Chad

2011

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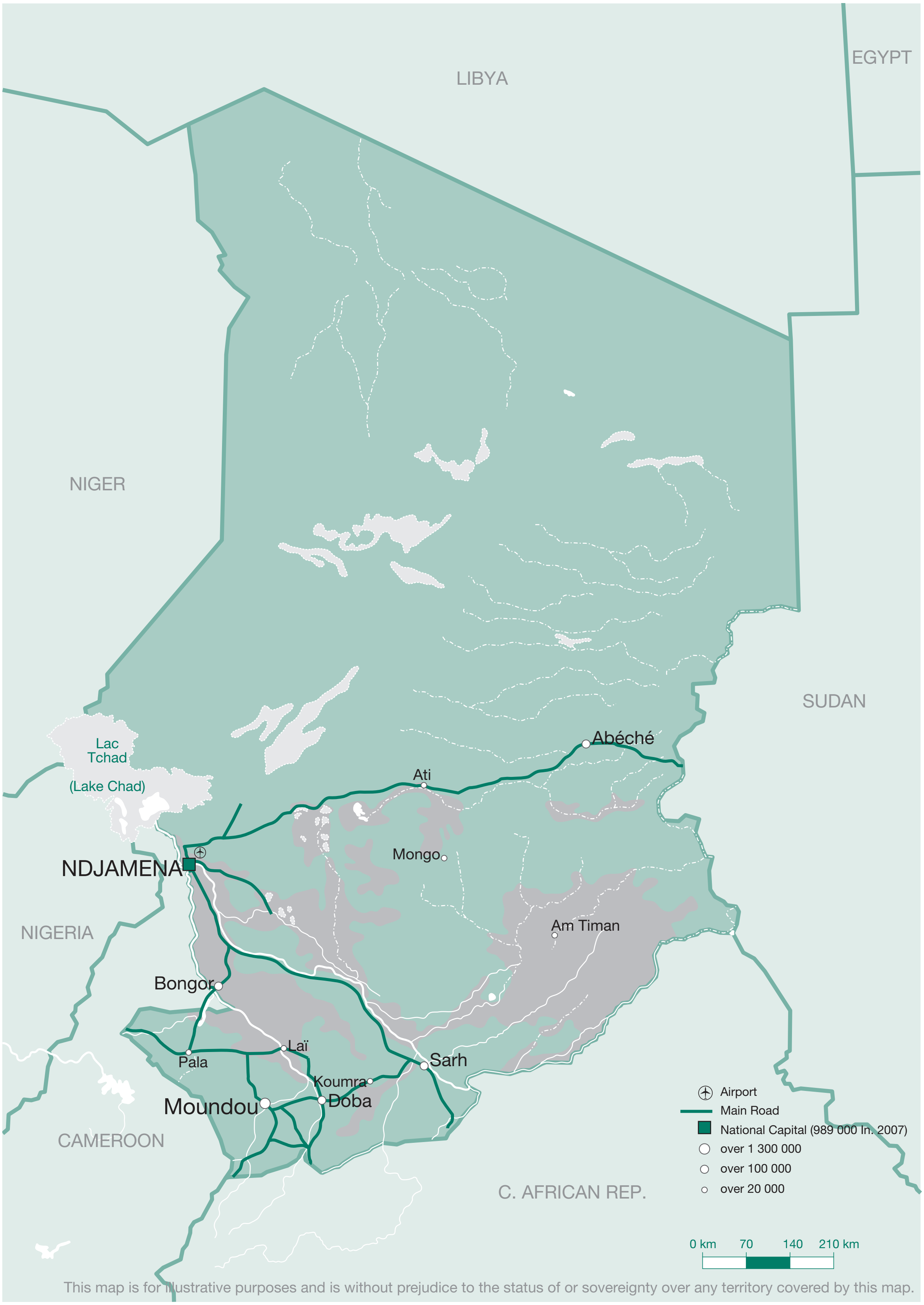
LIBYA
EGYPT
NIGER
SUDAN
Lac
Tchad
(Lake Chad)
Abéché
Ati
Mongo
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Am Timan
Bongor
Laï
Pala
Sarh
Koumra
Moundou
Doba
CAMEROON
C. AFRICAN REP.
Airport
Main Road
National Capital (989 000 In. 2007)
over 1 300 000
over 100 000
over 20 000
0 km
70
140
210 km
This map is for illustrative purposes and is without prejudice to the status of or sovereignty over any territory covered by this map.

Chad

Overview

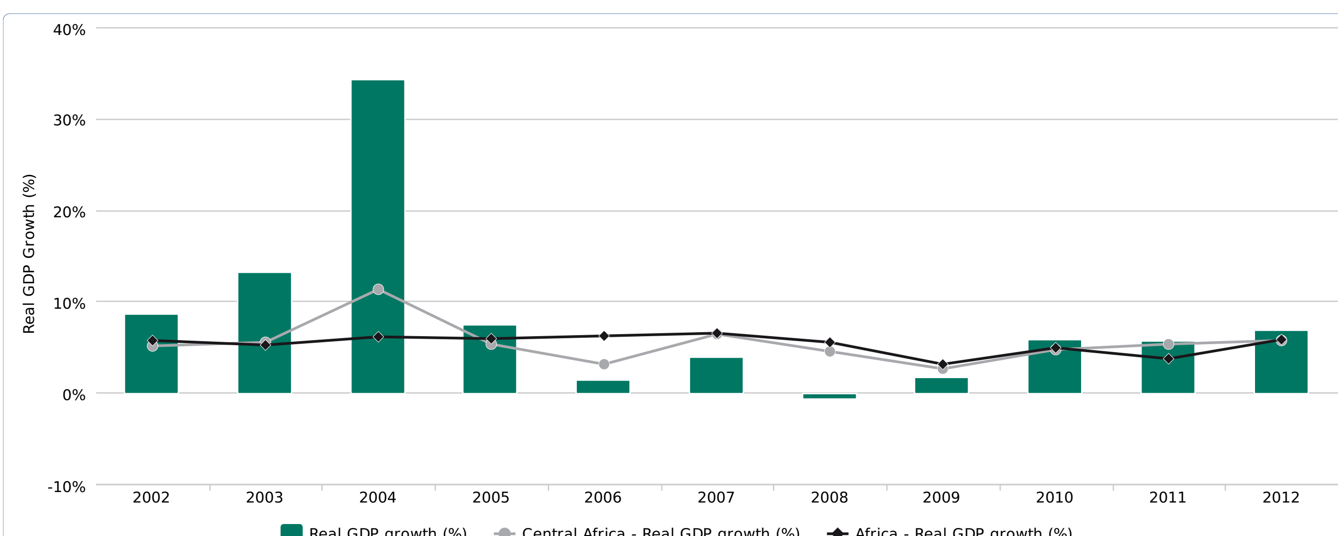
The economy did fairly well in 2010, growing an estimated 5.9% (up from 1.7% in 2009), with the better security situation a key. Growth was also driven by external factors such as higher world oil prices. The oil sector advanced by only 0.3% however, while the non-oil sector expanded strongly (6.4%, against 3.3% in 2009). As world demand picks up and construction and oil sector investment continues, overall growth is expected to be 5.7% in 2011 and 6.9% in 2012. Inflation fell sharply to 0.6%, from 10.1% in 2009. Public finance management was problematic due to poorly planned investment spending (based on domestic funding) which widely overshot budget limits and increased the primary non-oil deficit to 28.4% (up from 25.1% in 2009). Healthy oil prices substantially improved the external position and strong growth of goods exports (+33.8%) and foreign direct investment (FDI) in the oil sector (+36.8%) reduced the current account deficit to 12.8% of gross domestic product (GDP) (from 16.9% in 2009).

After decades of fighting, Chad has been fairly peaceful for the past two years due to concerted dialogue inside and outside the country. Presidential, parliamentary and local elections are due in early 2011. The government is also normalising ties with Sudan through a peace agreement and creation of a joint force to patrol the shared border. With civil peace being consolidated, the biggest challenge now is environmental, from the advancing desert and the drying-up of Lake Chad, which could harm the nation's health, damage agriculture, increase poverty and threaten the peaceful cohabitation of farmers and the nomadic population.

Despite progress in 2010, social indicators are still far below those elsewhere in sub-Saharan Africa. The second national household consumption and informal sector survey ECOSIT 2 (*Enquête sur la Consommation des Ménages et le Secteur Informel au Tchad*) showed 55% of people were poor, 87% of them in the countryside. The government aims to reduce the national rate to 41.3% in 2011 – 20.4% in urban areas (from 24.6% in 2003) and 44% in rural areas (58.6% in 2003).

Partnership with emerging countries is mostly with China and India and focuses on areas of the economy neglected by traditional partners. Though Chad produces oil, neither country seems to be interested in its raw materials, and the partnerships are based on FDI, diplomacy, investment in production facilities and to a lesser extent on Chad importing their goods. The tie-up with China is also part of Beijing's efforts to marginalise Chinese Taipei's presence in Africa, while India has a long-term continental strategy and seeks markets.

Figure 1: Real GDP growth (C)



Source: IMF and local authorities' data; estimates and projections based on authors' calculations.

Figures for 2010 are estimates; for 2011 and later are projections.

StatLink http://dx.doi.org/10.1787/888932403933

Table 1: Macroeconomic indicators

	2009	2010	2011	2012
Real GDP growth	1.7	5.9	5.7	6.9
CPI inflation	10.1	0.6	3.1	3.2
Budget balance % GDP	-9.8	-12.5	-9.1	-8.5
Current account % GDP	-16.9	-11.3	-9.5	-9.4

Source: National authorities' data; estimates and projectionss based on authors' calculations.

Figures for 2010 are estimates; for 2011 and later are projections.

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Recent Economic Developments and Prospects

Table 2: GDP by sector (in percentage)

	2005	2010
Agriculture, forestry, fishing & hunting	21.2	20.7
Agriculture, livestock, fishery, forestry and logging	-	-
of which agriculture	10.8	9.7
of which food crops	-	-
Mining and quarrying	46	37.4
Mining, manufacturing and utilities	-	-
of which oil	-	-
Manufacturing	5.9	5.8
of which hydrocarbon	-	-
Electricity, gas and water	0.3	0.3
Electricity, water and sewerage	-	-
Construction	1	1.5
Wholesale and retail trade, hotels and restaurants	11.6	13.1
of which hotels and restaurants	-	-
Transport, storage and communication	1.8	2.2
Transport and storage, information and communication	-	-
Finance, real estate and business services	-	-
Financial intermediation, real estate services, business and other service activities	-	-
General government services	6.9	11
Public administration & defence; social security, education, health & social work	-	-
Public administration, education, health	-	-
Public administration, education, health & other social & personal services	-	-
Public administration, education, health & social work, community, social & personal services	-	-
Public administration, education, health & social work, community, social services	-	-
Other community, social & personal service activities	-	-
Other services	5.1	7.9
Gross domestic product at basic prices / factor cost	100	100

Source: AfDB Statistics Department based on data from Ministry of Economy and Planning / INSEED.

Figures for 2010 are estimates; for 2011 and later are projections.

StatLink http://dx.doi.org/10.1787/888932407258

The economy did fairly well in 2010, growing an estimated 5.9% (up from 1.7% in 2009), with the better security situation a key. For once there was no armed conflict in the country and the government tried to make up for lost time in several areas, including basic infrastructure, which significantly boosted growth (also spurred by higher world oil prices). Sparse rainfall and a bad 2009/10 harvest, which caused a food crisis, was offset by 7.2% growth in the non-oil sector (up from 3.3% in 2009). New investment produced modest oil sector growth of 0.6% (after a 5.8% contraction in 2009). As world demand picks up and construction, agriculture and oil sector investment continues, overall growth is expected to be 5.7% in 2011 and 6.9% in 2012, driven mostly by the non-oil sector, with growth rates of 6.8% in 2011 and 7.4% in 2012.

The primary sector was 58.1% of GDP in 2010, with the economy's centrepiece, oil, 37.4% of the sector, agriculture 9.7% and livestock 8.7%. The sector grew 3.6% in the year (after contracting 3.8% in 2009), helped by recovery from the previous bad harvest and investment to increase agricultural production. Oil output was practically the same as 2009, with 0.0% growth (better than the 5.8% drop in 2009) due to persistent water in deposits and lower pressure in oilfields. Despite a new refinery starting up soon, oil production will fall 1.1% in 2011 and 3.6% in 2012. With oil so dominant, the primary sector is expected in turn to shrink 3.3% in 2011 and 2.6% in 2012.

The secondary sector provided only 7.7% of GDP in 2010, reflecting the country's low level of industrialisation, but grew 6.8% (after contracting 0.2% in 2009), largely owing to more construction (up 21.2%, from 20.7% in 2009) as government and private investors responded to big demand for basic equipment. The oil industry sub-sector grew 11.1% thanks to major investment and maintenance.

The secondary sector is forecast to grow a robust 21.4% in 2011 and 15.8% in 2012, based on the opening in June 2011 of Chad's first oil refinery, with an annual capacity of 1 million tonnes of crude, and on a national supply boost of 20mW of electricity from the refinery's self-service power plant by its builders, the China National Petroleum Corporation (CNPC).

The tertiary (services) sector was 34.2% of GDP in 2010 – mainly commerce (13.1% of GDP) and government services (11%) – and was the fastest growing sector, at 7.4% (7.3% in 2009), thanks to buoyancy of transport and telecommunications and good performance of other sub-sectors. Government services growth was 12.6% in 2010 (up from 3.6% in 2009) because of the return of government services with the improved security situation. Commerce also expanded for the same reason.

Final traded consumption grew 3.2% with recovery of agricultural production and a robust private sector and final non-traded consumption increased 4.9% as a result of higher public spending. Gross fixed capital formation grew 11.4% (10.9% in 2009), mainly because of substantial investment in the public and oil sectors, and for the second year running investment showed the biggest growth among factors of production. Imports were up 2.7% because of more equipment purchases for major infrastructure and sanitation work nationwide, and especially in N'Djamena, connected with the country's 50th anniversary of independence celebrations. Goods and services exports were in step with those of oil, which fell in real terms.

With overall growth expected to be 5.7% in 2011 and 6.9% in 2012, the economy appears set to keep the pace of development established in 2010. But these figures could be seriously undermined by the heavy 2011 electoral calendar (presidential, parliamentary and local elections) which could involve unrest and, as at such times, governmental inertia. The weather (such as recent drought followed by floods, as in other Sahel countries) could also ruin future harvests. Other major obstacles to economic growth are structural, including the poorly functioning legal system and consequent timidity of banks, unreliable water and electricity supply and weak logistics and transport in remote areas. Outside forces are also a big threat, with the country at the mercy of world prices for its oil (an expected third of its GDP in 2011 and 2012), lingering effects of the world recession and, most recently, the European debt crisis.

Table 3: Demand composition

	Percentage of GDP (current price)		Percentage changes, volume			Contribution to real GDP growth		
	2002	**2009**	**2010**	**2011**	**2012**	**2010**	**2011**	**2012**
Gross capital formation	74.7	18.7	11	4.7	1.6	2.4	1.1	0.4
Public	7.5	5.2	25	5	3	1.5	0.4	0.2
Private	67.2	13.4	5.4	4.5	1	0.9	0.7	0.2
Consumption	121.8	73.7	3.9	9.9	8.4	3	7.5	6.6
Public	51.3	28	2.7	14.7	7.5	0.7	4	2.2
Private	70.5	45.7	4.6	7.2	8.9	2.3	3.6	4.5
External sector	-96.5	7.6	-	-	-	0.5	-2.9	-0.1
Exports	22.7	48.4	7.1	5.8	8.1	3.2	2.6	3.7
Imports	-119.2	-40.8	6	12.6	8	-2.7	-5.6	-3.8
Real GDP growth rate	-	-	-	-	-	5.9	5.7	6.9

Sources: AfDB Statistics Department based on data from national authorities; estimates (e) and projections (p) based on authors' calculations.

Figures for 2010 are estimates; for 2011 and later are projections.

StatLink http://dx.doi.org/10.1787/888932408227

Fiscal Policy

Despite much higher revenue, major imbalances persisted in government finances in 2010 because of an expansionist budget policy to meet strong demand for civil and military equipment and social action, as the country celebrated its 50th independence anniversary.

Budget revenue increased to XAF 969.8 billion (CFA Francs BEAC), 48% more than 2009 (XAF 655.2 billion), because of higher prices for oil exports, which contributed 65.4% of the total (48.8% in 2009), with the non-oil sector providing 24.6% (down from 51.2% in 2009).

Expenditure rose 19.2%, to XAF 1 176.5 billion (986.9 billion in 2009), because of a 96.9% increase in transfers and subsidies (14.2% of non-oil GDP), spending on the independence anniversary and preparations for the 2011 elections, dealing with a national food crisis in mid-year and spending on security with the departure of the UN peace mission MINURCAT. Investment spending (up 8.7% and 40.6% of the total) also contributed to the sharp increase and rose more than any other heading, by 44.2%, to XAF 349 billion (from 242.10 billion in 2009) and was 14.1% of non-oil GDP (3.4 percentage points more than in 2009).

This spending in excess of revenue (and also outside the budget) put great pressure on public finances management, despite higher oil revenue, and the primary deficit worsened to 11.5% of GDP (from -9.2% in 2009) and the overall deficit to 12% (-9.8% in 2009). The shortfall was mainly funded by accumulating domestic arrears of XAF 102 billion, by advances to the treasury by the central bank (XAF 67.1 billion) and commercial banks (XAF 25.4 billion), use of XAF 50.4 billion in reserves with the Bank of Central African States (BEAC) and external borrowing.

This deficit spending is a serious risk to management of public finances, as dwindling central bank reserves and the large amount of credit issued by banks reduce the ability to adjust to internal and external shocks. Because of this, Chad gets no public development aid (PDA) budget support and has no formal programme with the International Monetary Fund (IMF).

Despite government promises to correct the situation, 2011 will bring major challenges in the shape of a big public finances imbalance because of persistent extra-budgetary spending, higher election and post-election spending and relatively light taxation of the non-oil sector. Total revenue in 2011 is expected to be XAF 992.8 billion (20% of GDP), with non-oil revenue 8.3% of GDP.

The medium-term expenditure framework (MTEF) for 2012-13 foresees primary non-oil deficits of 21.8% of GDP in 2011, 15.2% in 2012 and 13.3% in 2013. These large deficits and the government's energetic investment policy to meet social demands clearly shows that budget policy will be expansionist, but its sustainability remains worrying since the country has exhausted its oil revenue surplus reserves with the central bank.

Chad does not have a special "future generations" fund to manage oil revenue but has an agreement with the World Bank to earmark two-thirds of its oil revenue for priority poverty-reduction programmes and to support the independent body monitoring use of oil revenue.

Tax collection remains poor, with the non-oil sector tax burden 11.8% in 2010 (12% in 2009) – low compared with countries with similar economic structure – because of heavy dependence on oil revenue and weakness of the taxation authorities after decades of war. The government plans to increase the tax burden to 14% by 2013 by strengthening the customs and taxation departments, reducing exemptions, reviving the Sydonia computerised customs system for tracing, calculating and collecting duties, computerising the treasury and amending the tax and investment laws to improve the business climate.

The country's external debt is quite small, at 26.9% of GDP in 2010 (USD 2.1 billion) (versus 27.9% or USD 1.9 billion in 2009) and its nominal growth here is due to borrowing for budgetary spending and for the government's 40% stake in the Djarmaya oil refinery. The internal debt rose sharply in 2010 because of the government's debts to the central bank and its failure to make scheduled repayments. But overall public debt, at 28% of GDP, is well below the 70% limit set by the Central African Economic and Monetary Community (CEMAC).

Table 4: Public finances (percentage of GDP)

	2002	2007	2008	2009	2010	2011	2012
Total revenue and grants	19.1	23.8	27.7	19.4	20	20.5	20.5
Tax revenue	8.6	5.5	5.3	7.1	6.7	6.6	6.2
Oil revenue	1.1	16.5	20.6	8.4	10.5	11.2	11.5
Grants	-	-	-	-	-	-	-
Other revenues	0.8	0.4	0.2	0.5	0.5	0.5	0.5
Total expenditure and net lending (a)	26.9	21.4	23.2	29.3	32.5	29.6	29
Current expenditure	12.9	13.6	16.2	18.8	17.4	18.5	18.4
Excluding interest	11.7	13.2	15.9	18.1	16.9	18	18
Wages and salaries	4.6	4.5	4.9	5.9	5.6	5.5	5.4
Goods and services	3.1	2.4	2.5	3.3	3.1	3.4	3.4
Interest	1.2	0.4	0.3	0.6	0.5	0.4	0.3
Capital expenditure	14	7.2	7.9	10.5	11.6	11.1	10.5
Primary balance	-6.6	2.8	4.8	-9.2	-12	-8.7	-8.1
Overall balance	-7.8	2.5	4.5	-9.8	-12.5	-9.1	-8.5

a. Only major items are reported.

Sources: AfDB Statistics Department based on data from national authorities; estimates (e) and projections (p) based on authors' calculations.

Figures for 2010 are estimates; for 2011 and later are projections.

StatLink http://dx.doi.org/10.1787/888932409196

Monetary Policy

Chad is a member of CEMAC and its monetary policy is set and implemented by the BEAC, which does the same for all member countries, as well as issuing currency and guaranteeing its stability, conducting exchange operations, holding and managing member states' exchange reserves and ensuring the common payments system operates well. BEAC's monetary policy focuses on curbing inflation and maintaining the fixed parity of the CFA franc (XAF) and the euro, using indirect instruments such as refinancing and obligatory reserves to control expansion of the money supply.

Chad's monetary policy in 2010 accommodated an expansive budgetary programme routinely using statutory advances to the treasury from the central bank that soared a record 141.9%, from XAF 62.0 billion in 2009 to XAF 149.9 billion in 2010. This increased the banking system's net internal assets by 60.3%, mainly to fund government operations to the detriment of the rest of the economy. Net external assets continued to fall (by 34.9% in 2010), reflecting the shrinking exchange reserves, but with oil prices and revenue rising, it was less than the 56.6% drop in 2009. The big increase in loans to the government, along with the fall in net external assets, caused an 11.8% growth of the money supply, well below the nominal GDP growth of 16.5% and in step with inflation. In 2010, inflation declined from 8% in January to 0.7% in July and finished the year at 0.6%, against the 10.1% at the end of 2009. This drop was caused mainly by the acute food shortage in 2009 being followed by a good harvest in 2010. Funding of the budget deficit by the central bank had little effect on inflation because the money largely came from Chad's reserves with the BEAC.

The BEAC predicts that money supply will continue to grow (9.1%) in 2011-12 owing to consolidation of net external assets and fewer loans to the government as part of reducing the treasury's debt to the banking system. Unless bad weather spoils the harvest, inflation should continue to fall, to an average of 3% at the end of this period, in line with CEMAC's convergence criteria.

External Position

Higher oil prices in 2010 greatly boosted the country's external position, with 33.8% growth in goods exports and a strong 36.8% increase in oil sector FDI, and reduced the overall balance of payments deficit to 2.4% of GDP (from 10.8% in 2009).

Goods exports were 44.4% of GDP in 2010, 90% of them oil, which increased 50.6% mainly because of a rise in price of Chadian crude to USD 72 a barrel (from USD 52.8 in 2009), even though actual output fell slightly to 42.7 million barrels (from 43.1 million in 2009) because of geological problems. All export items did well apart from cotton fibre, which was down 18% (despite a 45% world price increase) mainly owing to management problems at the state firm *CotonTchad,* which holds the monopoly on all export sales.

Goods imports were 27.7% of GDP (up 0.4% on 2009). Purchases of most items declined sharply because of the fall of the euro (to which the CFA franc is pegged) against the US dollar despite strong demand for equipment. But services imports rose 28.7%, mainly due to robust government demand tied to major construction projects begun during the year and increased demand (12.4%) in oil sector construction and maintenance.

The current account deficit narrowed to 12.8% of GDP in 2010 (from 16.9% in 2009). The overall deficit of XAF 97.3 billion (2.4% of GDP) was funded mostly by the country's external reserves, which by the end of 2010 were sharply down to only 1.1 months of goods and services imports (from 1.7 months at the end of 2009). The current account deficit was expected to shrink further (to 9% of GDP) in 2011-12 and the overall deficit was forecast to turn into a 2% of GDP surplus. The steady decline in oil output may be amply compensated for by higher oil prices and the revival of cotton production. With the opening of an oil refinery and a cement factory, finished goods imports are expected to drop significantly, thus improving the external account.

The country's better external position, thanks to higher oil prices in 2010, also improved the debt situation and despite a 7.9% nominal increase to USD 2.1 billion at the end of 2010 (26.2% of GDP, against 27.9% in 2009), the ratio of debt to goods and services exports was much better, improving to 2.0 (from 3.1 in 2009). Debt service also fell to 4.4% of budget revenue, half the 2009 figure. Revenue forecasts for 2011-12 depend on oil prices (external factors), so budget policy adjustments are the only tool the government has to keep the external debt viable. Hence the importance of tackling poor budget management, keeping to the rules about soft loans, starting talks for an agreement with the Bretton Woods institutions and, ultimately, reaching completion point under the Heavily Indebted Poor Countries (HIPC) Initiative.

Table 5: Current account (percentage of GDP)

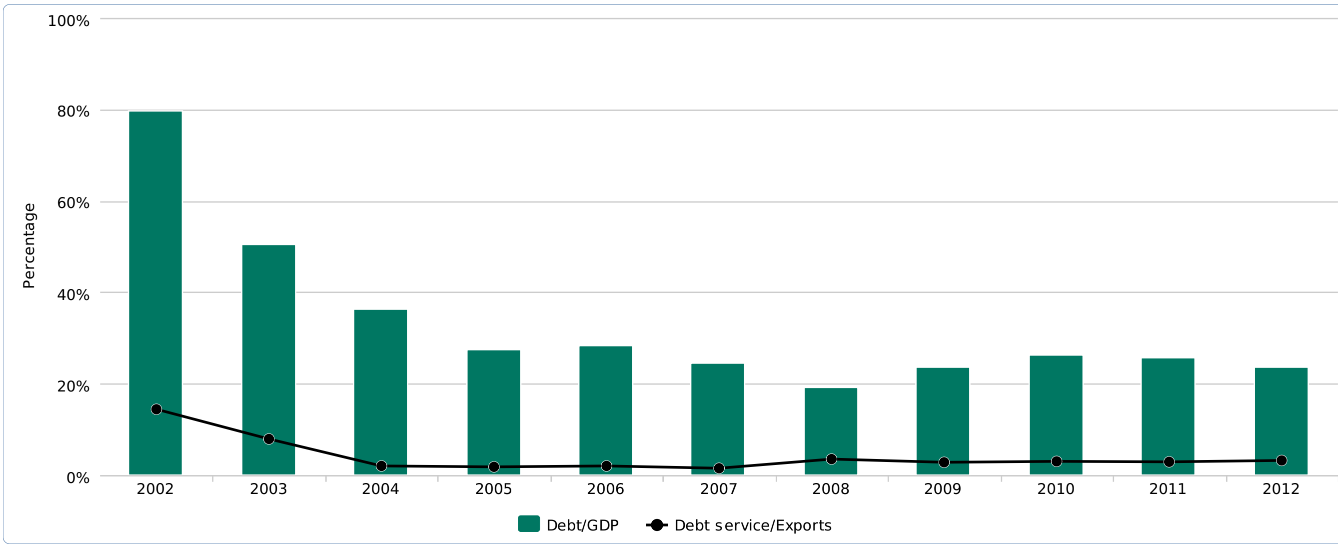
	2002	2007	2008	2009	2010	2011	2012
Trade balance	-86	26.2	28.8	5.1	12.3	12.7	13.1
Exports of goods (f.o.b.)	12.1	51.5	51.5	36.9	45.8	48.6	49.7
Imports of goods (f.o.b.)	98	25.2	22.7	31.7	33.5	35.9	36.6
Services	-39.4	-26.3	-22.9	-26.7	-26	-25.6	-25.5
Factor income	-3.9	-11.1	-8.7	-2.8	-2.4	-2.2	-2.1
Current transfers	5.7	7.6	6	7.5	4.8	5.6	5.2
Current account balance	-123.6	-3.6	3.2	-16.9	-11.3	-9.5	-9.4

Sources: AfDB Statistics Department based on data from Central Bank (BEAC); estimates (e) and projections (p) based on authors' calculations.

Figures for 2010 are estimates; for 2011 and later are projections.

StatLink http://dx.doi.org/10.1787/888932410165

Figure 2: Stock of total external debt (percentage of GDP) and debt service (percentage of exports of goods and services)



Source: IMF and local authorities' data; estimates and projections based on authors' calculations.

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StatLink http://dx.doi.org/10.1787/888932403933

Structural Issues

Private Sector Development

The business climate did not improve in 2010 and Chad was still ranked 182nd out of 183 countries by the World Bank's 2011 *Doing Business* report on "Ease of starting a business". The time needed to set one up was 75 days, compared with an average 45.2 in the rest of sub-Saharan Africa and the number of procedures required was 13, above the regional average of 8.9. Annual tax on a firm's profits was 31.3% (regional average 23.1%) and the cost of importing and exporting goods about three times higher than the rest of the region. Property rights and business law are entrenched in the Ohada (Organisation for the Harmonisation of Business Law in Africa) rules that Chad ratified in 1996 but enforcement of them is hard in the country's dysfunctional legal system. The private sector is also up against weak basic infrastructure and public services. Decades of war have seriously undermined the road network and energy supply, which is aggravated by landlocked Chad's capital being more than 1 000 kilometres from the nearest port, Douala (Cameroon).

The government stepped up efforts begun in 2009 to remedy the situation by investing much more (40.6% of all public spending) in 2010, adopting a charter to improve the business climate and opening a one-stop shop to handle all formalities for setting up a business (involving taxes, customs, the justice and trade ministries and the social security department). The government also plans in 2011-12 to amend the investment and tax laws. It is already committed to such reforms under its 2008-11 SNRP II poverty-reduction programme (*Stratégie nationale de réduction de la pauvreté deuxième génération*), but a May 2010 IMF report said political will to reform was still insufficient.

Like other CEMAC countries, Chad's machinery for payments and reporting on credit remains inadequate. The country has eight banks (Banque Agricole et Commerciale, Banque Commerciale du Chari, Commercial Bank Tchad, Ecobank Tchad, Société Générale Tchadienne de Banque, Financial Bank Tchad, Banque Sahélo-Saharienne pour l'Investissement et le Commerce au Tchad and Union Bank of Africa). The system is vulnerable because of lack of depth, high credit concentration, under-capitalisation of some banks and insufficient on-the-spot supervision. The regional bank-monitoring authority, COBAC, plans to step up inspection to reduce such risks.

Bank credit to the private sector rose to XAF 236.0 billion in 2010 (from 204.1 billion in 2009), a net increase of XAF 31.9 billion, while the government received a larger net sum of XAF 87.9 billion from the banks. The banking system has only 21 counters, with a total USD 33 million available, making the country one of the smallest and least capitalised systems of the CEMAC countries. The ratio of credit to the economy to GDP was about 0.6% in 2010 (0.7% in 2009), showing the problem of getting loans, especially for investment, which is caused by the nature of deposits (often short-term), the weak legal system and eviction of the private sector by the treasury.

Other Recent Developments

As civil peace takes root, the government continues restoring its writ over the country. In parallel, the decentralisation process launched in 2009 is ongoing, but some state bodies have serious equipment and staffing problems. The government reorganised the water and electricity company in May 2010, replacing the old *Société Tchadienne d'Eau et d'Electricité* (STEE) with two private firms, the *Société Nationale d'Electricité* (SNE) and the *Société Tchadienne des Eaux* (STE), on the advice of the country's technical and financial partners, to improve access to these services and strengthen governance. The government continued privatising in 2010, selling 60% of the telecoms firm *Sotel-Chad (Société Nationale des Télécommunications)* to a subsidiary of a Libyan investment fund, Libyan African Investment Portfolio (LAP), which said it would invest XAF 50 - 100 billion.

The government continued upgrading the country's roads, begun in 2009, and as part of the 50th anniversary celebrations improved streets and sanitation in all major towns, which greatly increased supply of basic services. The new Djarmaya refinery will provide N'Djamena with 20 mW of electricity. Major clean-water projects in villages are under way to achieve national coverage of 44.7% in 2010. The Central Africa Backbone project linking Chad, the Central African Republic (CAR) and Cameroon and funded by the World Bank and others, was launched in 2010 and will boost the spread of information and communication technology (ICT) and help Chad and the CAR overcome being landlocked.

Chad's economy is still heavily dependent on oil, which was 65.4% of government revenue in 2010 and 90% of export earnings. The country is in the process of joining the Extractive Industries Transparency Initiative (EITI), whose board approved its application in April 2010. With oil dominant, no significant reform has been made in agriculture, which got only 2.8% of primary sector current spending in 2010, with plans to raise it to 3.8% in 2011, though this is far less than the 10% set in 2003.

Emerging Economic Partnerships

Chad's economic partnerships with emerging countries are mostly with China and India and focus on areas of the economy neglected by traditional partners – the European Union (EU), the United States and Japan. Though Chad produces oil, neither country appears to be interested in its raw material wealth, and the partnership is based on FDI, diplomacy, investment in production facilities and to a lesser extent selling their products. The tie-up with China is also part of Beijing's efforts to marginalise Chinese Taipei's presence in Africa. Chad is one of the few African countries to have broken off relations with Beijing (1997) after recognising the government in Taipei. India has a long-term continental strategy and also seeks a market for its products.

China is helping to fund an oil refinery being built at Djarmaya (45 kilometres from N'Djamena) and the laying of a 311-kilometre pipeline to carry crude from the Rônier and Mimosa oilfields at the rate of 20 000 barrels a day (with a maximum of 60 000 barrels a day). Work began in July 2009 with the aim of refining 1 million tonnes of crude a year from June 2011. China has a 60% stake in the project through the CNPC and the government has 40%, which it paid for with a loan from Libya. Since Chad is landlocked, the refined oil will be sold on the local market and to neighbouring countries, starting with Niger and the CAR. The refinery will also supply N'Djamena with about 20 megawatts (MW) of electricity. To date, no official figure has been given for the realisation of this project.

A Chinese firm, CAMC Engineering, is building an XAF 37 billion (USD 81.3 million) cement factory in the southwestern town of Baoaré by June 2011, the first time since independence that the country will be producing cement. Annual output will be 200 000 tonnes, partly meeting the country's needs of between 800 000 and 1 000 000 tonnes.

Another Chinese company, Soluxe International, a subsidiary of the Huayou Group, is building a USD 150 million, 25 square-kilometre industrial park in Djarmaya, which will include hotels, factories making polypropylene fabrics, pressure vessels and plastic and a liquefied petroleum gas (LPG) bottling plant. China will pay for the whole project.

India is focusing on production facilities under its pan-African programme TEAM-9 (Techno Economic Approach for Africa-India Movement), which has loaned Chad USD 50 million over 20 years at 2.5% interest with five years grace. The Chadian government will contribute factory shells. The credit line, through the EXIM Bank, has already funded construction of a tractor assembly plant in N'Djamena, opened in November 2009 and turning out nine tractors a day (an annual production of 2 853 units), and renovation and reopening in December 2009 of a cotton mill at Sarh with an annual output of 8.5 tonnes of thread, 80% of it for export. Also planned are a fruit-juice factory in the southern town of Doba, a plant producing rebar and a bicycle factory. The government fully owns all the factories built under the TEAM-9 programme but equipment and inputs are all imported from India or from Indian-owned firms. India plans to extend its aid soon to the pharmaceutical sector.

Since breaking with Chinese Taipei in 2006, Chad has been actively supported by Beijing, which has donated vehicles and constructed public buildings. Trade partnership, although important for motorcycle imports, is limited by the dynamism of neighbouring Nigeria, which supplies many manufactured goods.

China and India take very different approaches to emerging-country partnership. China reveals few details, with costs only estimated or sometimes unknown, and the partnership is run from the top, by the president or at ministry level. Senior officials say little about it. India, however, makes bilateral or multilateral agreements that are entirely open and initiatives often come from the emerging country.

China and India's activities have significant impact on the economy. The cotton mill has revived the industry in the countryside around Sarh and boosted exports of semi-finished textiles while encouraging local production. The tractor plant will help farming mechanisation and food self-sufficiency. The Djarmaya refinery will help Chad end the contradiction of producing oil but still importing it. By selling refined oil products to its neighbours, the country will improve its current account and also help regional integration. The cement factory will greatly boost construction as the country rebuilds. However, the activity of the emerging partners, especially China, has not created many jobs or increased transfer of skills, as most of the labour for the projects comes directly from the investing countries.

Political Context

After decades of war, Chad has been fairly peaceful for the past two years as a result of internal and external dialogue. The government and the opposition have agreed on elections in 2011 – for parliament on 13 February, the first round of a presidential vote on 3 April and for local elections on 26 June. New electoral lists have been drawn up to give the operations more credibility and 4.83 million voters have been identified. To consolidate the new civil peace, the 50th independence anniversary celebrations were used to amnesty all prisoners of war belonging to all political and military groupings, along with several rebel leaders. The government is also normalising its ties with Sudan, signing a peace agreement on 20 February 2010 in Khartoum and creating a joint force to patrol the shared border. Both countries have said they will no longer host rebel forces or support armed groups. Chad asked for and obtained the withdrawal of the United Nations (UN) peace mission MINURCAT at the end of December 2010. The UN Security Council called on member countries to fund Chad's efforts to look after some 600 000 refugees and internally displaced people.

Social Context and Human Resource Development

With peace being consolidated internally and externally, the biggest social challenge over the next few years is environmental. Chad is one of the world's most climatically vulnerable countries and in 2010 was hit by food shortages, severe flooding and a cholera epidemic that all seriously undermined social progress. The advancing desert and the drying-up of Lake Chad are already harming the nation's health and its agriculture, increasing poverty and threatening the peaceful cohabitation of farmers and the nomadic population. Preliminary results of the second population and housing census, RGPH2, which began in July 2008 and continued throughout 2009, showed a population of 11.2 million (50.7% women, 49.3% men), with a density of 8.7 per square kilometre in 2009 (up from 4.9 in 1993).

The ECOSIT 2 survey showed 55% of people were poor, 87% of them in the countryside. The government aims to reduce the national rate to 41.3% in 2011 – 20% in urban areas (from 24.6% in 2003) and 44% in rural areas (58.6% in 2003).

Infant and child mortality fell slightly from 194 per 1 000 live births in 2003 to 191 in 2008. About 200 000 people (including 23 000 children) were infected with HIV/AIDS in 2010, but patients with access to antiretroviral treatment almost doubled from 17 900 (including 300 children) in 2008 to 32 288 (including 676 children) in 2009. Meanwhile, the percentage of people needing medical treatment and getting it rose from 32% in 2008 to 49% in 2009. Malaria was a major cause of mortality (21.5% of all deaths). Health infrastructure is being built to improve conditions and medical staff are being recruited and trained.

Gross primary school enrolment slightly increased to 98.5% in 2010 (98.2% in 2009) and gross secondary enrolment to 21% (19.9% in 2009), thanks in part to the better security situation, less movement of the population and especially investment in the sector.

Serious flooding hit 12 of the country's 22 regions in 2010 and the UN Office for the Coordination of Humanitarian Affairs (OCHA) said government officials estimated 25 744 households had been affected between 16 August and 11 September, involving 144 579 people and making 69 800 homeless. The OCHA report said 7 444 houses and 31 576 hectares of crops were destroyed and more than 1 300 head of cattle lost. Stagnant water, promiscuity and unsanitary conditions caused by the floods produced water-borne diseases, especially a cholera epidemic in September in the south (Mayo-Kebbi Est) and west (Lac) of the country. Health officials from CEMAC recorded 1 044 cases, including 65 deaths in N'Djamena.

The government remains Chad's biggest employer in the absence of a vigorous private sector. There were 22 068 new workers in 2009, according to the national employment office, ONAPE, which said 67% of job offers were in the extractive industries and 15% in construction.