



CHAD
INVESTMENT CLIMATE STATEMENT
2015

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Executive Summary

Chad is one of Africa's largest countries, with a land area of 1,284,000 square kilometers that encompasses three agro-climatic zones. Chad is a landlocked country bordering Libya to the north, Sudan to the east, Central African Republic (CAR) to the south, and Cameroon, Niger, and Nigeria on the west (with which it shares Lake Chad). The nearest port, Douala, is 1,700 km from the capital, N'Djamena. Chad is one of six countries that comprise the Central African Economic and Monetary Community (CEMAC), a common market.

Chad's human development is low, according to the Human Development Index (HDI), and poverty continues to afflict a large proportion of the population. The oil sector dominates economic activity, despite a declining trend in the medium term. Agriculture and livestock breeding are important economic activities that employ the majority of the population.

Chad is currently enjoying a period of political and economic stability, and the Government of Chad (GOC) is focused on improving internal economic and social conditions. The government of Chad is favorably disposed to foreign investment, with a particular goal of attracting North American companies. There are opportunities for foreign investment in Agribusiness; Agricultural, Construction, Building & Heavy Equipment; Architecture & Engineering; Automotive & Ground Transportation; Education; Energy & Mining; Environmental Technologies; Food Processing & Packaging; Health Technologies; Industrial Equipment & Supplies; Information & Communication; and Services.

Chad's business and investment climate remain challenging. Private sector development is hindered by poor transport infrastructure, lack of skilled labor, unreliable energy, weak contract enforcement, corruption and high tax burdens. Chad has expressed willingness to address these issues, many of which top the Prime Minister's list of priorities for 2015.

1. Openness To, and Restrictions Upon, Foreign Investment

Attitude toward Foreign Direct Investment

The GOC's attitude towards foreign direct investment (FDI) is generally positive. There are few formal restrictions on foreign trade and investment. Since 2011, Chad's foreign investment inflows have been increasing, largely due to investments in the oil sector. According to United Nations Conference on Trade and Development (UNCTAD)'s most recent figures, Chad's FDI in flows totaled 538.42 million in 2013.

Chad's laws and regulations encourage FDI. The National Investment Charter of 2008 offers incentives to foreign companies establishing operations in Chad, including up to five years of tax-exempt status. Under Chadian law, foreign and domestic entities may establish and own business enterprises. The National Investment Charter permits full foreign ownership of companies in Chad. The only limit on foreign control is on foreign ownership of companies deemed related to national security. In recent years, the GOC fully or partially privatized several state-owned enterprises (SOEs) while creating new SOEs. The National Investment Charter guarantees foreign companies and individuals equal standing with Chadian companies and

individuals in the privatization process. In principal, tenders for foreign investment in SOEs and for government contracts are done through open international bid procedures.

There are no national content criteria or restrictions for foreign investments in Chad. However, local nationals have a preference in the hiring process over foreigners when they have the same qualifications or experience.

Foreign businesses interested in investing in Chad should contact the National Agency for Investment and Exports (ANIE), a one-stop shop for filing the legal forms needed to start a business. The process officially takes 72 hours and is the only legal requirement for investment. In addition, most foreign corporations operating in Chad have taken the extra step of signing contracts directly with the GOC. Contracts are tailored to each investment and often include additional incentives and concessions, such as permissions to import labor or agreements to work with specific local suppliers. Some contracts are confidential. Occasionally, government ministries attempt to change the terms of contracts or apply new laws broadly, even to companies that have preexisting agreements that exempt them. Chad's judicial system is weak and rulings, including those relating to contract disputes, are susceptible to government interference. There is limited capacity within the judiciary to address commercial issues, including contract disputes. In the absence of an effective judiciary, parties usually settle disputes directly or through arbitration provided by the Chamber of Commerce, Industry, Agriculture, Mining, and Crafts (CCIAMA) or through an outside entity, such as the International Chamber of Commerce (ICC) in Paris. The Ministry responsible for trade has intervened in a number of out-of-court settlements.

Chad's economic activity and foreign investment trended upwards during the past ten years, coinciding with rising oil production. Economic activities include agricultural and heavy equipment, construction particularly of new roads and bridges, government office buildings, and oil-industry infrastructure, including pipelines. The GOC is also promoting agribusiness and value-added food processing and packaging. There is also opportunity for foreign direct investment (FDI) in information and communication.

The majority of foreign-owned companies are French; however, Chinese, Canadian, Saudi, and Nigerian investments have increased. American companies remain concentrated in the energy and mining sectors.

Chad's business climate remains challenging and private sector development is hindered by poorly developed road and transport infrastructure, recurrent energy shortfalls, lack of skilled labor, corruption, and heavy tax burdens. Corporate tax rates are high. However, effective January 2015, the GOC lowered corporate tax rates from 40 to 35 percent.

Other Investment Policy Reviews

The World Trade Organization (WTO) published an investment policy review (IPR) for the countries of the Central African Economic and Monetary Community (CEMAC), including Chad, in July 2013. (Note: Full report and Annex 5 Chad are available for download at: http://www.wto.org/english/tratop_e/tpr_e/tp385_e.htm.)

The GOC has not recently undergone an IPR by the Organization for Economic Cooperation and Development (OECD) or the United Nations Committee on Trade and Development (UNCTAD).

Laws/Regulations of Foreign Direct Investment

Chad's laws and regulations encourage Foreign Direct Investment. CEMAC (<http://www.cemac.int>) and the Organization for the Harmonization of Business Law in Africa (OHADA) (www.ohada.com) establish most laws and economic regulations. ANIE's website provides information on business registration for foreign investors (www.anie-tchad.com). Business registration is not yet available at www.GER.co or www.businessfacilitation.org; however, ANIE aims to join the initiative in the near future.

Industrial Promotion

Chad's economy has developed significantly during the past eleven years, coinciding with increasing oil production. Major economic activities include agriculture and livestock, construction, and oil-industry infrastructure, including pipelines. The government aims to attract investment in the following industries:

- Agribusiness
- Agricultural, Construction, Building & Heavy Equipment
- Automotive & Ground Transportation
- Energy & Mining
- Environmental Technologies
- Finance
- Food Processing & Packaging
- Information & Communication
- Health Services
- Used & Reconditioned Equipment

Limits on Foreign Control

There are no limits on foreign ownership or control. There are no sector-specific restrictions that discriminate against market access.

Privatization Program

The GOC has announced that it is considering privatization of several state-owned enterprises (SOEs). Foreign investors are permitted and encouraged to participate in the privatization process. There is a public, non-discriminatory bidding process. Having a local contact in Chad to assist with the bidding process is important. Foreign investors should also be aware that corruption remains common in Chad. To combat corruption, the GOC has recently hired private international companies to oversee the bidding process. Despite the GOC's willingness to privatize loss-making SOEs, there remain several obstacles to privatization. For example, in February 2014 the GOC issued a public tender via a South African consulting company for the state-owned telecom, SOTEL. The bidding process was transparent and fair. However,

SOTEL's labor union lobbied the Parliament to block the sale, and the privatization never came to fruition. A new public procurement code, developed in collaboration with the World Bank, is currently pending Parliamentary approval.

Chad is considering privatization of companies in the following sectors:

- Agribusiness (CottonTchad)
- Information & Communication (SOTEL Tchad)
- Food Processing & Packaging (juice, meat processing)
- Travel (Air Toumai Tchad)

The GOC has not published a timeline for these privatizations.

Screening of FDI

The Government of Chad does not screen FDI. It reviews FDI via the process of registering a business and/or requesting permits to engage in a specific activity (i.e., oil exploration).

Competition Law

OHADA sets and regulates competition law. Chad's Ministry of Economy, Commerce, and Touristic Development's Office of Competition reviews transactions for competition-related concerns.

Investment Trends

Foreign investment continues to be heavy in oil exploration and production. Foreign investors also dominate the telecommunications sector, and there is room for additional FDI. In 2014, Chad hosted the first International Information Communications Technology Salon (SITIC) (sitic.td) for Africa as a means to attract foreign interest in the sector. Likewise, in 2015, Chad will host its second biannual Chad International Oil, Mining, and Energy Conference (CIOME). FDI in financial services is also increasing.

While Chad enjoys political stability, the regional security environment discourages FDI.

Table 1

Measure	Year	Index or Rank	Website Address
TI Corruption Perceptions index	2014	154 of 175	transparency.org/cpi2014/results
World Bank's Doing Business Report "Ease of Doing Business"	2015	185 of 189	doingbusiness.org/rankings
Global Innovation Index	2014	Not ranked	globalinnovationindex.org/content.aspx?page=data-analysis
World Bank GNI per capita	2013	USD 1,030	data.worldbank.org/indicator/NY.GNP.PCAP.CD

Millennium Challenge Corporation Country Scorecard

The Millennium Challenge Corporation, a U.S. Government entity charged with delivering development grants to countries that have demonstrated a commitment to reform, produced scorecards for countries with a per capita gross national income (GNI) or USD 4,125 or less. A list of countries/economies with MCC scorecards and links to those scorecards is available here: <http://www.mcc.gov/pages/selection/scorecards>. Details on each of the MCC's indicators and a guide to reading the scorecards are available here: <http://www.mcc.gov/pages/docs/doc/report-guide-to-the-indicators-and-the-selection-process-fy-2015>.

2. Conversion and Transfer Policies

Foreign Exchange

Chad has no restrictions on converting, or repatriating funds associated with an investment (including remittances of investment capital, earnings, loan repayments, lease payments, royalties) into a freely usable currency and at a legal market-clearing rate. There are some limits associated with transferring funds. Individuals transferring funds exceeding USD 1,000 must document the source and purpose of the transfer with the local sending bank. Companies transferring more than USD 800,000 out of Chad have additional reporting requirements. There were no reports of other capital outflow restrictions in 2014. Businesses can obtain advance approval for regular money transfers.

Chad is a member of the African Financial Community (CFA) and uses the CFA Franc (FCFA) as its currency. The FCFA is pegged to the Euro at a fixed rate. In 2014, the CFA/USD exchange rate fluctuated between 476 and 542 FCFA as a function of the performance of the USD against the Euro. There are no restrictions on obtaining foreign exchange.

Chad, as an Economic and Monetary Community of Central Africa (CEMAC) member, shares a central bank with Cameroon, Central African Republic, Equatorial Guinea, Gabon, and Republic of Congo. Individuals or companies need authorization from the Central African Economic

Bank (BEAC) for transfers exceeding USD 800,000. Authorization may require up to three working days to process at BEAC's headquarters in Yaoundé, Cameroon. To request authorization for a transfer, a company or an individual must submit contact information for the sender and recipient, a delivery timetable, and proof of the sender's identity.

Remittance Policies

There are no recent changes or plans to change investment remittance policies. There are no time limitations on remittances, dividends, returns on investment, interest, and principal on private foreign debt, lease payments, royalties, or management fees.

Chad does not engage in currency manipulation.

Chad is a member state of the Action Group against Money Laundering in Central Africa (GABAC), which is in the process of becoming a Financial Action Task Force (FATF)-style regional body. On the national level, the National Financial Investigation Agency (ANIF) implemented GABAC recommendations to prevent money laundering and terrorist financing. For more information, please refer to the Bureau of International Narcotics and Law Enforcement's 2014 International Narcotics Control Strategy Report (INCSR) at <http://www.state.gov/j/inl/rls/nrcrpt/2014/database/index.htm>.

3. Expropriation and Compensation

Chadian law protects businesses from nationalization and expropriation, except in cases where expropriation is in the public interest. There were no government expropriations of foreign-owned property in 2014. There are no indications that the GOC intends to expropriate foreign property in the near future.

Article 41 of Chad's Constitution prohibits seizure of private property except in cases of urgent public need. A 1967 Land Law prohibits deprivation of ownership without due process, stipulating that the state may not take possession of expropriated properties until 15 days after the payment of compensation. The government is working to reform the 1967 law. A draft law encourages foreign companies to own property instead of renting. The Ministry of Land Affairs established the On-Stop Land Titling Office (Guichet Unique pour les Affaires Foncières) in 2013 to speed up the process of acquiring land titles.

4. Dispute Settlement

Legal System, Specialized Courts, Judicial Independence, Judgments of Foreign Courts

Chad's legal system and commercial law are based on the French Civil Code. The constitution recognizes customary and traditional law if it does not interfere with public order or constitutional rights. Chad's commercial laws are set through international arrangements among the member states of the CEMAC, CEEAC, and the Organization for the Harmonization of Business Law in Africa (OHADA). However, Chad has not adopted legislation to comply fully with these provisions. OHADA strongly influenced Chadian business law through its creation of an international court that ensures uniformity and consistent legal interpretations across its

member countries. The OHADA Investment Arrangement, with provisions for securities, arbitration, dispute settlement, bankruptcy, recovery, and other aspects of commercial regulation, has defined the commercial rights of several economic stakeholders (e.g., the Chadian Treasury.)

Chad's court system rules on commercial disputes, but its capacity to do so is limited. The Chadian President appoints judges without National Assembly confirmation, thus the judiciary is subject to executive influence. Courts normally award monetary judgments in local currency, although it may designate awards in foreign currencies if the disputed transaction was made in such foreign currencies.

Specialized commercial tribunal courts were authorized in 1998 but not operational until 2004. These tribunals exist in five major cities but lack adequate capacity to perform their duties. The Commercial Tribunal in N'Djamena has heard disputes involving foreign companies. Firms not satisfied with judgments in these tribunals may appeal to OHADA's regional court in Abidjan, and several Chadian companies have pursued dispute-settlement through the OHADA mechanism. CEMAC established a regional court in N'Djamena in 2001 to hear business disputes, but this body is not widely used.

Contracts and investment agreements can stipulate arbitration procedures and jurisdictions for settlement of disputes. If both parties agree and settlements do not violate Chadian law, Chadian courts will respect the decisions of U.S. or other foreign courts. Jurisdiction normally belongs to the nation where a given agreement was signed. This principle also applies to disputes between companies and the Chadian Government. Such disputes can be arbitrated by the International Chamber of Commerce (ICC). Foreign companies frequently choose to include clauses in their contract to mandate ICC arbitration.

Bilateral judicial cooperation is in effect between Chad and certain nations. In 1970, Chad signed the Antananarivo Convention, covering the discharge of judicial decisions and serving of legal documents, with eleven other former French colonies (Benin, Burkina Faso, Cameroon, CAR, Congo-Brazzaville, Gabon, Cote d'Ivoire, Madagascar, Mauritania, Niger, and Senegal). Chad has similar arrangements in place with France, Nigeria, and Sudan.

Bankruptcy

Chad's bankruptcy laws are based on OHADA regulations. According to Section 3: Art 234-239 of the OHADA's Uniform Insolvency Act, creditors and equity shareholders may designate trustees to lodge complaints or claims to the commercial court collectively or individually. These laws criminalize bankruptcy and the OHADA regulations grant Chad the discretion to apply its own sentences.

The World Bank's 2015 Doing Business Report ranks Chad's ease of resolving insolvency at 152 of 189. This is an improvement of 37 positions over 2014. The report is available via this link: <http://www.doingbusiness.org/data/exploreeconomies/chad/#resolving-insolvency>.

Investment Disputes

There is no formal record of the government's handling of investment disputes. There are no statistics on Chad's handling of disputes involving U.S. or other foreign investors. Investment disputes involving foreign investors are frequently arbitrated by an independent body.

In 2014, the GOC lodged a complaint against the Chinese National Petroleum Corporation (CNPC) for environmental damage. A dispute was settled in the International Chamber of Commerce courts in Paris. Other companies have reportedly sought mediation and arbitration via this court, but these records are confidential.

International Arbitration

Chad is signatory to an investment agreement among the member states of CEMAC, CEEAC, and the Organization for the Harmonization of Business Law in Africa (OHADA). OHADA guidelines provide for the enforcement of foreign arbitral award. Chad has no Bilateral Investment Treaty (BIT) or Free Trade Agreement (FTA) with an investment chapter with the United States.

In addition to independent courts, such as the ICC, Chad's constitution recognizes customary and traditional law as long as it does not interfere with public order or constitutional rights. As most businesses operate in the informal sector, customary and traditional law function as alternative dispute resolution (ADR) mechanisms when parties are from the same tribe or clan and express their desire to settle outside of the formal court.

Specialized commercial tribunal courts were authorized in 1998 and became operational in 2004. These tribunals exist in five major cities, but lack adequate capacity to perform their duties. The Commercial Tribunal N'Djamena has heard disputes involving foreign companies.

ICSID Convention and New York Convention

Chad is a member of OHADA, which is affiliated with International Center for Settlement of Investment Disputes (ICSID).

Duration of Dispute Resolution

Due to limited capacity, lengthy procedures, and executive influence, it is difficult to determine the how long it takes to obtain a resolution on investment/commercial dispute proceedings.

The enforcement of court decisions or arbitration awards follows OHADA guidelines, which provide for the enforcement of an international arbitration award.

5. Performance Requirements and Investment Incentives

WTO/TRIMS

Chad is a founding member of the WTO and has Least Developed Country (LDC) status. Chad does not have any measures that it has notified the WTO to be inconsistent with Trade-Related Investment Measures (TRIM) requirements. Chad does not impose any performance, local content, or export requirements on businesses. There is no requirement to transfer technology or proprietary business information to Chadian companies or the GOC. There are likewise no government-imposed conditions on authorization to invest, such as location in specific geographical area, use of a specific percentage of local content (goods and services) or local equity, substitution for imports, export requirements or targets, legal requirements to use specific employment agencies, technology transfer, or local sources of financing. There is, however, a legal requirement that obliges foreign companies to employ Chadian nationals for 98 percent of their staff. Firms can formally apply for permission from the Labor Promotion Office (ONAPE) to employ more than two percent expatriates if they can demonstrate that skilled local workers are not available. Most foreign firms operating in Chad have obtained these permissions.

Foreign workers require work permits in Chad, renewable annually. Prior to 2009, work permit fees for foreign employees were approximately USD 1,000 per year. In 2009, President Déby Itno signed two decrees significantly raising these fees. The first decree stipulates that work permit fees be equivalent to one month's salary for foreign workers. The second decree requires firms to demonstrate that local skilled workers are unavailable. Companies must present personnel files of local candidates not hired to the GOC for comparison against the profiles of foreign workers. Multinational companies and international non-governmental organizations routinely protest these measures. The Ministry of Labor applies the new fees to companies with previously established special agreements with the government that exempt them from such fees. However, many foreign companies operating in Chad have individually negotiated paying lower fees than those prescribed in those Presidential decrees.

Barring a few exceptions, Chad applies the CEMAC Common External Tariff (CET). Chad's annual finance laws may introduce new exceptions. The taxation of foreign trade, including an 18 percent value-added tax (VAT), generates a large proportion of the country's non-oil revenue. Like other CEMAC countries, Chad collects the Community Integration Levy (TCI), the OHADA levy, and the Community Integration Contribution (CCI). These charges amount to 1.45 percent of import value. Other levies include the Community Preference Levy (TPC) on fish, meat, dairy, and other animal products; down payment of four percent of import value; statistical levy of two percent on all imports; and the Rural Intervention Fund (FIR) duty on agricultural products. Although Chad levies a broad spectrum of other duties and charges on imports, they are set at zero for tariff lines for which Chad has made tariff commitments. These levies have not been notified to the WTO.

Investment Incentives

The CGI offers incentives to new business start-ups, new activities, or substantial extensions of existing activities. Eligible economic activities are limited to the industrial, mining, agricultural, forestry, and real estate sectors, and may not compete with existing enterprises already operating

in a satisfactory manner (Articles 16 and 118 of the National Investment Charter). Under these conditions, operators can obtain a five-year exemption from the following taxes and charges: company tax (IS); personal income tax (IRPP); real estate levies on developed land; real estate levies on undeveloped land; tax on the rental value of professional premises; the flat rate levy (taxe forfaitaire) and the apprenticeship levy; self-employment tax for small businesses; and the minimum fiscal levy.

Foreign investors may also ask the GOC for other incentives through investment-specific negotiations. Large companies usually sign separate agreements with the government, which contain mutually negotiated incentives and obligations. The possibility of special tax exemptions exists for some public procurement contracts, and a preferential tax regime applies to contractors and sub-contractors for major oil projects. In the past, the government occasionally offered lower license fees in addition to ad hoc tax exemptions. Incentives tend to increase with the size of a given investment, its potential for job creation, and the location of the investment, with rural development being a GOC priority. Investors may address inquiries about possible incentives directly to the Ministry of Economy, Commerce, and Touristic Development or the Ministry of Petroleum, Mines, and Energy.

Research and Development

There are no government-financed and/or subsidized research and development programs.

Performance Requirements

There is a legal requirement that obliges foreign companies to employ Chadian nationals for 98 percent of their staff. Firms can formally apply for permission from the Labor Promotion Office (ONAPE) to employ a more than two percent expatriates if they can demonstrate that skilled local workers are not available. Most foreign firms operating in Chad have obtained these permissions. Foreign workers require work permits in Chad, renewable annually. Work permit fees are equivalent to one month's salary for foreign workers. Firms must demonstrate that skilled workers are unavailable locally. Companies must present personnel files of local candidates not hired to the GOC for comparison against the profiles of foreign workers. Multinational companies and international non-governmental organizations routinely protest these measures. The Ministry of Labor has attempted to apply current fees to companies with previously established special agreements with the government exempting them from such fees. However, many foreign companies operating in Chad have individually negotiated paying lower fees than those prescribed in presidential decrees.

Data Storage

Chad does not follow forced localization, the policy in which foreign investors must use domestic content in goods or technology. There are no known requirements for foreign IT providers to turn over source code and/or provide access to surveillance (backdoors into hardware and software or turn over keys for encryption). There are no rules on maintaining certain amount of data storage within Chad.

6. Right to Private Ownership and Establishment

Foreign and domestic private entities have the right to establish and own business enterprises and engage in remunerative activity, and may freely establish, acquire, and dispose of interests in business enterprises.

7. Protection of Property Rights

Real Property

The Chadian Civil Code protects real property rights. Enforcement of these rights is difficult because a majority of land owners do not have a title or a deed for their property.

The office of Domain and Registration (Direction de Domaine et Enregistrement) in the Ministry of Finance and Budget is responsible for recording property deeds and mortgages. In practice, this office only asserts authority in urban areas; rural property titles are managed by traditional leaders who apply customary law. Chadian courts frequently deal with cases of multiple or conflicting titles to the same property. In cases of multiple titles, the earliest title issued usually has precedence. Fraud is common in property transactions. By law, all land for which no title exists is owned by the government, and can only be given to a separate entity by Presidential decree. There have been incidents in which the government has reclaimed land for which individuals held titles, which government officials granted without the backing of Presidential decrees.

The GOC does not provide clear definitions and protections of traditional use rights of indigenous peoples, tribes, or farmers.

A significant percent of land does not have a clear title. The GOC has identified registering land titles as a priority. In 2013, the Ministry of Land created the One-Stop Land Titling Office (Guichet Unique pour les Affaires Foncière).

The World Bank's 2015 Doing Business Report ranks Chad 166 of 166 in ease of registering property. The report cites the high cost of 8 percent to 15 percent of property value plus other associated costs for registering property as the major impediment. Time and number of procedures are on par with the rest of Sub-Saharan Africa.

Intellectual Property Rights

Chad is a member of the African Intellectual Property Organization (OAPI) and the World Intellectual Property Organization (WIPO). Chad ratified the revised Bangui Agreement (1999) in 2000 and the Berne Convention in 1971. The GOC adheres to OAPI rules within the constraints of its administrative capacity.

Within the Ministry responsible for trade, the Department of Industrial Property and Technology, addresses intellectual property issues. This department is the National Liaison Unit (SNL) within the OAPI, and is the designated point of contact under Article 69 of the TRIPS Agreement. As of 2012, the unit has received about 90 deposits of different intellectual property

instruments. With support from WIPO, a strategic plan for intellectual property development and technological innovation is being prepared. The GOC finalized and adopted its intellectual property strategy in October 2014.

Counterfeit pharmaceuticals and artistic works, including music and videos, are common in Chad. Counterfeit watches, sports clothing, footwear, jeans, cosmetics, perfumes, and other goods are also readily available on the Chadian market. These products are not produced locally, and are generally imported through informal channels. Despite limited resources, Chadian customs officials make occasional efforts to enforce copyright laws, normally by seizing and burning counterfeit medicines, CDs, and mobile phones.

Chad does not regularly track and report on seizures of counterfeit goods. Occasionally, Chadian authorities will announce such a seizure in the local press.

Chad is not listed on the USTR's Special 301 report or the Special 301 - Notorious Markets Report. For additional information about treaty obligations and points of contact at local IP offices, please see WIPO's country profiles at <http://www.wipo.int/directory/en/>.

Resources for Rights Holders

Economic and Commercial Officer
Embassy N'Djamena
+235 2251-7009 X 4294
ndjamena-commercial@state.gov

For a list of local lawyers, see: http://ndjamena.usembassy.gov/legal_information.html

There is currently no American Chamber of Commerce (AmCham) in Chad.

8. Transparency of the Regulatory System

Chad lacks effective laws to foster competition and establish clear rules of the game. Legal, regulatory, and accounting systems are not transparent and lag behind international norm. The Chadian business climate does not foster competition and a level playing field, including for foreigners.

There are no informal regulatory processes managed by nongovernmental organizations or private sector associations. Proposed laws and regulations are not published in draft form for public comment. The Government of Chad occasionally provides opportunities for local associations, such as the Association of Employers or the Association of Commerce to comment on proposed laws and regulations pertaining to investment.

Accounting, legal, and regulatory procedures lack transparency and are not consistent with international norm.

To address some of these challenges, Chad created the National Investment Agency for Investment and Exportation (ANIE). The agency has begun to improve transparency of the

regulatory system for national as well as foreign firms. Chad was declared compliant with Extractive Industry Transparency Initiative (EITI) norms in October 2014.

Chad is not yet listed on www.businessfacilitation.org; however, ANIE has identified this as a short-term goal.

9. Efficient Capital Markets and Portfolio Investment

Chad's financial system is underdeveloped. There are no capital markets or money markets in Chad. A limited number of financial instruments are available to the private sector, including letters of credit, short- and medium-term loans, foreign exchange services, and long-term savings instruments.

Credit is available from commercial banks on market terms, often at rates of 16 to 25 percent for short-term loans. Medium-term loans are difficult to obtain, as lending criteria are rigid. Most large businesses maintain accounts with foreign banks and borrow money outside of Chad. There are ATMs in some major hotels, N'Djamena airport, and in some neighborhoods of N'Djamena.

Regulations and financial policies do not generally impede competition in the financial sector. Legal, regulatory, and accounting systems pertaining to banking are transparent and consistent with international norms. Chad's banking sector is regulated by COBAC (Commission Bancaire de l'Afrique Centrale), a regional agency. Chad began using OHADA's accounting system in 2002, bringing its national standards into harmony with accounting systems throughout the region. Several international accounting firms have offices in Chad. There is no effective regulatory system to encourage or facilitate portfolio investments.

Although there is no stock market in Chad, there are two nascent stock markets in the region. A small regional stock exchange, known as the Central African Stock Exchange, in Libreville, Gabon, was established by CEMAC countries in 2006. Cameroon, a CEMAC member, launched its own market in 2005. Both exchanges are poorly capitalized.

Money and Banking System, Hostile Takeovers

Chad's banking sector is small but healthy. It improved after undergoing internal reforms beginning in 1990 to streamline lending practices and reduce the volume of bad debt. Chad's three largest banks have been privatized: ECOBANK (formerly BIAT), Société General Tchad (formerly BTCD) ORABANK (Formerly Financial Bank) and CBT (formerly BDT). There are two Libyan banks in Chad, BCC (formerly la Banque libyenne) and BSCIC, along with one Nigerian Bank (UBA). Credit is available from commercial banks on market terms, which are expensive, often at rates of 16 to 25 percent for short-term loans. Medium-term loans are difficult to obtain, as lending criteria are rigid.

Chad shares a common central bank system with the members of the CEMAC.

The only restriction on foreigner's ability to establish a bank account is the establishment of legal residency.

10. Competition from State-Owned Enterprises

The GOC operates SOEs in a number of sectors, including energy and mining, water, cement, agricultural, construction, building and heavy equipment, and information and communication. The GOC has not published a full list of SOEs. There is no uniform definition of SOEs. The percentage SOEs allocate to research and development (R&D) is unknown; however, it appears to be less than private sector competitors.

There were no reports of discriminatory action taken by SOEs against the interests of foreign investors in 2014, and some foreign companies operated in direct competition with SOEs. SOEs are not subject to the same tax burden and tax rebate policies as their private sector competitor. SOEs are often afforded material advantages such as preferential access to land and raw materials.

Chad's Public Tender Code (PTC) provides other preferential treatment for domestic competitors, including SOEs; however, the GOC is in the process of reviewing and removing provisions that conflict with WTO obligations. The revised PTC is pending parliamentary ratification.

SOEs receive government subsidies under the national budget; however, in practice SOEs do not respect the budget. State and company funds are often comingled.

OECD Guidelines on Corporate Governance of SOEs

Chadian SOEs do not adhere to the OECD Guidelines on Corporate Governance for SOEs.

All Chadian SOEs operate under the umbrella of government ministries. SOE senior management reports to the minister as well as a board of directors and an executive board. The President of the Republic appoints SOE boards of directors, executive boards, and CEOs. The boards of directors give general directives over the year, while the executive boards manage general guidelines set by the boards of directors. Some executive directors consult with their respective ministries before making business decisions, but others do not.

Third party market analysts regard Chad's SOEs as inefficient. The GOC aims to privatize a number of SOEs, but wishes to remain a major player in extractive industries.

Sovereign Wealth Funds

The Ministry of Good Governance serves as the institution that monitors the transparency and accountability of the government's operations. It conducts yearly administrative and financial audit of the different government departments. In 2015, the GOC promulgated a decree creating the Court of Auditors to further increase independent oversight of the government decisions, the members are nominated by Presidential decree.

There are no sovereign wealth funds in Chad.

11. Corporate Social Responsibility

There is a general awareness of Corporate Social Responsibility (CSR) among firms in Chad. Most Western firms operating in Chad acknowledge corporate social responsibility and obligations, particularly those in the petroleum and telecommunication sector. Many foreign firms commit to extensive local staff training efforts, purchase local goods, and donate excess equipment to charities or local governments. In November 2014, UNICEF and the Ministry of Economy, Commerce, and Touristic Development co-hosted a panel on corporate social responsibility, which highlighted the CSR programs of several leading businesses in Chad, and increased overall awareness among business leaders.

While work safety and environmental protection regulations exist, the government does not always enforce and companies do not always adhere to these regulations. There are a number of local NGOs, particularly in the southern oil producing regions, which monitor safety and environmental protection in the oil sector, and which have held government and private companies publically accountable. In November 2014, the GOC collected a USD 400 million fine from CNPC for environmental damages following NGO reports of violations of environmental standards.

OECD Guidelines for Multinational Enterprises

The GOC does not actively encourage foreign and local enterprises to follow generally accepted CSR principles such as the OECD Guidelines for Multinational Enterprises and the United Nations Guiding Principles on Business and Human Rights.

12. Political Violence

Chad has enjoyed political stability since 2008, following a peace agreement with Sudan. The GOC has taken advantage of its stability by focusing attention and resources on economic development. The Government's vision for 2025 is for Chad to be an emerging economy "driven by diversified and sustainable growth sources, creating value-added and jobs, and making sure that every Chadian citizen has appropriate access to core social services, decent housing, and suitable opportunities for skill training."

Conflicts in neighboring countries (Libya, Nigeria, Sudan, South Sudan, and Central African Republic, Northern Cameroon) are sources of instability. Additionally, regional instability has pulled resources from Chad's internal development. In 2014, Chad participated in interventions in Mali, Cameroon, and Nigeria and has border patrol troops along its Sudanese, Libyan, and Lake Chad borders. Chad continues to host very large numbers of refugees from neighboring countries.

There have been no reported incidents over the past few years involving politically motivated damage to projects and/or installations. Kidnapping and banditry are persistent threats, particularly in rural areas. The latest national legislative and Presidential elections occurred in February and April 2011 respectively. Presidential and legislative elections are due in 2016. Socio-economic conditions can occasionally spark demonstrations and protests against the Government. For example, in November 2014, protests against the government's handling of a

fuel shortage resulted in a number of civilian deaths. In March 2015, there were protests against a new law requiring motorcyclists to wear helmets. Teacher, students, and public workers often strike.

For up-to-date information on political and security conditions in Chad, please refer to the Consular Bureau's Travel Warning and Country Specific Information at <http://www.travel.state.gov>. The Embassy encourages all U.S. Citizens visiting Chad to register with the Embassy upon arrival or online via the STEP program.

U.S. businesses and organizations in Chad are also welcome to inquire at the Embassy about joining the Overseas Security Advisory Committee (OSAC).

13. Corruption

Corruption in Chad remains a significant deterrent to U.S. persons and businesses interested in investing in Chad. Corruption is most pervasive in: government procurement, award of licenses or concessions, dispute settlement, regulation enforcement, customs, and taxation.

A February 2000 anti-corruption law stipulates penalties for corrupt practices. As in other developing countries, low salaries for most civil servants, judicial employees, and law enforcement officials, coupled with a weak state system and culture of rent seeking, have contributed to corruption. Still, public acceptance of corruption has dropped significantly in the past several years. In 2014, the Chadian government launched investigations of several high-ranking officials, including cabinet ministers and the President's Chief of Staff. President Déby Itno, in many public addresses to the nation throughout 2014, pledged to continue the campaign to eliminate corruption from Chadian public life, criticized the practice of taking liberties with public goods, and promised prosecution of those who accepted kickbacks or demanded bribes. Charges against those indicted are often dropped for lack of evidence. For example, the former Minister of Justice was acquitted of corruption charges in 2014. There are ongoing investigations into a former and a current minister.

The GOC has dedicated a specific ministry, the Ministry of Good Governance, to combating corruption. A number of local civil society organizations are also dedicated to revealing and fighting government corruption. One prominent local NGO tries to track government expenditures of oil revenue, for example. There are no indications that anti-corruption laws are enforced more or less stringently against foreign investors than against Chadian citizens

UN Anticorruption Convention, OECD Convention on Combatting Bribery

Chad is not a signatory country to either the UN Convention on Preventing and Combating Corruption or to the OECD anti-bribery convention.

Resources to Report Corruption

Contact at government agency responsible for combating corruption:

Ngassia Mounouna
Director General of Good Governance
Ministry of Good Governance
N'Djamena, Chad
+235 62 00 54 38

Contact at watchdog organizations:

Gilbert Maoundonodji
Coordinator
GRAMP-TC
Po Box 4021, N'Djamena, Chad
+235 22 51 95 55
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14. Bilateral Investment Agreements

Bilateral Taxation Treaties

Chad does not have a bilateral investment agreement with the United States. Chad has signed bilateral investment treaties with approximately a dozen countries, in Europe, Africa, and the Middle East. These agreements include Algeria, Cameroon, Canada, Central African Republic, Czech Republic, Democratic Republic of Congo, Egypt, France, Iran, Iraq, Morocco, Niger, Nigeria, Republic of Congo, Romania, Russia, The Netherlands, Tunisia, and Turkey.

Chad is eligible for tariff exemptions under the African Growth and Opportunity Act (AGOA). The GOC created an AGOA oversight committee in 2002. The bulk of Chad's total exports under AGOA are crude oil. Chad is eligible for its Third-Country Fabric exemption, but local products do not currently satisfy quality requirements.

Bilateral Taxation Treaties

Chad does not have a bilateral taxation treaty with the United States.

15. OPIC and Other Investment Insurance Programs

Chad is a member of the Multilateral Investment Guarantee Agency (MIGA), and the U.S. Overseas Private Investment Corporation (OPIC) has provided political risk investment insurance to U.S. companies in Chad. The French investment guarantee agency, COFACE, has also guaranteed a number of investments in Chad. The annual average exchange rate is approximately 550 FCFA = 1 USD. Given that the FCFA is pegged to the Euro, devaluation or depreciation of the rate reflects changes in the Euro/USD rate.

16. Labor

Chad has a shortage of skilled labor in most sectors. Although there is an increasing pool of university graduates able to fill entry-level management and administrative positions, skilled workers still represent a very small percentage of the total labor pool. 80 percent of the Chadian labor force is estimated to be engaged in subsistence activities including fishing, farming, and herding, and 34.5 percent of the population is literate. Unskilled and day laborers are readily available. Few Chadians speak English, although an increasing number of university graduates and business professionals have English skills. Acceptable translators and interpreters are available. There is no government-sponsored training, although students at the state university and other state operated professional schools receive a USD 60 month stipend from the government. Different government ministries and SOEs provide job related trainings to their employees.

Chad has ratified all eight Fundamental Conventions of the International Labor Organization. International labor rights such as freedom of association, the elimination of forced labor, child labor employment discrimination, minimum wage, occupational safety and health, and weekly work hours are recognized within the labor code. However, gaps remain in law and practice. Chadian labor law derives from French law and tends to provide strong protection for Chadian workers; priority is given to Chadian nationals. Labor unions operate independently from the government. The two main labor federations, the Confederation Libre des Travailleurs du Tchad (CLTT) and the Union des Syndicats Tchadiens (UST), to which most individual unions belong are the most influential. Most Chadian businesses operate in the informal economy. The Ministry of Labor and Employment is in the process of reviewing the current labor code, which will include provisions for the informal economy.

The labor court is the labor dispute mechanism in Chad. In case of a dispute, the aggrieved party contacts a labor inspector directly or through the labor union to settle the dispute or lodge a complaint with the labor court.

Labor unions practice collective bargaining, and the labor code monitors labor abuses, health, and safety standards in low-wage assembly operations. The enforcement of the code is not effectively conducted; most disputes are based on contract termination.

Child labor remains a problem. Approximately 53 percent of children in Chad are engaged in child labor, particularly in domestic service, cattle herding, and in agriculture. Chadian cattle are included on the U.S. government's List of Goods Produced by Child Labor or Forced Labor.

No new labor laws were enacted in 2014.

The GOC may provide incentive for foreign businesses, but no laws are waived to attract or retain investment as the Chadian labor law strongly supports workers.

17. Foreign Trade Zones/Free Ports/Trade Facilitation

There are currently no foreign trade zones in Chad. The Chadian Agency for Investment and Exportation (ANIE) is currently examining the possibility of creating a duty-free zone.

18. Foreign Direct Investment and Foreign Portfolio Investment Statistics

Table 2: Key Macroeconomic Data, U.S. FDI in Host Country/Economy

Data on FDI and Foreign Portfolio investment for Chad is limited. World Bank and IMF data is drawn from data provided by the National Statistical Office of Chad, thus local and international statistics do not differ significantly. Data on American FDI in Chad is not published to prevent disclosure of data of individual companies. Any available statistics can be found at <http://bea.gov/international/factsheet/factsheet.cfm?Area=406>.

According to the World Bank, Chad's Gross Domestic Product (GDP) in 2013 was USD 13.5 billion.

Table 3: Sources and Destination of FDI

Foreign direct investment portfolio data are not available for Chad.

Table 4: Sources of Portfolio Investment

Portfolio investment data are not available for Chad.

19. Contact for More Information

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