheat flour and rice would support food security objectives. During average or surplus years, duty-free imports might undermine, at the margin, incentives to produce local coarse grains for the market. The imported "preferred" grains may substitute in part for locally grown coarse grains. Substitution in consumption of coarse grains by rice and wheat flour is likely to vary by income and socioeconomic group and remains to be established empirically in Chad.

**Exhibit 2**  
**Import Taxes for Selected Products, 1990**  
**(Percentages)**

	Customs Duty	Entry Duty	Turnover Tax	Complem. Tax	Total Tax
<b>INPUTS</b>					
Agricultural Tools	7.5	20	10	10	50.25
Fertilizers (a) (organic/animal)	7.5	exempt	exempt	exempt	7.5
Urea (a)	5	exempt	exempt	exempt	5
Insecticides/ fungicides	7.5	30	exempt	exempt	37.5
Oilseed cakes	10	20	10	exempt	43
Cereal seeds	15	10	10	exempt	37.5
<b>CEREALS</b>					
Wheat Flour (a)	15	5	10	exempt	32
Other cereal flours	15	25	10	exempt	54
Rice (b)	20	10	10	exempt	43
Sorghum (a)	15	15	10	exempt	43
Millet (a)	15	15	10	exempt	43
Other cereals (a)	15	15	10	exempt	43
<b>OTHER FOODS</b>					
Sugar (b)	30	60	10	exempt	109
Fresh & dried fruits	10	20	10	exempt	43
Canned fruit	10	35	10	exempt	59.5
Canned vegetables	10	30	10	exempt	54
Sweetened fruit juice	10	35	10	exempt	59.5
Malt beer	30	90	10	exempt	142
<b>TRANSPORT</b>					
Tractors	10	5	10	exempt	26.5
Transport vehicles (gas-oil):					
5 tons or less	15	15	10	exempt	43
20 tons or less	15	5	10	5	37
20+ tons	15	5	10	5	37
Transport vehicles (gasoline)	15	20	10	exempt	48.5
Spare parts for transport vehicles	5	25	10	exempt	43

(a) All import duties are suspended until further notice for fertilizers, wheat flour and all cereals except rice.

(b) Imports of rice and sugar are temporarily suspended.

Source: "Droit de Douane." Direction des Douanes et Droits Indirects. 1990

Most merchandise transport vehicles and parts originate in Nigeria and imports are subject to licensing. Although some imports escape taxation, transporters report that when these items enter the country legally, customs officials assess considerably higher duties than those stipulated above. Thus, reducing the tax levels and determining ways to transform illegal trade into official trade would facilitate imports of transportation equipment and improve fiscal receipts.

## 2.2 Export Regulations

According to Decree 113/ET of June 14, 1965, which regulates the export sector, exports to countries within the franc zone require an export authorization, except for certain products that may be subject to restrictions: rice, maize, wheat, cotton, tobacco, and mineral products except natron.

Exports to countries outside the franc zone require an export authorization and foreign exchange control (i.e. the exporter must turn in all foreign exchange receipts to the Central Bank).

The likely overvaluation of the exchange rate is unfavorable to exports. Export policy is relatively liberal, except for the required export licensing. Exports are subject to explicit taxes such as the turnover tax (3 percent) and the statistical tax (0.2 percent), which are levied on fob value of all exports. In addition, several duties are levied on the market price of a number of products (export duty, research tax, taxe de conditionnement, SOTERA tax, veterinarian tax, and contribution to the Caisse Autonome d'Amortissement), which are difficult to administer. All exports are subject to licensing. To promote exports, it would be convenient to unify the different taxes, eliminate the licensing requirement, and study potential markets for Chadian exports in neighboring countries.

Export taxes for selected products are shown in Exhibit 3. Most products are subject to rather low export taxes, particularly vegetables and cereals. At present, however, all exports of cereals are suspended. The cotton tax has been provisionally suppressed, and taxes on cattle exports, the second largest source of foreign exchange, can reach up to 40 percent of the animal's value.

## 2.3 Marketing of Inputs by Parastatals

Parastatals are exempt from taxation on their imports of agricultural materials and inputs for distribution to farmers. Private individuals or companies, on the other hand, must pay import taxes, unless they qualify for exemptions under the investment code. Fertilizers, seeds, and products used to treat vegetables are exempt if imported under a Government-approved project.

**Exhibit 3**

**Import Taxes for Selected Products, 1990  
(Percentages)**

<b>Product</b>	<b>Export Duty</b>	<b>Research Tax</b>	<b>Taxe de Condition.</b>	<b>Turnover Tax</b>	<b>Notes</b>
Cotton	exempt	exempt	exempt	exempt	
Cotton seed	exempt	exempt	exempt	3	
Sesame seed	3	exempt	exempt	3	
Arabic gum	5	0.5	exempt	3	a
Tobacco	10	1	0.5	3	
Garlic	exempt	exempt	exempt	3	
Onions	exempt	exempt	exempt	3	a
Other vegetables	exempt	exempt	exempt	3	
Maize	2	exempt	exempt	3	b
Rice, millet	exempt	exempt	exempt	3	b
Other cereals	exempt	exempt	exempt	3	b
Peanut products	3	1	0.5	2	a, c
Fish	exempt	exempt	exempt	3	
Live animals	8	exempt	exempt	3	a, d, e
Meats	exempt	exempt	exempt	3	a, e
Skins (Calf)	5	1	0.5	3	a, e, f

- a. Taxes applicable on the market value of the product.  
b. Exports of cereals are temporarily suspended.  
c. In addition a charge of .75 CFAF/kg. applies.  
d. In addition per head: export tax of CFAF 7120; CFAF 5,000 for the Caisse Autonome d'Amortissement; and CFAF 2,100 for Fond d'elevage  
e. Subject to export prohibition.  
f. In addition per skin: CFAF 35 export tax; and CFAF 50 veterinarian tax.

Source: "Tariff a l'Exportation". 1990.

The Office National de Développement Rural (ONDR) is the Government extension agency whose efforts until recently have concentrated on cotton production. Efforts to develop a more integrated program have proven difficult, as ONDR has had to struggle to adjust to the loss of revenues from the cotton sector, which equalled three-quarters of the agency's budget in 1985. As a result, ONDR began a major restructuring process with technical assistance from France and Switzerland.

Government policy is for ONDR to continue to intensify its efforts as a development agency in the rural area by advising farmers rather than imposing methods of production. This policy is not really new but has been evolving since 1984 and improving with experience.

One of ONDR's main services to farmers is the distribution of agricultural materials, seeds, and other agricultural inputs, for which it is exempt from import taxation. Most of the agricultural tools are imported; only a few are purchased from SIMAT. Nearly 90 percent of the sales are to the cotton sector. Credit is granted to farmers' associations with a reimbursement rate of nearly 100 percent.

For 1990/91 ONDR's planned purchases of agricultural manual tools alone is CFAF 874.2 million (\$3.2 million), and purchases for each of the following three years reach CFAF 1,054.8 million (\$3.9 million).

The Société Industrielle de Matériel Agricole du Tchad (SIMAT) was created in 1985 after the dissolution of SOMAT, taking over its assets. Its objective was to produce agricultural supplies, principally plows and carts, and small tools including spades, shovels, rakes, axes, and pickaxes. However, Simat encountered difficulties in these activities, and diversified toward custom orders for local industries (manufacturing, maintenance, repair of parts or equipment) and toward the marketing of imported equipment. The production of agricultural supplies represented only 8.25 percent of its total turnover in 1988.

For the production of agricultural supplies, SIMAT qualifies under the regime of the tax unique, and pays:

- o 0 percent on raw material imports;
- o 5 percent on equipment and supply purchases for production;
- o 3 percent, 9 percent and 11 percent on the value of finished products according to their nature: plows and hoes; wheelbarrows; carts and axles. This tax is not collected on its sales to ONDR or tax-exempt organizations, such as UNDP.

In addition, it benefits from a number of fiscal exemptions.

SIMAT does not get involved in marketing agricultural supplies, which is done exclusively by ONDR. Its marketing activity centers on the distribution and maintenance of the products it represents.

The Société de Développement du Lac (SODELAC) operates only in the prefecture of Lake Chad. Since ONDR does not intervene in this Prefecture, SODELAC executes the activities of agricultural extension and vulgarization. The main objective is to promote the socio-economic development of the region.

SODELAC imports agricultural materials for distribution to farmers. These purchases are exempt from customs and import taxes whenever they are part of a project, otherwise normal taxes are paid. In addition it manages a seed-producing farm. The Government intends to continue supporting SODELAC because of the high potential of the region as granary of the country. All imports of agricultural inputs and equipment under ongoing projects financed by BAD, FAD, and USAID are exempt from import taxes.

The main objective of the Office National de Développement de l'Horticulture (ONADEH) is to provide technical assistance to producers around the N'Djamena area. ONADEH also distributes inputs such as chemicals and agricultural supplies, which it imports free of import duties and taxes. The agency is now experimenting with varieties adapted to the cold and warm seasons, with promising results. ONADEH takes an actively promotes village groups. Financially it depends on Government support and its own resources resulting from the sale of seeds, garden materials, and other inputs.

While parastatals enjoy preferential treatment in the importation of agricultural materials and other inputs, private enterprises are assessed the full tariff, except in the case of fertilizers that are exempt from duties. This places the private sector at a disadvantage with respect to parastatals and discourages competition. However, although imports of fertilizers are tax exempt, the private sector does not import for private use or marketing. Lack of capital and a narrow market are some of the reasons attributed to this outcome.<sup>2</sup> The present plans to privatize SIMAT may induce the Government to reduce the tariffs on agricultural tools, and could make the private sector more competitive.

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<sup>2</sup> Other reasons could be (1) limited purchasing power of farmers; (2) technology (seed and other inputs) that does not respond well to fertilizer; (3) untimely fertilizer use; and (4) poor fertilizer distribution system.

### 3. DOMESTIC MARKETING POLICIES AND CONTROLS

The main concerns of the Government in its 1989 Plan d'Orientation is to find an equilibrium between surplus and deficit zones and stable producer prices. To this end, the Government is committed to making large investments in rehabilitating the road network and supporting research on price formation of food products in order to determine possible obstacles to marketing. In addition, the Government will support studies on the profitability of product diversification and agroindustry and will orient the food aid stock toward purchases of local production.

#### 3.1 Price and Profit Margin Controls

Although not explicit in the Plan d'Orientation, in its Plan Interimaire of 1986-88 the Government supports prudent interventions in the local market, as total control requires knowledge of essential mechanisms of price formation and flows, which is not the case at present (p.42), and State participation in marketing by controlling prices and organizing markets in order to induce production against drought (p. 171). These interventions, although prudent, have nevertheless introduced some market distortions. However as stated below, the tendency is toward liberalization.

Market prices of some commodities are still governed by Law No. 30 of December 28, 1968, Article 22, which states that market prices of locally produced goods and of products that use them can be fixed by mayors or department sous-préfets based on advice from the local price committees. At the same time, articles 2 and 23 state that under a by-law the Minister of the Economy can set ceilings on producer prices or prices of intermediate products through a system of "homologation des prix," as well as by controlling the wholesale and retail margins of imported goods. The "prix homologués" are based on the costs of production. The Service de Contrôle des Prix of the Ministry of Commerce and Industry publishes the directives and follows prices in different regions.

"Prix homologués" are price ceilings based on the production costs of domestically produced goods plus a 4 to 7 percent profit margin. Cigarettes, beer, rice, beverages, soap, cotton oil, sugar, bread, textiles, electricity, and water are subject to "homologation des prix." Establishment of these prices is slow and often does not keep pace with rising costs. It is difficult to see the purpose of these price ceilings in the presence of smuggled goods. In fact, when the Government sought to protect industries in 1986 by introducing new taxes through increased "prix homologués" the results were minimal, as the measure stimulated contraband. At present, the producer price of rice is being revised downward in order to allow ONC to market the rice purchased from OMVSD.

Until recently, prices of a number of imported products (e.g. milk, fresh fruits, processed meat and fish, sugar, potatoes, fresh fruits, fertilizers, petroleum products, and pharmaceuticals) were subject to profit margin limitations calculated on the wholesale and retail price. These margins were set according to decree 105/PR of June 18, 1963. However, except for prices of

petroleum products and pharmaceuticals, they were abolished by Ordinance 11/PR/90 of April 17, 1990 (Annex 1).

Prices of cereals are usually determined by supply and demand. ONC's interventions in the market have been limited to the north Sahelian and BET (Borkou, Ennedi, Tibesti) zones. Thus, when it had an impact on prices, it has been localized. Prices for petroleum products are also set by the Government, and are based on a cross-subsidy scheme whereby the proceeds of a tax on lower cost products from Nigeria are used to subsidize similar higher priced products imported from Cameroon. The official uniform price of premium gasoline is CFAF 290 per liter. However, there is a large unofficial market in petroleum products, where prices are below official levels.

Except for a few products, the "prix homologués" have not really been enforced and, in general, market prices have been determined by supply and demand. The fact that some restrictions persist indicates the intention of the Government to reserve the power to intervene in the marketing and price system. Nonetheless, prices of cereals, fruits and vegetables, as well as agricultural inputs are free from controls, which creates the appropriate conditions for execution of the AMTT project.

### 3.2 Marketing of Crops by Parastatals

Parastatals are engaged to varying degrees in the marketing of agricultural products. However, they have experienced difficulties due to structural constraints and lack of information on the markets and marketing needs.

According to statute, the role of the National Cereals Office (ONC) is to execute the Government's cereal policy, organize the marketing of cereals nationwide, and constitute and manage reserve stocks. In its marketing role the ONC must "guarantee stable producer and consumer prices and ensure a better distribution of cereals." The nature and degree of its interventions are, however, not clear. ONC has not been able to control its purchase and resale prices. This situation is due to insufficient knowledge and analysis of prices and costs, but also to other causes: (1) Its effectiveness has been evaluated in terms of the volume it buys and sells rather than whether it purchases at the right price and place; and (2) in some places high purchase prices have been set by local authorities in an effort to stimulate producers, without realizing the adverse consequences on the resale price. ONC's intervention in the market is less than 1 percent of total cereals production.

In surplus periods, ONC prices have been usually higher than those of private traders because of the high transport rates. For example, from Bokoro to M'Djamena the cost of transport was CFAF 1,750 per sack of 100 kilos, in comparison with CFAF 1,000 paid by a private trader who provides his own transportation. In addition, wholesalers tend to inflate their price to ONC. In bad years, when production is low, ONC prices have generally been lower than those of private traders. The latter tend to triple prices. ONC sells mainly in the prefectures of Kanem and BET which are difficult zones to access. Its sales in the southern part of the country are almost nil. ONC has sometimes been able to stabilize prices by area, but not nationwide.

The Government's Plan d'Orientation emphasizes ONC's role in managing the food security stock of 20,000 tons, and orienting food aid toward local purchases of cereals, rather than its role as a price stabilization agency as it recognizes its inability to affect the market. In addition, its interventions in the market will focus on managing regional and village-level stocks.

The Office de la Mise en Valeur de Sategui-Deressia (OMVSD) is in charge of the execution of a regional development policy and the provision of specific services to regional agriculture. The activities of the OMVSD concern the production, transformation and marketing of rice in the Sategui-Déressia area (50,000 ha.) which is suitable for rice cultivation. OMVSD manages the construction and maintenance of hydro-agricultural structures in this area. This irrigation project, like others in Chad, has not developed a satisfactory system of cost recovery. Yields have tended to be low, and cereals market prices of the last few years have discouraged farmers' interest in irrigated production.

OMVSD markets some 18,000 tons of paddy. Marketing of rice has suffered as OMVSD has been unable to place the product in the market at a competitive price. To cover the high costs of operation, OMVSD has resorted to either lower fixed producer prices, which discourage production or increased consumer prices, which discourage consumption. The purchase price of paddy from the farmers is CFAF 50 per kilogram, and is currently being revised downward. The privatization of the collection, transformation, and marketing of paddy, as well as the construction and maintenance of hydro-agricultural structures, is being considered. OMVSD's activities of seed multiplication may be eliminated and relegated to the supervision of the Ministry of Agriculture.

SODELAC's activities in marketing agricultural crops are limited. In years of surplus SODELAC purchases a portion of the crop for marketing, mainly in the N'Djamena area. Since it does not have an established infrastructure for this purpose, the preferred policy is to advise the farmers on marketing rather than to take an active part in it.

In 1989 SODELAC tested the market for potatoes under a project financed by the African Development Bank. However, it encountered difficulties selling the product as the market was saturated with other local substitutes and competing products from Nigeria and Cameroon. The unavailability of cold storage facilities made the operation unsuccessful, and using the services of the Farcha Abattoir was too expensive. They also experimented with growing and marketing wheat with limited success. However, experiments with production of counter-seasonal cereals and vegetables have been successful.

SODELAC has gone through a period of reform in order to participate more actively in the development of the region in response to the Government's desire to transform SODELAC into an operational and trustworthy institution and also to secure the cooperation of donors. Financing is a joint effort of the AFD, the Government with counterpart project funds, and its own resources.

ONADEH's main objective is to provide technical assistance to producers around the N'Djamena area. In addition, ONADEH collects and markets agricultural produce--garlic, onions, and tomatoes--on order by large consumers in the city. The number of farmers benefitting from their assistance varies but at present is

estimated at 1,800, most of whom belong to village groups. ONADEH markets about 10 percent of their production.

The lack of marketing infrastructure for conservation and storage due to the lack of financial resources is a serious problem. Thus, large quantities of produce spoil, and often producers are forced to sell at a loss (if their labor is counted as part of the cost of production). During January-November 1988, over 26 tons of fruits and vegetables were marketed, 21 tons were effectively sold and the rest was lost due to lack of conservation and storage facilities. Other problems in marketing are irregularity of production and thus supply; lack of information on the market for fruits and vegetables; high transport costs; and inexperience in the area. ONADEH also imports fruits from Cameroon and Nigeria for distribution in its two outlets. At present, contacts are being made to explore a market for vegetables in Brazzaville.

### 3.3 Transport Policy

Transportation is critical to Chad's economy, and the lack of an adequate road network is a major obstacle to its economic development. International trade depends on long external routes, and the high transport cost inflates the domestic prices of imported consumer and capital goods.

Chad's highway network consists of 7,300 km of classified roads and 24,000 km of tracks in rural areas. The highway network deteriorated considerably through years of neglect, particularly during the war. Out of 300 km of paved roads before the war only about 30 km are still in good condition. Rehabilitation of 3,800 km of roads under the Road Rehabilitation and Maintenance Program financed by IDA and AID, will reestablish communications between the country's principal cities and will facilitate the transportation of goods.

The Transport Sector Adjustment/Investment Strategy of February 1988 consists of a Transport Sector Investment Plan for 1988-93 and a package of major policy reforms. The most important reforms are (a) improved resource mobilization to provide for the adequate maintenance of the rehabilitated network and (b) the elimination of the road transport monopoly and administered tariffs. The resource mobilization effort consists of a unified tax (41 percent of official retail prices of gasoline and diesel fuel) on petroleum products established in July 1987. Realized tax revenues, however, have been relatively low, mainly due to illegal imports that evade taxes, and the poor financial position of the parastatals that consume legally imported petroleum products. Petroleum taxes account for about 18 percent of the Government's tax revenues, though they would amount to 30 percent if fully collected. With assistance from IDA and the IMF, the Government has begun efforts to improve its tax collection and budgeting procedures.

The elimination of the road transport monopoly and administered tariffs aims to reduce the cost of trucking operations and to pass the savings to shippers and consumers. The Coopérative des Transporteurs Tchadiens (CTT) traditionally had a monopoly on Chad's transport industry and handled the transport of cotton exports. Tariffs were set by the Government. In 1987, the Government passed legislation effectively granting CTT an absolute monopoly over all freight transport, domestic and international with a management committee

appointed by the Government. In 1988, out of 12,000 vehicles operating in Chad, 500 trucks belonged to CTT. Due to the insufficient number of trucks, CTT introduced a system of sharing freight transport with Cameroonian and Nigerian transporters.

The abolition of CTT's monopoly in 1989 implied a return to free contract negotiation between shippers and truckers and the liquidation of CTT. In the same year, the Bureau National de Frêt (BNF) was created under the Ministry of Transport and Civil Aviation (MTAC) as a non-profit clearinghouse to make available information on demand and supply provided by truckers and shippers so that contracts can be freely negotiated. Only contracts between transporters and shippers concluded within two days are considered to have resulted from BNF intervention and are thus subject to the payment of fees.

BNF issues a "lettre de voiture obligatoire" or waybill for every shipment greater than three tons over a distance greater than 150 km. This is a required travel document that must be presented when requested by road security officers. The charge for the "lettre de voiture obligatoire" is 1,000 CFAF. In addition, BNF collects a 14 percent tax on the transport price: 10 percent for the Caisse Autonome d'Amortissement; 3 percent for the Treasury; and 1 percent for BNF. The amounts for the Treasury and the Caisse are reimbursed periodically. The Bureau is managed by a Consultative Committee presided over by the Director of Surface Transport and 11 other members, including two representatives of transporters and two of the shippers.

Reference prices of freight are set jointly by the Ministry of Commerce and Industry and the Ministry of Transport with the participation of BNF, as a guide to shippers and transporters and are not mandatory (Annex 2). For each of nine categories of goods a price spread is set within which transporters and shippers can negotiate the transport price. They differ according to routes for both international and domestic movements. Reference prices are valid for one year after which they are either revised or eliminated. Some transporters have expressed their dissatisfaction with the new system which they believe benefits consumers at their expense; others feel that the new system is more efficient. BNF reports that freight costs in general have decreased, in some cases by as much as 20 percent.

With the abolition of CTT, transporters have joined three associations: Group Professionnel de Transportateurs Routiers du Tchad (GPR) with 500 members, Gestion Transport et Service (GETRANS) with 20 members; and Compagnie Ouara (COT). The associations provide motorist assistance and road services.

At present BNF has three agencies in the interior (Moundou, Sahr, and Lere) and stations at border points at Goudgei, Chagoua, Ngueli and Ouaddai. In addition there are two offices in Cameroon at Douala and Yaoundé.

### 3.4 Transport Sector Disincentives

#### 3.4.1 Roadblocks

One of the main constraints to the free movement of goods has been roadblocks set by the police, gendarmerie, and customs officials as well as prefecture exit taxes. Kent's study "Grain Movements: Cheddra-N'Djamena" (1988) indicates that these roadblocks could raise the transport costs between Cheddra and N'Djamena by 46 percent; DAI (1988) reports that these barriers and prefecture exit permits account for 30 percent of the cost of transport per sack of cereals from Moundou to N'Djamena via Doba in a 10-ton truck, and 12 percent in a 30-ton truck. The author's interviews with transporters confirmed these findings. Prefecture taxes were instituted in the past to prevent large movements of grain from one prefecture to another. The initial levy of CFAF 150 per sack has increased with time. This practice has continued although it has no legal grounds.

Roadblocks are not only present in Chad but also in Cameroon on routes frequented by Chadian transporters on their way to Moundou. Cameroon, however, has strongly advocated doing away with these barriers. The Chadian Government is also trying to resolve the problem and has taken serious steps in the same direction. In a recent speech, the President of the Republic expressed his determination to "destroy" these barriers.<sup>3</sup> As a result, the army has started to actively patrol the roads to make sure that the barriers are lifted. Transporters report a considerable decrease in the number of barriers. The issue of which barriers may be legalized will be resolved at an interministerial committee.

#### 3.4.2 Donors' Truck Fleets

The humanitarian aid to Chad involved food aid as well as the transport assistance from donors. Following the end of the emergency phase, the donors have, since 1986, engaged in a process of phasing out or reducing the size of their truck fleets. The conditions of this process have been discussed with the Government. In 1988 the fleet consisted of 340 vehicles operated by UNDP, FAO, World Food Programme, UNICEF, OSRO, and CARE.

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<sup>3</sup> "...In order for a country to develop and become prosperous, it is necessary to have a developed and prosperous commerce sector. This is the role of businessmen. A country cannot progress without dynamic businessmen with good initiative... We are aware of the difficulties encountered by our businessmen in the areas of credit and transport... We are aware of the problems with the banking system, customs and transport barriers. We are resolved to destroy these barriers. We are resolved... to introduce new initiatives with the creation of the Development Bank..."

Translation from: "Info Tchad". ATP Bulletin No. 2, 422 of May 10-11, 1990, pp.7-8.

FAO had the largest fleet, but in 1989, it transferred to the Ministry of Food Security (MSAPS) its 162 trucks and proposed the creation of a mixed enterprise. However, the Government rejected the idea and the problem of how to dispose of the fleet in a judicious manner is still under consideration. FAO's fleet transported 90,000 tons between 1984 and 1989.

CARE transferred its fleet to OSRD, operated by FAO. UNICEF transferred part of its fleet to the Ministry of Health and part to the ONHPV, but continues to manage all of it. The WFP still operates its fleet of 68 trucks.

UNDP's fleet of 66 trucks was transferred to the Ministry of Food Security on November 30, 1989. The fleet has operated mainly in the remote region of the BET (Borkou, Ennedi, Tibesti) and for this reason the Government has requested UNDP to temporarily continue operation of this fleet. The fleet has transported some 69,000 tons of merchandise and has 167 employees. The project injected some \$9 million into the economy through salaries and local purchases. The operating surplus of \$1.6 million will be transferred to the Government.

Under the project "Flotte Spécialisée de Transport" (FST), UNDP will provide the technical assistance of three experts for three years. The FST will be used to transport food aid for the Ministry of Food Security, WFP's supplies under its school food program, and ONC's food security stock, as well as performing other operations of national interest. The project includes an additional 15 trucks transferred by WFP for this project.

At the end of the project the decision to continue or sell the fleet to the private sector will depend on whether private transporters are able to compete with the fleet by providing the same services, which is, however, unlikely.

The private transporters believe that these fleets have been an obstacle to free competition. Given the trend to decentralize, transferring these fleets to the Government poses policy questions.

### 3.4.3 Transport Vehicle Operation

The administrative procedure to operate a transport vehicle is not complex but it is costly. The costs for an individual trucker operating a 20-ton vehicle are roughly as follows:

License--once	<u>CFAF</u> 50,000
Registration tax--yearly (CFAF 8,000 to CFAF 53,000, depending on vehicle and engine size)	53,000
Patente--yearly (explained in section D.2)	180,000
Visite technique (every 6 months)	12,000
User tax--yearly (CFAF 3,300 to CFAF 155,000 depending on payload)	123,000
Vehicle Insurance--yearly	230,000
The insurance is enforced. The process of registration of the business is fully described under section D.2.	

## 4. PRIVATE SECTOR DEVELOPMENT

Chad is traditionally a country of traders. In the precolonial era the Kingdoms of Kanem, Bornou, and Ouaddai built their power on commerce mainly with Libya, Egypt, and Sudan. During the colonial period trade was oriented toward the francophone countries and Nigeria. After the war, trade with Nigeria intensified while trade with France contracted. Almost all foreign-owned companies left Chad during 1979-82, and many have not returned despite tax exemptions offered by the Government. Trade with neighboring countries is carried out by families having interests in more than one country. Border trade results in a significant loss of Government revenues and creates a market in which smuggled goods have a dampening effect on the price level. Thus, locally produced goods and legal imports must compete in this environment. Chad's historically dynamic trading sector provides a basis for small-scale enterprise development, and its relations with more developed Nigeria and other UDEAC members offer opportunities for trade.

The private sector comprises a multitude of small and informal microenterprises in commerce, transport, manufacture and construction, while the public sector, with a limited number of entities, dominates the agro-industry, banking and insurance sectors. Commerce and transport contributed 33 percent to GDP during 1984-88. Five state enterprises, of which COTONTCHAD is the most important, employ some 5,000 persons, while a number of small and medium enterprises employ a comparable number.

Some private enterprises have identified the following main constraints to their development: small market size; weak purchasing power of the largely rural population; competition from contraband; high costs of production; notably of energy and transport; difficult access to credit; and the lack of managerial skills. Many constraints to small-scale enterprise development could be alleviated in the short term by improving credit availability, providing appropriate technical assistance, creating a supportive institutional environment and developing managerial skills.

### 4.1 Financing of Small-Scale Enterprises

#### 4.1.1 The Banking Sector

The difficult access to credit is a major constraint to enterprise development in Chad. Although two commercial banks, the Banque Internationale pour l'Afrique au Tchad (BIAT) and the Banque Tchadienne de Crédit et de Dépôts (BTC), and the Chadian branch of the BEAC have been operating in Chad since 1983, private enterprises have resumed their operations outside of the banking system. The two commercial banks draw their resources from short-term deposits, more than half of which belong to some 20 clients, mainly public enterprises and international organizations. Credit to the private sector is mainly in the form of short-term credits, for the most part crop credit to COTONTCHAD or overdrafts (Exhibit 4). Medium- and long-term credit accounted for 8 percent of the total during 1984-89 and was extended mainly to a few large enterprises.

Exhibit 4

Private Sector: Distribution of Bank Credit  
by Sector, 1985-89

(Millions of CFAF)

	-----1985-----		-----1986-----		-----1987-----		-----1988-----		-----1989 a/-----	
	Value	Percent	Value	Percent	Value	Percent	Value	Percent	Value	Percent
Short-term credits										
Agriculture	349	0.7	136	0.2	136	0.2	134	0.2	134	0.3
Food processing	3,545	7.0	4,032	5.7	3,964	6.2	2,748	4.8	842	1.6
Textile manufacturing	1,549	3.0	1,844	2.6	1,728	2.7	1,535	2.7	1,418	2.8
Other manufacturing	569	1.1	736	1.0	763	1.2	36	0.1	790	1.5
Public utilities	46	0.1	18	0.0	17	0.0	63	0.1	51	0.1
Public works & Construction	376	0.7	641	0.9	1,016	1.6	1,313	2.3	1,239	2.4
Commerce	7,156	14.1	7,247	10.2	7,210	11.3	5,167	9.0	6,905	13.4
Fuel imports & distribution	1,202	2.4	134	0.2	1,730	2.7	2,939	5.1	1,857	3.6
Cotton export activities	28,882	56.7	44,049	62.2	39,312	61.7	18,688	32.4	17,390	33.8
Transportation	615	1.2	857	1.2	651	1.0	706	1.2	662	1.3
Services	276	0.5	2,168	3.1	1,451	2.3	782	1.4	2,449	4.8
Unallocated	450	0.9	1,562	2.2	812	1.3	917	1.6	367	0.7
Subtotal	45,015	88.4	63,424	89.5	58,790	92.3	35,028	60.7	34,104	66.2
Medium- and long-term credits										
Agriculture	175	0.3	15	0.0	15	0.0	15	0.0	15	0.0
Food processing	3,662	7.2	2,341	3.3	1,467	2.3	690	1.2	1,924	3.7
Textile manufacturing	382	0.8	254	0.4	117	0.2	209	0.4	106	0.2
Other manufacturing	139	0.3	43	0.1	94	0.1	110	0.2	302	0.6
Public utilities	8	0.0	0	0.0	0	0.0	0	0.0	0	0.0
Public works & Construction	53	0.1	133	0.2	111	0.2	96	0.2	67	0.1
Commerce	193	0.4	374	0.5	210	0.3	410	0.7	500	1.0
Fuel imports & distribution	365	0.7	25	0.0	395	0.6	315	0.5	270	0.5
Cotton export activities	222	0.4	3,299	4.7	526	0.8	18,842	32.7	13,374	26.0
Transportation	123	0.2	127	0.2	112	0.2	116	0.2	117	0.2
Services	86	0.2	130	0.2	703	1.1	348	0.6	647	1.3
Unallocated	491	1.0	668	0.9	1,136	1.8	1,505	2.6	56	0.1
Subtotal	5,899	11.6	7,409	10.5	4,886	7.7	22,656	39.3	17,378	33.8
Total Credit	50,914	100.0	70,833	100.0	63,676	100.0	57,684	100.0	51,482	100.0

a/ Data as of August 1989.

Source: BEAC

Because SMEs are regarded as high risk, the credit qualifying criteria of commercial banks are strict. Potential borrowers are required to provide a financial history of their operations, including audited and certified balance sheets and income statements for at least two years, as well as an analysis of the market potential of the enterprise. In addition, life insurance and collateral often in excess of the loan amount are required guarantees. A representative from BIAT, however, indicated that the most important criterion for loan qualification is a sound business plan, and attributed the low number of private sector loans to the lack of business skills on the part of entrepreneurs.

Two lines of credit totaling \$5 million were extended by the French Caisse Centrale de Coopération Economique (CCCE) and Banque Européenne d'Investissement (BEI) to the two commercial banks in 1986 for long-term development projects. However, due to problems related to identification, preparation, and the project evaluation procedures of projects, only three credits to large enterprises were extended and none to the SME sector. BEI cancelled its line of credit in 1988, while the line from CCCE remains. It is not likely, however, that any SME projects will be funded, given the institutional conditions.

#### 4.1.2 The VITA Project

The Volunteers for Technical Assistance (VITA) credit program has, to a certain degree, compensated for the absence of financing for SMEs. Financed by A.I.D., VITA granted 136 SME loans averaging \$6,000 and generating 568 jobs during its five years of operation. Approximately 80 percent of the loans have been reimbursed on time, and loan default is estimated at 6 percent. Thirty-three percent of VITA's loans were in manufacturing and agribusiness, 17 percent in commerce, and 50 percent in the services sector. VITA's success is attributed to the technical assistance provided from the stage of identification and loan application to the project execution stage. The selection of clients is rigorous, and yet the credit requirements are less stiff than those of the commercial banks. However, the guarantee of a financially well-established person is required. Once a loan is approved, VITA's staff monitors the progress of each project through monthly visits and provides the necessary assistance.

The cost of such technical assistance is high, and the project will not be able to cover the costs for many years. As with most projects of this nature, self-sufficiency is an unrealistic goal. The interest rate charged by VITA (12 percent) is well below current commercial market rates of 24 percent-25 percent, which is a constraint to its financial viability. However, VITA envisages increasing the rate to 14 percent with the third phase of the project which is due to start later in the year. It is recommended that VITA be allowed to charge interest rates comparable to market rates, although approval would require agreement by the Government.

Under the new Social Development Action Project funded by IDA and A.I.D., VITA will operate three credit windows for different sized loans. Microenterprise loans up to \$1,000 will be extended to groups of entrepreneurs with mutual-type loan guarantees. Fees will be charged for application processing and technical assistance. Gross loan commitments are expected to total \$1.6 million, and costs to total \$2.8 million after three years, with \$500,000 for loan replenishing. In addition, VITA will open a branch in Moundou by the end of the year and

Chadianization of the project is planned after three years, when a Chadian manager will be chosen.

The fact that neither commercial bank was able to place the development funds from CCCE and BEI and the relatively low number of credits granted by VITA provide evidence that the sphere of organized entrepreneurs is narrow. Thus, the new strategy of cooperative lending to microenterprises could have positive effects.

The success of VITA's approach has prompted BTCCD's interest in potential co-financing schemes with VITA, while BIAT has expressed some reservations. This cooperation could allow the commercial banks to expand their client base among SMEs while allowing VITA to take care of the bulk of the technical assistance through some cost-sharing mechanism. However, VITA will have to continue to show the banking community that the SME sector is viable before this type of collaborating arrangement can be arranged.

The AMTT project could play a complementary role to the VITA project by providing the technical expertise necessary to identify projects and formulate project proposals, particularly in the agribusiness sector. Joint ventures with the banking system could also be explored whereby AMTT could provide the necessary technical advice during the execution of a project. In addition, AMTT and VITA could design and sponsor management seminars to be offered to the private sector.

#### 4.1.3 The Rural Intervention Fund (FIR)

The Fonds d'Intervention Rurale (FIR) was created in 1985 with the goal of mobilizing rural savings for project financing. Since its creation, the World Bank financed a study on credit needs with BIEP's participation, which helped FIR define its strategy. FIR's main objective is to promote a savings and loan system by encouraging the organization and participation of village groups.

FIR's intervention thus far has been limited to promoting the creation and organization of village groups (of producers and/or traders), mainly in the cotton zone. With technical assistance from UNICEF, a seminar on mutual savings and loans was offered for heads of village groups. FAO recently financed a pre-feasibility study on rural credit, which proposes a five-year pilot project costing \$5 million, 45 percent of which would be used as a revolving credit fund. The project would create 40 to 50 savings and loans associations to be grouped eventually into two or three regional rural credit associations.

Savings mobilization within groups already exists and loans are extended on a very small scale. For instance, in the areas of Goré and Mbaiboukoum there are 15 savings and loan groups that have not fully evolved. Village groups operate grain stocks and marketing outlets. The idea is to give this system a dynamic character by creating greater confidence in and understanding of its potential role in rural development. FIR's activities may not be limited to agriculture and product marketing, but could include distribution of agricultural supplies, improved seeds, chemicals, and managing stocks. Special emphasis is to be given to marketing cash crops such as oilseeds. The study will be followed by a second phase which will define FIR's strategy. While FIR's activities will concentrate on credit mobilization, coordination with other government agencies such as ONDR and some NGOs is envisaged to meet the project's technical assistance needs.

FIR receives funding from the Treasury, and plans to approach international donors for supplementary funding for its credit program. UNICEF's funding of CFAF 27 million (\$100,000) has been made available to FIR. Thus far, only the seminar has been financed out of these funds, and the rest will be used to finance six cereal distribution centers during 1990. The Government's policy is to continue to support FIR in its efforts to promote savings and loans associations managed by village groups and associations.

#### 4.1.4 Institutional Support (OPIT)

In addition to VITA, another organization giving institutional support to the private sector is the Office de Promotion Industrielle du Tchad (OPIT). OPIT, a government organization, does not have financial or operational autonomy so its contribution to industrial development has been quite weak. OPIT was created in 1975 as a service of the Ministry of Commerce and Industry. In August 1987 it became a public entity under the Ministry.

OPIT's main objective is to offer private enterprises a series of technical assistance services. During 1986-88 UNIDO provided technical assistance to OPIT to help entrepreneurs identify and evaluate projects and fulfill the necessary requirements to obtain credit. However, because of OPIT's poor performance, their assistance was discontinued. OPIT found that the main constraint to

obtaining bank credit is the inability of SMEs to present the required guarantees. Thus, OPIT believes that a guarantee fund, possibly handled by the Development Bank of Chad (BDT), must be established to increase SMEs' access to credit. However, BDT is undergoing serious financial difficulties and such a scheme could not be established for some time.

The type of support OPIT could provide the private sector is clearly needed. However, the institution has suffered difficulties due to the lack of definition of its target group, the types of projects to be supported and the size of the funding required. In addition, its personnel did not have the technical expertise and experience necessary to evaluate different projects.

Since 1986, OPIT has identified some 40 SMEs, advised eight on enterprise organization, conducted three sessions on formation of enterprises, and advised the Government on legal and administrative measures, such as reform of the investment code. Out of over 100 requests for project evaluation and financing, OPIT produced only one bankable project. It would be advisable for OPIT to become independent and self-financing, although it will be difficult to cover all costs, given the clientele. At present, an evaluation of the program is planned to give the directives for a new reorganization of the institution. The Government is aware of the need for the services which OPIT could provide and will support its reorganization.

## 4.2 Process of Formalizing a Business

### 4.2.1 Registration Process

The process of registering a business is complex, expensive, and time consuming. The following laws and regulations govern this process:

- o Ordinance 006/PR/84 of December 4, 1984 on the statute for commercial trade;
- o By-law 11/MCI/SE/DG/DC/DC/89 of July 5, 1989 on the right to obtain administrative approval to operate a business;
- o Decree 168/PR/MEC/84 on the process of registering businesses run by foreigners; and
- o Decree 282/PR//MCI/89 and Decree 113/ET on the process of importing and exporting.

The process of registering a business involves the following steps:

#### 1. Direction de Commerce

The initial step is to submit an application to obtain an Administrative Authorization, which must be accompanied by a "casier judiciaire" or police record and a health certificate. The first prerequisite permits checking to see if the applicant has a criminal record or has had a business failure, in which case the law obliges him to undergo rehabilitation. The objective of the second prerequisite is to eliminate applicants with diseases threatening public health.

Costs incurred:

Stamp tax 3,000 CFAF  
Delivery Fee 1 percent on the minimum capital fixed according to seven categories:

<u>Category</u>	<u>Min. Capital</u>	<u>Del. Fee</u>
		-----CFAF-----
A: Productive Activities	Over 20 mn	Over 200,000
B1: Import	20 mn	200,000
B2: Export	10 mn	100,000
C: Wholesaler	10 mn	100,000
D: Small Wholesaler	5 mn	50,000
E: Retailer	1 mn	10,000
F: Small Retailer	From 250,000	5,000
G: Itinerant Trade	Less than 250,000	-

2. At the Bank

Opening a bank account is a requirement for modern or organized activities. It is not obligatory for informal businesses. Note however that informal businesses are obliged to go through the same formalities for registration.

3. At the Ministry of Justice

At the Ministry of Justice the applicant carries the authorization from the Direction de Commerce in order to obtain the Registration of Commerce. If the business is related to sale of beverages, the applicant obtains his registration at the Ministry of the Interior.

Costs incurred:

In the case of individuals:

Registration fee 3,000 CFAF  
Municipal Tax 3,000 CFAF

If the applicant is a company:

Registration 3,000 CFAF  
Stamp tax 3 percent of capital

At the Agence Tchadienne de Presse:

Public notice fee 25,000 CFAF/page of statutes

4. At the Direction des Impôts

At the Direction des Impôts the applicant pays the business license tax (patente) and obtains the "Carte Fiscale." An annual tax is levied on

individuals or companies involved in commercial, industrial, or professional activities that are not expressly exempted. There are two components to this tax: (1) a fixed duty ranging from CFAF 2,000 to CFAF 292,000 depending on the activity and capital, (2) if appropriate, a variable portion 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. At this stage, the applicant must present at this stage updated accounting statements.

All businesses in commerce, services, industry, handicrafts, mining and agriculture must obtain a "Carte Fiscale" except individuals engaged in family agriculture and in general, business with a turnover of less than CFAF 500,000 (\$1,850). This identity card is renewable every year and the number must figure in all commercial documents.

#### 4.2.2 Registration of Cooperatives

The process of registration of cooperatives and similar organizations is subject to Decree 166/AGRI/IC of September 30, 1961.

The law requires at least seven persons in order to form a cooperative. They must submit a Declaration of Intent to form a cooperative which is signed by all members at the Direction des Coopératives of the Ministry of Commerce and Industry. The cooperative then proceeds to prepare its statutes and submits these to an authority of the corresponding ministry, depending on the activity. The next step is to constitute its capital and elect its board of directors. The pertinent documentation is submitted to the Direction des Coopératives for review by the Comité d'Agrément des Coopératives. Once approved, the cooperative is officially created. The process of registration is similar to the process described above except that cooperatives receive some fiscal exemptions.

The Direction des Coopératives supervises the functioning of the cooperatives and provides advice in the areas of accounting and management. In N'Djamena over 40 cooperatives are registered at the Direction; most are engaged in agriculture and handicrafts. Village groups fall under the jurisdiction of the Ministry of Agriculture.

#### 4.2.3 Registration of Foreign-owned Businesses

Foreigners may engage in a commercial activity except for certain activities reserved only for nationals as determined by the Government. The process is rather complicated and time consuming. In order to obtain the "carte de commerçant étranger" the applicant must present to the mayor's office (if the business is in N'Djamena) or the Prefecture an application, a police record from the country of origin, a medical certificate and bank references. After approval, the application is reviewed by the Ad Hoc Commission of the Ministry of the Economy and Commerce. The Ad Hoc Commission is made up of Directors of the Ministries of Commerce, Finance, Interior, Economy, Foreign Affairs, and the President of the Commerce Tribunal. The Commission meets twice a year or by request of its President. Once the Commission grants approval, the applicant then follows the usual registration steps.

The following example lists costs involved in registering and running a business that markets agricultural products which has assets of CFAF 20 million and employs 20 workers (Exhibit 5). The business is also engaged in import/export activities and has a working capital of CFAF 15 million.

Exhibit 5

Registration Costs of an Agriculture Marketing Company

(CFA Francs)

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Administrative authorization (1% of CFAF 20 mn)		20,000
Register of commerce	4,000	
Registration fee (3% x CFAF 20 mn)	600,000	
Stamp tax (120 pages @ CFAF 900/pg)	108,000	
Public notice fee	50,500	
Notary fee (0.25% x CFAF 20 mn)	50,000	
Subtotal		812,500
<u>License Tax (yearly)</u>		
Export activity	263,250	
Import activity	12,000	
Employment tax 5 x CFAF 15 x CFAF 14,000	245,000	
Principal		520,250
Chamber of Commerce (7% of principal)		36,417
Social security (10% of principal)		52,025
Rent tax (15% of annual rent of space)		450,000
Rural Intervention Fund		480
Subtotal		1,069,172
TOTAL		<u>1,891,672</u>

The total cost of registration for this business is CFAF 1.9 million or 12.6 percent of its working capital. The license tax, which is rather cumbersome to calculate, is based on tax scales according to activities and investment level and is often applied arbitrarily. It is clear that the system penalizes firms with a large number of employees, as the more employees there are, the higher the employment tax is. In addition, some charges (i.e. the administrative authorization and register of commerce, are higher than the law stipulates). The entire process of registration is complicated and costly. Several requirements could be eliminated (e.g. the presentation of a health certificate, the obligatory bank account, and the requirements for obtaining the "carte de commerçant étranger"). The number of steps could certainly be reduced.

As of April 1990, 11 cooperatives and 1932 Chadian businesses were registered at the Ministry of Commerce, of which 428 were engaged in import-export, two in agribusiness, and 606 in diverse commercial activities.

#### 4.3 Investment Code

The investment code, revised in December 1987, provides for a regime under ordinary law, four preferential regimes, and the possibility that enterprises considered to be of a priority nature could enter into founding agreements with the Government. It also guarantees foreign-owned enterprises and subsidiaries and foreign workers the same rights that are granted to domestic investors and wage earners.

The code has been criticized because it favors capital-intensive imports and investments in a country where the unemployment rate is high and fiscal advantages are excessively generous. The code gives enterprises the opportunity to negotiate advantages suited to their needs based on dubious eligibility criteria. The common duty regime grants the following advantages to investments greater than \$71,000 or SMEs that invest more than \$35,000: (1) reduction of all import duties and taxes to 5 percent for raw materials, chemical products, machines and equipment; (2) temporary fiscal exemptions for the first five years.

The preferential regime A for SMEs grants the following advantages for up to 10 years for enterprises that are mostly Chadian with an initial capital investment of between \$55,000 and \$1.8 million: reduction to 5 percent of all import duties and taxes; reduction of export duties; several fiscal exemptions. Enterprises must be engaged mostly in transformation activities and manufacturing of mass consumption items.

The code was revised without a deep examination of its prior effectiveness or comparison with codes of neighboring countries. However, some SMEs could benefit from advantages of the code, although many of them are not aware of its existence. Procedures for eligibility are complex and often take from six months to a year. Some improvements could be introduced to simplify the administrative process, particularly the necessity for the Committee of Ministers or Head of State to intervene rather than simply the technical committee presided over by the Minister of Commerce and Industry. The present policy of the Government favors the utilization of the advantages of the code to promote SMEs which desire to start businesses in the interior of the country.

#### 4.4 Privatization Policy

In spite of the institutional reforms required in some areas as mentioned above, several factors point favorably to the development of the private sector in Chad. In the "Document Additif au Plan d'Orientation," the Government reaffirms its policy of promoting the development of private initiative and the privatization of the economic sectors. In some sectors this is already taking place. In the transport sector, the elimination of the CTT monopoly and the liberalization of transport tariffs permit increased competition. Similarly, in the livestock sector, with the elimination of the export monopoly held by SOTERA, the simplification of export procedures and taxes, and the liberalization of the import and distribution of veterinary medicines, private sector livestock activities will benefit.

Regarding the development of SMEs and microenterprises, the Government intends to follow a sounder fiscal and budgetary policy in order to promote private investment. This will be achieved by simplifying the access of these enterprises to the advantages of the investment code, and by facilitating their access to bank credit through more attractive interest rates according to the nature of the activity to be financed. In addition, the Government attaches high priority to rehabilitating the Development Bank and creating a guarantee fund, and favors reorganizing OPIT.

Finally, the Government favors the restructuring and/or privatization of public enterprises. The second phase of a study on public enterprises is underway, and steps have been taken to privatize SIMAT and possibly OMVSD.

SIMAT has not been able to play the strategic development role envisaged at its creation, nor provide a public service. SIMAT's poor financial performance was mainly due to the low and erratic pattern of demand by ONDR, resulting in large unsold inventories. The excessive costs of production with respect to the price of the final products resulted in expenditures greater than the value of production in 1988. In addition, its impact on the balance of payments and budget are negative. Thus, the Government has taken steps to privatize it. This action may be accompanied by eliminating ONDR's legal monopoly on the purchase, distribution, and marketing of SIMAT's products, but it does not prevent SIMAT from continuing to utilize ONDR's distribution network. The possibility of opening an outlet in the sudanese zone for cash sales is also being considered.

The OMVSD is in charge of the production, transformation, and marketing of rice in the Saguéti-Déressia area (50,000 ha). Marketing has suffered as OMVSD has been unable to place the product at a better price in the market. The privatization of the entire activities of collection, transformation and marketing of paddy, as well as the construction and maintenance of hydro-agricultural structures, is being considered. The Government, however, would prefer to privatize only the marketing activities, but the final decision will depend on the results of the current study. OMVSD does not play a strategic role within the Government's food security policy. Rice production contributes only marginally to this objective, and farmers have not really benefitted from it. OMVSD's activities of seed multiplication will be relegated to the Ministry of Agriculture, and its entire management has already been renovated.

## 5. CONCLUSIONS AND RECOMMENDATIONS

### 5.1 Conclusions

On the whole, the policy framework seems propitious for execution of the AMTT project. Although many areas need improvement, several actions are contributing to the creation of the appropriate climate for development of a marketing strategy and private initiative: relatively liberal trade policies; a movement toward free market prices; elimination of monopolies; and privatization of public enterprises. In addition several reforms are planned in the fiscal area, the customs code, and the labor code, and the government has stated that reducing illegal road barriers is an objective.

This study identified the following constraints to agricultural marketing:

- o High import tariffs on agricultural tools and chemicals are assessed on private sector imports, whereas public enterprises and government approved projects are exempt from these tariffs.
- o Import tariffs on transport equipment are high, which contributes to the high cost of transport due to the bad condition of the roads and long distances travelled.
- o Although the export tariff is low, many taxes and levies are difficult to administer and licenses are required.
- o Financial institutions deny credit to SMEs and credit demand is low.
- o The process of formalizing a business is complex and costly, and the license tax discourages business expansion.
- o Complex procedures for qualifying businesses for the benefits of the investment code discourage small entrepreneurs.

While the complete elimination of these constraints would improve the development of marketing initiatives, they are not so severe as to prevent the success of the AMTT project.

The issue of high import tariffs on agricultural tools and chemicals is important to the extent that AMTT would support production activities requiring these inputs or production and marketing of tools for which there is a demand in Chad. As a member of UDEAC, Chad cannot unilaterally take any actions to change tariff rates. However, private enterprises can do away with these constraints if they can qualify for the benefits of the investment code, which the AMTT project could assist them to do.

The issue of high import tariffs on transport equipment is similar to the case described above.

The complexity of export taxation and licensing is not very relevant to the

AMTT project, as taxes on agricultural exports are low.

The lack of financing for SMEs is a serious constraint. However, the main reason for this situation, according to bankers, is the lack of sound project proposals due to poor managerial skills. This weakness is precisely what the AMTT project will try to improve, and VITA is already making credit available to SMEs.

The complexity of the process of formalizing a business and the fact that the license tax discourages expansion are negative factors. While these are not a constraint to implementation of the AMTT project, their reform should be taken as a condition to the disbursement of later tranches of the project.

Finally, the complexity of the application approval process for investment code benefits is bothersome, but it is not a serious constraint to project implementation. Its reform, however, should also be addressed as a condition for delivery of later tranches of the project.

## 5.2 Recommendations

The findings of this study suggest that no serious policy constraints exist that would prevent implementation of the AMTT project. Proceeding to the Project Paper (PP) stage is therefore recommended.

The market information system component will fill the great need for information on prices, and actual and forecast production of major commodities, including fruits and vegetables, so that producers and traders can make informed decisions. This information will prompt opportunities for buying and selling which will tend to stabilize prices and farmers' income from region to region. The Bureau de la Statistique Agricole is the most capable institution to coordinate this effort.

The Agribusiness Support Center will provide assistance to producers and traders in formulating feasibility studies and business plans, supplying information on markets, and helping secure financing. The lack of credit availability and apparent lack of demand is attributed to inability of entrepreneurs to present sound business plans. By filling this gap, this component of the project will help the private sector to secure the much needed financial assistance. Agroindustry is practically nonexistent in Chad, and there are ample possibilities for developing several agroindustries. The technology transfer subcomponent will contribute to reducing losses at the farm level and marketing stages, thus reducing costs, which will eventually benefit consumers as well.

It is recommended that the removal of the policy constraints identified above (the complex procedures for formalizing a business and a license tax that discourages expansion, and the complex process of admission to the benefits of the investment code) should be a condition for disbursement of later tranches.

Another recommendation is that a dialogue be initiated with representatives

of the private sector in the Chamber of Commerce to analyze these constraints at the PP stage. The reform of the license tax should be taken as part of the fiscal reform planned for 1991, but an initial dialogue with the Ministry of Finance should commence at the PP stage. In addition, development of an automatic mechanism is recommended to enable businesses/projects sponsored by the AMTT project to qualify for the investment code. Discussions with the Ministry of Commerce and Industry should also commence at the PP stage.

The Market and Policy Analysis component will contribute to broadening the knowledge of the marketing system in Chad. Under this component it is recommended that an additional study be undertaken on market opportunities for Chadian products in neighboring countries, as some trade already occurs, especially in vegetables and sesame. Market prospects for sesame present good opportunities for agrobusiness development. Finally, it is recommended that the impact of parastatal reforms and privatization programs on the incentives and competitiveness of private producers, traders, and processors be included in the study on competition.

**ANNEX I**  
**PERSONS VISITED**

**BIAT**

Mrangaye, Director of Credit

**BUREAU NATIONAL DE FRET**

Oumar Abdoulaye, Director

**CHAMBER OF COMMERCE**

Dingamy Mbao, Chief Public Relations and Documents

**DIRECTION DE DOUANES ET TAXES INDIRECTES**

Doroum Ndouga Goudou, Director General

Gerard Aubin, Advisor to the Director

**FAO**

Dieudonné Koguiyagda, Programs Officer

Acyi Mahamat, Deputy Programs Officer

**FIR**

Sakaoua Abba-Mei, Director

Guelmbang Mougbe Enoch, Technical Advisor

Joel Louapambet, Economic Advisor

**GESTION TRANSPORT ET SERVICE**

Koulamallah Souradj, Director General

Mahamat Nour Salah, Executive Director

Oumar Adoum Ali, Financial Director

**MINISTRY OF AGRICULTURE**

Abdelwahid Cherif, Director General

Ngardmillet Michel, Acting Director

**MINISTRY OF COMMERCE AND INDUSTRY**

Tchoroma Matalama, Director of Commerce

Daonda Tabanda, Chief Foreign Trade Division

Vissia Bouranga, Chief Interior Trade Division

Ousmane Matar Breme, Chef de Service du Controle Economique

**MINISTRY OF FINANCE**

Mahayadine Salah, Director General

**MINISTRY OF PLANNING AND COOPERATION**

Mariam Mahamat-Nour, Directrice de la Planification, du Développement et de la Reconstruction

**ONADEH**

Dabi Mavissoumi, Director  
Abderamane Oudah, Chief Marketing Division

**ONDR**

Djibael, Director General  
Djim N'gaba Tchere, Chief Analysis and Programming Division  
Boubakau Hamadou, Coordinator Sudanian Zone

**ONC**

Nadoumabe Yamadjita, Chief Marketing Division

**OPIT**

Mahamat Bahradine Oumar, Director

**SODELAC**

Ousmane Nour Elemi, Financial and Administrative Director

**UNACOT**

Abdoulaye Djonouma, Secretary

**UNDP**

Mahadev Jalem, Deputy Resident Representative  
Marc Riehl, Programs Director  
Haroum Mahamat Abdoulaye, Coordinator Emergency Aid

**USAID**

Bernard Wilder, AID Representative  
Paul Morris, Program Economist  
William Deese, Project Development Officer  
Kurt Fuller, Agricultural Development Officer  
Leslie McBride, Senior Adviser  
Paul Laoubara Nadjidjim, Food for Peace Liaison Assistant

**VITA**

Robert Reitemeier, Director  
Alhadji Abakaba, Loan officer

**WORLD BANK**

Etienne M. Alingué, Chargé de Programme

**OTHER**

George Butler, AID Consultant  
Abdoulaye Djonouma, Directeur Général de la Société Commerciale du Chari et Logone  
Ahmat Mahamat Guedi, Manager, Société de Commerce General Import-Export (SOCOGIM)  
Faka Kabe, Transporter  
Mahamat Béchir, Vegetable Trader, Central Market  
Alhadj Ali Adam, Wholesaler at Central Market, President Association of Onion Traders  
Adoum, Transporter



DIRCOM

(/ISA : S.G.G/)

( ) ORDONNANCE N° OII /PR/90

Direction Générale du Ministère  
de l'Économie du

Enregistré sous le N° 9.572/5.8  
N'Djaména le 19/04/90

PORTANT MODIFICATION DE LA LOI N° 30 DU  
28/12/68 RELATIVE AUX PRIX, AUX INTERVEN-  
TIONS ECONOMIQUES ET A LA REPRESSION DES  
INFRACTIONS ECONOMIQUES.

LE PRESIDENT DE LA REPUBLIQUE,  
CHEF DE L'ETAT,  
PRESIDENT DU CONSEIL DES MINISTRES.

- (/U la Constitution de la République ;
- (/U le Decret n° 44/PR/CAB du 3/3/89 et n° 812/PR/CAB/89 portant remaniements Ministériels ;
- (/U la Loi n° 30/68 du 28/12/68 relative aux prix, aux interventions économiques et à la repression des infractions économiques.

( ) RDONNE

ARTICLE 1er/ - Les dispositions de la Loi 30 du 28 Décembre 1968 relative aux prix, aux interventions économiques et à la repression des infractions économiques touchant à la fixation des prix par des marges bénéficiaires ou de taux de marge, notamment l'annexe 1 du Decret n° 105 du 18 Juin 1963 sont abrogées.

ARTICLE 2/ - Les produits fabriqués par les Sociétés sous régime de convention d'Etablissement ainsi que les produits pétroliers et pharmaceutiques demeurent soumis au contrôle.

ARTICLE 3/ - La présente Ordonnance prend effet pour compter de la date de sa signature et sera enregistrée et publiée au journal officiel./.

FAIT A N'DJAMENA, LE 17 Avril 1990

*A Claret  
le 23.04.1990  
mu*

--- AL-HADJ HISSEIN HABRE

MINISTRE DES TRANSPORTS ET DE  
L'AVIATION CIVILE

DIRECTION GENERALE

Arrivé le... 24... 90...  
Scus le n°... B.N.F....

ARRETE MINISTERIEL N° 011 /MTAC/DG/89  
Fixant une FOURCHETTE INDICATIVE DE TARIFS  
TRANSPORT PUBLIC DE MARCHANDISES ET PRODUITS

LE MINISTRE DES TRANSPORTS ET DE L'AVIATION CIVILE

- (/u l'Acte Fondamental de la République;
- (/u le Décret n° 025/PCE/SGCE/82 du 18 Octobre 1982, portant publication de l'Acte Fondamental ;
- (/u le Décret n° 044/PR/CAB/89 du 03 Mars 1989, portant remaniement du Gouvernement;
- (/u le Décret n° 76/PR/MT du 14 Avril 1983 portant organisation des Transports Terrestres et Réglementation de la profession des Transporteurs, notamment en son article 7 ;
- (/u les nécessités d'une libéralisation de la politique des tarifs de transport public des marchandises et produits au Tchad.

ARRETE

Article 1/ - Les produits et marchandises soumis au transport public sont classés selon les catégories ci-après:

- Classe 1: Coton et sous-produits(engrais, insecticides, etc...),
- Classe 2: produits de première nécessité(sucre, sel, farine, huile de table, céréales, savon, lait, etc...),
- Classe 3: Aides alimentaires sous toutes leurs formes,
- Classe 4: Matériaux de construction(ciment, tôles, fer à béton, bois, etc...),
- Classe 5: Conteneurs,
- Classe 6: Matériel nécessitant un transport spécial(Egins T.D.),
- Classe 7: Hydrocarbures,
- Classe 8: Gala,
- Classe 9: Divers.

Article 2 : Les tarifs de transport de ces marchandises et produits sur les principaux axes internationaux et sur l'ensemble du réseau routier national sont remplacés par une fourchette indicative de tarifs fixée comme ci-après et valable pendant une durée d'un an.

Article 3 : La fourchette indicative doit se concevoir comme constituant un guide dans la négociation entre le chargeur et le transporteur, lesquels restent totalement libres le cas échéant de s'entendre sur un prix hors fourchette.

I - AXES INTERNATIONAUX

A - <u>AXE CAMEROUN</u>	Tarif minimum	Tarif maximum
1 - CAMEROUN - N'DJAMENA		
Classes 1, 2, 3	25 FCFA/TKm	44 FCFA/TKm
Classe 4	27 " "	47 " "
Classe 5 (aller/retour)	40 " "	69 " "
Classe 6	831 "/Km roulé	1448 "/Km roulé
Classe 7	19 "/M3Km	60 "/M3Km
Classe 8	26 "/TKm	45 "/TKm
Classe 9	24 "/TKm	51 "/TKm

2 - CAMEROUN - SUD TCHAD

Classes 1, 2, 3, 4 et 9	25 FCFA/TKm	44 FCFA/TKm
Classe 5 (aller/retour)	40 " "	69 " "
Classe 6	831 "/Km roulé	1448 "/Km roulé
Classe 7	19 "/M3Km	60 "/M3Km
Classe 8	26 "/TKm	45 "/TKm

B - AXE NIGERIA

N'DJAMENA - NIGERIA et NIGERIE - SUD TCHAD

Classes 1, 2, 3 et 4	14 FCFA/TKm	35 FCFA/TKm
Classe 6	533 "/Km roulé	1300 "/Km roulé
Classe 7	15 "/M3Km	43 "/M3Km
Classe 9	16 "/TKm	40 "/TKm

.../...

C - AXE REPUBLIQUE CENTRAFRICAINE

RCA - SUD TCHAD et RCA - NIGER JAMENA

Classes 1, 2 et 3	23 FCFA/TKm	44 FCFA/TKm
Classe 4	25 " "	47 " "
Classe 6	772 "/Km roulé	1448 "/Km rou
Classe 7	19 "/M3Km	60 "/M3Km
Classe 8	24 "/TKm	45 "/TKm
Classe 9	27 "/TKm	51 "/TKm

II - AXES INTERIEURS

A - <u>ZONE I</u>	Tarif minimum	Tarif maximum
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BET - KANEM - LAE

Classes 1, 2, 3, 4 et 9	53 FCFA/TKm	118 FCFA/TKm
Classe 7	41 " "	118 " "
Classe 8	35 " "	77 " "

B - ZONE II

CHARI BAGUIMI - BACHA - GUERA - OUADDAI - BILTINE - SALAMAT

Classes 1, 2, 3, 4 et 9	27 FCFA/TKm	66 FCFA/TKm
Classe 5 (aller/retour)	27 " "	66 " "
Classe 7	25 "/M3Km	71 "/M3Km
Classe 8	22 "/TKm	52 "/TKm

.../...

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C - ZONE III

MAYO-KESSI - TANDJILE - LOGONE OCCIDENTAL - LOGONE ORIENTAL - MOYEN CHARI.

- Classes 1, 2, 3, 4 et 9	22 FCFA/Tkm	51 FCFA/Tkm
- Classe 5 (aller/retour)	28 " "	66 " "
- Classe 7	21 FCFA/MS/km	60 FCFA/MSkm
- Classe 8	19 "/Tkm	45 "/Tkm.

ARTICLE 4/- Les tarifs indiqués ci-dessus s'entendent hors toutes taxes.

ARTICLE 5/- Le présent Arrêté prend <sup>effet</sup> à compter de la date de sa signature et abroge l'Arrêté n° 07/MI/DF du 16 juin 1984 qui fixe les Tarifs des Transports publics des marchandises au Tchad.

Fait à N'Djamena, le 18/11/89

Le Ministre du Commerce  
et de l'Industrie

Le Ministre des Transports  
et de l'Aviation Civile



AMOS NGOLENGA



Le Général DUBRIL RENNE DJOGO