

Chad

RISK & COMPLIANCE REPORT

DATE: March 2018

Executive Summary - Chad

Sanctions:	None
FAFT list of AML Deficient Countries	No
Higher Risk Areas:	<p>Compliance with FATF 40 + 9 Recommendations</p> <p>Weakness in Government Legislation to combat Money Laundering</p> <p>Not on EU White list equivalent jurisdictions</p> <p>Corruption Index (Transparency International & W.G.I.)</p> <p>World Governance Indicators (Average Score)</p> <p>Failed States Index (Political Issues)(Average Score)</p>
<p>Major Investment Areas:</p> <p>Agriculture - products:</p> <p>cotton, sorghum, millet, peanuts, rice, potatoes, manioc (tapioca); cattle, sheep, goats, camels</p> <p>Industries:</p> <p>oil, cotton textiles, meatpacking, brewing, natron (sodium carbonate), soap, cigarettes, construction materials</p> <p>Exports - commodities:</p> <p>oil, cattle, cotton, gum arabic</p> <p>Exports - partners:</p> <p>US 81.9%, China 6.7% (2012)</p> <p>Imports - commodities:</p> <p>machinery and transportation equipment, industrial goods, foodstuffs, textiles</p> <p>Imports - partners:</p> <p>China 20.2%, Cameroon 18.2%, France 16.1%, Saudi Arabia 5.6%, US 4.2% (2012)</p>	
Investment Restrictions:	

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

The government of Chad (GOC) officially encourages foreign direct investment (FDI) and there are few formal restrictions on foreign trade and investment. Chad's investment climate remains challenging, however, due to its geographic isolation, limited infrastructure, a lack of trained workers, high import duties, and corruption. The National Investment Charter of 2008 offers incentives for foreign companies establishing operations in Chad, including three years of tax-exempt status. Chadian law guarantees the rights of foreign and domestic entities to establish and own business enterprises and to engage in remunerative activities, and the National Investment Charter offers the possibility of full foreign ownership for all companies in Chad, with the exception of those affecting national security. In recent years the GOC has fully or partially privatized some state-owned enterprises (SOEs). Foreign companies seeking to invest in former SOEs are afforded the same treatment as Chadian nationals under the Investment Charter. In principal, tenders for foreign investment in SOEs and for government contracts are done through open international bid procedures, but in practice such arrangements are usually made through direct agreements between the GOC and individual companies. Foreign companies desiring to invest in the oil and mining sectors should directly contact the concerned ministries.

Major economic activities included construction of new roads and bridges, government office buildings, and oil infrastructure, including pipelines. Plans for future foreign investment in Chad include the construction of a new international airport, a railway connecting the country to the sea via neighboring countries, and an industrial zone 40 km outside N'Djamena.

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Section 1 - Background

Chad, part of France's African holdings until 1960, endured three decades of civil warfare, as well as invasions by Libya, before a semblance of peace was finally restored in 1990. The government eventually drafted a democratic constitution and held flawed presidential elections in 1996 and 2001. In 1998, a rebellion broke out in northern Chad, which has sporadically flared up despite several peace agreements between the government and the insurgents. In 2005, new rebel groups emerged in western Sudan and made probing attacks into eastern Chad despite signing peace agreements in December 2006 and October 2007. In June 2005, President Idriss DEBY held a referendum successfully removing constitutional term limits and won another controversial election in 2006. Sporadic rebel campaigns continued throughout 2006 and 2007. The capital experienced a significant insurrection in early 2008, but has had no significant rebel threats since then, in part due to Chad's 2010 rapprochement with Sudan, which previously used Chadian rebels as proxies. DEBY in 2011 was reelected to his fourth term in an election that international observers described as proceeding without incident. Power remains in the hands of an ethnic minority.



Section 2 - Anti – Money Laundering / Terrorist Financing

FATF status

Chad is not on the FATF List of Countries that have been identified as having strategic AML deficiencies

Compliance with FATF Recommendations

Chad has not yet undertaken a Mutual Evaluation Report relating to the implementation of anti-money laundering and counter-terrorist financing standards.

US Department of State Money Laundering assessment (INCSR)

Chad was deemed a 'Monitored' Jurisdiction by the US Department of State 2016 International Narcotics Control Strategy Report (INCSR).

Key Findings from the report are as follows: -

Perceived Risks:

Chad's financial services sector is small and relatively underdeveloped. Chad's economy is predominately cash-based, with relatively few transactions passing through formal financial institutions. Despite measures to process public servant salaries through local banks, only 5 percent of the Chadian population uses formal banking services.

On January 16, 2015, the Parliament approved sending troops to the northern regions of Cameroon to counter Boko Haram. This decision, which received popular support, came amid rising concerns about the economic impact of the siege on the Chadian economy. Chad depends heavily on the import of goods that transit through Nigeria and northern Cameroon. As a result of the August border closure and the continued attacks, the prices of imported goods have increased in the local market. Increased border security significantly reduced incidences of contraband and goods smuggled across the Sahel and borders with Nigeria and Cameroon.

Instability in the Central African Republic (CAR) and the subsequent return of displaced Chadians and the arrival of CAR refugees facilitate trafficking of goods between the two countries. Across Chad's northern desert and along the Sudan/Chad border in the east, smuggled items include drugs and weapons. Drugs, mainly cannabis and cocaine, are transported via Chad and Sudan to the Arabian Peninsula.

Wildlife poaching in Chad and the related illicit trade in ivory and other wildlife products finance transnational criminal networks and armed rebel groups across Africa. There is no indication that illegally smuggled household goods are related to narcotics trafficking or other illegal activities. However, the trafficking of weapons, wildlife products, and drugs may be linked to organized criminal groups, some of which have links to terrorist groups. Illicit proceeds do not appear to enter Chad's formal financial system.

Chad's banking system is supervised by the Bank of Central African States (BEAC), the central bank that serves six Central African countries. BEAC's Economic Intervention Service harmonizes the regulation of currency exchanges in the six member states of the Central African Economic and Monetary Community (CEMAC).

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: List approach

Are legal persons covered: criminally: YES civilly: YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: YES

KYC covered entities: Public treasury, banks, microfinance organizations, money exchange and transfer companies, casinos, notaries, real estate and travel agencies, accountants and auditors, and merchants

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 0 in 2015

Number of CTRs received and time frame: Not applicable

STR covered entities: Public treasury, banks, microfinance organizations, money exchange and transfer companies, casinos, notaries, real estate and travel agencies, accountants and auditors, and merchants

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 0 in 2015

Convictions: 0 in 2015

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: NO Other mechanism: YES

With other governments/jurisdictions: YES

Chad is a member of the Task Force against Money Laundering in Central Africa (GABAC), a FATF-style regional body.

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The government lacks equipment to monitor transactions and the Government of Chad does not track money and value transactions through wire transfer services (i.e., Western

Union), hawala remittance systems, or SMS mobile money transfers. In October 2015, the government announced measures to formalize the economy by registering more than 30,000 businesses operating in the informal sector.

Several banks reported suspicious transactions, but the practice is not universal. Within the BEAC, the Banking Commission of Central Africa addresses money laundering. Following its meeting in September, 2015, the BEAC moved toward strengthening information technology vigilance, detection, automated alerts, and tracking of sensitive or suspicious transactions to more effectively combat money laundering and terrorist financing in the Central Africa sub-region.

Limited measures exist to detect the physical cross-border transportation of currency. A mission by the members of the Ministry of Finance and Budget's Fraud Surveillance Office traveled to Chad's eastern border with Sudan and reported that livestock trafficking to Sudan is replacing physical transportation of currency across the border to finance smuggled goods. The Fraud Surveillance Office instituted control mechanisms to track livestock crossing the border to levy export duties.

In 2015, the Government of Chad recruited an additional 500 new rangers for the Chadian Anti-Poaching Brigade. Over one hundred of these rangers received extra training at Zakouma National Park. This training, in conjunction with Chad's national wildlife protection efforts, has been instrumental in reducing wildlife poaching. Following a cabinet reshuffle, the Ministry of Environment and Fisheries created a Directorate for elephant protection and drafted a strategy and mandate for elephant protection. Most of the illegal ivory goes to China. It is not clear how payment for the ivory is made.

ANIF, the financial intelligence unit, continues to face serious resource constraints, and financial intelligence reporting and analysis are limited. Law enforcement and customs officials lack the capacity to fulfill their responsibilities of financial crimes enforcement.

Ratification of the UN Convention against Corruption is in process, but the promulgation decree has not yet been signed.

Current Weaknesses in Government Legislation (2013 INCRS Comparative Tables):

According to the US State Department, Chad does not conform with regard to the following government legislation: -

Record Large Transactions - By law or regulation, banks are required to maintain records of large transactions in currency or other monetary instruments.

System for Identifying/Forfeiting Assets - The jurisdiction has enacted laws authorizing the tracing, freezing, seizure, and forfeiture of assets identified as relating to or generated by money laundering activities.

Arrangements for Asset Sharing - By law, regulation or bilateral agreement, the jurisdiction permits sharing of seized assets with third party jurisdictions that assisted in the conduct of the underlying investigation.

International Transportation of Currency - By law or regulation, the jurisdiction, in cooperation with banks, controls or monitors the flow of currency and monetary

States Party to United Nations Convention Against Corruption - States party to the United Nations Convention against Corruption (UNCAC), or a territorial entity to which the application of the Convention has been extended by a party to the Convention.

EU White list of Equivalent Jurisdictions

Chad is not currently on the EU White list of Equivalent Jurisdictions

World Governance indicators

[To view historic Governance Indicators Ctrl + Click here and then select country](#)

Failed States Index

[To view Failed States Index Ctrl + Click here](#)

Offshore Financial Centre

Chad is not considered to be an Offshore Financial Centre

US State Dept Narcotics Report:

Chad is not a significant producer of organic or synthetic drugs. However, due to extremely porous borders, Chad's territory is susceptible to exploitation by drug traffickers. Most drugs entering Chad arrive from Cameroon, Niger, Nigeria, and the Central African Republic, and transit the country en route to Sudan, Egypt, and Libya. Chad is a party to the 1988 UN Drug Convention. Chad is also a party to the UN Convention against Transnational Organized Crime.

Chad imposes significant penalties for the illegal use or trafficking of illicit narcotics. In May 2010, the GOC created the Directorate of National Drug Control within the Chadian National Police to oversee all anti-drug operations. This unit's mandate includes reducing illegal production, trafficking, and use of drugs. A key challenge for the Directorate in curbing the trafficking of drugs is controlling Chad's porous and poorly controlled borders. A secondary challenge is inadequate funding for training and equipping the unit's staff. A lack of effective communication among law enforcement and security agencies also hinders reporting and tracking of drugs trafficking through Chad. Due to lack of communication among its various law enforcement and security elements and/or formal reporting mechanisms on seizures, specific data on overall drug seizures is impossible to obtain. Occasional seizures have been reported during 2011 at more than 100 kg for cocaine. Total seizures of cocaine and other drugs are likely to have been even higher. Large shipments of hashish and other drugs, for example, have been seized in the northern Chadian region of Bourkou, Ennedi and Tibesti (B.E.T). The drugs transiting this area follow centuries old trade and smuggling routes traversing northern Sudan and into Egypt. Seizures in this area are a result of Chadian military efforts to monitor the most commonly travelled paths through the B.E.T. These drug shipments are mostly destined for Egypt for eventual transit to the Middle East.

In late 2011, the government of Chad (GOC) prohibited the sale of pharmaceutical products in local markets as a measure against diversion and licit drug abuse. Subsequently, the National Police conducted an operation against pharmaceuticals being sold openly and illegally in three of the capital's main markets. Pharmaceuticals being offered for sale were confiscated by the police and destroyed. This resulted in a skirmish in one market between law enforcement officials and merchants, which ended in the death of at least one Chadian law enforcement official.

The Director General of the Pharmaceuticals Department, under the Ministry of Health, is responsible for ensuring that hospitals, pharmacies etc., make use of appropriate safeguards to control the storage and dispensing of all licit narcotic medicines. Abuse of synthetic licit and illicit pharmaceuticals such as tranquilizers and stimulants occurs mostly among the young adult community. Inhalants are also abused to some degree as they provide a cheaper form of intoxication for some. Counterfeit pharmaceuticals are widespread; most counterfeit pharmaceuticals are illegally manufactured in Nigeria and smuggled into Chad; other pharmaceutical preparations are legally imported into Chad, but then diverted and sold on the black market.

Many seizures, both large and small, are a result of vehicle accident investigations. Police report that they often discover the root cause of automobile or motorcycle accidents to be drivers trying to operate vehicles under the influence of drugs.

Some Chadian schools participate in anti-drug campaigns, with primary and secondary school students receiving annual anti- drug education. Additionally, all Chadian National Police, Gendarmes, and Army recruits receive drug awareness training as part of their basic induction courses. While Chadian society generally condemns drug abuse, society supports government efforts to provide treatment programs for those who become addicted. Near the capital city of N'Djamena, the GOC operates a hospital for the treatment of addicted persons. The program is rudimentary, but those participating voluntarily are not prosecuted for narcotic offenses by the authorities.

The GOC makes a serious effort to control drug production, reduce trafficking, and curb illegal use of drugs. The most positive element of this campaign has been the creation of the Directorate of National Drug Control within the police system specifically tasked to tackle these issues. The system for regulation of legitimate drugs dispensed by hospitals and pharmacies is also well-designed and administered, but in a poor country with few doctors, it is hard to keep dangerous drugs under prescription control. Government-funded drug treatment and drug awareness programs, while basic, are available.

In order to more effectively stem the flow of drugs trafficked through Chad, the GOC must better equip the anti-drug Directorate and other enforcement units such as customs and border inspection, as well as ensure more standardized and coordinated reporting of seizures, so progress can be measured, and enforcement resources used to best effect. Officers inspecting vehicles entering Chad from Cameroon do not have basic narcotic detection tools, such as field test kits or drug- detection dogs, to help identify and test suspicious substances-a clear need for them to be effective. Additional constraints include a limited number of officers to control vast and sparsely populated border areas, and insufficient professional training and equipment. As a matter of government policy, the government of Chad does not encourage or facilitate illicit production or distribution of narcotic or psychotropic drugs or other controlled substances, or the laundering of proceeds from illegal drug transactions.

US State Dept Trafficking in Persons Report 2016 (introduction):

Chad is classified a Tier 2 country - a country whose government does not fully comply with the Trafficking Victims Protection Act's minimum standards, but is making significant efforts to bring themselves into compliance with those standards.

Chad is a source, transit, and destination country for children subjected to forced labor and sex trafficking. The country's trafficking problem is primarily internal and frequently involves children being entrusted to relatives or intermediaries in return for promises of education, apprenticeship, goods, or money, and subsequently subjected to forced labor in domestic service or herding. Children are subjected to forced labor as beggars and agricultural laborers. Some children who leave their villages to attend traditional Koranic schools are forced into begging, street vending, or other labor. Child herders, some of whom are victims of forced labor, follow traditional routes for grazing cattle and, at times, cross ill-defined

international borders into Cameroon, Central African Republic, and Nigeria. Some of these children are sold in markets for use in cattle or camel herding. In some cases, child herders are subjected to forced labor by military or local government officials. Chadian girls travel to larger towns in search of work, where some are subsequently subjected to prostitution or are abused in domestic servitude. NGOs report that the Nigerian terrorist group Boko Haram, (which refers to itself as the Islamic State—West Africa Province), is involved in child trafficking.

The Government of Chad does not fully meet the minimum standards for the elimination of trafficking; however, it is making significant efforts to do so. During the reporting period, the government took steps to increase its capacity to combat trafficking and sustain its progress from the previous reporting period. It regularly convened the inter-ministerial committee on trafficking and identified at least 13 trafficking victims. The government also completed during the reporting period, though has not yet published, a guide for security forces, NGOs, social workers, and civil society that outlines steps to assist suspected trafficking victims. The government continued efforts to prevent the recruitment and use of child soldiers by training members of the military and verifying the age of entrants at military centers. The government reported fewer prosecutions, more investigations, and the same number of convictions. The government did not provide services specific for trafficking victims and did not systematically refer victims to NGOs or international organizations for care.

US State Dept Terrorism Report 2016

Overview: The Government of Chad continued to prioritize counterterrorism efforts at the highest level; however, the worsening financial crisis affected its ability to meet even basic financial commitments, such as paying police and military salaries. Although financial hardships have limited the country's ability to provide external counterterrorism assistance in Cameroon, Niger, and Nigeria, Chad engaged in major external military operations in 2016 in neighboring countries. Chad continued to provide combat forces to the Lake Chad Basin Multinational Joint Task Force (MNJTF), which also includes Benin, Cameroon, Niger, and Nigeria. This follows Chad's contribution in 2013 to Operation Sabre, French intervention in northern Mali, and its ongoing contribution to the UN Multidimensional Integrated Stabilization Mission in Mali.

Legislation, Law Enforcement, and Border Security: The Government of Chad passed counterterrorism legislation on August 5, 2015, although it was unclear if anyone had been prosecuted under this law. Law 034/PR/2015 explicitly criminalizes terrorism and provides penalties for those convicted of terrorist acts. It imposes the death penalty on any person who commits, finances, recruits, or trains people for participation in acts of terrorism, regardless of where the act was intended to be carried out. The law extended the pre-trial detention period to 30 days, renewable twice on authorization from the public prosecutor. Penalties for lesser terrorist offenses were increased to life imprisonment. Some civil society organizations expressed concern that the law was overly restrictive, required little evidence to prosecute individuals, and could be used to curtail freedoms of expression and association. The Government of Chad faced a significant backlog of terrorism cases pending in the judicial process, which has led to more-than-usual overcrowding of prisons.

While Chadian law enforcement units displayed basic command and control capacity, the Director General of the Chadian National Police requested more training in investigations, crisis response, and border security capacity. All 22 police brigades perform counterterrorism functions. Law enforcement leadership professed publicly the requirement for all law enforcement officers to respect human rights. In practice, however, there were reports the government or its agents committed arbitrary and unlawful killings, including by torture, and impunity was an issue. The Director General of the police has worked to improve the Chadian National Police, including through information sharing across other governmental security agencies.

The Government of Chad continued to operate at a heightened level of security and has instituted screenings at border-crossings to prevent infiltration by members of BH and Central African militias, as well as transit of illegal arms, drugs, and other contraband. Border patrol continued to be provided by a combination of border security officials, gendarmes, police, and military. Chad continued to screen travelers using the U.S.-provided Personal Identification Secure Comparison and Evaluation System (PISCES) at major ports of entry.

Chad continued its participation in the Department of State's Antiterrorism Assistance (ATA) program. In 2016, several hundred additional police officers attended ATA training in both Chad and the United States, and received additional equipment specifically designated for counterterrorism units within the Chadian National Police.

Countering the Financing of Terrorism: Chad is a member of the Task Force on Money Laundering in Central Africa, a Financial Action Task Force-style regional body. Chad's financial intelligence unit, the National Agency for Financial Investigation (ANIF), is a member of the Egmont Group of Financial Intelligence Units.

Chad criminalized terrorist financing through the 2003 adoption of an anti-money laundering/counterterrorist financing (AML/CFT) law drafted by the Economic and Monetary Community of Central Africa. The law allows immediate freezing and confiscation of terrorist assets and requires a variety of organizations involved in financial transactions to monitor money/value transfers and report any anomalies (the law does not appear to list non-profit organizations specifically within the list of organizations required to comply). It provides for compilation, updating, and distribution of United Nations sanctions lists, but does not stipulate a timeframe for their designation. The government also requires Know Your Customer rules for both foreign and domestic transactions.

ANIF, which falls under the authority of the Ministry of Finance and Budget, is tasked with ensuring public and private financial institutions in Chad implement the AML/CFT law. It investigates suspicious transactions brought to its attention by financial institutions and refers cases to the Attorney General's office in the Ministry of Justice and Guardian of the Seal and Human Rights for further action and prosecution. ANIF works closely with the Ministry of Public Security and Immigration, the Antiterrorist Unit of the National Police, the National Police, the Directorate of Customs and Excise, and the Central Bank.

International Sanctions

None Applicable

Bribery & Corruption

Index	Rating (100-Good / 0-Bad)
Transparency International Corruption Index	20
World Governance Indicator – Control of Corruption	5

Corruption is a very high risk for companies seeking to invest in Chad. Corruption is systemic and often takes the form of nepotism and cronyism. It pervades all levels of the economy and is perpetuated by a weak rule of law and a lack of security. Chad is one of the world's poorest countries, and the majority of Chadians work outside the formal economy. Key anti-corruption legislation includes the anti-corruption law, which criminalizes active and passive bribery and stipulates harsh penalties. However, enforcement is poor, and prosecutions usually target political opponents of the government. Chad has not signed the United Nations Convention against Corruption. **Information provided by GAN Integrity.**

Corruption and Government Transparency - Report by US State Department

According to Transparency International (TI) the country is among the worst-rated in terms of perception of corruption. Chad has not ratified the UN Convention on Preventing and Combating Corruption or the OECD anti-bribery convention.

Chad has taken action to fight corruption, primarily in the public sector. In 2004, Chad created a ministry responsible for monitoring government expenditures and ethics. In 2012, Chad adopted a national good governance strategy, and in 2000, passed an anti-corruption law that stipulates penalties for corrupt practices. In 2013, the GOC removed several high-profile government officials, arresting several on corruption charges.

Despite the Government's efforts, corruption continues at all levels of government, and businesses consistently describe corruption as one of the major obstacles to operating in Chad. As in other developing countries, low salaries for civil servants, judicial employees, and law enforcement officials, coupled with a weak state and a culture of rent-seeking, have contributed to corruption. Corrupt practices include bribery, non-transparent public procurement, and embezzlement of public funds. American companies, in particular, lament that other foreign companies feed corruption by offering bribes and facilitating payments.

President Déby Itno pledges to continue the campaign to eliminate corruption life and promises prosecution of those who accept kickbacks or demand bribes. Despite this commitment, courts routinely dismiss corruption charges, and the GOC often promotes or reinstates implicated individuals in different government positions.

Section 3 - Economy

Chad's landlocked location results in high transportation costs for imported goods and dependence on neighboring countries. Oil and agriculture are mainstays of Chad's economy. Oil provides about 60% of export revenues, while cotton, cattle, livestock, and gum arabic provide the bulk of Chad's non-oil export earnings. The services sector contributes about one-third of GDP and has attracted foreign investment mostly through telecommunications and banking.

Nearly all of Chad's fuel is provided by one domestic refinery, and unanticipated shutdowns occasionally result in shortages. The country regulates the price of domestic fuel, providing an incentive for black market sales.

Chad's fiscal position is encumbered by declining oil prices, though high oil prices and strong local harvests supported the economy in recent years. Chad relies on foreign assistance and foreign capital for much public and private sector investment. Chad's investment climate remains challenging due to limited infrastructure, a lack of trained workers, extensive government bureaucracy, and corruption. Chad obtained a three-year extended credit facility from the IMF in 2014 and was granted debt relief under the Heavily Indebted Poor Countries Initiative in April 2015.

Agriculture - products:

cotton, sorghum, millet, peanuts, sesame, corn, rice, potatoes, onions, cassava (manioc, tapioca), cattle, sheep, goats, camels

Industries:

oil, cotton textiles, brewing, natron (sodium carbonate), soap, cigarettes, construction materials

Exports - commodities:

oil, livestock, cotton, sesame, gum arabic, shea butter

Exports - partners:

US 58.5%, India 13.3%, Japan 11.3%, China 4.1% (2015)

Imports - commodities:

machinery and transportation equipment, industrial goods, foodstuffs, textiles

Imports - partners:

France 16.5%, China 14.2%, Cameroon 11%, US 6.4%, India 6%, Belgium 5.7%, Italy 4.8% (2015)

Stock Exchange

The BVMAC, with a primary market and secondary market, was founded in 2003. It is a regional stock exchange, with headquarters in Libreville, Gabon, and it serves the following central African countries: Cameroon, Central African Republic, Chad, Congo, Equatorial Guinea and Gabon

Executive Summary

Chad is one of Africa’s largest countries, with a land area of 1.3 million 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. The nearest port, Douala, Cameroon, 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. Since oil production began in 2003, the petroleum sector has dominated economic activity and has been the largest target of foreign investment. However, agriculture and livestock breeding are important economic activities that employ the majority of the population, and the government has prioritized these sectors in an effort to diversify the economy and to maximize non-petroleum tax receipts in the wake of the drop in global oil prices.

The Government of Chad (GOC) has focused on improving internal economic and social conditions, although its efforts have been constrained by regional instability arising from the continued threat of terrorist attacks by Boko Haram, an influx of refugees along the Chad-Sudan-Central African Republic (CAR) border, and the effects of reduced oil prices. This triple threat has forced the GOC to adopt a 2016 budget that is more austere than in past years.

The GOC 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.

Table 1

Measure	Year	Index or Rank	Website Address
TI Corruption Perceptions index	2015	147 of 168	transparency.org/cpi2015/results
World Bank’s Doing Business Report “Ease of Doing Business”	2015	183 of 189	doingbusiness.org/rankings

Global Innovation Index	2015	N/A	Chad was not ranked in 2015
U.S. FDI in partner country (\$M USD, stock positions)	2015	N/A	Data unavailable
World Bank GNI per capita	2014	USD 980	data.worldbank.org/indicator/NY.GNP.PC.AP.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) of \$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>.

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 the United Nations Conference on Trade and Development (UNCTAD)'s most recent figures, USD 761 million in FDI entered Chad in 2014.

Chad's laws and regulations encourage FDI. The National Investment Charter of 2008, a set of guidelines promulgated by the National Agency for Investment and Exports (ANIE, *Agence Nationale des Investissements et des Exports*), located within the Ministry of Economy and Trade, 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 ownership of companies deemed to be related to national security. The National Investment Charter guarantees both foreign companies and individuals equal standing with Chadian companies and individuals in the privatization process. In principal, tenders for foreign investment in state-owned enterprises (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 preference in the hiring process over foreigners when they have the same qualifications or experience.

Foreign businesses interested in investing in Chad should contact 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 pre-existing 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.

Potential areas for FDI include agricultural and heavy equipment; construction, particularly of new roads, bridges, and government office buildings; and oil-industry infrastructure, including pipelines. The GOC also promotes agribusiness and value-added food processing and packaging. There is also opportunity for foreign direct investment (FDI) in the information and communication sectors.

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. Economic activity slowed in 2015 due to the drop in global oil prices, the threat of Boko Haram and expenses associated with Chadian military intervention in Nigeria, Cameroon, and Niger, and border closures due to terrorist threats.

Other Investment Policy Reviews

The World Trade Organization (WTO) published a trade policy review for the countries of Chad, Cameroon, Republic of Congo, Gabon, and Central African Republic in July 2013. The full report and Annex 5 regarding Chad are available for download at: http://www.wto.org/english/tratop_e/tpr_e/tp385_e.htm.

Neither the Organization for Economic Cooperation and Development (OECD) nor the United Nations Committee on Trade and Development (UNCTAD) has published investment policy reviews (IPR) of Chad.

Laws/Regulations on Foreign Direct Investment

The National Investment Charter encourages Foreign Direct Investment. Chad is a member of the Central African Economic and Monetary Community (CEMAC, *Communauté Economique et Financière de l'Afrique Centrale*, www.cemac.int) and the Organization for the Harmonization of Business Law in Africa (OHADA, *Organisation pour l'Harmonisation en*

Afrique du Droit des Affaires, www.ohada.com). Chad is currently implementing business and economic laws and regulations based on CEMAC standards and OHADA Uniform Acts.

Foreign investors using the court system are not generally subject to executive interference. In addition, the OHADA Treaty allows foreign companies to utilize tribunals outside of Chad (generally in Paris, France) to adjudicate any disputes. Companies may also access the OHADA's court located in Abidjan, Cote d'Ivoire.

Business Registration

ANIE's website provides information on business registration for foreign investors (www.anie-tchad.com). Online business registration is not yet available via the Global Enterprise Registration web site (www.GER.co) or the Business Facilitation Program (www.businessfacilitation.org). However, ANIE aims to join these initiatives in the near future.

In 2015, the World Bank ranked Chad 185 out of 189 countries for ease of starting a business.

Industrial Promotion

Chad's economy has developed significantly during the past eleven years, coinciding with increasing oil production, although economic growth has slowed in recent years due to the fall in oil prices. Other than oil industry infrastructure, including pipelines, major economic activities include agriculture, livestock, and construction. 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
- Health Technologies
- Information & Communication
- Used & Reconditioned Equipment

Information on opportunities in these sectors is published on ANIE's web site.

Limits on Foreign Control and Right to Private Ownership and Establishment

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

Privatization Program

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 for government tenders. 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 National Assembly to block the sale, and the privatization never occurred. In 2015, Romania-based Midway Alfa Group submitted a bid to privatize SOTEL, but the process is still on-going due to continued objection by SOTEL's labor union.

Chad is considering privatization of companies in the following sectors:

- Agribusiness (Cotontchad)
- 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. ANIE reviews FDI according to the stipulations of the National Investment Charter via the process of registering a business and/or requesting permits to engage in a specific activity, e.g., oil exploration.

Competition Law

Regulation of competition is covered by the OHADA Uniform Acts that form the basis for Chadian business and economic laws and regulations. The Office of Competition in Chad's Ministry of Economy and Trade reviews transactions for competition-related concerns.

2. Conversion and Transfer Policies

Foreign Exchange

Chad, as a CEMAC member, shares a central bank with Cameroon, Central African Republic, Republic of Congo, Equatorial Guinea, and Gabon – the Central African Economic Bank (BEAC, *Banque des États de l'Afrique Centrale*), headquartered in Yaoundé, Cameroon. The government does not restrict converting funds associated with an investment (including remittances of investment capital, earnings, loan repayments, lease payments, royalties) into a freely usable currency at legal market-clearing rates. There are no restrictions on repatriating these funds, although 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 and individuals

transferring more than USD 800,000 out of Chad need BEAC authorization to do so. Authorization may take up to three working days. To request authorization for a transfer, companies and individuals must submit contact information for the sender and recipient, a delivery timetable, and proof of the sender's identity. There were no reports of other capital outflow restrictions in 2015. 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 of one Euro to 655.957 FCFA exactly (100 FCFA = 0.152449 Euro). In 2015, the CFA/USD exchange rate fluctuated between 550 and 610 FCFA as a function of the performance of the USD against the Euro. There are no restrictions on obtaining foreign exchange.

Remittance Policies

There are no recent changes to 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) has 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 2015 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 2015. 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 continues to work on reform of the 1967 law. A draft law encourages foreign companies to own property instead of leasing.

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 judicial system rules on commercial disputes in a limited technical capacity. The Chadian President appoints judges without National Assembly confirmation, and thus the judiciary may be subject to executive influence. Courts normally

award monetary judgments in local currency, although it may designate awards in foreign currencies based on the circumstances of the disputed transaction.

Chad's commercial laws are based on standards promulgated by CEMAC, OHADA, and the Economic Community of Central African States (CEEAC, *Communauté Economique des Etats de l'Afrique Centrale*, <http://www.ceeac-eccas.org>). The Government and National Assembly are currently in the process of adopting legislation to comply fully with all these provisions.

Specialized commercial tribunal courts were authorized in 1998 but not operational until 2004. These tribunals exist in five major cities but lack adequate technical 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, which ensures uniformity and consistent legal interpretations across its member countries and several Chadian companies have done so. OHADA also allows foreign companies to utilize tribunals outside of Chad, generally in Paris, France, to adjudicate business disputes. Finally, 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 courts in the nations where particular agreements were signed, including the United States. This principle also applies to disputes between foreign 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 Uniform Acts. According to Section 3, Article 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 provisions grant Chad the discretion to apply its own sentences.

The World Bank's 2016 Doing Business Report ranks Chad's ease of resolving insolvency at 149 of 189. This is an improvement of 3 positions over 2015. The report is available at <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.

International Arbitration

Chad is signatory to an investment agreement among the member states of CEMAC, CEEAC, and OHADA. 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, and provides for the enforcement of foreign arbitral awards. 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 has been a signatory and contracting state of the Convention on the Settlement of Investment Disputes Between States and Nationals of Other States ("ICSID Convention") since 1966.

Chad is not a contracting state of the Convention on the Recognition and Enforcement of Foreign Arbitral Awards ("New York Arbitration Convention").

Duration of Dispute Resolution – Local Courts

Due to limited capacity, lengthy procedures, and executive influence, it is difficult to estimate the average amount of time 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 World Trade Organization (WTO) and has Least Developed Country (LDC) status. Chad has not notified the WTO of any measures deemed 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 areas, 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.

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 Chadian tax code (CGI, *Code General des Impots*) 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), in March 2015 reduced from 40% to 35%; 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. The government occasionally offers 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 and Trade, or the Ministry of Petroleum and Energy.

Research and Development

The Chadian government invests in agricultural research through the Chadian Institute of Agronomic Research for Development (ITRAD, *Institute Tchadien de Recherche Agronomique pour le Developpement*). ITRAD is funded primarily by the GOC, with small income derived from sales of goods and services, particularly the sale of cereal and horticultural seeds.

Performance Requirements

Chad does not follow forced localization, the policy in which foreign investors must use domestic content in goods or technology. A new public procurement code, developed in collaboration with the World Bank, received National Assembly approval and the application decree awaiting President Déby's signature.

Foreign companies are legally required 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.

Data Storage

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 a certain amount of data storage within Chad. In early 2015, the GOC enacted four laws that fill the legal vacuum regarding Cybersecurity and Cybercriminality. These laws are:

- Law No. 06 / PR / 2015 of 10 February 2015, establishing the National Agency for Computer Security and Digital Certification (ANSICE)
- Law No. 07 / PR / 2015 of 10 February 2015 on the protection of personal data
- Law No. 08 / PR / 2015 of 10 February 2015 concerning electronic transactions
- Act No. 09 / PR / 2015 of 10 February 2015, on cybersecurity and cybercrime
- The law on cybersecurity and cybercrime provides penalties for cybercrime such as:
 - Child pornography: from one to five years imprisonment with a fine from one to ten million FCFA (approximately \$1,667 to \$16, 677). This penalty is increased if the scheme is followed by a physical act and the penalty is five to ten years imprisonment and a fine from two to 20 million FCFA (approximately \$3,333).
- Xenophobia, racism and religious attack: from one to five years imprisonment with a fine from one to ten million FCFA.

- Offenses relating to cryptology: from one to five years imprisonment with a fine from one to ten million FCFA.
- Spamming: from one to five years imprisonment with a fine from one to ten million FCFA.
- Offense against national security and offenses such as theft, online fraud, and concealing of computer data. The penalty ranges from one to five years imprisonment with a fine from one to ten million FCFA.

6. Protection of Property Rights

Real Property

The Chadian Civil Code protects real property rights. Since 2013, landowners may register land titles with the One-Stop Land Titling Office (*Guichet Unique pour les Affaires Fonciere*). However, 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 asserts authority only 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. However, no such land or title reclamations appear to have occurred in 2015.

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

The World Bank's 2015 Doing Business Report ranks Chad 155 of 189 in ease of registering property. The report cites the high cost of eight 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.

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. Customs officers have the authority to seize and destroy counterfeit goods *ex officio*. The Government pays for storage and destruction of such goods.

Chad is not listed on the USTR's 2015 Out-Of-Cycle Review of Notorious Markets, nor in the Special 301 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.

7. Transparency of the Regulatory System

Chad is currently implementing effective laws to foster competition and establish clear rules of the game based on OHADA Uniform Acts. However, in the current climate, certain Chadian and foreign companies in some sectors may encounter situations in which competition with certain other well-established companies is difficult.

Regulations and financial policies generally do not 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. However, while accounting, legal, and regulatory procedures are consistent with international norms, some local firms do not use generally accepted standards and procedures in their business practices.

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 GOC occasionally provides opportunities for local associations, such as the National Council of Employers (CNPT, *Conseil National du Patronat Tchadien*) or the CCIAMA to comment on proposed laws and regulations pertaining to investment.

Chad is not yet listed on www.businessfacilitation.org.

8. 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.

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, particularly after internal reforms beginning in 1990 to streamline lending practices and reduce the volume of bad debt. Chad's four largest banks have been privatized. The former Banque Internationale pour l'Afrique au Tchad (BIAT) became a part of Togo-based Ecobank; the former Banque Tchadienne de Crédit et de Dépôt was re-organized as the Société Général Tchad; the former Financial Bank became part of Togo-based Orabank; and the former Banque de Développement du Tchad (BDT) was reorganized as Commercial Bank Tchad (CBT), in partnership with Cameroon-based Commercial Bank of Cameroon. There are two Libyan banks in Chad, BCC (formerly Banque Libyenne) and Banque Sahélo-Saharienne pour l'Investissement et le Commerce (BSCIC), along with one Nigerian bank (UBA, United Bank for Africa).

Chad shares a common central bank system with the members of the CEMAC – the Banque des Etats de l'Afrique Centrale (BEAC).

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

9. Competition from State-Owned Enterprises

The GOC operates SOEs in a number of sectors, including Energy and Mining; Agricultural, Construction, Building and Heavy Equipment; and Information and Communication. The GOC also operates SOEs in water supply and cement production. 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 2015, 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 competitors. 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 received parliamentary ratification in December 2015.

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

Chad is not a party to the Agreement on Government Procurement within the framework of the WTO.

OECD Guidelines on Corporate Governance of SOEs

Chadian SOE practices are not consistent with 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 responsible for the relevant sector, 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.

The GOC aims to privatize a number of SOEs, but wishes to remain a major player in extractive industries.

Sovereign Wealth Funds

The GOC does not maintain a Sovereign Wealth Fund. However, it has indicated that in 2016, it intends to create a "stabilization fund," which will be funded by additional taxes on diesel fuel and Jet A-1 fuel.

10. Responsible Business Conduct

There is general awareness of Responsible Business Conduct (RBC) among firms in Chad. Most Western firms operating in Chad engage in RBC, particularly those in the petroleum and telecommunications sectors. For example, Esso Exploration and Production Chad, Inc. (EEPCI), the main oil producer, has implemented Environmental Management Plans (EMP), a rigorous program that espouses, *inter alia*, prioritizing hiring local residents and local purchase of goods and services, establishing international safety standards, and protecting biodiversity. A critical part of EMP has been the Land Use Management Action Plan (LUMAP) that compensates individuals and communities for land used by the project. To date, LUMAP has distributed approximately \$1.7 million in cash, in-kind goods, and training. EMP's efforts are also complemented by the ExxonMobil Foundation, which supports projects to improve girls' education and fight malaria.

Many foreign firms commit to extensive local staff training efforts, purchase local goods, and donate excess equipment to charities or local governments. In 2015, Internet companies Airtel and Tigo, as well as some banks, engaged in RBC focused on public awareness campaigns countering violent extremism in the wake of Boko Haram attacks in N'Djamena and elsewhere in Chad.

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. EEPCI adheres to U.S. Occupational Safety and Health Administration (OSHA) guidelines for recording accidents and injuries, and implements a rigorous program of safety procedures and protocols.

11. Political Violence

Chad has enjoyed political stability since 2008. There have been no reported incidents in recent years involving politically-motivated damage to projects and/or installations. The latest national Presidential election occurred in April 2016 and parliamentary elections are scheduled for 2017. Socio-economic conditions occasionally spark demonstrations and protests against the Government. For example, in 2016, protests focused on non-payment of salaries to public functionaries and failure to pay student stipends, as well as greater opportunities for youth employment. The protests were occasionally linked to opposition calls for the President to resign or refrain from running for another term of office. In most cases, the government either denied permits for demonstrations, or suppressed them using tear gas, arresting participants and organizers.

However, regional violent extremist organizations pose significant threats to Chad and Western interests. In 2015, Boko Haram conducted attacks on N'Djamena, and it continues to pose a serious regional security and economic threat. Boko Haram's violence has choked off vital trade routes across Nigeria and the road between Douala, the principal port serving Chad, and N'Djamena. This has increased costs for imports and decreased exports due to border closures.

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).

12. 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.

The Ministry of Good Governance previously served as the institution that monitors the transparency and accountability of the government's operations, conducting yearly

administrative and financial audits of the different government departments. In July 2015, the GOC replaced the Ministry with an independent Court of Auditors (*Cours des Comptes*) equivalent to a supreme audit institution (SAI). The Court of Auditors should further increase independent oversight of the government decisions, although its members are nominated by Presidential decree. In September 2015, the GOC created a General Inspectorate for State Control within the Presidency to oversee government accountability. In addition to the two bodies, the National Assembly's Finance committee carries out verifications of the GOC's annual financial statement. No audits have been made publicly available during the reporting period.

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. Charges against those indicted are often dropped for "lack of evidence." In 2014, for example, the Chadian government launched investigations of several high-ranking officials, including cabinet ministers. All charges were eventually dropped and the ministers were reappointed to other positions within the GOC. Still, public acceptance of corruption has dropped significantly in the past several years. President Déby Itno, in public addresses to the nation, pledges to continue the campaign to eliminate corruption from Chadian public life, has often criticized the practice of taking liberties with public goods, and promises prosecution of those who accept kickbacks or demand bribes. In October 2015, President Déby Itno removed the Director of Customs – his younger brother – allegedly for corruption.

A prominent local NGO, the Alternative Group for Petroleum Research and Monitoring – Chad (GRAMP-TC, *Groupe Alternative de Recherche et de Monitoring de Pétrole – Tchad*) 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 of the UN Convention Against Corruption (UNCAC). Chad is not a party to the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions ("the OECD Anti-Bribery Convention").

Resources to Report Corruption

Government agency contact responsible for combating corruption:

Inspection General d'Etat
Presidence de la Republique
Njamena, Chad
+235 22 51 51 39 / 22 51 44 37

Contact at watchdog organizations:

Gilbert Maoundonodji
Coordinator
GRAMP-TC

Po Box 4021, N'Djamena, Chad
+235 22 51 95 55
maogilmagi@gmail.com

13. Bilateral Investment Agreements

Bilateral Taxation Treaties

Chad does not have a bilateral investment treaty (BIT) with the United States. Chad has signed bilateral investment treaties with Benin, Burkina Faso, China, Egypt, Germany, Guinea, Italy, Lebanon, Mali, Mauritius, Morocco, Qatar, and Switzerland.

Chad has not signed a Free Trade Agreement (FTA) with the United States, but is eligible for tariff exemptions under the African Growth and Opportunity Act (AGOA). The GOC created an AGOA oversight committee in 2002. Chad's major export under AGOA is crude oil. Chad is eligible for the Special Rule for Apparel.

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

14. 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.

15. Foreign Direct Investment and Foreign Portfolio Investment Statistics

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

	Host Country Statistical source*		USG or international statistical source		USG or International Source of Data: BEA; IMF; Eurostat; UNCTAD, Other
Economic Data	Year	Amount	Year	Amount	
Host Country Gross Domestic Product (GDP) (\$M USD)	N/A	N/A	2014	\$13.92 billion	www.worldbank.org/en/country
Foreign Direct Investment	Host Country Statistical source*		USG or international statistical source		USG or international Source of data: BEA; IMF; Eurostat; UNCTAD, Other
U.S. FDI in partner country (\$M USD, stock positions)	N/A	N/A	2013	\$538.4	http://www.indexmundi.com/facts/chad/foreign-direct-investment
Host country's FDI in the United States (\$M USD, stock positions)	N/A	N/A	N/A	N/A	Data unavailable

Total inbound stock of FDI as % host GDP	N/A	N/A	2013	3.98	http://www.indexmundi.com/facts/chad/foreign-direct-investment
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*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>.

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.

Section 5 - Government

Chiefs of State and Cabinet Members:

For the current list of Chiefs of State and Cabinet Members, please access the following - [Central Intelligence Agency online directory of Chiefs of State and Cabinet Members of Foreign Governments](#)

Legal system:

mixed legal system of civil and customary law

International organization participation:

ACP, AfDB, AU, BDEAC, CEMAC, EITI (candidate country), FAO, FZ, G-77, IAEA, IBRD, ICAO, ICRM, IDA, IDB, IFAD, IFC, IFRCS, ILO, IMF, Interpol, IOC, IOM, IPU, ITS, ITU, ITUC (NGOs), MIGA, NAM, OIC, OIF, OPCW, UN, UNCTAD, UNESCO, UNIDO, UNOCI, UNWTO, UPU, WCO, WHO, WIPO, WMO, WTO

Section 6 - Tax

Exchange control

Chad has exchange controls governing capital transactions applying to money market instruments.

Treaty and non-treaty withholding tax rates

Chad has not concluded any double tax treaties.

Methodology and Sources

Section 1 - General Background Report and Map

(Source: [CIA World Factbook](#))

Section 2 - Anti – Money Laundering / Terrorist Financing

	Lower Risk	Medium Risk	Higher Risk
FATF List of Countries identified with strategic AML deficiencies	Not Listed	AML Deficient but Committed	High Risk
Compliance with FATF 40 + 9 recommendations	>69% Compliant or Fully Compliant	35 – 69% Compliant or Fully Compliant	<35% Compliant or Fully Compliant
US Dept of State Money Laundering assessment (INCSR)	Monitored	Concern	Primary Concern
INCSR - Weakness in Government Legislation	<2	2-4	5-20
US Sec of State supporter of / Safe Haven for International Terrorism	No	Safe Haven for Terrorism	State Supporter of Terrorism
EU White list equivalent jurisdictions	Yes		No
International Sanctions UN Sanctions / US Sanctions / EU Sanctions	None	Arab League / Other	UN , EU or US
Corruption Index (Transparency International) Control of corruption (WGI) Global Advice Network	>69%	35 – 69%	<35%
World government Indicators (Average)	>69%	35 – 69%	<35%
Failed States Index (Average)	>69%	35 – 69%	<35%
Offshore Finance Centre	No		Yes

Section 3 - Economy

General Information on the current economic climate in the country and information on imports, exports, main industries and trading partners.

(Source: [CIA World Factbook](#))

Section 4 - Foreign Investment

Information on the openness of foreign investment into the country and the foreign investment markets.

(Source: [US State Department](#))

Section 5 - Government

Names of Government Ministers and general information on political matters.

(Source: [CIA World Factbook](#) / <https://www.cia.gov/library/publications/world-leaders-1/index.html>)

Section 6 - Tax

Information on Tax Information Exchange Agreements entered into, Double Tax Agreements and Exchange Controls.

(Sources: [OECD Global Forum on Transparency and Exchange of Information for Tax Purposes](#) [PKF International](#))

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