



Analysis of the business environment in Least Developed Countries

Chad

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voice for business

Chad

Region

Central African Economic and Monetary Community (CEMAC)

Population

15,477,751

Demographic growth

3.53%

GDP per capita (2020)

614.5 USD

Human Development Index:

0.398 (187/189)

Economic overview

Chad is a Central African country classified as fragile and conflict-affected. It also faces enormous difficulties related to insecurity, political instability, informality, very low human development, inadequate infrastructure, abusive taxation, inefficient public authorities and the judicial and administrative system as a whole, all of which act as barriers to private sector development. Despite the country's oil wealth, Chad is still unable to develop its industrial sector, particularly its private sector. The country is still in the midst of a political transition. Chad is not making any significant progress in improving its business environment. This indicates that much work needs to be done on all indicators measuring the improvement of the business climate.



The measures taken by the government to contain the health crisis, or at least to limit the spread of COVID-19, have had a serious impact on Chad's economic and social sectors, as highlighted by the World Bank and UNDP. The sectors most affected are transport, hotels and restaurants, general trade, and industry due to the decline in domestic and international trade. Overall, these constraints in the goods and services market have had a knock-on effect on the labour market, with a decline in the volume and remuneration of work in both the formal and informal sectors in Chad.

Challenges faced by the private sector

The third Survey on Household Consumption and the Informal Sector in Chad (ECOSIT3) carried out in 2011 by the National Institute of Statistics and Economic and Demographic Studies (INSEED) identifies the following challenges to improving the business climate in Chad:

- **Insecurity combined with political instability** - The country faces repeated attacks by Boko Haram, especially in the north. In addition, the difficulties in forming a coalition between the different political parties, and those of the opposition in particular, with the rebels on the military junta, aggravate the situation of fragility and armed conflict in the country, particularly in the capital, N'Djamena. This does not encourage foreign investment and is not conducive to the business climate.
- **Widespread informality** - Here, 96.8 per cent of active workers are employed in the informal sector.
- **A weak private sector, an economy based more on agriculture than on industrialisation given the country's status as an oil producer**

- More than 70 per cent (74.3 per cent) of active workers are employed in agriculture, while there are less than 10 per cent in each of the remaining sectors of the economy: 9.1 per cent in industry and construction, 7.5 per cent in trade and 9.1 per cent in services. The proportion of jobs in the formal private sector is estimated at 4.6 per cent.

- **Low level of human-capital education/training** - Chad ranks 187th out of 189 countries on the Human Development Index. In addition, the participation rate for those under 14 years of age is estimated at 26.1 per cent.

- **A weak employment system** - The rate of wage employment at national level remains low, estimated at 8.7 per cent, with disparities depending on place of residence. Indeed, the rate of wage employment in N'Djamena is estimated at 45.6 per cent, compared with 33.1 per cent in other urban areas and 3.7 per cent in rural areas. However, given that the informal agricultural sector is more widespread in rural than in urban areas, these wage inequalities indicate a situation of extreme poverty in rural areas and in urban areas due to informality.

- **Very high level of corruption** - According to Transparency International's 2021 report, Chad ranks 164th out of 180 countries. This is evidence of little political will on the part of the government to improve the business climate, and more specifically to develop the private sector and attract more national and international investment.

Private sector policy recommendations

The recommendations apply to the following areas:

1. Supporting and strengthening public-private dialogue

Specific objectives include:

- Including public-private dialogue in sectoral development plans and strategies;
- Establishing and maintaining a genuine public-private partnership;

- Developing a roadmap and agenda for public-private dialogue at national level;
- Actually considering the needs of private sector partners in sectoral development strategies;
- Strengthening state institutions, including assessing the legal and regulatory framework for creating and formalising businesses in the formal sector;
- Constantly coming up with reforms to improve the business climate;
- Complying with agreements;
- Bolstering the role of the state as a guarantor of peace, security and good governance;
- Ensuring independent and accountable social partners;
- Capacity building for social partners;
- Establishing a communication plan to reduce communication gaps between the private and public sectors;
- Establishing a unit or commission to work on promoting and popularising the incentives to be given to the private sector in the short, medium and long term.

2. Supporting young investors and women, developing entrepreneurship and fighting against informality

Specific objectives include:

- Promoting an entrepreneurial culture in society as a whole, particularly in technical and vocational training institutions, on audiovisual platforms (TV and radio) and national online social networks, in adult education centres and in universities;
- Creating training and apprenticeship centres for self-employment for out-of-school youth;

- Creating a favourable climate for investment by providing incentives, e.g. access to credit at subsidised interest rates and on flexible repayment terms;
- Establishing a genuine partnership between the state and the banking sector to encourage domestic financing and investment, including the promotion of self-employment among youth and women;
- Focusing policy on formal job creation;
- Establishing a genuine institutional partnership between the state, the private sector and representatives of local authorities to support and promote the creation of income-generating jobs in rural areas and encourage the development of agri-food cooperatives;
- Promoting the decentralisation and efficiency of local government bodies to facilitate municipal authority access to national and regional financial flows to support entrepreneurship among women and young people in rural areas and to better channel the needs of women and young people for the development of their commercial, agro-pastoral and craft activities in rural areas in particular;
- Organising awareness-raising and education campaigns for informal sector entrepreneurs on the benefits of formalisation and developing incentives to encourage the formalisation of businesses;
- Considering the needs of informal sector operators in strategies for combating informality by the central government in order to better encourage their transition from the informal to the formal sector;
- Organising ongoing training and education sessions on creating and formalising businesses in rural and urban areas;
- Promoting access to digital technology for young people and women in rural areas by creating free digital training centres within local authorities;

- Promoting women's access to land in particular and favouring a reorganisation of the land register;
- Eliminating minimum fees for business start-ups and shortening the waiting period for registering and authenticating documents;
- Creating national savings in the various countries to finance income and employment-generating projects, especially for young people and women.

3. Cross-border trade

Specific objectives include:

- Promoting the development of intra-African trade by removing customs barriers;
- Improving national and regional infrastructure, such as developing roads, pedestrian walkways, lighting and utility poles, access to the digital network, and building structures to house markets at borders;
- Modernising and deploying one-stop shops;
- Guaranteeing a secure and stable climate at national level, particularly in terms of customs services to facilitate the free movement of people and goods (rule of law); this would also improve entrepreneurship by women, particularly the creation of income-generating activities (trade) carried out most often by small traders (women) at the borders;
- Guaranteeing follow-up for the supply and distribution of petroleum products;
- Deploying national, regional and international sectoral strategies to ensure exchange rate predictability;
- Implementing sectoral strategies to develop the resilience of the economy, particularly of businesses, to cope with various shocks;
- Reducing export and import delays;

- Setting up and modernising an electronic payment system for port fees at national level;
- Going paperless in customs formalities and extending the opening hours of ports;
- Increasing the size of inter-African markets and diversifying production in order to expand markets and improve the competitiveness of the formal private sector globally;
- Promoting good governance and responsible business conduct and fair competition in markets in order to improve the global competitiveness of the formal private sector;
- Establishing simplified trade arrangements (exemption from customs duties) and simplifying customs clearance formalities for small-scale transactions, usually carried out by small traders, especially women;
- Enhancing regional integration, in particular economic cooperation between the different regional economic communities to remove persistent barriers to intra-regional trade;
- Strengthening the fight against smuggling at borders and ports;
- Establishing and developing regional power pools to reduce electricity connection costs and link markets to resources;
- Establishing mutually beneficial trade agreements to attract more investors; boosting intra-regional trade through digital technology;
- Diversifying the energy market with a focus on promoting solar panels to improve the competitiveness and productivity of businesses and also to reduce the costs of connecting to the power grid;
- Expanding the telecommunications market, especially the digital market, to improve access to the electronic network for businesses and enable them to increase their competitiveness in the global market;

- Establishing effective cyber security and cyber defence strategies at regional level;
- Strengthening the African Continental Free Trade Area (AfCFTA).

4. Fighting informality

Specific objectives include:

- Establishing a national policy to transition informal production units (IPUs) to the formal sector;
- Establishing incentives and deterrents;
- Sharing and exchanging regional experiences;
- Developing a strong and effective institutional legislative framework;
- Annually implementing structural reforms and sectoral strategies aimed at facilitating the business climate and improving the life of entrepreneurs; in particular in terms of taxation, building permits and business creation;
- Developing guarantee instruments to promote access to credit for young people and women, especially those with economically viable income- and employment-generating projects;
- Reducing costs and delays in obtaining building permits;
- Reducing electricity connection fees;
- Eliminating mandatory minimum fees for business start-ups;
- Eliminating mandatory fees for authenticating documents and shortening the registration period for business start-ups;
- Improving access to credit information, e.g. by extending the coverage of public credit services and by starting to report data from public utilities;

- Developing a national directory of formal sector companies;
- Annually assessing the registration rate of new companies and considering the needs of unregistered companies in order to better channel and adapt sectoral strategies to facilitate their transition to the formal sector;
- Establishing and modernising an electronic system for creating and registering businesses at national level;
- Creating a level playing field for businesses to facilitate their formalisation.

5. Developing human capital

Specific objectives include:

- Improving the supply of public services (education, health and social protection);
- Ensuring a match between training/education received and the needs of the labour market in technical and vocational education, general secondary education and universities;
- Promoting development-oriented research in technical and vocational schools, general secondary schools and universities in order to unleash the innovation potential of young people and improve the competitiveness of the private sector globally;
- Priority training for public sector managers;
- Mandatory internships for students to immerse them in the world of business.

6. Improving the labour market

Specific objectives include:

- Increasing the number of jobs through access to new investments at national level;
- Promoting the application, via the Ministry of Social Affairs and Labour, of a legal framework for workers/employees on working conditions and a minimum wage;
- Implementing sectoral strategies aimed at facilitating access to health coverage for the population, particularly for workers in the formal sector, which may also encourage informal businesses to formalise;
- Promoting flexible working hours for workers;
- Improving employment frameworks, policies and conditions;
- Improving wages and paying compensation for work stoppages due to the occurrence of happy occasions (e.g. births) and unhappy events (illnesses, accidents, etc.) in workers' lives.

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