

ECONOMIC UPDATE

APRIL 2024



CHAD

Special chapter
Hosting Refugees in an
Inclusive Manner

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Publication design and layout by Studio Nane.

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ABBREVIATIONS AND ACRONYMS

ANATS	National Secured Titles Agency
BEAC	<i>Banque des États de l'Afrique Centrale</i> (Bank of Central African States)
CAR	Central African Republic
CEMAC	<i>Communauté Économique des États de l'Afrique Centrale</i> (Economic Community of Central African States)
CFAF	<i>Franc de la communauté financière en Afrique</i> (Franc of the Financial Community of Africa)
CNARR	<i>Commission Nationale d'accueil de Réinsertion des Réfugiés</i> (Central for Asylum and Refugees)
COBAC	<i>Commission Bancaire de l'Afrique Centrale</i>
DAO	<i>Dépenses avant ordonnancement</i> (Expenditure before authorization)
DIZA	<i>Développement Inclusif des Zones d'Accueil</i> (Inclusive development of host areas)
EDS-MICS	<i>Enquête Démographique et de Santé à Indicateurs Multiples</i> (Multiple Indicator Demographic and Health Survey)
FACT	Front for Change and Concord in Chad
FDI	Foreign direct investment
FGME	Female genital mutilation and excision
FY	Fiscal year
GDP	Gross Domestic Product
IDP	Internally displaced persons
IMF	International Monetary Fund
NPL	Non-performing loans
NGO	Non-governmental organization
OCHA	United Nations Office for the Coordination of Humanitarian Affairs
ONASA	<i>Office National de Sécurité Alimentaire</i>
PARCA	<i>Projet d'Appui aux Réfugiés et Communautés d'Accueil</i> (Support Project for Refugees and Host Communities)
PIM	Public Investment Management
PPP	Purchasing power parity
REER	Real effective exchange rate
RSF	Rapid Support Forces
SAF	Sudanese Armed Forces
SIGFIP	<i>Système intégré de gestion des finances publiques</i> (Integrated public financial management system)
TCL	Temperature-Controlled Logistics
UN	United Nations
UNHCR	United Nations High Commissioner for Refugees
VSLA	Village savings and loans associations
y/y	year-on-year

ACKNOWLEDGMENTS

The Chad Economic Update is a World Bank report series produced once a year that assesses recent economic and social developments and prospects in Chad. The Economic Update also provides an in-depth examination of a selected policy issue, outlining its current challenges and potential going forward. It is intended for a wide audience, including policy makers, business leaders, financial market participants, and the community of analysts and professionals engaged in Chad's evolving economy.

The report, led by Demet Kaya and Claudia Noumedem Temgoua, is part of a series of regional Economic Updates led by Daniel Pajank (Senior Economist). The team included: Yue Man Lee, Aboudrahyme Savadogo, Yannik Strittmatter, Jean Louis Martin, and Michael Evers. The special focus topic on hosting refugees was written by Pantaleo Creti and Mahamane Maliki Amadou, under the overall supervision of Christian Bodewig (Practice Manager for Social Protection and Jobs). The team is grateful to the peer reviewers: Emilija Timmis, Alex Sienaert, Raju Singh, Aly Sanoh, and Claudia Zambra Taibo, and to Christophe Rockmore and Fulbert Tchana Tchana for their guidance and comments.

The team thanks Micky Ananth, Maude Jean-Baptiste, Theresa Bampoe and Ndolasse Christabelle Mbaïro for their administrative support. External and media relations are managed by Nako Madjiasra.

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For information about the World Bank and its activities in Chad, please visit: <https://www.worldbank.org/en/country/chad>.

EXECUTIVE SUMMARY

The 2024 Economic Update for Chad consists of two chapters. The first chapter presents the economic and poverty developments observed in the country in 2023 as well as the outlook from 2024 to 2026. The second chapter offers a deep dive on refugees and host communities in Eastern and Southern Chad, and suggests strategies and policy recommendations to bolster the economic inclusion of refugees.

Economic and poverty developments and outlook

Chad's economy has proven resilient despite the war in neighboring Sudan, although there has been spillover effects on trade, public expenditure and inflation. GDP growth in 2023 is estimated at 4.1 percent (1 percent per capita) This growth is underpinned by oil production, which is estimated to have risen by 4.4 percent. Non-oil GDP is estimated to have grown by 4.1 percent, up from 2 percent the previous year, and driven by public investment. After recovering from the 2022 floods, the agricultural sector is estimated to contribute 1.6 percentage points (ppts) to growth, followed by the services and industry sectors. Investment,

primarily government-driven, is the main growth driver on the demand side, contributing 7 ppts to growth. In contrast, private investment is estimated to have fallen due to increased interest rates and crowding out effects. The boom in public investment has led to a sharp increase in domestic demand, which in turn increased imports by significantly more than exports, resulting in a 2.4 percent of GDP current account deficit in 2023.

Inflation eased to 4.1 percent in 2023, owing to the base effect of high inflation in 2022 and the deceleration in food inflation resulting from improved agricultural production. The Bank of Central African States (BEAC) maintained its tight monetary policy stance during 2023 to contain inflationary pressures and support regional reserves and hence the external viability of the exchange rate arrangement. The BEAC policy rate was maintained at five percent following a cumulative increase by 175 basis points between November 2021 and March 2023.

The extreme poverty rate in Chad is estimated to have decreased by 1.1 ppts to 29.7 percent in 2023; however, 5.4 million people continue living in extreme poverty. Moreover, food insecurity remains a significant problem despite lower food inflation, with around 2.1 million people, or 11.5 percent of the population, facing severe food insecurity as of December 2023.

Chad maintained a fiscal surplus of 1.3 percent of GDP in 2023 driven down from a 5 percent of GDP surplus in 2022 by public investment growth. Despite high tax revenues growth of 14.4 percent supported by tax administration digitalization measures, the fiscal surplus declined, reflecting a sharp rise in public investment. The overall fiscal surplus of 1.3 percent of GDP equates to a non-oil fiscal deficit of 15.8 percent. Total public debt is estimated to decline to 44.8 percent of GDP in 2023 from 47.4 percent in 2022.

In 2024, economic growth is projected to decline to 2.7 percent (-0.4 percent per capita) due to a projected reduction in oil production and public investment. During 2025-2026, growth is projected to average 3.1 percent (0.1 percent per capita), as new oil fields are brought onstream but oil prices moderate further. Non-oil GDP growth is projected at around 3.5 percent 2024-2026. Government measures addressing food insecurity should ease food inflation, with inflation projected to fall to 3.9 percent in 2024 as a result, before declining to the BEAC's 3 percent inflation target in 2026.

With few linkages to poor and vulnerable populations, oil-sector driven growth is not expected to lead to poverty reduction without significant structural reforms, which are needed to improve non-oil GDP growth. Moreover, continued security restrictions and the ongoing Sudan crisis will create market disruption due to an increase in domestic demand and a shortage in supplies of local and imported goods in affected areas. This, combined with low social protection coverage will restrict poverty reduction. Extreme poverty is projected to increase 0.4 ppt in 2024,

equivalent to an additional 237,000 people falling into extreme poverty.

Reflecting lower oil prices and relatively high public spending, the fiscal balance is projected to turn into a 1.4 percent of GDP deficit in 2024, remaining in deficit through 2026. Public debt to GDP is projected to decline to 41.6 percent in 2025 due to accelerated debt servicing of commercial debt – as a cash-sweep clause provides that this debt service increases with oil prices – and stabilize in the medium term. The current account deficit is expected to further deteriorate to 3 percent of GDP in 2024, and average 3.1 percent over 2025-2026, driven by moderating oil prices.

The outlook is subject to multiple downside risks, including lower oil prices, political instability during the upcoming elections, heightened insecurity, and climate shocks. A prolonged Sudan war could worsen the humanitarian crisis, strain public finances, and increase inflationary pressures. Moreover, an escalation of tensions between Chad and Sudan could lead to considerable security concerns. Enhancing Chad's resilience in the face of these challenges necessitates the implementation of substantial fiscal (revenue and expenditure side) and structural reforms. Chad could also mitigate risks from continued large flows of refugees by strengthening refugees' inclusion in host communities – see below and Chapter 2.

A summary of the policy recommendations is presented in Table E.1 below.

Hosting refugees in an inclusive manner

Forced displacement due to ongoing conflicts has exacerbated cross-border movements across the Sahel, leading to the establishment of long-term refugee settlements in Chad. The Sudan crisis, which began in April 2023, has significantly increased the refugee population in Chad, and this trend is expected to continue. In December 2023, there were 1.1 million

refugees and asylum seekers in Chad. Out of the total required funding of US\$455 million for refugee response, only US\$151 million was secured in 2023. The refugee response has been focused on covering humanitarian needs of refugees settled in large camps located in border areas. The host communities are characterized by structural vulnerabilities, including poverty, fragile livelihoods, and gender disparities. The influx of refugees, especially in border regions, has heightened food insecurity and strained basic services and natural resources. Limited livelihood support has been directed to either refugees or host communities with only a few programs integrating the two groups.

To effectively promote the economic inclusion of refugees, it is crucial to recognize refugees as economic contributors. Their inclusion can be enhanced through improved mobility, restoration of assets, and integrated productive inclusion strategies. To this end, issuing them official identification documents and providing them portable cash assistance is vital. Interaction between refugees and host communities can enable access to land and create opportunities for increased production and trade. Chad's authorities have adopted an open stance with respect to welcoming refugees, with a strong support for refugee's local integration as evidenced by Chad's Asylum law signed in 2023. The government's policy of refugee integration and dispersion also aims to reduce potential conflict hotspots and maximize economic inclusion benefits.

A national safety net system that promotes economic inclusion must be adaptive, productive, and tailored to the specificities of refugees and host communities, with a particular focus on women. To reinforce social cohesion and avoid further conflict, it is essential to develop programs and policies that benefit both host communities and refugees, whether they have been in the country for a long time or have recently arrived. Integrated policies should target hosting provinces, combining humanitarian and development efforts to support local development.

Including refugees in national systems and in the economy requires predictable, recurrent, and sustained donor funding. It also requires a strong national social registry that can serve as a unified platform for outreach and to identify the most impoverished among nationals and refugees, ensuring complementary and coordinated assistance. Moreover, a digital payment platform is essential for the swift and transparent distribution of funds to the most vulnerable, guaranteeing financial access for beneficiaries, including refugees, regardless of their location.

TABLE E.1

Policy options to strengthen macro-fiscal sustainability and resilience to shocks, and mitigate the socioeconomic impacts of conflict

Policy Objectives	Policy Options
Feasible to implement in the short term (1 year)	
Improve public spending efficiency and allocation	<ul style="list-style-type: none"> • Improve transparency and credibility by reducing the use of emergency spending procedures (“Dépenses avant ordonnancement” or DAOs). • Ensure that core social spending, such as for education, health, and transfers to the National Food Security Office (ONASA) is protected, and not crowded out by military spending. • Strengthen planning and monitoring of public investment projects by finalizing the three-year public investment plan, fully operationalizing the use of SIGFIP for investment spending, adopting PIM procedures, and establishing a single database of all projects.
Improve non-oil domestic resource mobilization	<ul style="list-style-type: none"> • Conduct a comprehensive assessment of current tax expenditures to identify and eliminate those that do not serve a strategic economic or social purpose, and publish the assessment as an annex of the annual budget law. • Implement a transparent and regular evaluation process for all tax expenditures to ensure they remain effective and justifiable. • Improve excise tax policy framework to maximize revenue generation, enhance targeting and streamline administrative measures for greater efficiency. • Strengthen core functions of the tax administration by leveraging digital data, especially through finalizing and fully deploying E-tax and SIGFIP.
Mitigate food insecurity and inflationary pressures	<ul style="list-style-type: none"> • Expand well-targeted subsidized food sales operations to regions outside N'Djamena in order to support the poor and most vulnerable. • Refill food banks with sufficient cereal stocks for periods of agricultural production deficit (the cereal production for 2022-2023 is estimated at 2.9 million tons, with a gross deficit of 443,950 tons).
Enhance refugee mobility and economic inclusion	<ul style="list-style-type: none"> • Ensure the issuance of identification cards to refugees, by fostering effective coordination and collaboration between the Central National Authority for Asylum and Refugees (CNAAR) and the National Secured Titles Agency (ANATS) • Improve refugees' access to basic services, by strengthening the capacity of national health, education and social protection systems. • Scale-up economic inclusion programs for refugees and host communities as part of the national social protection system.
Important to implement in the medium term (2 to 5 years)¹	
Strengthen economic diversification and reduce dependency on oil sector exports	<ul style="list-style-type: none"> • Promote the use of quality standards and certification in the meat sector and remove impediments to investment in cold-chain infrastructure/Temperature-Controlled Logistics (TCL) services • Support the professionalization of the value chain of the gum arabic sector through collective action (such as for price negotiation, repayment collection, and community welfare). • For sesame seeds, promote the use of fertilizers, certified seeds, or herbicides, and diversification of farmers' crop portfolio. • Improve transit infrastructure and backbone services along the N'Djamena-Douala Corridor, including road maintenance and safety.
Improve agriculture resilience to climate	<ul style="list-style-type: none"> • Strengthen fertilizer distribution systems. • Increase investment in water irrigation systems. • Enhance the use of groundwater resources.
Build the resilience of poor and vulnerable households to help them prepare, cope, and adapt to shocks	<ul style="list-style-type: none"> • Invest in a national safety net system that is adaptive, productive, and focused on women • Strengthen the national social registry to improve targeting of interventions and to coordinate development assistance • Secure predictable and sustained donor funding for the adaptive national safety net system

¹ Chad Country Economic Memorandum (CEM) (World Bank, 2023a); Chad Agriculture Sector Review (World Bank, 2022); Chad Country Private Sector Diagnostic (CPSD) (World Bank, 2023b) and; the Synthesis report on refugees and host communities in Eastern and Southern Chad (World Bank).

ECONOMIC AND POVERTY DEVELOPMENTS AND OUTLOOK



Chad's development context is dominated by oil dependency, vulnerability to climate change, insecurity and political instability in recent years.

Chad's economic growth has been volatile and weak, reflecting the lack of economic diversification and dependence on the oil sector, which accounts for 85 percent of exports and 56 percent of fiscal revenues. Annual GDP growth has been subdued, averaging 0.9 percent over the past ten years, which, given high population growth (3.3 percent on average), translated into an average annual decrease in per capita income of 2.3 percent. Non-oil GDP grew by an average of just 0.5 percent per year over the last decade, translated into an average annual decline of 2.7 percent in non-oil GDP per capita. Moreover, the volatility of oil revenues is a major source of fiscal and debt vulnerability. Political and security expenses and poor governance, particularly in oil revenue management, have constrained improvements in basic services and development of infrastructure across a vast territory. Indicative of the struggle to enhance living standards, Chad

ranks 190th out of 191 countries on the 2021 Human Development Index.

In addition, Chad is one of the world's most vulnerable countries to climate change.² Insufficient rains and frequent flooding have often reduced agricultural output, which, together with conflict and displacement, has led to chronic food insecurity and exacerbated poverty. According to the University of Notre-Dame's ND-GAIN index, which assesses a country's vulnerability to climate change and its capacity for resilience, Chad ranks at the bottom of 182 countries.

² World Bank (2022c)

Security remains precarious with threats by Boko Haram in the Lake Chad region, the armed FACT rebellion in the north, and escalating inter-community tensions. According to UNHCR, Chad was hosting nearly one million forcibly displaced persons at the end of 2022, including 593,000 refugees and nearly 400,000 IDPs. Since April 15, 2023, the war in Sudan has caused a mass influx of Sudanese refugees and Chadian returnees to eastern Chad. The number of new arrivals was estimated at 496,834 at early-January 2024. In addition to the humanitarian challenges, the war in Sudan has induced higher expenditures, especially mostly military, and shortages of goods (See Box 1.1 for details).³

1.1 Recent Economic and Poverty Developments

In 2023, GDP growth is estimated at 4.1 percent, enabling GDP per capita to rise for the first time since 2014.

Despite the ongoing humanitarian crisis triggered by the war in Sudan, Chad's economy demonstrated considerable resilience with 4.1 percent GDP growth (1 percent in GDP per capita) in 2023. This economic expansion was supported by a modest increase in oil production, which grew by 4.4 percent. In addition, the non-oil sector rebounded, with an estimated 4.1 percent growth, up from 2 percent in the previous year, driven by public investment. This marks the strongest performance since 2014, as illustrated in Figure 1.1.

After recovering from the 2022 floods, the agricultural sector is estimated to contribute 1.6 percentage points (ppts) to growth, followed by the services sector (1.4 ppts) and industry (1 ppt). Thanks to high government spending on public works projects, gross fixed capital investment is

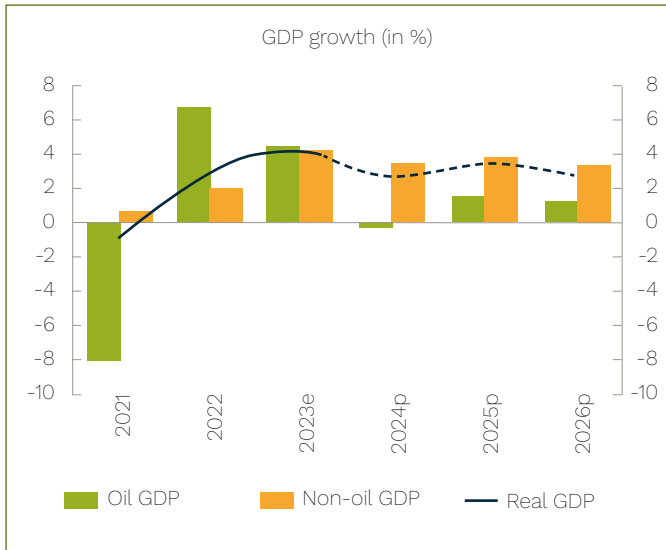
Chad has been marked by significant political shifts and challenges in recent years. President Idriss Déby Itno died in April 2021 just hours after provisional election results set him on course for a sixth term. This led to the establishment of a Transitional Military Council headed by his son Mahamat Idriss Déby. The Council suspended the Constitution, and despite demonstrations, the initial 18-month transition period was extended by two years. A constitutional referendum took place in December 2023, and in January 2024, Succès Masra, a key opposition figure was appointed Prime Minister. The Government has set a date for the presidential election in May 2024.

estimated to have been the main driver on the demand side, contributing 7.0 ppts to growth (8.6 ppts for government investment). In contrast, private investment is expected to have fallen due to increased interest rates and crowding out effects. The boom in public investment (+195.9 percent) led to a sharp increase in domestic demand (+9.5 percent). This in turn increased imports, along with other imports for humanitarian-related operations in support of the Sudanese refugees (see Box 1.1), and by significantly more than exports (imports +16 percent vs. exports +2.9 percent), resulting in a current account deficit of 2.4 percent of GDP in 2023.

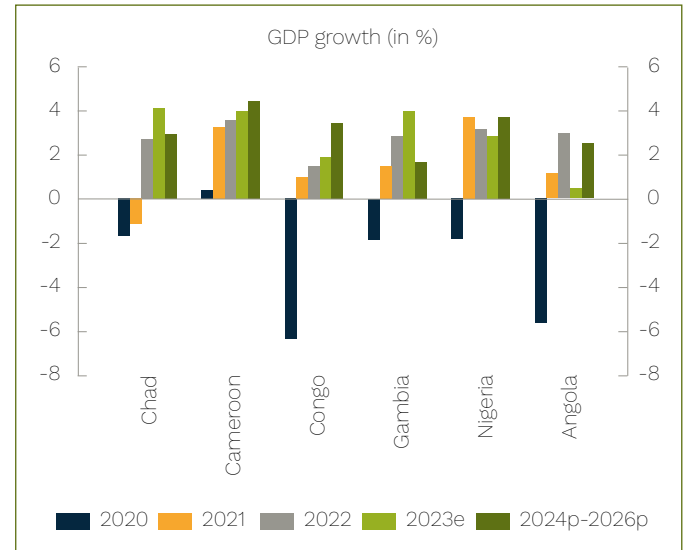
³ UNHCR (2024a). *Tchad – Rapport opérationnel*. 5 January, 2024. <https://reporting.unhcr.org/chad-operational-update-french-6662>.

FIGURE 1.1

GDP growth in 2023 was supported by both the oil and non-oil sectors



Source: Chadian authorities and World Bank staff estimates



Source: World Bank MPO

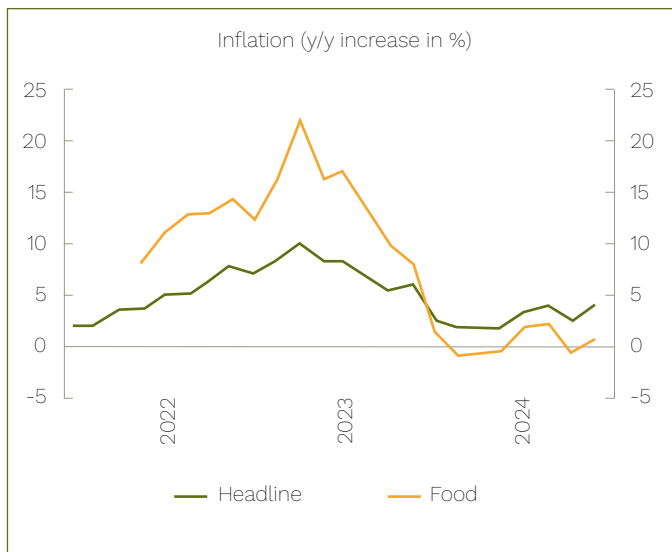
Inflation moderated in 2023, to an annual average of 4.1 percent, but remains sensitive to the fluctuations in food prices.

Following a surge in 2022, where a sharp rise in food prices drove annual average inflation to 5.8 percent, inflation eased to 4.1 percent in 2023. In 2022, the global rise in food and energy prices triggered by Russia’s invasion of Ukraine, coupled with internal unrest and flooding that disrupted agricultural production and transport, caused food prices to soar. Inflation peaked year-on-year (y/y) to 10.3 percent in November 2022 (Figure 1.2). The deceleration in 2023 was due to the

base effect of high inflation in 2022 and the slowdown in food inflation, which was 0.7 percent y/y in 2023 compared with 16.2 percent in 2022, thanks to improved agricultural production. In addition, the Government, as part of its 2023 budget, implemented a series of measures, such as tax exemptions on imported agro-pastoral materials, inputs and equipment, and lowered custom duties for trucks coming from outside the Economic Community of Central African States (CEMAC). Chad’s inflation has converged towards the CEMAC countries’ average inflation, following the 2022 peak. (Figure 1.3).

FIGURE 1.2

Food prices can vary much more than headline inflation



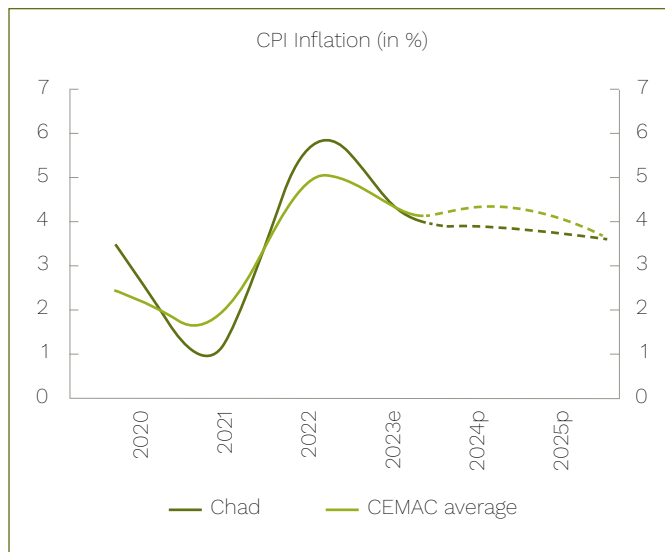
Source: Chadian authorities and World Bank staff estimates

After recording a surplus amounting to 2.9 percent of GDP in 2022, the current account returned to a deficit of -2.4 percent of GDP due to a sharp increase in imports.

The trade balance shifted from a surplus of 3.3 percent of GDP in 2022 to a deficit of 10.3 percent of GDP (Figure 1.4), which led to the current account returning to a deficit (Figure 1.5). The sharp rise in public investment in 2023, coupled with imports for the humanitarian efforts in response to the war in Sudan led to a 26.7 percent increase (in current US\$) in import value of goods and services. In contrast, the value of exports fell by 6.0 percent, primarily due to the 19.9 percent drop in the price of exported oil, with the 4.5 percent increase in export volumes insufficient to offset the price drop. Notably, foreign direct investment to the oil sector remained the primary source of financing for the current account deficit.

FIGURE 1.3

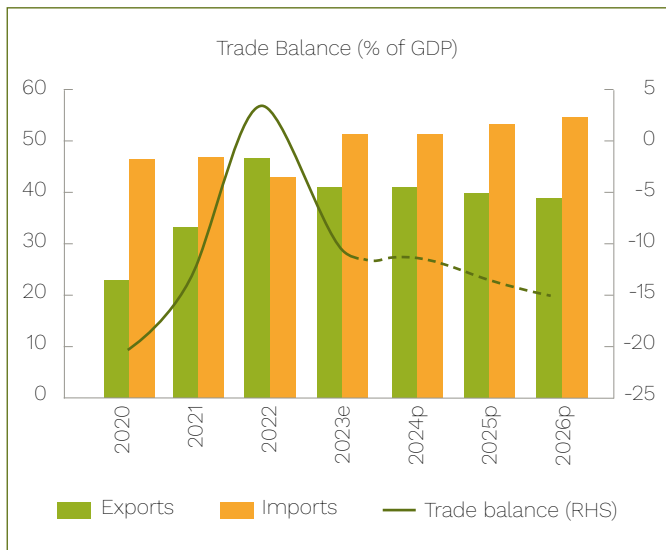
CPI inflation in Chad followed the CEMAC trend although slightly lower



Source: Chadian authorities and World Bank staff estimates

CEMAC regional external reserves decreased to 4.1 months of imports coverage at end-2023, below the desired level of 5 months of imports. Thanks to tighter regional monetary policies and rising oil prices, regional reserves had grown from 3 months of imports coverage in 2021 to 4.9 months at end-December 2022. However, the deterioration in the current account constrained reserves accumulation in 2023, resulting in a decrease to 4.1 months of coverage. Consequently, reserves remained below the 5-month threshold considered necessary for monetary stability in a resource-rich monetary union with a fixed exchange rate by the International Monetary Fund (IMF). Despite this, projected peaks in oil prices suggest that CEMAC regional reserves are likely to continue their upward trend.

FIGURE 1.4 Lower exports and higher imports led to a trade deficit in 2023



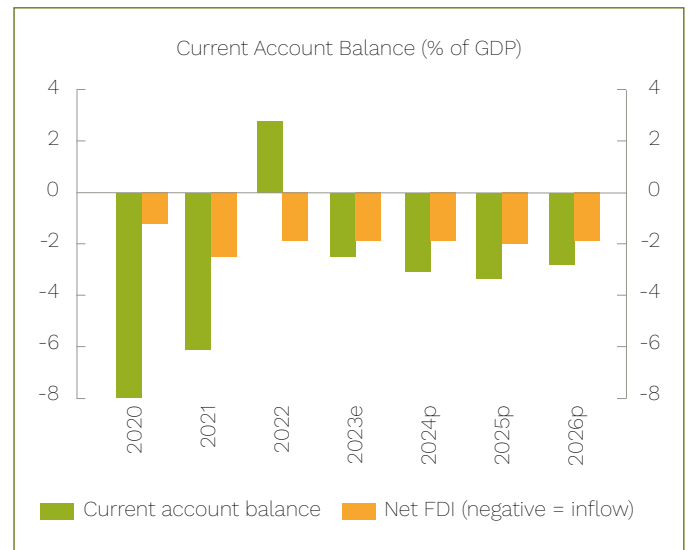
Source: Chadian authorities and World Bank staff estimates

To promote economic stability in the region, BEAC tightened monetary policy by increasing policy rates and liquidity absorption operations.

Chad's monetary and exchange rate policies are managed by the regional Central Bank (BEAC), which continued monetary tightening in 2023 in response to rising inflation. Amid global and regional uncertainties, BEAC monetary policy remained geared towards price and external stability, guided by the community's medium-term objectives of maintaining an inflation rate around 3 percent and a reserve coverage of money supply in excess of 20 percent. In March 2023, policy rates were increased to 5 percent to contain inflationary pressures and to strengthen the region's external position. BEAC continued to mop up excess liquidity from the banking system through its weekly liquidity purchasing operations, leading to a 17.1 percent reduction in banking system liquidity (excluding the central bank interventions) between May and August 2023. As a result of these actions, the reserve coverage of money is expected to have reached 71.1 percent by the end of 2023, well above the statutory floor of 20 percent.

The loss of competitiveness in CEMAC since late 2022 in terms of real effective exchange rate appreciation continued

FIGURE 1.5 The current account returned to deficit in 2023, but the deficit was largely financed by foreign direct investment



Source: Chadian authorities and World Bank staff estimates

into the third quarter of 2023, albeit less in Chad. The CEMAC's REER appreciated by 8.9 percent year-on-year. For Chad, the appreciation was much lower, at only 2.6 percent year-on-year, thanks to a 1.1 percent REER depreciation in the second quarter and a stabilization in the third quarter. The appreciation of the REER was not due to higher inflation in the CEMAC relative to its trading partners, but to an appreciation of some bilateral exchange rates, in particular vis-à-vis the Chinese yuan and to a lesser extent, the US dollar.

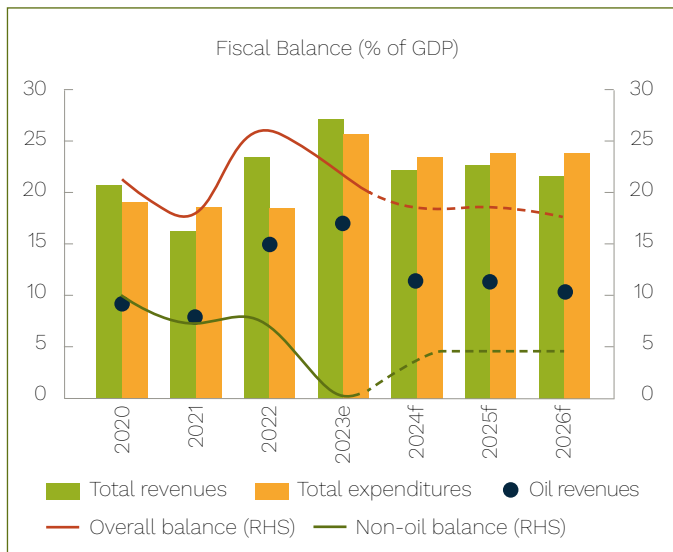
The banking sector remains undercapitalized, although some progress has been made toward the preparation of restructuring plans by the two systemic public banks. By the end of June 2023, non-performing loans (NPLs) amounted to 29.8 percent of total loans. The sector's capital adequacy ratio turned negative at -1.6 percent while the liquidity ratio (liquid assets relative to short-term liabilities) was recorded at 119 percent, which is above the regional banking supervisor's (Commission Bancaire de l'Afrique Centrale – COBAC) requirement. However, large differences exist between private and public banks: the former largely adhere to COBAC's prudential regulations, while the latter have been dealing with liquidity and/or solvency issues for years.

The substantial budget surplus that Chad recorded in 2022 fell significantly in 2023 to 1.3 percent of GDP due to a considerable rise in public investment spending.

Chad’s budget surplus contracted significantly in 2023, decreasing to 1.3 percent of GDP from the substantial 5 percent surplus in 2022. Oil revenue reached a peak of 17.1 percent of GDP,⁴ surpassing the previous high of 15.1 percent recorded in 2022 (Figure 1.6). In addition, non-oil tax revenues saw a 14.6 percent increase in 2023, supported by advancements in tax administration digitalization, reaching 7.9 percent of GDP. With grants also rising to 2.0 percent of

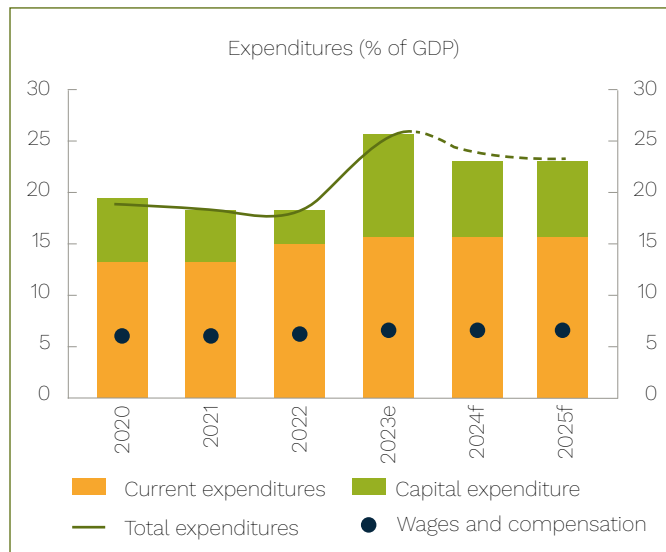
GDP, the total revenue for 2023 hit a new high of 27.1 percent of GDP. Oil revenues continued to contribute over 60 percent to the total, same as 2022. While revenue performance was robust, expenditure soared to 25.9 percent of GDP, marking the highest level in over a decade. While current expenditure saw a moderate rise from 15.3 percent to 16.0 percent of GDP, largely due to controlled wage spending, capital expenditure surged, from 3.2 percent of GDP in 2022 to 9.8 percent in 2023⁵ (Figure 1.7). Consequently, the primary surplus dropped from 6.5 percent of GDP in 2022 to 3.0 percent of GDP in 2023, and the non-oil deficit expanded, from 10.1 percent of GDP in 2022 to 15.8 percent in 2023.

FIGURE 1.6 In 2023, both expenditure and revenue significantly increased



Source: Chadian authorities and World Bank staff estimates

FIGURE 1.7 Total government spending rose in 2023 due to higher capital expenditures



Source: Chadian authorities and World Bank staff estimates

⁴ This reflects the 2022 oil sector performance as there is a one-year lag in the main component of oil-revenue tax collection

⁵ The sharp increase in public spending stems from high investment spending for major infrastructure projects, amid the ongoing political transition, which also induced significant expenditures such as those related to the December 2023 referendum, and military equipment purchasing to address heightened security risks worsened by the Sudan war (see Box 1.1).

The Sudan crisis and refugee influx

Clashes erupted in Khartoum, Sudan on April 15, 2023 between the Sudanese Armed Forces (SAF) and the Rapid Support Forces (RSF), resulting in thousands dead and the displacement of over 1.4 million people into neighboring countries, including Chad. Despite international efforts to mediate, the conflict shows no signs of abating in the short term, resulting in extensive damage within Sudan and significant adverse effects to neighboring countries. Around 496,834 people (including about 131,425 Chadian returnees) are estimated to have entered the country since the outbreak of the Sudan crisis and the Chadian government predicts that the number of refugees could reach 910,000 by the end of 2024.⁶ The conflict has directly impacted about 2.9 million of Chadians living in the three bordering provinces (Wadi-Fira, Ouaddai and Sila).

The crisis has triggered an alarming situation exacerbated by the limited resources in the face of the constant influx of refugees to Chad. Aid organizations are overstretched, struggling to support the refugees arriving in Chad. Humanitarian agencies have estimated a need for US\$455 million for Chad under the Regional Refugee Response Plan for the Sudan situation. As of December 2023, only 33 percent of the plan had been funded. The Chadian government is also working on a national crisis response plan, aiming to be more inclusive of the Chadian local community. Reception capacity remains limited, access to basic social services difficult, and higher cost of living is impacting the already vulnerable local communities.

The impacts of the Sudan crisis on Chad's economy

The war in Sudan is expected to have some economic impacts on Chad through various channels, namely: trade, public expenditure and inflation.

The Sudan crisis has disrupted trade and trade routes in the region. As a landlocked country, Chad relies on its neighbors for its goods' supplies. The crisis has led to the suspension of official trade between Chad and Sudan, causing significant disruptions in the supply of goods to the markets in Chad. In response, Chad has turned to alternative trade routes, mainly to Cameroon, which was already its main point of entry/exit for its exports and imports before the crisis. However, Eastern Chad communities were mostly supplied from Sudan through formal and informal trade. Imports from Sudan represented 4 percent of Chad's total imports while exports to Sudan accounted for 1 percent of Chad's total exports. In 2019, total bilateral trade volume between the two countries amounted to around US\$ 260 million (2.2 percent of GDP). In addition, Sudan was the third largest destination for Chad's livestock exports in 2019 (after Nigeria and Cameroon), with exports to Sudan accounting for 19.8 percent of total livestock exports. Yet, these numbers do not capture informal trade between both countries. The crisis has also intensified informal activities such as fuel and arms smuggling from Chad to Sudan. There has been a gradual resumption of cross-border trade since October 2023 following an agreement between local leaders from West Darfur and Eastern Chad.

While trade routes have been disrupted, import volumes and values have still increased. The massive influx of refugees has led to an increase in the domestic demand for imported goods, mainly stemming from the humanitarian-related operations in support of the refugees. These operations are estimated to have led to an increase of imports by over US\$ 100 million (around 1 percent of GDP) in 2023, which contributed to the current account turning into a deficit

Public expenditure: The war in Sudan has escalated military spending amid heightened security risks. Chad has mobilized its troops to secure its 1,300 km border with Sudan. Since the outbreak of the conflict, the authorities have closed the border while allowing civilians fleeing the fighting to pass. Border security operations have induced substantial military expenses. Moreover, since mid-June Chad has been resorting to its military resources to aid refugees. These operations are expected to significantly strain the military budget. Moreover, the government estimates a total budget of US\$ 200 million (around 1.5 percent of 2023 GDP) is required to cover their support operations over a six-month period in the four most impacted regions. According to the 2023 initial budget law, the military budget was projected to account for 18.5 percent of the total 2023 spending. Chad's government estimates that the Sudan crisis has induced an additional US\$8 million/month in military expenditures, which is likely to be an underestimation given the over-running budget execution as of September 2023. The rise in public expenditures has led to a narrowed fiscal surplus, which is estimated at 1.3 percent of GDP for 2023 (compared to the pre-crisis fiscal balance projection of 6.1 percent of GDP). Refugee integration into the host communities is expected to induce additional expenditures in the medium and long-run (see Box 2.1). All these spending pressures are expected to contribute to the fiscal balance turning into a deficit from 2024 onwards.

With the official suspension of trade with Sudan, food and commodities prices have soared in the host communities in Eastern Chad. The scarcity of goods in local markets led to a tripling of prices for some food items. Moreover, the inflow of refugees has increased the local demand, creating additional pressures on the supply of food, goods and services and exacerbating food insecurity in those areas. Inflation was accentuated during the first months following the crisis outbreak in April 2023. However, overall inflation pressures have been eased by the re-opening of Chad-Sudan border in October 2023 to allow the flow of essential goods. Overall inflation is estimated to have averaged 4.1 percent, with food inflation averaging 4.8 percent in 2023.

⁶ Data as of January 4th, 2024

Overall, Chad economy has been resilient so far to the ongoing crisis in Sudan and related massive influx of refugees in Eastern Chad. However, a prolonged Sudan war spilling over to Chad could worsen the humanitarian crisis, strain public finances, increase inflation, and have an overall impact on growth. To understand the potential impacts, we analyze three scenarios and their corresponding growth trajectories.

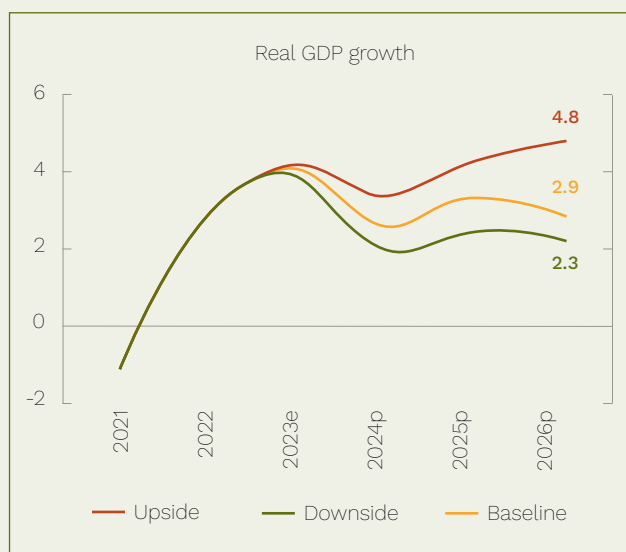
■ **BASELINE SCENARIO (A):** Fighting continues into 2024-2026 but with diminishing intensity, leading to reduced border stress and more controlled influx of refugees. Overall growth will be mainly driven by the oil sector and public expenditure. 2024 growth is expected to be moderate (at 2.7 percent), mainly due to weaker oil sector performances and to the decline in public investment. Growth is projected to average 3.1 percent during 2025-2026, as new oil fields are brought onstream.

■ **UPSIDE SCENARIO (B):** A peace agreement is signed, and fighting stops during first half of 2024, accompanied by a stable government, with official border re-opening. As security risks slowly start to fade, refugee influx halts. A lower security risk at the border means that Chad could allocate fewer resources into military, and increase investments in strategic sectors. These include boosting Chad's production and exports of goods previously exported by Sudan before the crisis, such as processed meat, sesame seeds and Arabic gum. Hence Chad's economy is projected to follow a higher growth path, at 3.4 percent in 2024, reaching 4.6 percent on average during 2025-2026.

■ **DOWNSIDE SCENARIO (C):** There is an escalation of the conflict in 2024, that will last into 2025-2026, spilling over into Chad and heightening security tensions. Most economic activities could be paralyzed along the Eastern Chad border area and potentially across Chad. Tensions between host communities and Sudanese refugees could escalate. Chad would increase its military spendings to contain these risks, at the expense of growth-boosting sectors. This could lead to growth slowing down to 1.9 percent in 2024, and averaging 2.3 percent in 2025-2026.

FIGURE 1.8

GDP growth could fall to 2.3 percent under a downside scenario



Source: WB staff projections

Note: 1/ Products such as sesame and gum arabic have seen their prices double. There has been an increased demand for and a surge in prices of cattle and processed meat where Sudan held a prominent position in the region. These sectors should allow Chad to boost its agriculture and non-oil industry. 2/ Tensions have escalated between Chad and Sudan in December 2023, over accusations by the Sudan's government of Chad interference in the current crisis.

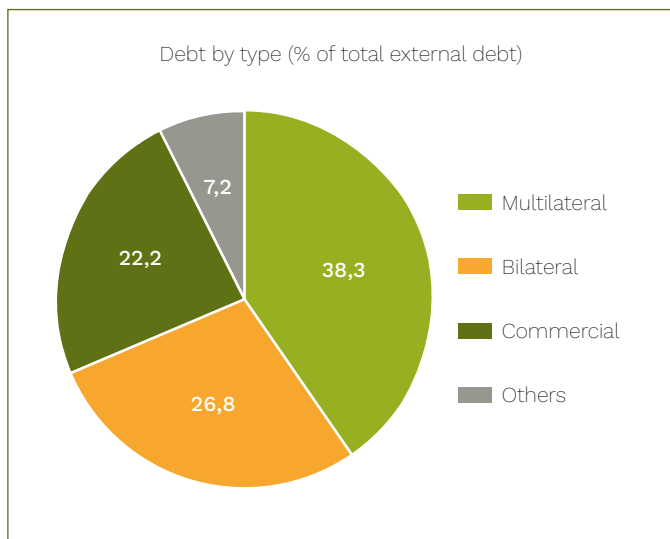
Chad continues to be at high risk of external debt distress while the debt remains sustainable.

Chad's external and overall public debts remain sustainable with a high risk of distress. Public debt continued to decline, with the debt-to-GDP ratio reaching 44.8 percent at end-2023. This reduction was on account of high oil revenues as a cash-sweep agreement mandates increased debt service payments to the main private creditor when oil prices are high. Under current oil revenue projections, public sector debt is expected to further decline in the coming years, dropping below 41.9 percent of GDP in 2026. The share of commercial creditors in public debt has fallen from 33 percent at end-2021 to 22.2 percent at end-2022.

According to the latest Joint World Bank-IMF Debt Sustainability Assessment

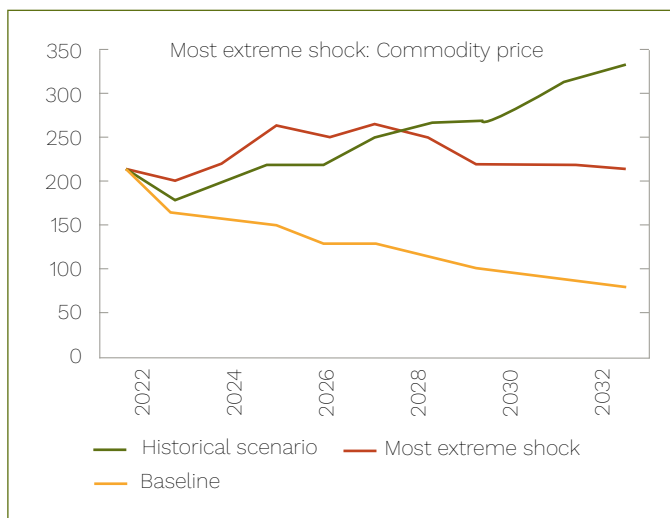
(DSA, January 2023), Chad is in high risk of external and overall risk of debt distress, but the debt remains sustainable. Chad's debt ratios have improved since the last DSA in December 2021 due to higher oil prices and the debt treatment agreed by official and commercial creditors under the G20 Common Framework. External debt service ratios relative to GDP and revenue are expected to decrease in 2024 and stabilize thereafter. External and overall public debt remains at high risk of debt distress, reflecting the country's weak debt carrying capacity. Chad's outlook is subject to significant downside risks, including uncertainties around oil price volatility, increased insecurity, and social unrest due to the political transition, and possible shortfalls in financing (Figure 1.10). In the absence of fiscal policy changes, the projected decrease in oil export revenues over the very long term could reverse the downward trend in debt, leading to an increase in the debt stock.

FIGURE 1.9 The share of official creditors in external debt has increased in 2022



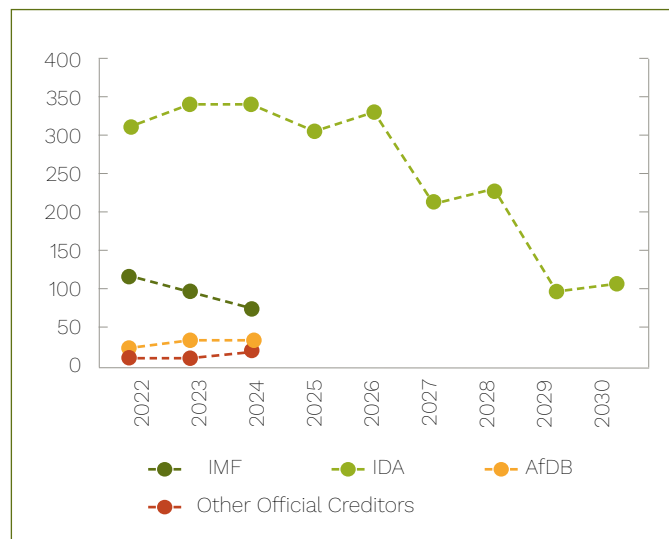
Source: Chadian authorities and World Bank staff estimates

FIGURE 1.11 PV of Public Debt-to-Revenue Ratio



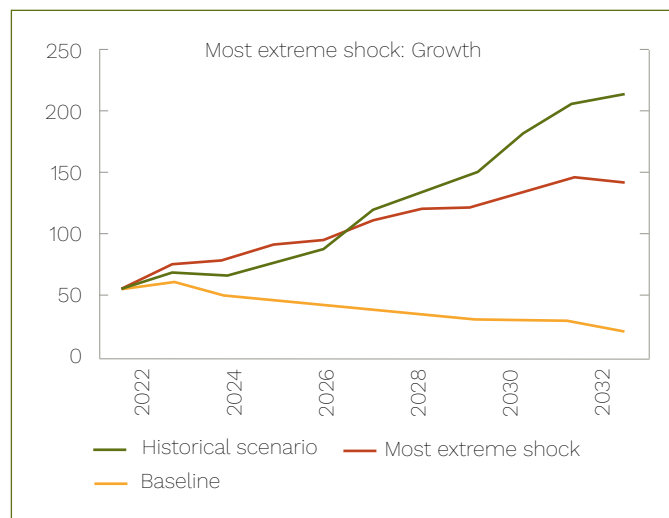
Source: WB-IMF Debt Sustainability Analysis (DSA), Jan. 2023

FIGURE 1.10 Official external financing, Net (US\$ millions)



Source: WB-IMF Debt Sustainability Analysis (DSA), Jan 2023

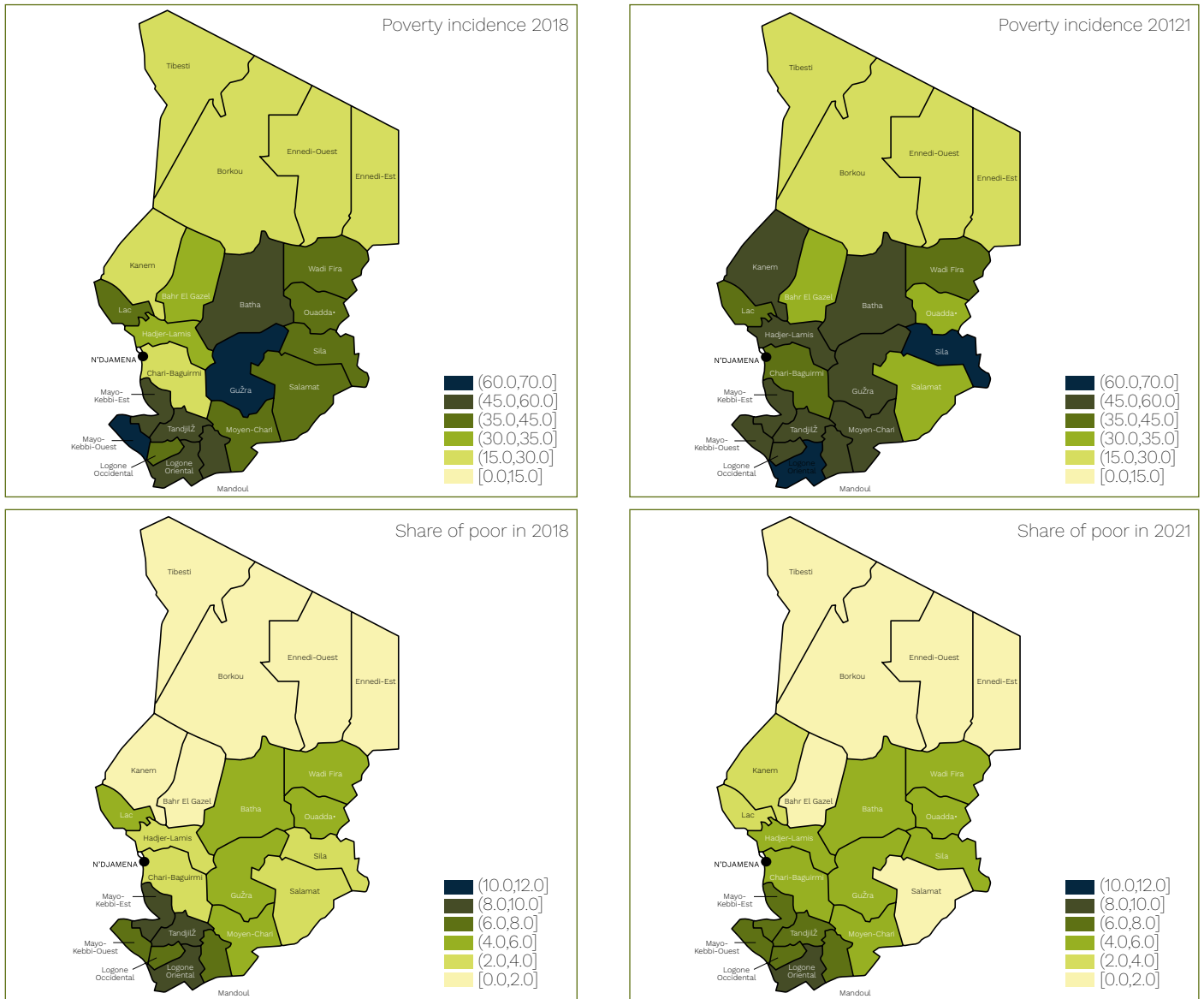
FIGURE 1.12 Public Debt Service-to-Revenue Ratio



Source: WB-IMF Debt Sustainability Analysis (DSA), Jan. 2023

FIGURE 1.13

Poverty profile and trends by region: 2018/19–2021/22



Source: World Bank calculations based on ECOSIT 2018/2019 and 2021/2022*

Note: Poverty headcount ratio calculates the proportion of people living below the national poverty line. Poverty gap is the mean shortfall from the national poverty line (counting the nonpoor as having zero shortfall) as a percentage of the poverty line. This measure reflects the depth of poverty as well as its incidence. Poverty severity is an index describing the inequality among the population living below the poverty line, in other words it measures the severity of deprivation of those living in absolute poverty.

Poverty, particularly in rural areas, has increased between 2018/19 and 2021/22, largely due to high food inflation.

Various shocks led to an increase in poverty as measured by the national poverty rate and consumption inequality. The poverty incidence in 2018 was estimated at 42.3 percent, equivalent to 6.6 million people living below the national poverty line (Box 1.2) of 241,970 CFA Francs (CFAF) per person per year. The combination of the shocks of COVID-19,

the Russia's invasion of Ukraine increasing global food prices, and climatic events (floods) reducing agricultural production, fueled high food inflation. This was the main driver of the poverty rate increasing to 44.8 percent in 2022, corresponding to 7.8 million Chadians living below the new national poverty line of 284,109 CFAF per person per year. The Gini Index, which measures consumption inequality, rose by 0.7 points during the same period, from 33.6 in 2018 to 34.3 in 2022.

BOX 1.2 ECOSIT SURVEY, NATIONAL POVERTY RATE AND INTERNATIONAL POVERTY LINE

The Fifth Survey on the Living Conditions of Households and the Informal Sector in Chad (ECOSIT5), conducted in 2022, is a comprehensive national survey designed to provide high-quality and updated data on indicators essential for monitoring poverty and household living conditions. The survey covers a range of topics, including education, health, income sources, consumption patterns, vulnerability to shocks, etc. ECOSIT5 was conducted in alignment with the harmonized framework of the West African Economic and Monetary Union (UEMOA) countries.

The data collection for the survey was executed in two stages to capture the seasonal variations in household consumption. The initial phase spanned from February 2 to April 30, 2022, followed by a second phase from June 20 to September 20, 2022. The sample comprised 637 Enumeration Areas (EAs), representing 7,644 households, which included panel households from the previous ECOSIT4 survey (2018/2019). For comparability ECOSIT5 utilized the same methodology, sampling plan, technical tools, and advanced data collection methods as its predecessor, ECOSIT4.

The national poverty rate measures the share of the population living below the national poverty line - that is, cannot meet the basic nutritional requirement of 2300 calories. The national poverty rate is calculated only using national poverty survey wherein periodicity is three or five years depending on each country. For the Ecosit 5 survey, a new national poverty line was constructed in 2022 instead of using inflation to update the 2018/19 line because the fixed CPI basket doesn't allow for any substitution effects, which could overstate poverty rates given the price shocks experienced between 2018 and 2021. The poverty line is constructed in two stages. A basket of goods of the country's food consumption that allows an individual to satisfy his daily nutritional needs of 2,300 calories is retained and valued to provide a food poverty line. The non-food-poverty line is a portion of the non-food consumption expenditure of households located around the food poverty line. The sum of the two poverty lines gives the national poverty line, estimated at 284,109 CFAF per person per year. The timing of the implementation of the 2018/19 and 2021/22 surveys was not identical. In addition, the 2021/22 welfare aggregate excludes hospitalization expenditures and the rent imputation method for rural areas differs from 2018/19.

The international poverty measures the share of the population living below the international poverty line of \$2.15 per person per day, 2017 PPP. Compared to the national poverty rate, the international poverty rate allows comparison between countries. It is estimated annually using a microsimulation tool based on macro and micro data. It allows us to analyze recent developments and poverty outlooks of countries.

The increase in poverty has been much higher among households living in urban areas. Poverty rose by about 11 ppts (from 23 to 34.2 percent) in urban areas, and by 1.1 ppts (from 49.7 to 50.8 percent) in rural areas. Economic growth in services and industry activities in 2022 seems to have benefited households in N'Djamena, where poverty declined by 0.8 ppt (from 13.8 percent to 13 percent). However, poverty increased in other cities, so it

increased in urban areas. The increase in rural poverty can be partially explained by unprecedented pluvial and fluvial flooding (the worst since 1961), affecting 1.3 million people (7.3 percent of the population) in 19 of the 23 provinces of Chad. This damaged over 350,000 hectares of agricultural land, killed 20,000 head of livestock, and destroyed 80,000 homes, along with many schools, health centers, and public infrastructure.

Nevertheless, poverty remains a predominantly rural phenomenon, with significant regional disparities. 84.6 percent of the country's poor lived in rural areas in 2021, compared to 88.8 percent in 2018. In 2021/22, one out of every two people living in rural areas was poor. The region of Sila (60.2 percent) on the eastern border with Sudan, as well as Mayo Kebbi East (56.6 percent) on the western border with Cameroon, and Kanem (54.2 percent) bordering Niger, have more than half of their population living below the national poverty line. Additionally, most of the poor (50.8 percent in 2022) remain concentrated in the southern regions bordering the Central African Republic. The share of poor Chadians living in the regions of Chari Baguirmi increased by 2.5 ppts, marking the highest increase among all regions. Meanwhile, the region of Mayo Kebbi Est experienced the largest decline (2.4 ppts) in their share of poor Chadians, with the number of poor individuals declining by 68,847 people.

There are a number of structural factors that may explain the observed poverty trends in the country. First, the lack of economic diversification severely limits livelihood opportunities for households and their ability of the economy to withstand exogenous shocks. Second, low productivity smallholder agriculture and pastoralism, which are the main sources of livelihood (73 percent of household income), face severe constraints that keep their performance below potential. These

constraints include: (i) insecurity and the risk of conflict over natural resources; (ii) risk of climatic shocks; (iii) low levels of human capital; (iv) infrastructure deficits; (v) lack of complementary services; and (vi) the gender gap. Third, livelihoods, particularly in the rural areas, are increasingly at risk from drought due to declining levels of rainfall and rising temperatures linked to climate change. More recently, the COVID-19 global pandemic threatened to reverse progress in poverty reduction achieved in the last decade. Finally, the country continues to experience low human capital with a child born today in Chad only being expected to attain 30 percent of his/her productive potential as an adult, the second lowest in the world.

Rising fuel prices and the forced displacement resulting from the war in Sudan are expected to exacerbate food insecurity and increase poverty. The surge in fuel costs is likely to aggravate the poverty crisis, leading to heightened food insecurity and increased vulnerability. The influx from the war in Sudan is intensifying the risk of food insecurity, which already impacts 2.4 million individuals. Consequently, poverty rates are estimated to have increased, as 80 percent of the 1.1 million refugees and asylum seekers in Chad are poor, making the total number of poor in the country at 9.3 million people including 8.4 Chadians and 0.9 million refugees in 2023.

1.2 Economic and Poverty Outlook

Economic growth is forecast to decelerate in 2024, reaching 2.7 percent due to a slowdown in the oil sector and anticipated to remain around 3 percent in 2025-2026.

In 2024, growth is projected to decelerate to 2.7 percent (-0.4 percent per capita) due to an expected decline in oil production and expectations of lower public investment. Oil GDP is expected to contract by 0.4 percent due to moderating oil production, while non-oil GDP growth is projected to slow slightly to 3.4 percent in 2024. All sectors are anticipated to experience a moderate slowdown in growth. A modest rebound is projected for 2025-2026, with GDP growth averaging 3.1 percent, as new oil fields are brought onstream.

Domestic demand is expected to contract by 0.4 percent after a significant increase of 9.5 percent in 2023. This slower growth is due to a 25.3 percent decline in public investment, compared to the very high levels of 2023, which is not offset by the growth in private consumption. This contraction in domestic demand is expected to then lead to a contraction in imports of 3.1 percent, while exports are projected to increase by 3.8 percent. However, these trends are not expected to generate a trade surplus, due to adverse terms of trade. Accordingly, the current account deficit is expected to widen slightly from 2.4 percent in 2023 to 3 percent of GDP in 2024. Government measures to address food insecurity should ease food inflation, assuming average agricultural production, with inflation projected to fall to 3.9 percent in 2024 as a result, before declining to the BEAC 3 percent target by 2026.

The lower oil revenues and exports projected are expected to contribute to the fiscal deficits and current account deficits. Reflecting lower oil prices and still elevated levels of government expenditures, the fiscal balance is projected to turn into a 1.4 percent of GDP deficit in 2024, with a non-oil fiscal deficit of 12.8 percent of GDP, and remain in deficit through 2026. Public debt to GDP is projected to decline to 41.6 percent in 2025 with accelerated debt servicing of debt linked to high oil revenue, and stabilize in the medium term. The current account deficit is expected to further deteriorate to 3 percent of GDP in 2024, and average 3.1 percent over 2025-2026, driven by moderating oil prices.

With few linkages to poor and vulnerable populations, oil-sector driven growth is not expected to lead to poverty reduction without significant structural reforms. Moreover, continued security restrictions, low social protection coverage, and the ongoing Sudan crisis will restrict poverty reduction. Using modeled estimates of extreme poverty at the international line (\$2.15 per person per day, 2017 PPP) - see Box 1.2 - poverty is expected to have decreased by 1.1 percentage points, reaching 29.7 percent in 2023, before slightly increasing by 0.4 ppt in 2024, equivalent to an additional 237,000 people falling into extreme poverty. The international poverty rate⁷ is expected to remain relatively stable around 30 percent between 2024 and 2026 - based on assumptions of moderate GDP growth in the primary sector and declining inflation. A slight increase in urban areas would be offset by a slight decrease in rural areas. With high population growth, the number of extreme poor in the country is expected to reach 6 million people. Inequality is expected to remain relatively stable at 34 on the Gini Index.

⁷ The International poverty rate is the percentage of population living in households with consumption or income per person below the poverty line at 2017 international prices.

The outlook is subject to multiple downside risks and government actions are important to strengthen the outlook.

This outlook is subject to significant uncertainty and multiple downside risks, including lower oil prices, political instability amid elections, escalating insecurity, and climatic shocks.

Existing vulnerabilities would undermine Chad's fiscal and debt sustainability if oil prices were lower than expected. The management of the political transition and related security risks could exert pressure on public finances and potentially lead to further cuts in vital sectors such as health and education. The risk of increased political instability remains elevated as the political transition enters its last phase. As for insecurity, Boko Haram remains a major threat in the Lake Chad region, while inter-community clashes over access to and use of natural resources continue to fuel conflict and displacement in the region. A prolonged Sudan war could worsen the humanitarian crisis, strain public finances, and increase inflationary pressures. Indeed, nearly 500,000 people have entered the country since the start of the Sudan crisis and the Chadian government predicts that the number could exceed 900,000 by the end of 2024. Moreover, an escalation of tensions between Chad and Sudan could lead to considerable security concerns.

Chad's vulnerability to climate change will increasingly impede its growth potential and social stability. Climatic shocks, which reduce rain-fed crop and livestock yields or cause damages to infrastructure, reduce economic activity and increase food inflation. The estimated impact of climate change on Chad's GDP increases over time; GDP could be lower by 10.5 percent by 2050 due to climate change.⁸ High food prices are also likely to exacerbate food insecurity, increase poverty, and potentially lead to social discontent and unrest.

Against this backdrop, policy measures and structural reforms are important to reinforce Chad's resilience to external and domestic shocks (see Table E.1), in addition to measures to support peaceful transition. Over the short run, Chad should take a set of actions in order to: (i) improve public spending efficiency and allocation; (ii) improve non-oil domestic resource mobilization; (iii) ensure fiscal transparency; (iv) mitigate food insecurity and inflationary pressures; (v) build the resilience of poor and vulnerable households to help them prepare, cope, and adapt to shocks; and (vi) enhance refugee mobility and economic inclusion. In addition, in the medium run Chad should implement measures to: (i) strengthen economic diversification and (ii) improve agriculture resilience to climate. In addition and in light of the increased influx of refugees over the past years, Chad could also benefit from strengthening refugees' inclusion in host communities. This has the potential to unlock some major socio-economic gains as detailed in Chapter 2.

⁸ World Bank. *Sahel Country Climate and Development Report (2022)*.

HOSTING REFUGEES IN AN INCLUSIVE MANNER

2

2.1 Inflow of refugees deepens existing vulnerabilities.

Forced displacement due to protracted conflicts has intensified cross-border movements across Sahel countries and created long-term refugee settlements in Chad.

Over the last 20 years, Chad has been affected by forced displacement resulting from protracted conflicts in neighboring countries. Chadian borders have always been subject to natural patterns of transhumance¹⁰ and cross-border movements for economic reasons among many ethnic groups scattered in the area. These patterns have been magnified by forced displacement due to protracted conflicts. A great number of refugees arrived in Chad between 2003 and 2004, after conflicts broke out in Sudan (Darfur), South Sudan, and the Central African Republic (CAR). Persistent instability and the Boko Haram insurgency led to a continuous inflow of refugees into

the southern provinces and the Lake area.¹¹ The repeated forced displacement waves have recently culminated in the massive refugee inflow caused by the Sudan crisis in early 2023.

The number of refugees in the country increases as new arrivals add to long-term refugees who have few prospects of return. On December 11, 2023, there were 1.1 million refugees and asylum seekers in Chad (Figure 2.1), including 911,000 from Sudan, 129,000 from CAR (mostly settled in the south), 26,000 from Cameroon (mostly settled in two camps around N'Djamena and on the banks of the Logone River), and 21,000 from Nigeria (mainly distributed in the Dar Es Salam camp and host villages in the Lake region).¹² Before the recent refugee inflow in 2023, Sudanese refugees, most of whom had fled the Darfur conflict in 2003, had been in Chadian camps for on average 15 years and Central Africans for 6 years. Due to security and economic problems in their countries of origin, their prospects of return are remote, especially among those who have lived most of their lives in Chad.¹³

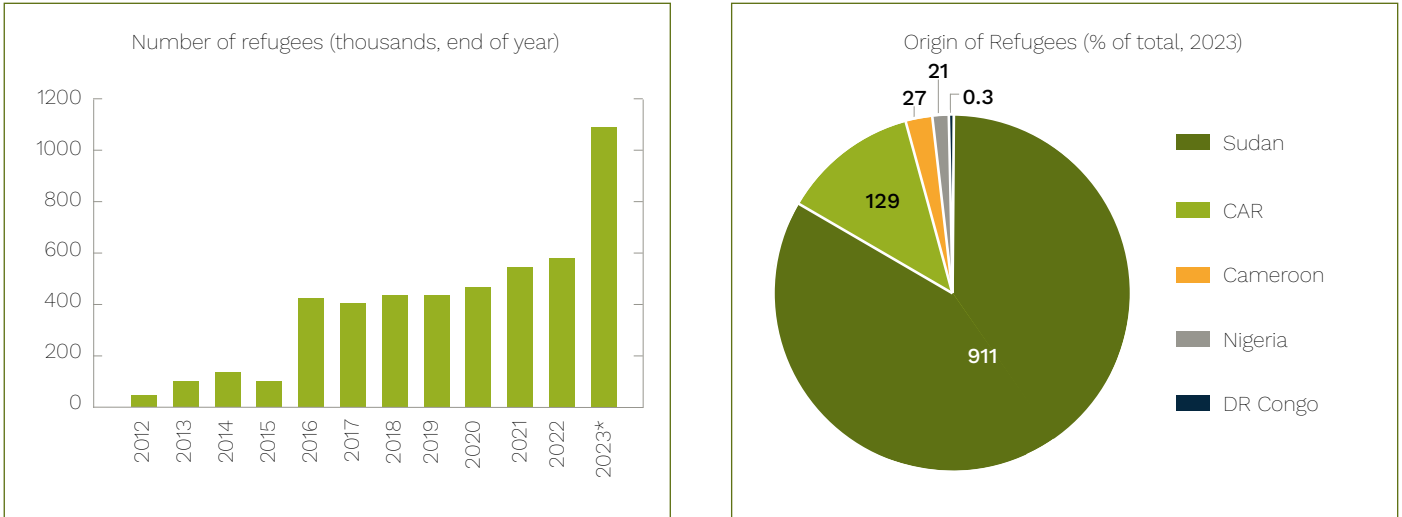
¹⁰ Transhumance is a type of pastoralism that consists in seasonal and alternating movement of livestock between different regions in search of suitable grazing grounds.

¹¹ Nguyen, N. T. V., Savadogo, A., & Tanaka, T. (2021). *Refugees in Chad: The Road Forward*. Washington, DC: World Bank.

¹² UNHCR (2024b). *Operational Data Portal – Chad Country Profile*. <https://data.unhcr.org/en/country/tcd>.

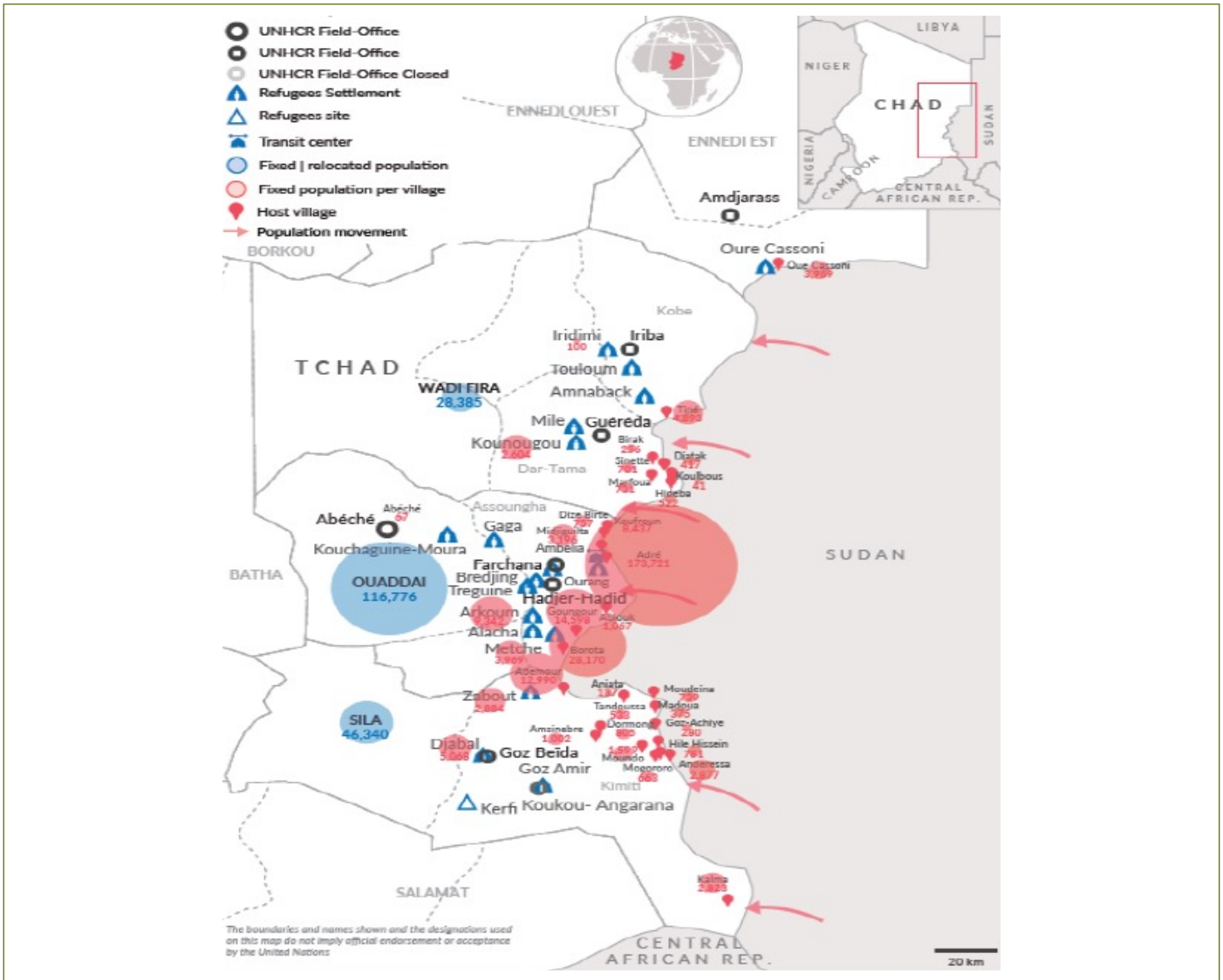
¹³ Nguyen, N. T. V., Savadogo, A., & Tanaka, T. (2021). *Refugees in Chad: The Road Forward*. Washington, DC: World Bank.

Chad refugee population
FIGURE 2.1



Source: UNHCR (2024b)
Note: 2023 data ends on December 11.

Map of Chad, neighbouring countries, and refugees' numbers
FIGURE 2.2



Source: UNHCR (2024b)

Since the outbreak of the Sudan crisis in April 2023, the number of Sudanese refugees in Chad has more than doubled and is predicted to increase further. The Sudanese are the most numerous refugee group in the country, representing 84 percent of the total. More than half of them have arrived in 2023, pushed by the recent conflict. They have settled mainly in 13 camps and one site in the eastern provinces of Sila and Wadi Fira, but some of them are in urban areas.¹⁴ In the eastern border town of Adré, the number of Sudanese refugees is four times that of the local population, which strains the already severely depleted livelihoods.¹⁵ If the conflict continues in 2024, Sudanese will likely continue to flee out of the country, with potentially an additional 600,000 Sudanese refugees seeking asylum in neighboring countries, including Chad.¹⁶

The humanitarian needs of refugees, returnees, and host communities are escalating, yet the assistance provided struggles to keep pace with the growing demands. Out of the total required funding of \$455 million for refugee response, only \$151 million was secured in 2023. This shortfall mirrors the broader funding challenges within the Chad humanitarian response plan, which has a total requirement of \$920 million, but has only reached 35 percent of that goal. When considering funds beyond the humanitarian response plan, Chad has received a total of \$479.7 million in funding.¹⁷

Host populations in the border areas are marked by structural vulnerabilities, poverty, precarious livelihoods, and gender inequality.

The combination of a vast national territory with very poor infrastructure intensifies the isolation of remote border areas. Chad's low road density (25.5km²/1,000 km²) and lack of all-season regional and local feeder roads hamper mobility and accessibility. Farms cannot regularly reach collection points for their production, conditioning and transformation services facilities, or wholesale markets. Neither can rural populations easily arrive to basic public services and facilities, such as schools, hospitals, and local markets,¹⁸ which are often non-existent or of questionable quality at village and 'ferik' (Pastoral encampment) level.¹⁹

Poverty in host communities is higher than at national level, and close to the refugees' situation. Poverty is as prevalent in host communities²⁰ as among Sudanese and Central African refugees, and twice as high as among the general Chadian population (Figure 2.3).²¹ About 80 percent of refugees and host community residents are unable to satisfy basic food and non-food needs, compared to 42 percent of Chadians in general. Multidimensional poverty is also deep in host provinces, where over half of the adult population is illiterate, wood or charcoal are the main sources of energy, and unprotected wells or surface water are the main sources of water. In terms of multidimensional poverty, refugees can be better off than their hosts due to facilitated access to education, health care, and essential services, provided mainly by humanitarian and development organizations.²²

¹⁴ HCR (2023). *Tchad: Personnes Déplacées de Force et Apatrides*. October 2023.

¹⁵ FEWSNET (2023). *Tchad - Perspectives sur la sécurité alimentaire Octobre 2023 - Mai 2024: Les faibles productions agricoles et la pression sur les moyens d'existence détériorent la sécurité alimentaire au Lac et à L'Est du pays*.

¹⁶ OCHA (2023). *CHAD: Overview of inter/intra-community conflicts*. July 2023. <https://www.unocha.org/publications/report/chad/chad-overview-interintra-community-conflicts-january-2024>.

¹⁷ OCHA (2023) *Chad plan de réponse humanitaire 2023*.

¹⁸ World Bank Group (2023). *Chad Country Economic Memorandum. Boosting Growth and Reducing Vulnerability*. Washington, D.C. : World Bank Group. <http://documents.worldbank.org/curated/en/099110723141052687/P1772530f4c3270c30ac45088b-973c1a8e6>.

¹⁹ Watson, C., Abdoulaye, Y., Minguemadji Zizoi, N. (2023). *Refugees and host communities in eastern and southern Chad. Key findings from qualitative research on the dynamics of socio-economic integration in four provinces*.

²⁰ Host communities refer to villages within a 15-kilometer radius of a refugee camp.

²¹ The latest national poverty survey (ECOSIT-4) dates to 2018.

²² World Bank Group (2021). *Chad Poverty Assessment. Investing in rural income growth, human capital, and resilience to support sustainable poverty reduction*. <https://documents1.worldbank.org/curated/en/623761633424786706/pdf/Chad-Poverty-Assessment-Investing-in-Rural-Income-Growth-Human-Capital-and-Resilience-to-Support-Sustainable-Poverty-Reduction.pdf>. Washington, DC: World Bank.

Host populations rely on farming and herding, which are associated with different constraints. In eastern provinces characterized by water scarcity and environmental fragility, pastoral activities are dominant. Herders raise and trade camels and small ruminants and rely on transhumance during the dry season. In southern provinces, farming is predominant thanks to a more abundant natural capital. Livelihoods rely mainly on cash crops but also on small livestock, fruits, and fishing. In both areas, livelihood opportunities are constrained by isolation, poor infrastructure, underdeveloped supply chains, the high cost of fuel, absence of technical assistance and microfinance institutions.²³

Women and girls lack autonomy and are disadvantaged across all spheres. They encounter significant obstacles resulting from the compounding impact of poverty and the cultural perception of women and girls in Chadian society.²⁴ Female illiteracy is high, reaching 90 percent in eastern provinces, a likely consequence of a gender gap in school enrollment that increases with age.²⁵ Enrollment and retention of girls in primary schools have notably declined, especially in provinces affected by humanitarian crises.²⁶

Women are also largely deprived of access to information through radio or mobile phones. Over three quarters of women in southern provinces and up to half of them in eastern provinces report to have no ability to decide on matters that concern their lives.²⁷ A quarter of women in southern provinces and half of them in eastern provinces are married before 18. From 40 to 50 percent of women are in polygamous unions. Female genital mutilation and excision (FGME), associated with child marriage and high maternal mortality, affect from 40 percent of women in eastern provinces to 80 percent in southern provinces.²⁸

Disruptions to economic activities has worsened food insecurity and the large presence of refugees has put pressure on basic services and natural resources.

Trade and agriculture disruptions have exacerbated food insecurity in border areas affected by the refugee crisis. In 2023, Chad was hit by high severe food insecurity for the fourth consecutive year. Some 2.1 million people, about one out of ten Chadians, were acutely food insecure (Figure 2.3) in 2023, 40 percent of them in the crisis-affected eastern and southern provinces²⁹. In these provinces, the decline in production combined with the disruption of the fragile supply chain determined staple shortage and inflation in the local markets. In October 2023, the price of millet in Abéché (east) and of sorghum in Mondoul (south) increased by 50 percent compared to the previous five-year average. As a result, food insecurity is expected to worsen, with 3.4 million acutely food insecure during the 2024 lean season, especially in the east provinces of Ouaddaï, Sila and Wadi Fira.³⁰

²³ Watson, C., Abdoulaye, Y., Minguemadji Zizoi, N. (2023). *Refugees and host communities in eastern and southern Chad. Key findings from qualitative research on the dynamics of socio-economic integration in four provinces.*

²⁴ WFP (2023).

²⁵ Watson, C., et al. (2023).

²⁶ WFP (2023).

²⁷ Watson, C., et al. (2023).

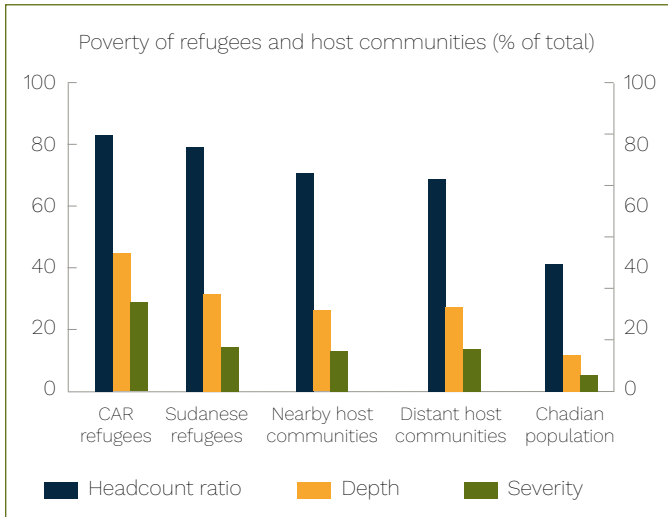
²⁸ World Bank (2021).

²⁹ FEWS NET (2023). *Tchad - Perspectives sur la sécurité alimentaire Octobre 2023 - Mai 2024: Les faibles productions agricoles et la pression sur les moyens d'existence détériorent la sécurité alimentaire au Lac et à L'Est du pays.*

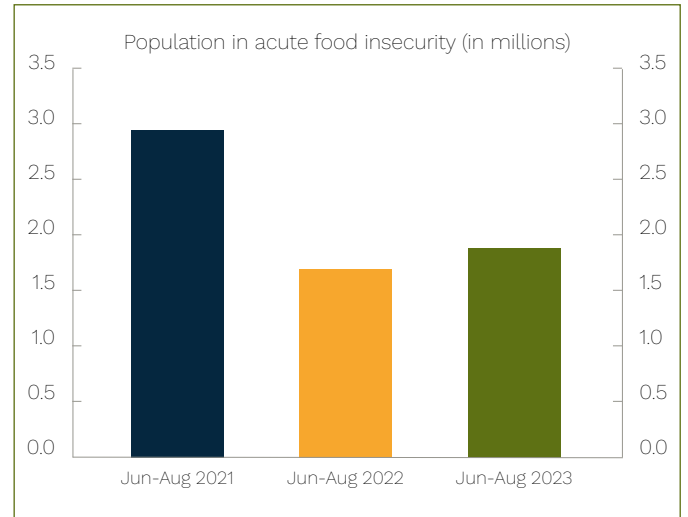
³⁰ FEWS NET(2023). *Tchad - Perspectives sur la sécurité alimentaire Octobre 2023 - Mai 2024: Les faibles productions agricoles et la pression sur les moyens d'existence détériorent la sécurité alimentaire au Lac et à L'Est du pays.*

FIGURE 2.3

Poverty and food insecurity in Chad



Source: World Bank Group (2021) using ECOSIT-4 2018 data



Source: Cadres Harmonisés 2021, 2022, 2023

The refugee inflow has increased the demand for basic services, which are often scarce in host areas. Over 61 percent of Chadians opt not to seek medical help in case of illness, primarily due to the cost of health care. Distance from health facilities also appears as an important barrier to accessing care, particularly in rural regions. Local education services are strained and limited to urban centers, with classes reaching up to 130 children, inadequate facilities and insufficient teaching staff.³¹ More than half (54 percent) of the refugees are children, and the share is comparable in host communities, underlying the increased need for health and education services.³² Assistance programs have created conditions where refugees can have better access to basic services than local populations.³³ The last poverty survey (2018) found that primary school enrollment was higher among refugees than among Chadian children, and that nearly 80 percent of Sudanese and Central African refugees were able to seek health care when needed, compared to 55 percent of

Chadians in host communities.³⁴ Although basic services created by humanitarian assistance have to some extent benefitted host communities, the focus has been mostly on refugees.³⁵

Population displacement has heightened pressure on and conflict over scarce natural resources. Shared resources are becoming increasingly scarce due to climate change, and the inflow of refugees along with the sedentarism of former nomadic or transhumant pastoralists now practicing agro-pastoralism, have created intense pressure on and conflict around these resources. The negative environmental impact is widespread, leading to the depletion of resources such as firewood and foraging products. Host populations often blame refugees for the degradation of natural resources and the rising difficulties in their living conditions.³⁶ Particularly in the South, these tensions are exacerbated by the complex phenomenon of neo-pastoralism, that is unrelated to the forced displacement yet adds an additional dimension of conflict risk.

³¹ World Bank Group (2021).

³² UNHCR (2023b). *Tchad: Personnes Déplacées de Force et Apatrides*. October 2023.

³³ Nguyen, N. T. V., Savadogo, A., & Tanaka, T. (2021). *Refugees in Chad: The Road Forward*. Washington, DC: World Bank.

³⁴ Nguyen, N. T. V., et al. (2021).

³⁵ Watson, C., Abdoulaye, Y., Minguemadji Zizoi, N. (2023). *Refugees and host communities in eastern and southern Chad. Key findings from qualitative research on the dynamics of socio-economic integration in four provinces*.

³⁶ Watson, C. et al. (2023).

2.2 Drivers of economic inclusion

Successful economic inclusion of refugees starts with seeing refugees as economic actors with productive potential and ambitions.

There is strong support among decision-makers that the best way to address a refugee crisis is by recognizing them as economic actors. By empowering refugees to meet their basic needs independently of aid, and to contribute to the economy of the host country, economic integration has the potential to be a triple win: for the host country which sees its economy advance, for refugees who gain autonomy and for international donors as the need for humanitarian assistance decreases. This thinking is reflected in the application decree of Chad's Asylum Law signed in 2023,³⁷ and the National Response Plan to the Impact of the Sudanese Crisis. Both the Law and the Plan promote local integration of refugees, aim to avoid settling in permanent camps and promote self-sufficiency. They offer refugees the right to own land, engage in formal employment and commercial activities, move freely, and access banking services.

The overall asset endowment of refugees determines their income-generating potential and needs to be restored. The income refugees may be able to earn is primarily determined by the assets they own, the intensity with which these assets are used, and the returns to their assets. Productive assets include human capital (education; nutrition; capacity to work); physical capital (land; animals; tools); and financial capital (savings; working capital). Besides productive assets, refugees can also leverage social capital to support their income generation capacity. For instance, it is commonly found, including in Chad, that refugees that interact more with hosts have better socio-economic

outcomes.³⁸ The needs will be different, but investments in land, animals, and start-up capital are important to put refugees on a path to productive inclusivity.

Restoring refugees' productive capacity considerably increases their financial autonomy. Refugees from Sudan living in camps receive on average 7 percent of Chad's national poverty line of CFAF 684 per person per day in aid and earn 61 percent through work. This illustrates the importance of self-sufficiency for the current cohort of refugees, but also the shortcoming of both aid and income, as 32 percent of the poverty line is 'contributed' by refugees by foregoing consumption. Estimations show that if refugees would become as productive as Chadians, their income share would rise to 89 percent of the poverty line.³⁹

Despite large donors' investments, the prospect of promoting the economic inclusion of refugees in large camps located in remote and poor areas is extremely limited.

It is challenging to build a viable, non-humanitarian, economy in remote border regions as the World Development Report on Economic Geography makes clear.⁴⁰ Economic activity tends to concentrate in certain locations and can rarely be successfully dispersed through policies. Apart from investing in local economic development (most likely in the primary sector), it is more desirable to promote economic integration by focusing on investing in human capital, infrastructure and accessibility, while allowing refugees to move freely.

³⁷ Ministère de l'administration du territoire, de la décentralisation, et de la bonne gouvernance (2023). Décret No.0648/PT/PM/MATDBG/2023. <https://www.ecoi.net/en/file/local/2091861/645b938a4.pdf>.

³⁸ Coulibaly, Hoogeveen, Jourdan and Savadogo (2024) find that the incomes earned by existing refugees from Sudan in Chad are higher when they maintain social connections outside the camp.

³⁹ Coulibaly, M., Hoogeveen, J., Jourdan, E., and Savadogo, A. (2024). Responsibility Sharing and Refugee Inclusion in Chad. Mimeo.

⁴⁰ World Bank Group (2009). Reshaping Economic Geography. World Development Report 2009.

The very nature of large refugee camps limits the economic autonomy of refugees. Ideally, camps (or “organized sites” as humanitarians now call them) should be a temporary solution to cope with massive arrivals. The size of the population in large camps in proportion to the land available constrains agriculture to garden plots and limits animal rearing. Living in remote areas, having limited skills and few productive assets, refugees have their economic opportunities limited to local trade and services, or casual labor. Given the limited options for large scale primary production and trade with the outside world, camps will continue to rely on aid. If there are to be camps at all, they should be located in areas with economic potential, not in remote areas disconnected from markets and economic activity.

Primary sector development is critical for refugee inclusion. A total of 87 percent of refugees recently arriving from Sudan were previously engaged in the primary sector. This suggests that the vast majority may want to remain engaged in agriculture, herding or fishing. A potential risk associated with this is that it could lead to conflicts over natural resources with the host population, which in turn could affect the long-term support for economic inclusion. This warrants investments in bringing new land under cultivation and in measures raising the productivity of the primary sector to the benefit of the host population and refugees alike. Yet, in line with the logic of territorial development, these investments should primarily follow refugees as and where they go, rather than be focused on the desolate locations in which the refugee receiving sites are located.

Refugees’ economic inclusion is optimized by greater mobility, endowment restoration, and skills matching, but progress is gradual, hence assistance should be ensured throughout the transition.

The gains from economic inclusion are optimized when refugee skills and attributes are matched with the

needs at their destination. Refugees are heterogenous with different levels of human capital, skills and needs. Farmers and herders may want to settle in rural locations outside the border regions, professionals may want to move to urban areas, those unable to work may want to remain in camps where food, nutrition and education services can be provided efficiently. In the words of the 2023 World Development Report on migration, the challenge is to: “strengthen the match of all [...] skills and attributes with their destinations”.⁴¹ Chad’s Asylum Law creates the legal framework for such matching, but it will not happen automatically.

Matching and movement benefit from the portability of assistance. If assistance is only offered in and around camps, it will act as a disincentive to move and seek a good match. It could also result in favoring a behavior in which men move out of the camp, while elderly and dependents remain in the camp. Portability of benefits is an important condition for the successful economic integration of refugees. It creates the condition for moving towards a system of cash assistance that eligible beneficiaries can access anywhere.

Issuance of official ID documents is a necessary condition for refugees to move freely and access the formal productive sector. Ownership of a national ID is required to open a business, access microfinance credit, or apply to formal employment. Refugee cards currently issued by the National Authority for Asylum and Refugees (CNARR in French) are not recognised by the financial or private sectors, which excludes refugees from the formal sector. To overcome this issue, CNARR must collaborate with the National Secured Titles Agency (ANATS in French), to ensure ID documents for refugees. By law, ID cards should be issued to refugees for free. The ID problem also concerns host communities. ID coverage at national level is approximately 30-40 percent of the adult population. ID card possession is even lower in rural and border areas.

⁴¹ World Bank Group (2023). *Chad Country Economic Memorandum. Boosting Growth and Reducing Vulnerability*. Washington, D.C. : World Bank Group. <http://documents.worldbank.org/curated/en/099110723141052687/P1772530f4c3270c30ac45088b-973c1a8e6>.

2.3 Understanding refugees and host population dynamics fosters socio-economic inclusion⁴⁴

The interaction between refugees and host communities poses challenges but also creates socio-economic opportunities.

Existing social relations between refugees and host communities are dense and marked by a common cultural identity, the Chadian tradition around hospitality, and mutual benefits. Refugees often share the same language and ethnical affiliation with host communities, like Zaghawa groups in eastern provinces.⁴⁵ Local populations hold memory of reciprocal relations of support arising from earlier displacements of Chadians across the border. Joint participation in social ceremonies and networks, as well as intermarriage, are common practices, particularly where refugees have been present for long. Either in camps or in villages, refugees and local populations frequently meet at the market, attend the same health centers and schools.

Despite strong commonalities, when it comes to productive assets, constraints weigh more on refugees than on host communities. There is general lack of pasture and agricultural plots, and land is not easily accessible and not very fertile. Host communities cultivate more extensive areas and own larger sized herds. The interaction between refugees and host communities facilitates land access and generate opportunities linked to increased production and trade. Negotiations intermediated by local authorities have allowed refugees to access plots of land where they carry out subsistence farming. Until recently, land could only be attributed to refugees on a temporary basis, but since

the adoption of the Asylum Law and its application decree (2023), refugees have the right to own land.

Through a policy of integration and dispersion, the Government of Chad intends to minimize the scope for flashpoints and maximize the benefits of economic inclusion. Despite the positive aspects regarding the integration of refugees and host communities, potential flashpoints exist. Both groups face general land scarcity, and productivity is impaired by the lack of tools and inputs, and the limited size of herds. The arrival of refugees has aggravated the pressure on the extensive-based agricultural model practiced by host communities. Local farmers often take advantage of the situation and benefit from underpaid refugees' work and exploitative sharecropping arrangements. Limited opportunities available to refugees put them, especially when young, at risk of engagement in hazardous endeavours such as search for gold or illicit migration. Many of these flashpoints are associated with the concentration of large numbers of refugees in a reduced number of large camps.

The interaction between refugees and host communities poses challenges but also creates socio-economic opportunities.

There is a high share of female-headed households among refugees and host populations. More than 50 percent of refugee households and 43 percent of host community households are headed by women.⁴⁶ These shares are more than

⁴⁴ This chapter is based on the qualitative study "Refugees and host communities in eastern and southern Chad. Key findings from qualitative research on the dynamics of socio-economic integration in four provinces". The study was carried out in April 2023 to inform PARCA productive inclusion activities.

⁴⁵ Nguyen, N. T. V., Savadogo, A., & Tanaka, T. (2021). *Refugees in Chad: The Road Forward*. Washington, DC: World Bank.

⁴⁶ Nguyen, N. T. V., Savadogo, A., & Tanaka, T. (2021). *Refugees in Chad: The Road Forward*. Washington, DC: World Bank.

double than the national average (22.1 percent).⁴⁷ There is global evidence that female-headed households tend to be more marginalized, more food insecure, and poorer. In Chad, refugee families headed by women are associated with higher poverty levels.⁴⁸ Furthermore, among refugees in Chad, 88 percent of refugees are women and children, and women represent 61 percent of the working age (18-59) population.⁴⁹

Both among refugees and in host communities, gender social norms keep women dependent and perpetuate inequalities. Despite their extensive child-rearing responsibilities, women lack control over productive resources, decision-making power and authority within the household and the community. Traditionally, customary law limits women's inheritance rights, access to and control over land, which are reserved for men.⁵⁰ In both refugee and host community settings, men are considered the owners of household property and assets, and women themselves are often included

in the category of male possessions.⁵¹ Women may sometimes own some small stock and poultry or be allotted small plots of land to produce food for their children, but major assets always belong to men.

Village savings and loans groups offer women the opportunity to access credit and can help refugee women to rebuild social bonds. Village savings and loans groups or 'tontines' are present in host communities, and mixed participation is increasing. In the east, these groups are called 'sunduq' and involve contributions that allow for supporting members in times of hardship (e.g., to meet health or funeral expenses) or important ceremonial occasions (e.g., weddings). In the south, they are called 'pares' and involve pooling resources to provide members with rotating credit that allows them to make economic and social investments. These groups represent an opportunity for women to get support for their small investments and help refugee women to engage in new social networks.

⁴⁷ EDS-MICS 2014-15 (2015). *Enquête Démographique et de Santé et à Indicateurs Multiples au Tchad*.

⁴⁸ Nguyen, N. T. V., Savadogo, A., & Tanaka, T. (2021). *Refugees in Chad: The Road Forward*. Washington, DC: World Bank.

⁴⁹ OCHA (2023). *CHAD: Overview of inter/intra-community conflicts*. July 2023. <https://www.unocha.org/publications/report/chad/chad-overview-interintra-community-conflicts-january-2024>.

⁵⁰ Le Masson, V., Benoudji, C., Sotelo Reyes, S., Bernard, G. (2017). *Violence against women and girls and resilience. Links, impacts and perspectives from the Chadian context*. BRACED.

⁵¹ Watson, C., Abdoulaye, Y., Minguemadji Zizoi, N. (2023). *Refugees and host communities in eastern and southern Chad. Key findings from qualitative research on the dynamics of socio-economic integration in four provinces*.

BOX 2.1 ECONOMIC PARTICIPATION REDUCES THE COST OF HOSTING REFUGEES AND FREES RESOURCES FOR INVESTMENTS IN HOST COMMUNITIES

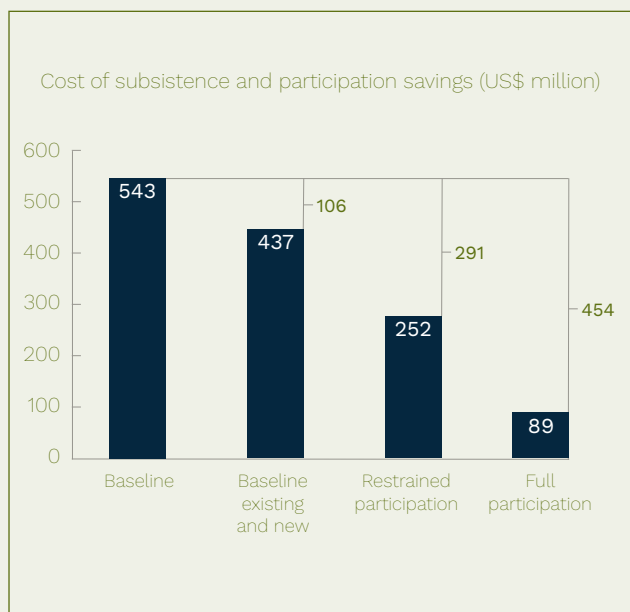
An important component of the cost for caring for refugees are the costs for their subsistence.⁵²

The point of departure for estimating subsistence costs is the identification of an acceptable minimum standard of living refugees should attain. How to define the amount needed for food, shelter, clothing, utilities, personal hygiene, and other critical expenses such as household contributions to the schooling of their children, or out of pocket payments for health care? This standard is found in the national poverty line, which in the case of Chad was set at CFAF 684 per person per day in 2018.

Once the standard is agreed, the baseline costs are found by multiplying the number of refugees by the annual costs of providing the poverty line in assistance. Doing so implicitly assumes, however, that refugees do not earn any income. In practice, they do, even though the amount earned is constrained by a lack of assets and the isolated economic environment in which they operate. Still, because refugees earn incomes, less aid is needed to attain the poverty line. These savings on aid relative to the baseline scenario, can be considered Chad's contribution to the global public good of hosting refugees and are labelled participation savings in the figure below.

Refugees from Sudan who arrived in Chad prior to 2018 earn on average 54 percent of the poverty line, or CFAF 367 per person per day. Coulibaly et al. (2024) estimate that if various constraints to economic participation would be lifted, earnings increase to 83 percent of the poverty line, or CFAF 572 per person per day.

Thus, three scenarios can be defined: a baseline with no economic participation by refugees, one with restrained economic participation and one with full economic participation. With a total of 1.17 million Sudanese refugees who are in Chad (of whom 426,000 are existing refugees and the remainder new arrivals), it translates into a need for aid to cover their subsistence of US\$ 543 million per year. Since existing Sudanese refugees already earn incomes, this amount reduces to US\$ 437 million. If all newly arrived refugees would be as integrated as the existing refugees from Sudan the need for subsistence aid would be US\$ 252 million per year. If all Sudanese refugees would be fully integrated economically, the need for assistance could drop to CFAF 112 per refugee per day or US\$89 million per year.



Chad's contribution to the global public good of hosting refugees follows as it is the difference between the different scenarios and the baseline. It is US\$ 106 million at present and increases to US\$ 291 million if all new refugees work as the existing Sudanese refugees do. If refugee economic participation improves, participation savings increase to potentially US\$ 454 million, in which case these savings would far exceed the need for humanitarian aid.

The economic benefits of economic participation are evident. Participation increases the autonomy of refugees, reduces the need for humanitarian aid, and in doing so, frees up aid resources to invest in the host economy. Approached as a bargain from which all parties stand to gain, promoting refugee economic participation can become a tri-partite win.

Source: Adapted from Coulibaly et al. 2024.

⁵² A full costing of refugee participation would cover more than the cost for subsistence and also include spending on health, education and other public goods. It would also cover investments needed as well as cost to address any externalities associated with refugee economic participation (refer to Hoogeveen and Knippenberg 2024).

2.4 A national safety net tailored to the specificities of refugees and host communities

Livelihood support tends to be directed to either refugees or host populations, and the few programs that have started to target both groups do not promote refugees' mobility.

Efforts are ongoing to support refugees to access productive assets and initiate income generating activities in and around camps. To support refugees' agricultural production, UNHCR facilitates negotiations with host communities around the camps to access small plots and to provide agricultural inputs. The agency also supports income generating activities in and around the camps with micro-credit and revolving funds, as well as through technical and professional training. Cash for work and innovative projects involving poultry farming and fishing are also in UNHCR's portfolio.

Host populations around camps are targeted by projects implemented by different agencies. PROPAD, a World Bank funded project implemented by the government, one of the major projects targeted at host populations.⁵³ It supports micro-project led by groups of local producers, including women and youth groups. Supported projects revolve around the intensification of rainfed agriculture but also include smart agriculture initiatives, such as community forestry and fishing, food transformation, and small animal husbandry. Several other projects are implemented by different agencies. Different agencies implement other

smaller-scale projects whose sustainability is challenged but their limited coverage, short-term duration, and lack of follow up.

A few programs target both refugees and host communities. Partnerships involving the Government, UN agencies and stakeholders at bilateral and multilateral levels facilitate the implementation of the humanitarian-development-peace nexus, through the inclusion of refugees in Chad's National Development Plans (PDN). For example, programs such as DIZA⁵⁴, PARCA⁵⁵, and ResiTchad⁵⁶ have an integrated approach towards refugees and host communities. With pre-established rates of participation, they use mixed committees, promote joint sensitization and consultation, and facilitate negotiations involving local actors. They support extremely poor households with cash transfers, set-up and strengthen village savings and loans associations, and promote economic opportunities. PARCA and ResiTchad improve access to basic services and infrastructures, by facilitating the construction and rehabilitation of health centers, schools, and water points. DIZA and UNHCR collaborate to strengthen local consultation mechanisms. Currently, there are no programs supporting refugee mobility.

⁵³ Acronym for Développement Inclusif des Zones d'Accueil, also known as Climate-Resilient Agriculture and Productivity Enhancement Project

⁵⁴ Financed by the Delegation of the European Union

⁵⁵ Acronym for Projet d'Appui aux Réfugiés et Communautés d'Accueil, also known as Refugees and Host Communities Support Project

⁵⁶ Territorial Development and Resilience Project for Chad

A national safety net system can provide a platform for efficiently delivering productive inclusion measures targeted to refugees and host communities at scale.

The development of a safety nets system that is both adaptive and productive can improve the effectiveness of interventions aimed to reduce food insecurity and poverty. The safety nets system is still nascent in Chad, but the government has formally expressed its intention to expand its safety net program to over 1 million Chadians in situation of extreme poverty. Its gradual expansion is linked to the need to deal with growing climate events. Adaptive safety nets help vulnerable people to prepare, cope and adapt to shocks, building their resilience. By including refugees, it is possible to reduce the burden on the humanitarian sector and increase the financing of refugees' integration and economic inclusion.

The national social registry strengthens government's responsiveness to the refugee crises, by enabling rapid availability of data on eligible households wherever they are. The social registry has supported complementarity and coordination among programs and has been paramount to deliver cash transfers and implement productive inclusion interventions benefiting both host populations and refugees. In the present context of crisis, it facilitates the rapid identification of refugees, thanks to coordination and interoperable systems shared with other agencies. It is, therefore, a key coordination tool, as it helps to avoid duplication and overlapping, and to rationalize interventions delivered by different agencies and programs. In 2024, the Social Registry database consists of around 600,000 households of which 12.3 percent are refugees spread over 15 provinces. This represents 19 percent of the Chadian population, mainly the poorest households. The government's vision is to increase its coverage to 30 percent of the population by 2030.

The development of a digital payment platform can increase program delivery efficiency, while assuring portability and enhancing opportunities for financial inclusion and social connection. Digital payments have been successfully tested in urban cash transfer programs targeted at refugees.⁵⁷ The government, through PARCA, is planning to scale them up to deliver cash transfers and productive subsidies to host communities and refugees across the country. A well-developed digital payment platform can support the efficient and accountable delivery of safety nets, even in remote areas. It can help poor households to access financial services and connect with market actors. It can also support remote monitoring and communication. Mobile payments reduce distances that beneficiaries must walk, hence the risks for women. Mobile phone ownership and use can help refugees to keep in touch with their families and places of origin.

Recent experiences with safety net programs in other Sahelian countries have been proven to be cost-effective and impactful, while promoting economic inclusion.

Evaluations of safety net programs in the region have shown that they increase consumption and income among beneficiaries. Productive safety nets are tailored to address multiple constraints to self-employment and productivity faced by the poorest populations. Productive inclusion packages have been tested in Senegal, Mauritania, Chad, Niger, and Burkina Faso, as part of the Sahel adaptive safety net initiative. Packages include awareness and sensitization campaigns, savings and credit groups, skills and entrepreneurship trainings, start-up business capital and access to markets (Box 2.1). Evaluations found high cost-effectiveness, as the cost to deliver the productive package was lower than the economic benefits obtained.⁵⁸

⁵⁷ PARCA response to COVID and Cameroon refugees in N'djamena

⁵⁸ World Bank Group (2022). *Atelier technique régional sur les programmes d'inclusion productives mis en œuvre par les filets sociaux adaptatifs dans le Sahel*. 7-10 November 2022, Dakar.

In Chad, the safety net program will be adapted to meet the specificities of refugees and host communities. By relying on mobile cash transfers, the safety net program will ensure the portability of assistance, creating unique possibilities

to support refugees outside a camp environment, wherever they reside. The development of savings and credit groups can bring refugees and host communities together.

BOX 2.2 PRODUCTIVE INCLUSION PACKAGE DESIGNED AS PART OF THE SAHEL ADAPTIVE SOCIAL PROTECTION PROGRAM



Group formation and coaching: Formation of groups of about 20 beneficiaries. Coaches provide support to groups and individual beneficiaries. This activity runs throughout the duration of the program.



Community sensitization on aspirations and social norms: Screening of a short video showing how a married couple overcomes tensions and works together to diversify their livelihoods. The screening is followed by a facilitated discussion with the larger community.



Facilitation of village savings and loans associations (VSLA) with the distribution of shares (savings plus interest) after cycles of 9 to 12 months.



Life-skills training: Group training spanning 3 to 7 half days. Covers topics such as self-confidence, gender relations, communication skills, risk-taking.



Micro-entrepreneurship training: Group-based training spanning 3 to 7 half days. Covers fundamental skills in micro-business management, relevant for both agricultural and non-agricultural activities.



Cash grants: One-off transfer of 140-275 US\$ depending on the country



Access to markets: Facilitation of group-buying of inputs with support from coaches.

An integrated productive inclusion package targeted to host populations, refugees, and returnees has been implemented in the southern and eastern provinces, with positive outputs. DIZA and PARCA have offered an integrated productive package to support the set-up of VSLAs and income generating activities. Poor individuals were identified through the social registry, increasing coordination and programmatic efficiencies. Trickle down effects including the set-up of spontaneous VSLAs besides those officially

supported by DIZA⁵⁹ were consistent with spillover effects on non-beneficiaries found in the impact evaluation carried out in Chad. VSLA members were able to save USD 6.5 per month per person, which corresponds to about 26 percent of the monthly transfer value delivered by PARCA to the extremely poor. More than half of the savings were used as revolving funds for small investments and social events, such as weddings and funerals.⁶⁰

⁵⁹ Bucofore (2023). *Etude d'impact des transferts monétaires dans les provinces du Logone Oriental et du Ouaddai (Tchad)*. Bucofore.

⁶⁰ Miangotar, Y. (2023). *Preliminary findings of the mid-term impact evaluation*.

2.5 Recommendations for the economic inclusion of refugees and host populations

To reinforce social cohesion and avoid further conflict, it is essential to develop policies and programs that benefit host communities and refugees in an integrated manner, and bolster refugees' integration through mobility. The aim of such policies should be to enhance access to quality basic services, and connect host communities and refugees with economic nodes, boosting their economic inclusion and human capital. Refugees' integration should be associated with measures that facilitate their mobility, and the implementation of active labor market policies, including job intermediation services and monitoring, to encourage refugees to relocate to areas where their skills and expertise are most suited. A gender perspective is imperative to allow women and girls to overcome the compound impact of poverty and cultural perception on their human development.

Short-term (1 year). Increase economic inclusion opportunities for refugees and host communities.

Strengthen the institutional capacity to deliver official ID cards to refugees, allowing them to move freely, apply to formal employment, access productive and financial assets. Refugee identification cards currently issued by the Commission Nationale d'Accueil de Réinsertion des Réfugiés et des Rapatriés (CNARR) are not official ID documents; therefore, they are not recognized or accepted by formal institutions. A recent agreement between CNARR and ANATS foresees the provision of official ID cards to refugees, ensuring them the rights accorded by the National Asylum Law. The government and its partners shall supervise and support the effective implementation of this collaboration.

Strengthen the social registry as the common platform to outreach and identify the poorest among host populations and refugees, favoring complementary and coordinated assistance. In the present context of crisis, the social registry has been paramount to target host populations and refugees with safety nets and productive inclusion interventions. It has facilitated the rapid and coordinated identification of refugees and proven to be a key tool to avoid duplication and overlapping, and rationalize interventions delivered by different agencies and programs.

Advocate for predictable, recurrent, and sustained donor funding to support the gradual inclusion of refugees in national systems and in the economy. Burden sharing suggests that fiscal spending on refugee inclusion in health, education and social protection systems is covered by the international community. It also implies that Chadian authorities, by including refugees in national systems and actively promoting their economic inclusion and self-reliance policies, minimize the cost to the international community.

Medium-term (2-5 years). Invest in an adaptive and productive national safety net system that integrates refugees and host communities, with a focus on women (potability and mobility of refugees).

Gradually integrate refugees and host communities into the national safety net program. The recent 'Declaration on the political program of the transition government in Chad', issued in January 2024, sets the objective to expand the safety net program to about 1 million Chadians in situation of extreme poverty.

Combining regular cash assistance to meet minimum basic needs with efforts to promote economic inclusion, productive safety nets address the multiple constraints to self-employment and productivity. This approach is particularly relevant when dealing with refugees who have lost most of their productive asset base. The inclusion of refugees and host communities into the safety net program can contribute to reducing their poverty gap, hence easing the financial pressure of the refugee influx on the government and humanitarian and development partners.

Develop a digital payment platform that ensures rapid and transparent delivery of funds to the most vulnerable, granting financial access, particularly to refugees wherever they reside. Refugee integration requires the portability of assistance. It implies a system which is nationwide, flexible, and focused on cash as opposed to in-kind assistance. The national social safety net system, which is under development, has the potential to meet these requirements through the creation of a national registry and the facilitation of mobile payments. Considering the limited infrastructure, coverage and uptake in remote areas, the digital payment platform should be developed gradually. Simultaneously, checks and balances should be envisaged to ensure accessibility and efficiency when scaling up digital solutions.

ANNEX

3

TABLE 3.1

Selected economic and fiscal indicators

	2020	2021	2022	2023	2024	2025	2026
				Estimates	Projections		
Annual percentage change, unless otherwise indicated							
Real Economy							
Real GDP	-1.6	-1.2	2.8	4.1	2.7	3.3	2.9
Oil GDP	0.0	-8.2	6.6	4.4	-0.4	1.4	1.2
Non-oil GDP	-2.0	0.4	2.0	4.1	3.4	3.7	3.3
Per Capita GDP (current US\$)	643.8	685.7	699.5	722.4	719.4	726.2	738.9
GDP Deflator	-5.5	7.2	15.1	-0.9	-0.5	0.4	1.7
Consumer Price Inflation (ave.)	3.5	1.0	5.8	4.1	3.9	3.6	3.0
Oil Production (m. barrels)	49.9	45.7	48.2	50.4	50.2	50.9	51.5
Percentage of GDP unless otherwise specified							
Fiscal accounts							
Expenditures	19.1	18.5	18.5	25.8	23.7	23.7	23.8
Revenues and Grants	20.7	16.3	23.5	27.1	22.3	22.6	21.8
General Government Balance (incl. grants, commitment basis)	1.7	-2.2	5.0	1.3	-1.4	-1.2	-2.1
Primary Balance (commitment basis, exc. grants)	-0.4	-1.4	5.3	1.0	-2.5	-2.2	-3.1
Annual percentage change, unless otherwise indicated							
Selected Monetary Accounts							
Broad Money	11.1	12.6	9.2	8.3	9.7	6.3	6.3
Credit to the economy	0.1	11.7	9.4	21.0	9.3	6.8	5.7
Interest (BEAC key policy rate)	3.5	3.5	4.0	5.0	5.0	5.0	5.0
External Sector							
Exports of Goods and Services (GNFS)	1.1	-0.4	5.0	2.9	3.8	4.1	4.2
Imports of Goods and Services (GNFS)	1.8	5.1	2.0	16.0	-3.1	2.0	2.1
Terms of Trade	-34.1	45.3	35.3	-16.4	-9.1	-8.0	-4.5
Percentage of GDP unless otherwise specified							
Current Account Balance (incl. transfers)	-7.8	-6.0	2.9	2.4	-3.0	-3.3	-2.8
Gross Reserves (imputed, US\$ billions)	0.4	0.2	1.0	1.1	1.3	1.5	1.6
Gross Reserves (regional, months of imports of goods and services) ^b	3.2	3.0	4.1	4.1	4.2	4.2	4.3
Public Debt ^c	49.9	52.1	47.4	44.8	42.3	41.6	41.9
Exchange Rate (period average)	576	555	624	604	601	599	598
Memorandum Items:							
Nominal Non-oil GDP (CFAF billions)	4,942	4,648	4,573	5,332	5,609	6,012	6,410
Nominal GDP (CFAF billions)	6,167	6,532	7,733	7,976	8,148	8,850	8,842

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices

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