

IV. ANALYSIS OF TRADE POLICIES AND PRACTICES BY SECTOR

(1) INTRODUCTION

1. The Chadian economy is largely based on agriculture, including livestock rearing, and since 2003, on petroleum. An output of about 160,000 barrels a day made it possible to virtually double GDP in 2005-2006, given the record levels reached by world oil prices. The Government is now giving priority to production sharing contracts, under which the State holds a capital stake in oil projects in order to maximize the benefits to the country. However, since it has no refinery Chad exports the crude and import refined products, at their current exorbitant prices, further inflated by the country's land-locked situation.

2. The aim of food security, an integral part of agricultural policy, goes hand-in-hand with the strategy to combat poverty and malnutrition. Yet much of the budget earmarked for agriculture is used to support the monopoly State enterprise in the cotton sector. In addition, agricultural exports and imports are subject to heavy official and informal taxes, which are a disincentive to private investment. This is encouraging the informal exportation of cattle, which is Chad's second source of foreign exchange earnings after petroleum. Besides, internal organization and the international environment are negatively impacting the cotton sector, which has been in crisis for some years now.

3. Manufacturing is an infant industry; it comprises mainly companies in the agri-food sector, which caters principally for the local market given the limited competitiveness (for numerous reasons) of its products, as well as the limited capacities of manufacturing companies. Despite the lack or insufficiency of local production of mass consumption manufactures, including staples, such products are still subject to a high degree of protection mainly through import duties inherited from the CAEMC common external tariff (CET), a situation that further diminishes the population's purchasing power.

4. There is an inadequate supply of key basic services such as water, electricity, and fixed telecommunications and postal services, which is hampering the performance of the remainder of the economy. Nevertheless, the main routes of communication are gradually being refurbished and made secure thanks to oil resources. Chad's commitments under the WTO General Agreement on Trade in Services (GATS) are limited to tourism services and do not reflect the opening up of a wide range of the sector's activities to foreign providers.

(2) AGRICULTURE, LIVESTOCK, FISHERIES AND FORESTRY

(i) Overview

1. Agriculture, including related activities (livestock farming, fisheries, and forestry), employs three-quarters of the workforce and, before oil production began in 2003, accounted for more than one-third of GDP (Table I.1), generating some 85 per cent of export earnings.¹ Yet food security, one of the key objectives of agricultural policy, is far from a reality.² The isolation of many settlements and the high cost of transporting food products to these areas because of the inadequacy of transport infrastructure are major constraints. Generally speaking, trade is hampered by numerous obstacles including regulatory constraints, which are also limiting the ability of producers to export their agricultural produce and increase their earnings.

¹ FAO data. Consulted at: <http://www.fao.org/ag/agl/aglw/aquastat/countries/chad/indexfra.stm>.

² FEWS NET (2006).

2. There are considerable land and water resources available for developing Chad's agriculture, but successful water management is the overriding challenge. At present, of the 39 million hectares of arable land in Chad, 5.4 million are potentially irrigable, and 373,000 easily irrigable, owing to their proximity to rivers. Only 2 million hectares are under cultivation, and 30,000 hectares are irrigated. The cost of irrigating 1 hectare of land is about CFAF 8 million (over €12,000), which is beyond the reach of small farmers.

3. Chad's Saharan zone has limited agricultural potential but is suited to date palm cultivation. The production system is agro-pastoral in the Sahelian zone, where cereal growing (mainly millet) and oilseed production exist side-by-side with livestock rearing. The drought that has plagued this climatic region over recent decades has caused a sharp contraction in agricultural output, especially of groundnuts. All the other types of cultivation are practised in the Sudanian zone, where cotton is the main crop. Animal products are important income and growth niches. Table IV.1 offers an overview of production. The available statistics show that the main agricultural products have fluctuated considerably in recent years, though the main cereals have shown an uptrend. The chief imports are sugar (until 2005, see Chapter III(2)(v)), wheat flour, and the other food products.

Table IV.1
Main agricultural products, 1998-2005

('000 tonnes)

	1998	1999	2000	2001	2002	2003	2004	2005
Total imports								
Refined sugar	29,150	15,100	25,625	25,891	41,213	54,656	45,952	..
Wheat flour	26,000	36,000	36,400	36,110	41,229	45,406	30,000	..
Food preparations, n.e.s.	400	3,150	930	780	1,051	1,172	1,070	..
Dry whole cow's milk	..	570	570	600	344	1,822	600	..
Maize (corn) flour	..	..	3,500	4,200	3,110	4,090	8,120	..
Vegetable fats and oils, n.e.s.	534	..	..	..	..	..	2,420	..
Sorghum	..	..	..	..	..	..	12,150	..
Polished rice	..	..	..	..	..	..	5,030	..
Production								
Sorghum	514	457	372	472	457	537	427	554
Pearl millet	357	361	246	378	340	491	279	549
Berebere	..	..	166	113	195	158	273	252
Maize (corn)	180	94	61	100	80	112	104	191
Groundnuts	471	372	341	426	361	394	366	462
Shea	..	..	41	43	45	47	50	52
Sugarcane and sugar plants, n.e.s.	295	277	301	314	335	267	280	343
Cassava	292	323	230	289	308	332	59	65
Yams	240	230	230	230	230	230	230	230
Fresh whole milk (million litres)	..	..	327	335	343	351	360	369
Cotton seeds	86	99	143	165	178	102	200	215
Gum Arabic	..	..	13	13	11	12	12	13

.. Not available.

n.e.s. Not elsewhere specified.

Source: FAO, information online. Consulted at: <http://www.fao.org/es/ess/toptrade/trade.asp> and <http://faostat.fao.org/site/340/default.aspx>; and data supplied by the Chadian authorities.

4. Chad's agricultural sector generally suffers from very low productivity. The average yield from food and cash crops is believed to be lower than in the neighbouring countries. Owing to the lack of proper water management, the sector is heavily dependent on the vagaries of the weather. This means that over 80 per cent of cereal crops and all of the area under cotton cultivation are rain-fed. The level of mechanization and use of inputs is very low. Because of the number of trade barriers (Section (ii) below), a significant part of agricultural trade remains informal.³ Over and

³ World Bank (2004).

above these internal drawbacks, there are major distortions in the world's markets for agricultural produce, including the cotton market (Section (iii) below).

(ii) Agricultural policy

5. The ministries with responsibility for agriculture, livestock, the environment and fisheries are the three main government players in the sector. In the Government's Political Programme, as in the framework of the National Poverty Reduction Strategy (SNRP, see Chapter I(1)), rural development has been recognized as a priority. Under the Programme, "substantial amounts" from oil mining and from external aid are to be redistributed to rural areas.⁴

6. The Government has declared that the agricultural sector must ensure economic development and food security. As emerges from numerous reports and successive plans to revitalize the sector, the aim of Chad's agricultural policy is to produce more and better so as to raise the standard of living of its people and stem poverty.⁵ The announced activities are intended to modernize agricultural production (including livestock), promote agri-food processing units, institute effective water management to limit dependence on the weather, and combat the factors that undermine crops. Since 2003, the Government has been devoting some part of oil revenues to the rehabilitation of rural roads and tracks so as to open up the countryside and facilitate the trade in farm produce as well as bring food aid to the poor. In 2006, the Ministry of Agriculture set as its main objective to bring irrigation to 100,000 hectares by 2015. Its 2006 budget was CFAF 42 billion, including 17 billion in subsidies to Cotontchad (Section (iii)(b) below).

7. Up to now, the heavy taxation of imports and exports of agricultural goods has hampered the harmonious functioning of food markets in Chad. Yet, as confirmed in a recent assessment of the role of international trade in the food situation in the Sahel, cross-border trade and local cereal markets are playing a crucial role in supplying areas in short supply and in reducing food insecurity.⁶ The unfettered functioning of this trade, as well as optimum supplies to these markets are therefore essential to ensuring greater availability of food products. According to the ISIC definition, the simple average of the import duty (DDI) applied to the agricultural sector (including livestock, fisheries and forestry) is 23.2 per cent (Table AIV.1). The average of all duties and taxes applied exclusively to agricultural imports is 27.5 per cent. VAT of 18 per cent is levied on imports of all agricultural products, except wheat flour, meat and dairy products (Chapter III(2)(ii)). These duties and taxes, in combination with protracted and complicated customs procedures, are further increasing the cost of these goods, including that of food staples.

8. Agricultural exports too are subject to a series of taxes (Chapter III(3)(ii)). According to the authorities, export duties (DDE) have been abolished for agricultural produce. They are still being levied, however, on livestock, fish and animal products, including furskins. Agricultural exports are also subject to five other exports taxes: the statistical tax (2 per cent), research tax (TRC, 0.5 per cent), and the inspection and packaging tax (TCC, 0.5 per cent), the Community preference tax (0.4 per cent) and the rural export fund tax (1 or 2 per cent). The cumulation of export duties and taxes is highest on cattle (Section (iii)(a) below). These taxes are affecting the export competitiveness of the products concerned and are discouraging production.

9. The National Office for Rural Development (ONDR) is the quasi-State body that implements agricultural development programmes. It is mainly responsible for support and extension activities in

⁴ "Programme politique du Gouvernement du 3 février 2005". Consulted at: <http://www.primature-tchad.org/PROGRAMMEPOLITIQUE.pdf>.

⁵ See, in particular, Ministry of Agriculture (2005a, 2005b and 2005c).

⁶ World Food Programme (2006).

the agricultural sphere. The Lake Chad Development Company (SODELAC) is a State-owned company that is involved in production. SODELAC manages Lake Chad agricultural development projects. In the light of the chronic shortage of cereals, the Action Committee for Food Security and Crisis Management (CASAGC), under the auspices of the Ministry of Agriculture, makes price and cereal harvest projections in conjunction with the food aid agencies (e.g. the FAO, the Permanent Interstate Committee for Drought Control in the Sahel (CILSS), the Famine Early Warning Systems Network (FEWS)), and estimates import needs in the framework of early warning systems. Food aid was 62,400 tonnes in 2005.

10. The National Food Security Office (ONASA) was created in 2001 from the merger of the Rural Intervention Fund (FIR) and the National Cereals Office (ONC) in order to improve food security.⁷ ONASA's mission is to maintain food security stocks of 35,000 tonnes so as to intervene in the event of shortages and ensure price stability. ONASA buys and sells food products on the local market, but also turns to imports if necessary. It is run by an equi-representational monitoring committee comprised, *inter alia*, of the ministries responsible for agriculture and finance, along with five representatives of donor countries and agencies involved in the building up of food security stocks.⁸

(iii) Policy by sector

(a) Livestock farming and its by-products

11. Livestock farming is of the highest importance in Chad. For the most part, it is transhumance livestock rearing. The gradual loss of traditional pasturelands owing to drought and urbanization is driving livestock farmers increasingly toward regions devoted to cultivation. The result is frequent clashes between sedentary farmers and transhumant cattle farmers. Unlike other Sahel countries, cottonseed cake and sugarcane molasses are hardly used as feedstuffs, given their relatively high cost. Yet Chad is perhaps the largest exporter of live cattle in Central Africa. The herd is estimated at over 16 million, all categories taken together (Table IV.2). Although livestock is marketed largely outside the formal channels, trade consists mostly of exportation to neighbouring countries such as Cameroon and Nigeria, worth over €200 million per year and representing Chad's leading non-petroleum export. The population groups involved are economically vulnerable, a fact that underscores the importance of an appropriate trade policy for the sector, as part of the fight against poverty.

Table IV.2
Chadian herd, 2003
('000 head)

Zone	Bovine animals	Sheep	Goats	Equine animals	Asses	Camels	Pigs	Total
Saharan	1	119	72	2	11	244	0	449
Sahelian	5,139	1,906	4,482	321	368	942	1	13,159
Sudanian	1,144	539	1,030	37	16	0	69	2,835
Total	6,284	2,564	5,584	360	395	1,186	70	16,443

Source: Data from the Ministry of Livestock.

12. Exports of cattle and livestock products are governed by a 1988 decree, which requires the exporter to obtain a trading licence from the Ministry of Finance.⁹ Each year the Ministry sets the level of export duties to be collected by the customs services. The duty is currently set at CFAF 8,165

⁷ Law No. 002/PR/01 of 21 February 2001.

⁸ See, in particular, FEWS NET (2006).

⁹ Decree No. 138 bis/PR/MEPH/88 of 16 April 1988 regulating exports of cattle and livestock products.

per head of cattle, the average price of which is CFAF 200,000. A statistical tax amounting to 2 per cent of the value of the exports is also levied. The decree further prescribes that export cattle must be subject to a health examination (CFAF 2,100 per head). All exports must be accompanied by an international zoo-sanitary certificate, issued by the Livestock Management Service (*Service de l'élevage*): it costs CFAF 2,500 for the entire herd being exported. Meat exports are also taxed (CFAF 5 per kg). Illegal levies are also reportedly being made by a large number of players (local authorities, *postes de brigade*, customs officers, *gardes nomades*, checkpoint guards and other inspectors). Altogether they are believed to account for more than half the producer price of cattle, which is a disincentive to the development of the industry.¹⁰

13. At present, the livestock products processing sector comprises one main slaughterhouse in N'Djamena, which is State-owned but managed by a private Chadian company (*Société moderne des abattoirs/Abattoirs frigorifiques de Farcha*); there is also a privately managed slaughterhouse in Sahr, as well as regional slaughterhouses managed by the Ministry of Livestock in each of the principal towns. According to the authorities, Chad's slaughterhouses are currently profitable; the sector's export problems are related to the high cost of air transport; equipment and sanitary inspection procedures reportedly conform to international standards.

14. The importation of live animals and meat is extremely limited. The import duty on meat averages 21.2 per cent, the total of the MFN tariff and other taxes on meat products amounts to 26.2 per cent on average (Table AIV.1), in addition to which there is an 18 per cent VAT. All these taxes increase the c.i.f. value of these products by one third. Chad has no dairy industry. Imports of such products, mainly from the European Union, are subject to an average import duty of 25.5 per cent, total taxes averaging 31.2 per cent.

15. The hides and skins industry is still largely a cottage industry and the output is largely marketed and exported outside formal channels. The export tax is CFAF 10 per unit of leather (CFAF 5 per unit of skin), plus the cost of the sanitary inspection and certificate. The inspection and packaging tax (TCC) is 0.5 per cent of the c.i.f. export value and is levied on hides and skins.

(b) Cotton

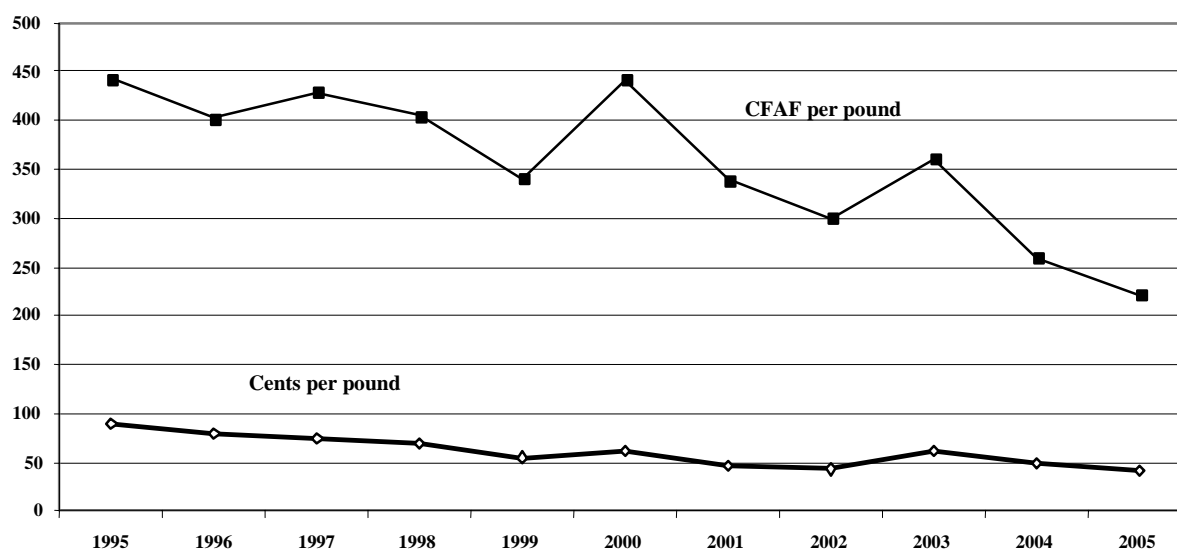
16. Cotton is the second most important export product after petroleum, since cattle exports for the most part take place outside formal channels. Chad produces seed cotton and cotton fibre in the factories run by the *Société cotonnière du Tchad* (Cotontchad), the country's cotton company, in which the State has a 75 per cent stake. The company has monopolies on the purchase of seed cotton from the producers, on ginning and marketing, including exports.

17. Since 1997, the sector has been in deep crisis and, having started the 1970s as the leading producer among the countries in the franc zone, Chad is now one of the smallest. Many factors have contributed to this crisis: the high cost of imports and equipment, which has limited their use; the low level of producer purchase prices; the inefficiency of the government company in charge of the sector; the dilapidated state of the road network; the cost of energy; the weakness of farmers organizations; and as of 1998, plummeting international cotton prices (Chart IV.1). The sector's performance contrasts with those of neighbouring countries such as Mali and Burkina Faso, where the cotton sector is based on a similar model, but where production has been less hard-hit by the crisis.¹¹

¹⁰ International Trade Centre and *Agence intergouvernementale de La Francophonie* (Intergovernmental Francophone Agency) (2004).

¹¹ See WTO (2004).

Chart IV.1
New York cotton price, 1995-2005



Source: BEAC (2005), *Études et Statistiques*, No. 296, June.

18. Cotontchad grants input credit to village associations for the production of seed cotton, which it then buys from the planters. The latter are normally paid at the time of sale to the company. With the crisis, however, payments to the planters have fallen into arrears. At present, the price of seed cotton is generally set in the month of May by an equi-representational committee comprised of three farmers and three members of Cotontchad, assisted by two government representatives. The price is set on the basis of a formula devised in 1997 and revised in 2000. It involves a coefficient of 19.3 per cent representing the seed cotton producer's share in the index of average world cotton fibre prices over 16 months (January to April of the following year), and a valuation of the cotton seed (CFAF 5 per kg).¹² If at the end of the season the price projected using the formula and paid to producers is lower than that which they should have received if the actual sale prices had been used, they are paid a differential price. If the actual selling price is lower, Cotontchad bears the difference. It receives State subsidies for that purpose.¹³ The Government also grants subsidies to Cotontchad for the purchase of inputs and as government guarantees for bank loans to the company.

The decline of international cotton prices since 1995 has resulted in considerable income losses for Chadian producers (Table IV.3). This downward trend has been partly the result of the increased supply of cotton on world markets owing to production and export subsidies, and of competition from synthetic products. To safeguard its commercial interests, Chad reserved its third party rights in connection with the Brazilian complaint concerning United States cotton subsidies (Chapter II(5)(i)). Besides, in December 1999, a strategy was adopted by Government decree for reforming the sector, chiefly so as to raise farmers' earnings. The strategy was designed to increase the bargaining power of producers, by (i) strengthening the role of growers' associations; and

¹² Ministry of Planning, Development and Cooperation (2003b).

¹³ "Compte-rendu analytique de l'Assemblée nationale" (Summary Record of the National Assembly). Consulted at: <http://www.tchad-gpmps.org/comptereendu07-071205.html>.

(ii) divesting government interests in the cotton sector, including in Cotontchad. Yet a 2004 report states that for financial reasons, most of the recommendations made have remained a dead letter.¹⁴ According to the authorities, a road map for the reform of the cotton sector is being implemented. Since 2004, official statistics have been showing a recovery in seed cotton and cotton fibre output.

Table IV.3
The cotton sector, 1993, 1995, 2000-2006

	1993	1995	2000	2001	2002	2003	2004	2005	2006
Seed cotton output ('000 tonnes)	94.9	157.7	143.0	164.5	168.6	102.2	207.5	200.0	206.0
Producer price (CFAF/kg)	90.0	170.0	183.0	164.0	167.0	158.6	187.0	156.8	156.8
Yield (kg/ha)	615	759	601	538	595	721	..	..	..
Cotton fibre exports ('000 tonnes)	43.0	67.2	68.7	55.6	60.4	62.3	63.2	68.2	79.5
Export price of cotton fibre (CFAF/kg)	336.0	948.0	736.8	1,023.7	643.1	723.4	707.0	619.2	640.1
World price, Cotlook A index (cents/pound)	58.0	98.3	59.1	48.0	46.3	63.4	62.0	53.0	55.0
Cotontchad net result (CFAF billion)	-5.4	15.1	-6.9	-10.2	-7.5	..	..	..	..

.. Not available.

Source: BEAC and Cotontchad.

(c) Food products

19. The cereal varieties grown in Chad are mainly millet and sorghum; also cultivated are rice, maize/corn, wheat and berebere (a millet variety). Output varies from year to year, as the crops are highly rainfall-dependent. Cereal output is generally consumed locally. Import duty on cereals varies between 20 and 30 per cent, to which must be added all the remaining taxes and charges, as well as VAT.

20. The *Office de mise en valeur de Sategui-Déressia* (Sategui-Déressia Development Board), which once managed two rice mills, has been dissolved. Husking of the rice produced by farmers is currently done on a small-scale, private basis. The *Grands moulins du Tchad* (milling plants), which had a capacity of 24,000 tonnes of flour in the 1970s, are now closed. The import duty on milled products averages 21.8 per cent (Table AIV.1) and 30 per cent on biscuits and other bakery products; the cumulation of MFN duties and taxes on imports alone averages 24.8 per cent and 33.0 per cent respectively. In addition, there is an 18 per cent VAT. The main import is wheat flour, mostly in the form of food aid; it is the only VAT-exempt cereal product.

21. Oil is produced from cottonseed, groundnuts, sesame seed, shea nuts, pumpkin seeds, and soybean, amongst other sources. This branch of industry comprises mainly the Cotontchad oil mills, which had a capacity of 180 tonnes per day in the 1980s. That facility also included an oil-cake pelletization plant. As part of the reform of the cotton sector, the Government has announced its withdrawal from the activities of Cotontchad's *Direction de l'huilerie savonnerie* – DHS (oil and soap-making division); the DHS was privatized in 2003, then renationalized in 2006.¹⁵ The other oils (groundnut and sesame) are produced mainly on a small scale.

22. Chad also produces fruit and vegetables, of which the only ones currently being exported in small quantities are sorrel flower – derived from a hibiscus – and onions. Apart from certain forms of

¹⁴ Cotontchad (2004).

¹⁵ Decree No. 249/PR/PM/MF/06 transferring 7,500 government shares. See also Gondjé (2004).

processing at the places of consumption (fruit juices and dried tomatoes), the sector is hampered by the lack of processing units capable of adding value to any production surpluses. The import duty and total customs charges on imports of preserved vegetables are respectively 30 and 32.4 per cent on average (Table AIV.1).

23. The *Compagnie sucrière du Tchad* – CST (Chad sugar company) is one of the country's main manufacturing enterprises. It was privatized in 2000, and sold to SOMDIAA, a company with French capital that controls the bulk of sugar production in Chad, Cameroon and the Congo. The CST sugar output for 2006 was 36,000 tonnes, derived from sugar cane plantations covering 3,750 hectares. This met some 40 per cent of domestic needs, the difference being supplied through imports. Yet sugar imports are currently being restricted (Chapter III(2)(v)). The CST plans to raise its output to 50,000 tonnes by 2010. The import duty on sugar is 30 per cent, and the additional temporary tax of 20 per cent levied on that product alone has been suspended since 2004.

(d) Fisheries

24. Some 300,000 people engage in fishing on Lake Chad and on the Chari and Logone rivers. The annual catch varies with rainfall, and is now estimated to average 80,000 tonnes per year compared to 140,000 tonnes per year during the 1960s when Lake Chad was much bigger.

25. The fisheries subsector is considered to have developed autonomously thanks to its comparative advantages, with no government intervention whatsoever. Some 80 per cent of the catch from Lake Chad is marketed, and the rest is consumed by the fisherfolk themselves. Roughly 10 per cent of what is sold goes to Chadian markets – mainly in N'Djamena since an asphalted road was built – and the rest is salted and smoked and exported to urban centres in southern Nigeria. The trade channels are informal and dominated by local middlemen whose profit margins are substantial.¹⁶ Estimated export earnings are in excess of US\$50 million per year (official export figures for 2004 were US\$3,539). Chad is not on the list of countries deemed to satisfy the conditions for recognition of equivalence with the sanitary regulations in force in the EU for the importation of fishery products.¹⁷ The average import duty levied on fishery products is 24.8 per cent, with rates ranging from 10 to 30 per cent (Table AIV.1). However, import duties and charges altogether give an average rate of tariff protection of 30.1 per cent.

26. The production of spirulina – variety of blue algae that occurs in significant concentrations in Lake Chad – is still embryonic, though growing world demand augurs well for the future. Spirulina is a significant source of protein to combat malnutrition and is also used in the treatment of cancer and diseases of the immune system.

(e) Forestry products

27. Chad's forest cover is estimated at 23,000,000 hectares¹⁸, consisting mainly of natural forests that account for the bulk of timber production. Chad has some 15,000 hectares of planted forests, which is little when compared with other countries with similar forest cover.¹⁹ The current planting rate (estimated at 300 hectares/year) is not sufficient to replace all the trees felled to meet the demand for fuel and industrial wood. Given the high rate of population growth, the forestry subsector is

¹⁶ World Bank (2004).

¹⁷ "Third Country Establishments' Lists/Listes d'Établissements des Pays Tiers: Country Selector". Consulted at: http://forum.europa.eu.int/irc/sanco/vets/info/data/listes/list_all.html#C [21 July 2006].

¹⁸ The data in this section are based mainly on research published by the FAO. Consulted at: <http://www.fao.org/DOCREP/004/AB579F/AB579F04.htm>.

¹⁹ WTO (2006).

facing increasing competition for land from the food sector. The result is that forest cover is shrinking.

28. A new Forestry Code introduced in 1999 enables government authorities to control the use of forest resources, and grants specific ownership rights to individuals who regenerate forested areas.²⁰ The Code is based on two principles: transferring responsibility for the management of natural resources to the local population, and reorienting the role of government. The new legal and institutional framework is enshrined in the National Plan for Desertification Control (PNLCD) adopted in 1999. Yet neither the PNLCD nor the Forestry Code is being implemented: the first for lack of funds, and in the case of the second, no implementing regulations have been drawn up.

29. Consumers are supplied with very low-cost wood, given the low value of standing timber. Besides, stumpage charges and other taxes on wood fuels are negligible, as cutting is mostly informal and they are rarely collected. The absence of forest wardens limits the capacity for monitoring and managing forest resources.

30. Chad currently imports most of its industrial wood from the Central African Republic, Cameroon and Gabon, despite having this type of wood within a perimeter of less than 10 kilometres around the capital, according to the FAO. The average MFN tariff protection for forestry activities is 30 per cent (Table AIV.1), and 33 per cent when all other import charges are added.

31. The other main forestry products and species exploited in Chad are: gum Arabic, shea nuts, balanites, zyzyphus, néré seeds and tamarind. Gum Arabic is harvested mainly in the Sahelian region from 39 million hectares of acacia forests. Chadian gum is marketed exclusively by private operators, who handle all stages from production to exportation. The annual average output is around 19,000 tonnes.²¹ Chad accounts for about one quarter of world output (for which there is a structural surplus in demand) and is the world's second largest producer after Sudan. This subsector therefore enjoys appreciable growth potential. Official exports doubled in value between 2004 and 2005 to some CFAF 20 billion (€25 million). Promotion measures could include the dismantling of export duties and taxes (export duty, statistical tax and inspection and packaging tax), which altogether amount to 7.5 per cent.

(3) MINING, ENERGY AND WATER

32. Since 2004, crude oil has been the country's most valuable export. Yet it is not yet being used locally for energy purposes, and wood fuels (firewood, charcoal) are the main source of energy in Chad. Household consumption of modern fuels is low and practically nonexistent in rural areas.

33. The Ministry of Mining and Energy is responsible for all mining and energy-related as well as water supply activities. This does not, however, include petroleum-related activities, which fall under the Ministry of Petroleum, or rural water supplies, which are the purview of the Ministry for Pastoral and Village Water Resources.²² Chad has made no commitments in respect of mining, water and energy-related services under the General Agreement on Trade in Services (GATS).²³ Mineral prospecting, exploration and exploitation have, so far, generally been open to private Chadian or foreign companies. Water supplies and electricity generation and distribution on the other hand are controlled by a State-owned company in some parts of the country.

²⁰ Law No. 36/PR/94.

²¹ Gum Arabic is used mainly as a food emulsifier. Its food code is E414.

²² Chad Government site, information online. Consulted at: <http://www.primature-tchad.org/gvt.php>.

²³ WTO document GATS/SC/87, 15 April 1994.

(i) Petroleum products

34. In 2002, Chad's proven hydrocarbons oil reserves were estimated at over 900 million barrels.²⁴ In October 2003, the *Projet pétrolier et d'oléoduc Tchad-Cameroun* (Chad-Cameroon Petroleum Development and Pipeline Project), based on the Doba oilfield (hereinafter "Doba oil Project"), recorded its first sales, thereby becoming Chad's first significant oil production operation. The Project also includes the building of a 1,017-kilometre oil pipeline linking the Doba oil fields with Kribi on Cameroon's Atlantic coast; it also includes three interconnected pumping stations, infrastructure improvements, notably a fibre-optic cable (Section (5)(iv) below), and the construction of offshore oil transfer facilities. Under this Project, oil exports for 2005 generated some US\$2 billion in revenue; in 2005, total transfers to the State in the form of oil export revenue amounted to US\$342 million.²⁵

35. Hydrocarbons prospecting, exploration, exploitation, storage and transportation to the point of shipment are governed by a 1962 ordinance, as amended by a law adopted in 1997.²⁶ Under the ordinance, prospecting is subject either to the granting of a prospecting permit, which gives no right of exploitation or appropriation of any minerals found; or to an exclusive exploration permit ("H permit", valid for five years and renewable twice), which empowers its holder to use any products found. These two permits are granted by decree. Exploitation is based on a concession, which by law is valid for 50 years, though negotiable in practice (the Doba Project Concession is for 35 years). The agreement annexed to the concession (concession agreement) lays out the legal, financial, fiscal and social terms and conditions for the validity of the concession. Operators may be required to supply Chad and other countries in the franc zone as a matter of priority.

36. Under the ordinance, companies holding oil permits must pay a royalty fee stated as a percentage of the value ex-deposit of products mined; it is 12.5 per cent on liquid hydrocarbons, and 5 per cent on gaseous hydrocarbons (Article 63). They are also subject to a 50 per cent tax on net profits made in Chad (Article 65); in practice, however, the rate of the profit tax may be negotiated when the agreement is concluded. An amount of CFAF 3 per exported barrel is levied by the Chamber of Commerce, Industry, Agriculture, Mining and Crafts (CCIAMA) for the issuance of the certificate of origin.

37. The Doba Oil Project is the outcome of a partnership between the Governments of Chad and Cameroon, the World Bank, the International Finance Corporation, and a consortium of private developers. The Project's terms and conditions are laid out in the amended 1988 Agreement on the exploration, exploitation and transportation of hydrocarbons, which specifically prescribes the fiscal conditions for the operation of the Consortium.²⁷ The 1988 Agreement also covers the deposits in the Doseo and Lake Chad basins. The 1999 Law on the management of oil revenue governs the use of funds derived from the Project for the purposes of combating poverty (Box I.1).²⁸

²⁴ World Bank estimates, see IBRD and International Development Association (2002).

²⁵ See World Bank, information online. Consulted at: <http://www.worldbank.org>.

²⁶ Ordinance No. 007/PC/TP/MH of 3 February 1962 regarding hydrocarbons exploration, exploitation and pipeline transportation and the regime for such activities on the territory of the Republic of Chad, as amended by Law No. 004/PR/97 of 23 July 1997; the ordinance as amended by the law constitutes the Petroleum Code.

²⁷ The Agreement was approved through Ordinance No. 041/PR/88 of 30 December 1988, as amended by Decree No. 145/PR/MMEP/2000 dated 7 April 2000, governing the transfer of the rights and obligations of Shell and Elf to Petronas and Chevron.

²⁸ Law No. 001/PR/99 on the management of oil revenue.

38. In January 2006, Esso Exploration and Production Chad Inc. (EEPCI), a fully owned subsidiary of Exxon Mobil, was coordinating the entire project, in which it held a 40 per cent capital stake; Petronas had a 35 per cent stake, and Chevron the remainder. The Chad Oil Transportation Company (TOTCO)²⁹ and the Cameroon Oil Transportation Company (COTCO) own and operate, respectively, the Chadian and Cameroonian portions of the system of exportation. The Chadian State holds an 8.04 per cent capital stake in TOTCO; COTCO is 2.73 per cent owned by Chad and 5.17 per cent is owned by the Cameroonian Government. The project is producing 150,000-170,000 barrels of crude per day.

39. Another concession agreement was signed in 1999 with Encana, a company based in Canada, covering the Erdis, Lake Chad and Chari basins. The project is now at the exploration stage. In January 2006, the Government also signed an oil production sharing agreement with the OPIC Africa Company, a subsidiary of the Chinese Petroleum Corporation. In addition to the 12.5 per cent royalty fee on production and the 50 per cent tax on profits, this agreement foresees a 30 per cent capital stake in the project for the Chadian State.³⁰ The exclusive exploration licence, which is also dealt with in the agreement, covers 26,250 square kilometres in three zones (in the Lake Chad, Southern Chari and Western Chari regions). The authorities have indicated that in future, Chad will be giving preference to production sharing agreements, *inter alia* so as to benefit fully from the transfer of technology.

40. A new State-owned enterprise, the *Société des hydrocarbures du Tchad* (Chad Hydrocarbons Company)³¹ was created in July 2006 to act on behalf of the State in petroleum-related activities in Chad (including the exploration, production and marketing of hydrocarbons and petroleum products, and the negotiation of oil contracts). As at October 2006, the company's articles of association had not been finalized and the company was not yet in operation.

41. A National Commission for the Negotiation of Petroleum Agreements (CNRCP) was created in August 2006 by presidential decree. Its task is to renegotiate existing petroleum contracts.³² The CNRCP is under the supervision of the Prime Minister, to whom it reports regularly on the various stages of negotiations.

42. There is currently no oil refining activity in Chad. The country is entirely dependent on imports from Nigeria, Cameroon and other neighbouring countries. Petroleum products are imported by road, and supplies are erratic. Tamoil and Total, which have storage facilities, provide some 35 per cent of imports (mostly from Cameroon and Nigeria). About a dozen private Chadian importers also supply a substantial part of imports of refined petroleum products. Retail distribution is largely in the hands of informal operators. Since the liberalization of trade in petroleum products in 2002, distribution companies have been free to set sale prices.³³ Total and Tamoil are the only suppliers of jet A1, at a relatively high price.

²⁹ Establishment Agreement, signed on 10 July 1998 by the Republic of Chad and the Chad Oil Transportation Company S.A. (TOTCO), approved by Law No. 015/PR/98, as amended.

³⁰ Decree approving the Agreement on hydrocarbons exploration, exportation and transportation, between the Republic of Chad and the consortium comprised of OPIC Africa, a subsidiary of the Chinese Petroleum Corporation (Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu) and the Republic of Chad, 25 January 2006; and decree granting an exclusive permit for the exploration of liquid and gaseous hydrocarbons to the consortium comprised of OPIC Africa and the Republic of Chad.

³¹ Law establishing the *Société des hydrocarbures du Tchad*, dated 27 July 2006.

³² See the decree establishing the National Commission for the Negotiation of Petroleum Agreements. Consulted at: <http://www.primature-tchad.org/?Journal/2006/08>.

³³ Law No. 008/PR/2001 amending Law No. 30 of 28 December 1968 81 on prices, economic intervention and the repression of economic offences.

43. Imports of refined petroleum products are subject to the following duties and taxes: import duty, which averages 10.3 per cent, and other import levies and taxes (TCI and RS, see Chapter III(2)(ii)); on average, the cumulation amounts to 13.3 per cent (Table AIV.1). In addition, there is the 18 per cent VAT, which means a total surcharge of over 37 per cent attributable to duties and taxes. The cost of kerosene and butane gas to the consumer is reportedly twice that of wood fuels.

(ii) Mineral products

44. Chad has gold, iron, bauxite, salt, natron, and other minerals that can be used in construction such as limestone, kaolin, marble and diatomites. The mineral deposits currently being worked are alluvial gold (small-scale), natron, gravel and sand.³⁴ SOTEC, which was born of the privatization of a government company in 1996, crushes and sells gravel. Some construction companies such as SATOM crush gravel for their own needs, subject to a permit issued by the Ministry of Mining and Energy. Imports of mining products are negligible. The importation of mineral substances is subject to an average import duty of 11.4 per cent, and other import taxes (TCI and RS, see Chapter III(2)(ii)). Import duties and taxes therefore amount to an average of 14.4 per cent (Table III.2). In addition, there is an 18 per cent VAT. The 25 per cent excise duty is levied on sales of pearls and diamonds (Table AIII.1).

45. To encourage private investment in the mining sector, the authorities instituted a new Mining Code in 1995.³⁵ The Code regulates prospecting, exploration, exploitation, possession, transportation and processing of mineral or fossil substances, with the exception of liquid or gaseous hydrocarbons (Section (i) below). Under Article 3 of the Code, the State owns natural deposits and mineral substances contained in the nation's subsoil. Mining permits are required to engage in prospecting, exploration and exploitation. They include the prospecting permit (valid for one year, renewable), the exploration permit (5 years, renewable twice); and the operating permit (25 years, renewable indefinitely). The granting of an exploration permit to a foreign company requires the prior conclusion of a mining agreement with the State. The agreement lays down the legal, financial, fiscal and social prerequisites for the validity of the mining permit; it may supplement the provisions of the Mining Code but may not derogate from them. The agreement is valid for the entire period of exploitation, as appropriate. To take effect, the agreement must be approved by decree. No agreement is currently being implemented.

46. Holders of mining operation permits are subject to one-off fixed charges in CFA francs, a royalty based on the surface area being worked of an amount in CFA francs per square kilometre and per year, and an extraction tax, the rate of which varies depending on the substances concerned.³⁶ A mineral tax is levied on the sales of mining products. The Mining Code provides for customs tariff exemptions, which may vary depending on the agreement reached: temporary admission of all equipment intended for mining activity; exemption from all duties and taxes on consumables intended for the activity; and exemption from all duties and taxes on the personal effects of foreign employees, not including vehicles and aircraft for personal use. Tax waivers on the earnings of

³⁴ Ministry of the Environment and Water, and United Nations Institute for Training and Research (2002).

³⁵ Law No. 011/PR/95 of 20 June 1995, instituting the Mining Code of the Republic of Chad, and its implementing decree No. 821/PR/MMEP/95.

³⁶ The fixed charges (see the Annex to the Code) include a prospecting permit for CFAF 100,000, an exploration permit worth CFAF 100,000, an operating licence for CFAF 2 million and a gold panning or operating licence worth CFAF 100,000. The surface area taxes include an exploration permit for CFAF 200 per square kilometre and per year, an operating permit worth CFAF 100,000 per square kilometre and per year, and a gold panning and small mine operating permit for CFAF 5,000.

companies and natural persons are prescribed on a case-by-case basis in the mining agreement. The agreement may also provide for a VAT-exempt regime for goods (imported or of national origin), as well as for services directly provided as part of oil mining activities.

47. The exportation of mining products requires authorization, and may be subject to restrictions. There are no exports at present.

(iii) Electricity

48. At 30 megawatts (MW) in 2003, Chad's electricity generation capacity is negligible, and the absence of importation (demand is met strictly from domestic production) is one of the major stumbling blocks to economic development.³⁷ Output was 116 gigawatt/hour in 2005, from thermal sources only. Only 2 per cent of households have electricity, and power cuts are frequent. Annual consumption averages a mere 11.3 kWh per person; the average figure is 600,000 kWh in industrialized countries.

49. The law regulating the generation, transport and distribution of electricity dates back to 1999.³⁸ It enables the State to delegate the management of these services to one or several independent legal entities under Chadian public or private law. This law also provides for a regulatory authority responsible for overseeing the application of the regulation, proposing the rates to the Government for approval, approving the multi-year investment programme, and approving the award of government contracts in the subsector.

50. The Chadian Electricity and Water Company (STEE), a State enterprise, still holds the monopoly on the supply of water and electricity to certain towns in Chad, including N'Djamena. The company is suffering from under-investment and is in dire need of investment. The STEE makes financial losses every year and receives subsidies from the regular government budget to offset them. It imports all its fuel (gas oil) by lorry from Cameroon; gas oil accounts for 90 per cent of the company's operating costs. In 2004, the Government announced its intention to privatize the management of electric power, to overhaul and increase the production capacity of the STEE, and to overhaul and expand the distribution infrastructure.

The sale prices of electric power are set by an order issued by the Minister of Commerce. These prices are in principle identical throughout the territory. They are among the highest in the world. On 1 January 2005, the price per kWh (low tension) moved from CFAF 200 to CFAF 125, versus CFAF 63 in Cameroon, the equivalent of CFAF 20 in Nigeria, and CFAF 26-52 in France.³⁹ There is no international trade in electric power in Chad. The Government plans to negotiate Chad-Cameroon electricity interconnections.

(iv) Water

51. Access to water resources, including village and urban water resources, as well as sanitation, are a vital prerequisite for the social and economic advancement of Chad. At the economic level, access to water is central to pastoral activities, which constitute one of the country's principal economic and commercial occupations. Water is no less essential to agricultural activity, especially food production.

³⁷ World Bank (2004).

³⁸ Law No. 014/PR/99 on the generation, transport and distribution of electricity.

³⁹ The cost of medium voltage electricity was CFAF 84 per kWh in 2005.

52. Despite the often desert-like appearance of the landscape, there are abundant water resources in the Sudanese and Sahelian regions.⁴⁰ Yet very little (surface or exploitable underground) resources are being tapped at present. Under-utilization is due mainly to the scarcity of watering points and the high cost of drilling. Chad's main producers of water are the Water Point Management Committees in settlements with drinking water supply systems (thermal or solar), and the Chadian Electricity and Water Company (STEE). Fountain builders and standpipe managers act as intermediaries between network owners, on the one hand, and water carriers (retailers) and consumers that are not subscribed to any water network, on the other. According to the Consumer Rights Association, the price of water is high, and ranges from about CFAF 500 to CFAF 1,750 (€0.76 to €2.67) per cubic metre, depending on whether the consumer is supplied by an STEE network or by a water carrier.

53. In July 1998, the Chadian Government initiated a reform of the public water production and distribution services. Under the new 1999 Water Code, public supplies of drinking water must be provided in such a manner as to encourage private initiative as well as competition, and the provision of water is to be outsourced by the Government to one or several independent operators.⁴¹ The charges for the public drinking water supply must cover all operating costs, including the operator's profit margin, the tax or rental for goods made available to the operators, and any other government levies. The operator must submit its rates to the Regulatory Authority, which first approves then in turn submits them to the Government for approval. Yet several decrees to implement this law have not been promulgated, and this is hampering the progress of the reform. The fact is that water supply in several towns, including N'Djamena, is provided by the STEE operating as a monopoly.

54. A decree issued in 2002 led to the privatization of public standpipes and put an end to free water supplies.⁴² The National Village Water Resources Board was privatized and became the Chadian Water Resources Company. The 2003 Master Plan for Water and Sanitation is the basis of a new government programme for the subsector. It sets out action plans and funding requirements up to 2020 for the purposes of village, urban, semi-urban, pastoral and agricultural water resource development.⁴³ This policy, which calls for appreciable amounts of funding, has apparently made an impact, as the portion of the population with permanent access to drinking water has grown from 27 to 36 per cent. Generally speaking, water resources are still largely under-exploited, however, and there is the persisting problem of their availability.

(4) MANUFACTURING SECTOR

55. At the time of independence, the Government set up about a dozen State-controlled agri-food companies. After the reforms carried out in the 1990s to scale back State involvement in production (Chapter III(4)(i)), several of those companies were closed down. Others that managed to operate profitably were privatized.

56. The currently operating processing subsectors are cattle slaughter and meat production, oil mills and sugar manufacturing from locally grown sugarcane. Two private companies are producing beer, lemonade and mineral water, namely *Brasserie du Tchad* (formed from the merger of *Brasserie du Logone*, and *Boissons et glaciers du Tchad*), and the *Lafico-Tchad* factory, a producer of mineral water. This subsector also imports much of its raw materials. Apart from agri-food products, the

⁴⁰ United Nations Department of Economic and Social Affairs. Division for Sustainable Development (undated).

⁴¹ Law No. 016/PR/99 of 18 August 1999 enacting the Water Code.

⁴² Decree No. 249/PR/MEE/02.

⁴³ United Nations Department of Economic and Social Affairs. Division for Sustainable Development (undated).

main manufactures are corrugated iron sheets, soap, paper and bicycle assemblies (Table IV.4). Two private companies are engaged in printing.

Table IV.4
Manufacturing output, 1993-2005

Products	1993	1994	1995	1996	1997	2000	2001	2002	2003	2004	2005
Beer (thousand hectolitres)	115.7	107.5	101.6	133.6	123.2	78	96	124	110	84	92
Aerated beverages (thousand hectolitres)	35.2	25.7	29.2	27.3	36.5	55	67	76	84	87	118
Cigarettes (million packs)	24.9	25.4	28.5	35.7	39.3	30	30	36	37	40	45
Cotton fibre (thousand tonnes)	47.2	37.1	67.2	69.1	87.7	75	58	67	68	42	82
Water (million m ³)	10.2	10.3	9.6	10.5	11.0	13.0	14.0	14.0	15.0	16.0	18.0
Gravel (million m ³)	..	..	..	..	..	190	213	256	339	202	529
Oil (million litres)	9.9	8.4	11.7	12.5	14.1	10	8	9	10	7	4
Paper (tonnes)	..	..	137.8	122.5	114.0	369	410	454	522	605	703
Paints (tonnes)	360.0	373.2	488.7	488.7	541.1	326	281	199	244	0	0
Pharmaceuticals (index)	..	..	72.0	0.0	64.0	0	0	0	0	0	0
Soap (thousand tonnes)	3.7	3.4	4.7	3.0	4.6	3	2	2	3	2	3
Sugar (thousand tonnes)	27.9	32.2	28.9	24.4	26.7	28	32	32	38	56	36
Corrugated iron sheets (tonnes)	..	..	..	..	..	339	236	482	694	906	189
Oilcakes (thousand tonnes)	23.3	19.8	24.3	29.8	39.4	32	17	24	26	19	12
Meat (thousand tonnes)	..	..	..	..	..	71	72	75	76	77	78

.. Not available.

Source: Ministry of the Economy, Planning and Cooperation.

57. There are numerous constraints on the manufacturing sector, including the erratic supply of highly priced power and water, the poor quality and high cost of transportation and communication services, and the high cost of and problematic access to other inputs, including raw materials and funding. These constraints account for the fact that Chadian industries generally process local raw materials for the domestic market.

58. The simple average of the cumulation of duties and taxes applied to the manufacturing sector (ISIC definition) is 20.5 per cent, of which 18.1 per cent represents import duty alone (Tables III.2 and AIV.1); a large number of imported manufactures are subject to the maximum import duty of 30 per cent, plus the statistical tax, the Community integration tax, as well as the other import duties and charges (Chapter III(2)(ii)). This tariff structure inherited from the CET is driving up the cost of imports to Chadian consumers, even in the absence of similar local production. Moreover, its mixed escalation (negative from raw materials to semi-finished goods) is not conducive to investment in most local industries, since it further raises already high production costs, nor does it tend to promote the exportation of manufactures.

59. Imported manufactures are also subject to internal taxes such as VAT (Chapter III(2)(ii)) and, in some cases, excise duty (Table AIII.1). The highest level of taxation affects products subject to excise duty, mainly alcoholic beverages (almost 80 per cent, comprised of 36 per cent import duties and charges, 25 per cent excise duty and 18 per cent VAT) and cleaning products.

(5) SERVICES

(i) Overview

60. Chad's international trade in services has shown strong growth since 2000 thanks to the country's petroleum industry (Table I.3). Yet services were not able to play any significant part in economic growth and development between 2000 and 2005 (Table I.1). Falling productivity in almost all subsectors, reflecting the deterioration of infrastructure and poor management of public service enterprises, has led to a decline in their share of total GDP. In the transport subsector, for

example, the relatively uncompetitive quality and costs of production factors such as hydrocarbons have further impeded growth.

61. Chad has made few commitments in the WTO in respect of trade in services. Only some tourism services are included in its list of specific commitments under the General Agreement on Trade in Services (GATS).⁴⁴ Chad has not participated in the fourth and fifth GATS protocols on telecommunications and financial services, respectively. Chad's policy on trade in services involves national regulations and regulations established supra-nationally and automatically enforceable in the context of regional integration in the CAEMC. In practice however, the services sector is hardly integrated in the CAEMC.

(ii) Transport

62. Transport policy falls under the Minister responsible for transport. The Government has drawn up a National Transport Strategy (SNT) for the period 2000-2009, aimed principally at helping to promote economic growth and reduce poverty by opening up the country both internally and externally, reducing transportation costs, ensuring access to all regions of the country even during the rainy season, building an adequate road network suitable for year-round vehicular traffic so as to interlink the country's main cities and towns, furthering the process of liberalizing the subsector and modernizing its management, as well as developing rural infrastructure. Thanks largely to petroleum resources, the SNT has brought about appreciable improvement to road transport infrastructure since 2003. Chad does not yet have a railway system.

(a) Land transport

63. Most land transporters (of goods and passengers) are registered with the Ministry responsible for transport. Registration gives entitlement to a transporter's licence that must be renewed annually. Transporters are also organized in a Transporters Cooperative and a Transporters Union that defends their interests. Yet most transport activities are informal. The cost of road transport is considered relatively high, partly because of the poor quality of the infrastructure, the large number of police and customs checkpoints and the risks entailed (insecurity in some areas).⁴⁵ The Government's priorities are therefore to overhaul the road network, provide security, and develop new infrastructure. According to the authorities, "anti-gang brigades" have been set up since 2004 under the National Road Safety Strategy.

64. The year 2000 saw the entry into force of the Regulation adopting the Priority Integrated Road System within the CAEMC⁴⁶, which provides for a priority road network for the purposes of the Inter-State Transit for Central African Countries (TIPAC) system. Significant progress has reportedly been made *inter alia* in the building of three international highways: from N'Djamena to the Sudanese border, 226 km out of a total of 1,063 km have been paved; from N'Djamena to the Cameroonian border, the entire route has been paved since June 2006⁴⁷; and between N'Djamena and Massakory-Bol (Niger), 77 km out of 249 km have been surfaced. All told, Chad's paved network had increased from 557 km in 2002 to 736 km by the end of 2005, and is currently almost 900 km long.

⁴⁴ WTO document GATS/SC/87 of 15 April 1994.

⁴⁵ Mistowa (2005).

⁴⁶ Consulted at: http://www.izf.net/izf/Documentation/JournalOfficiel/AfriqueCentrale/2000/REG_9_00.htm.

⁴⁷ See *Journal du 26 juin 2006*. Consulted at: <http://www.primature-tchad.org/?Journal/2006/06>.

65. The *Office national des routes* – OFNAR (National Roads Bureau) was liquidated in 1994. The *Société nationale d'entretien routier* (National Road Maintenance Company), a government company, was created in 2002 to replace the OFNAR. It was then privatized and renamed *Société nouvelle d'études et de réalisations* (SNER), a service company with specific terms of reference. The SNER's capital is held by private Chadians. According to the authorities, the SNER is in competition with SATOM, a foreign private company. Road maintenance is financed by the *Fonds d'entretien routier* – FER (Road Maintenance Fund), which falls under the supervision of the Ministry and is funded in part from petroleum tax revenue and from the fees paid by land transporters.

66. The provision of internal land transport services is in principle reserved for transporters (drivers and enterprises) registered in Chad. The agreement between the Republic of Chad and the Republic of Cameroon reserves road transportation of goods between the two countries for companies registered in one or the other country, with a 65 per cent quota for Chadian companies and a 35 per cent quota for Cameroonian companies. Goods transportation prices are unregulated, and the trade unions play no part in setting them. The costs of urban passenger transportation are in principle set by the unions and then approved by the Ministry.

(b) Air transport

67. Chad has one airport capable of receiving wide-bodied aircraft, located in N'Djamena. The airports of Abéché, Faya Largeau, Moundou and Sarh are also served by scheduled flights. The following national and international airline companies were in operation in October 2006: Afriqya, Air France, Ethiopian Airlines, Sudan Airways, and Toumaï Air Tchad, the leading airline under Chadian law. Since its creation in 2004, Toumaï Air Tchad has been providing air connections (passengers and cargo) between N'Djamena and Abidjan, Bangui, Douala, Cotonou, Brazzaville, Lomé and Niamey, as well as internal flights. The Government holds a 40 per cent capital stake in Toumaï. Nada Air is another airline company under Chadian law that mainly charters cargo flights from the Middle East. According to the authorities, there is no restriction on the establishment of airlines by foreigners. Nevertheless, Toumaï currently has a monopoly on domestic routes.

68. The main legislation governing civil aviation is the 2000 Civil Aviation Code.⁴⁸ It regulates aircraft airworthiness and operations, as well as the establishment, operation and supervision of airports. Chad has also adopted the Regulation implementing the CAEMC Code of Civil Aviation, and regarding the operation of air transport services among member countries.⁴⁹ Some aspects of the two Codes overlap, while others are complementary.⁵⁰ Chad has also adopted the Regulation implementing the *Accord relatif au transport aérien entre les États membres de la CEMAC* (Agreement on Air Transportation among CAEMC Member States).⁵¹ Under this Agreement, CAEMC Member States have in principle fully liberalized traffic rights for the airline companies designated by each Member, since 2001. In practice, only companies with majority African capital are designated. Cabotage is not allowed except when authorized by the competent body. Chad is a member of the International Civil Aviation Organization (ICAO), the Agency for the Safety of Aerial Navigation in Africa and Madagascar (ASECNA) and the African Civil Aviation Commission (CAFAC). The Civil Aviation Department, which became the Civil Aviation Authority in February 2006, is responsible for overseeing safety and regulating air transport activities in general. The Authority is self-financing.

⁴⁸ Law No. 032/PR/2000 on the Code of Civil Aviation, of 17 May 2000.

⁴⁹ Regulation No. 10/00-CEMAC-066-CM-04 of 21 July 2000.

⁵⁰ See, in particular, ICAO (2001).

⁵¹ Regulation No. 6/99/CEMAC-003-CM-02 adopting the Agreement on Air Transportation among CAEMC Member States. Consulted at: http://www.izf.net/IZF/Documentation/JournalOfficiel/AfriqueCentrale/REG_6_99.htm.

69. All commercial airports in Chad are the property of the State and are managed by the Ministry responsible for transport. The ASECNA manages aerial navigation and safety services, including landings and takeoffs, as well as all airport buildings. Ground assistance, including maintenance, falls within the purview of the *régie autonome* for handling in Chad, a State-owned, independent authority.⁵² The Aviation Code nevertheless provides for the creation and operation of airfields by legal entities other than the State. There is a private airfield at Komo, which serves the oil industry.

70. Chad has signed some 26 bilateral air transport agreements but has ratified only two (with Sudan and the former USSR). These agreements generally cover the joint operation of airlines by Chadian and foreign companies and third and fourth freedom traffic rights. In 2006, Chad signed but has not yet ratified an open skies agreement with the United States.⁵³

71. According to the authorities, Chad applies the provisions of the Decision Relating to the Implementation of the Yamoussoukro Declaration Concerning the Liberalization of Access to Air Transport Markets in Africa, which entered into force on 12 August 2000 and which takes precedence over any other multilateral or bilateral agreement governing airline services between the States Parties, containing provisions contrary to it.⁵⁴ According to many observers, however, air transport between countries in the subregion was still relatively costly in October 2006 and was not meeting local demand.⁵⁵

72. In December 2001, the Conference of CAEMC Heads of State in Yaoundé decided to set up a Subregional Air Transport Company with mostly private capital, called Air CEMAC. In its present form, the project envisages Air CEMAC as a limited liability company with a capital of CFAF 21 billion, distributed among Member States (30 per cent), a technical partner (18 per cent), and private investors (52 per cent).⁵⁶

(iii) Tourism

73. Chad's main tourist attractions include the ancient kingdoms of Tibesti and Ouaddaï, Lake Chad, western Logone (Lake Whey), eastern Logone, Mount Guéra, the Zakouma National Park, and the Mayo Kebbi reserve. Although the Government adopted its General Policy Declaration on Tourism Development in Chad in 1998, the subsector has not received any substantial support. Tourism is largely underdeveloped owing *inter alia* to the climate of insecurity and the high cost of air transport. The result is that business travel accounts for the bulk of travel to Chad at the moment.

74. In 2003, the total number of beds was about 900, of which 550 in N'Djamena. Yet this number probably increased in 2006 with the opening of a new five-star hotel in N'Djamena. According to the Ministry of Tourism, the number of tourists declined steadily from 46,000 in 1999 to

⁵² "Les administrations déléguées". Consulted at: http://www.asecna.aero/asecna_administrations.html.

⁵³ Consulted at: <http://www.state.gov/documents/organization/68408.pdf>.

⁵⁴ The Yamoussoukro Decision eliminates all non-physical barriers and the restrictions on the granting of traffic rights, more particularly those of the fifth freedom, on the aircraft capacity of African airline companies, on the regulation of tariffs, on the designation of airlines by States, and on the operation of cargo flights.

⁵⁵ See, in particular, the address by the President of the Commission of the African Union at the opening of the high-level meeting of African airline companies, Tunis, 29 May 2006. Consulted at: <http://www.uneca.org>.

⁵⁶ CAEMC Executive Secretariat (2004).

21,000 in 2003 (Table IV.5). Two of the three major hotels in N'Djamena belong to the State, with their management contracted out to the private sector.

Table IV.5
Number of arrivals at hotels and similar establishments, by origin, 1999-2003

Origin	1999	2000	2001	2002	2003
Africa	13,649	12,542	16,911	7,514	5,141
America	4,546	7,778	5,122	6,485	4,368
of which United States	3,539	5,320	3,695	4,913	3,206
Asia	420	436	1,623	1,000	297
Europe	24,134	21,303	31,889	15,226	10,040
of which France	19,464	13,706	22,274	10,835	7,897
Middle East	139	531	1,309	2,110	1,133
Total	46,448	42,590	56,854	32,335	20,979

Source: Ministry of Tourism Development.

75. A law was adopted in 2002 laying down the conditions for the construction, conversion and operation of tourism establishments (accommodation, restaurant services, and travel agencies).⁵⁷ Under this law, all new tourism establishments must be authorized by the Ministry responsible for tourism, on the advice of the Inter-Ministerial Technical Commission that examines tourism projects. Hotel classifications are the purview of the Ministry responsible for tourism, and are based on the star system. Operators are free to set their rates. Nevertheless, the application for an operating licence must be accompanied by a list of service charges.

76. Tourism is one of the areas in which Chad has made specific commitments under the GATS⁵⁸; more specifically, the services covered are the hotel business, restaurants, travel agencies and tour operators. Operation of a travel agency requires a permit from the Ministry, delivered on the advice of an advisory commission set up for that purpose.

(iv) Telecommunications

(a) Market overview

77. The telecommunications subsector has seen rapid growth of the market and range of services as a result of the entry of mobile telephony operators in 2000.⁵⁹ The available statistics show that the number of mobile telephone subscribers has risen from roughly 26,000 in 2000 to about 500,000 in 2006 (6.3 per cent of the population). The number of landlines, on the other hand (13,000 functioning lines, or 0.2 lines per 100 inhabitants) (Table IV.6), has hardly changed, and remains low by comparison with the African average (five lines per 100 inhabitants). Under a rural telephone service project, VSAT antennas have been installed in 15 secondary towns, and three other installations were envisaged for 2005. Telecommunications access should be further enhanced with the installation, as part of the petroleum project, of a 1,200 km fibre-optic cable along the pipeline. This cable has a capacity of 2.5 gigabytes.

⁵⁷ Law No. 19/PR/2002 regulating tourism establishments.

⁵⁸ WTO document GATS/SC/108 of 30 August 1995.

⁵⁹ World Bank (2004).

Table IV.6
Telecommunication indicators, 2001-2005

	2001	2002	2003	2004	2005
Fixed-line telephony					
Number of subscribers	10,689	11,835	12,450	13,000	13,000
Teledensity of fixed lines (number of lines per 100 inhabitants)	0.14	0.15	0.15	0.15	0.15
Mobile telephony					
Number of subscribers	22,000	34,200	65,000	123,000	500,000
Teledensity of mobile lines (number of lines per 100 inhabitants)	0.29	0.43	0.80	1.39	6.3
Internet					
Number of subscribers	1,517	1,802	2,317	2,484	..
Investments (CFAF billion)	569.7	816.0	..	..	..

.. Not available.

Source: International Telecommunication Union; and data supplied by the Chadian authorities.

78. As at October 2006, the fixed telephone network was operated exclusively by the traditional operator SOTEL Tchad, which is responsible for the management and operation of transmission infrastructure.⁶⁰ There are less than 300 telephone booths and few call centres. Since 2000, three operators have been granted mobile telephony licences to operate on the Chadian market: Celtel Tchad, Tchad Mobile (Libertis), and Millicom. Owing to fiscal irregularities, Tchad Mobile was closed down in 2004 by the Collection and Audit Commission of the Ministry of the Economy and Finance. Celtel, whose capital is wholly foreign-owned, had some 200,000 subscribers in 2004.⁶¹ In October 2005, the Millicom TIGO mobile phone company, also based on foreign capital, launched its GSM network. Millicom had some 135,000 subscribers in 2006.⁶²

79. In October 2006, the SOTEL rate for local communications ranged from CFAF 25 per minute (landline to landline) to CFAF 165 per minute (landline to mobile line). The cost of international calls to France and Nigeria were, respectively, CFAF 1,290 and CFAF 2,625 (€2 and €4, respectively) per minute at the start of 2006 and had moved to CFAF 700 and CFAF 500 by October 2006, thanks in part to competition. In October 2006, Celtel was billing those same calls at CFAF 400 per minute.

80. SOTEL is the sole provider of Internet services. A recent study shows its prices to be excessive; a minute of connection time is billed at CFAF 40, i.e. five times the amount charged in neighbouring Cameroon.⁶³ The authorities report that this rate was reduced to CFAF 20 per minute in October 2006. The current Internet penetration rate is low, but growing fast. Millicom had planned to launch an Internet service at the beginning of 2006.

(b) Regulation

81. The Ministry of Posts and New Communication Technologies (MPNTC) is in charge of Chadian posts and telecommunications policy, which aims to expand coverage of urban and rural areas especially by developing mobile telephony, and to ensure effective competition among the various players, for the benefit of users. With the support of the United Nations Economic Commission for Africa, the MPNTC published an Information and Communication Technologies Development Plan for Chad in April 2006.⁶⁴

⁶⁰ SOTEL Tchad, information online. Consulted at: <http://www.sotel.td>.

⁶¹ Celtel, information online. Consulted at: <http://www.td.celtel.com/fr/about-us/index.html>.

⁶² *Revue de presse tchadienne*. Consulted at: <http://www.cefod.org/Presse/revuepresse4.htm>.

⁶³ Consumer Protection Association (2005).

⁶⁴ Ministry of Posts and New Communication Technologies (2006).

82. The main legislation on telecommunications, a law passed in 1998 and its implementing decree⁶⁵, established SOTEL Tchad, a fully State-owned company, to operate and develop the basic telecommunications network that had previously belonged to the National Post and Telecommunications Office. The law granted a five-year (2000-2005) monopoly to SOTEL Tchad for the provision of basic telecommunications services.⁶⁶ At the end of that period the law grants ownership of the telecommunications network to SOTEL Tchad, which is also charged with providing the statutory universal services.⁶⁷ The privatization of SOTEL Tchad was initially scheduled for 2001 but has not taken place.

83. A decree passed in 2005 sets the total number of telecommunications network operators at nine, distributed as follows:⁶⁸ a single operator for the basic telecommunications networks, three operators for terrestrial mobile radio networks, including a subsidiary of the traditional operator; and five operators to provide Internet access to the public, including the traditional operator.

84. The 1998 law created the Chadian Telecommunications Regulation Bureau (OTRT), which is responsible for applying the law. Amongst other things, the OTRT ensures that the technical and commercial terms of interconnection do not hamper the provision of services.⁶⁹ The OTRT is responsible for radio frequency spectrum management. The establishment and operation of networks and services are authorized by the Minister, on the technical advice of the OTRT. Authorizations include a set of specifications establishing, *inter alia*, the area to be covered by the network, the timetable for bringing it into operation, and the methods for setting and renewing rates.

85. The OTRT approves interconnection agreements among operators and the related rates (negotiated between the parties concerned) before the agreements are implemented. The rates include a fixed portion corresponding to the costs of setting up the systems to provide interconnection, and a variable portion corresponding to the costs of call routing. The OTRT also serves as the arbitrator in any dispute among operators.

86. Pursuant to Article 186 of the Chadian Constitution, the Higher Council for Communication monitors compliance with the code of ethics in information and communication, guarantees freedom of the press and safeguards plurality of opinion. It regulates communication relations between government authorities, the media and the public and also issues technical opinions and recommendations on matters relating to information.

(v) Postal services

87. The Ministry of Posts and New Communication Technologies is also in charge of regulating postal services. Until 1998, the National Post and Telecommunications Office was the entity responsible for providing such services. The main legislation governing postal services was enacted

⁶⁵ Law No. 009/PR/98 of 17 August 1998 on telecommunications; and Decree No 433/pr/MPT/98 of 23 December 1998 approving the Articles of the *Société des télécommunications du Tchad* (SOTEL Tchad).

⁶⁶ Decree No. 286/PR/MPT/2003 setting the exclusivity period for SOTEL Tchad.

⁶⁷ The operator responsible for universal services shall make available to "all, on the national territory, a minimum telecommunications service of good quality and at an affordable price. The operator shall ensure the routing of telephone communications from or to subscription points, the routing of emergency calls free of cost, the provision of information services and a telephone directory, whether in printed or electronic form, and lastly, the provision of telephone booths throughout the national territory".

⁶⁸ Decree No. 280/PR/MPT/05 of 23 May 2005 limiting the number of authorizations for the establishment and operation of telecommunications networks.

⁶⁹ Decree No. 453/PR/MPT/99 approving the Statutes of the *Office tchadien de régulation des télécommunications* (OTRT). See also OTRT, information online. Consulted at: <http://www.otrt.td/>.

in 1998.⁷⁰ The *Société des postes et de l'épargne* – STPE (Post and Savings Company), a fully government-owned enterprise, again took over postal activities from the Post and Telecommunications Office in 1992. It has some 240 employees and maintains 40 offices throughout the country. According to the *Ialtchad* newspaper, the postal network is very loosely interconnected, with some 400 postal officers and one office per 206,000 inhabitants, or a density equivalent to one-tenth of the average in sub-Saharan Africa.⁷¹

88. The STPE has a monopoly on the collection, transport and distribution of postal items with national or foreign destinations. However, Article 10 of the law provides that the STPE may outsource any activity to operators. As regards express delivery services, the EMS service (owned by the STPE) competes with several private companies, including foreign ones (DHL, Saga express, Universel-express).

89. The STPE manages a postal financial network of some 11,000 giro accounts. The 1998 law provided for a new entity separate from the STPE, the *Caisse d'épargne postale* (Postal Savings Fund), but it has not yet been established.

(vi) Financial services

(a) Banking services

90. Table IV.7 lists the banks currently operating in Chad. The *Société générale tchadienne de banque* (SGTB) is the country's leading bank, with 40 per cent of credits granted, which is a considerable degree of banking concentration. The subsector also includes two non-banking financial establishments, as well as the *Union régionale des coopératives d'épargne et de crédit* – URCOOPEC (Regional Union of Savings and Loans Cooperatives). At end-July 2006, total banking assets were CFAF 176.5 billion (roughly €269 million). Available information indicates that the current situation of Chadian banks is relatively sound. Only one establishment was reported to be in a critical situation, with negative capital, which is in breach of prudential standards.⁷² The central bank is the Bank of Central African States (BEAC).

Table IV.7
Principal banks, 2006

	Total capital (CFAF million)	Foreign capital (per cent)	Government's capital stake (per cent)
Primary banks subject to the COBAC			
Société générale tchadienne de banque (SGTB) ^a	1,100	45	20
Banque sahélo-saharienne pour l'investissement et le commerce (BSIC) ^b	2,000	100	0
Commercial Bank Tchad	4,019	..	17.5
Banque commerciale du Chari (BCC)	3,000	50	50
Financial Bank	1,850	69	0
Banque internationale pour l'Afrique au Tchad (BIAT)	3,000	..	0
Banque agricole et commerciale	868	100	0
Other banks			
Banque tchadienne arabe libyenne	..	..	..
Union régionale des coopératives d'épargne et de crédit (URCOOPEC)	..	..	..

.. Not available.

a *Société générale tchadienne de banque*, information online. Consulted at: <http://www.sgtb.td>.

b *Banque sahélo-saharienne pour l'investissement et le commerce*, information online. Consulted at: <http://www.bsic-tchad.com>.

Source: Data supplied by the Chadian authorities; and BEAC.

⁷⁰ Law No. 008/PR/98.

⁷¹ "Tchad économie: télécommunications", *Ialtchad Presse*. Consulted at: <http://www.ialtchad.com/salontelecommunications.htm> [10 August 2006].

⁷² Madji (1997).

91. Chadian banks are engaged mainly in the financing of short-term company operations, especially import-export operations, certain real estate credit operations, as well as consumption (e.g. the purchase of vehicles). Chad's financial subsector as a whole is very small, and makes a limited contribution to the funding of the country's production and development activities. The Chad Development Bank (BTD) was established in 1962 to provide long-term financing for investment in production. It was restructured and privatized in 1999, when it became Commercial Bank Tchad, and is currently active in the financing of cotton, sugar and petroleum-related activities.

92. Banking activities in Chad are subject to the banking regulations of the CAEMC, set forth in the Agreement Establishing the Central African Banking Commission (COBAC). On the advice of COBAC, Chad's Minister of Finance approves credit establishments. COBAC monitors the operations of credit establishments and their financial soundness. The minimum capital required for a banking establishment is CFAF 150 million, and the terms and conditions of establishment are the same for foreign and local banks.

93. In November 2000, the CAEMC Ministerial Committee adopted the "Single Authorization".⁷³ The latter was to become effective in 2002, making it possible for a bank established by means of a licence in one Member State to open branches or agencies in the other Member States without having to repeat the administrative approval procedures in each country, more specifically those in respect of the juridical form of credit institutions, their capital composition, and their procedures for appointing managers. The single authorization was intended to facilitate the bank establishment process and thereby correct the fragmentation of the region's banking system, as well as stimulate competition. It would seem, in practice, that the single authorization has not been implemented.

94. To mobilize household savings and channel them toward productive investments, as well as to ease the terms of access to credit for SMEs, the World Bank and the International Finance Corporation have set up a programme to reinforce the system of microfinancing. The latter covers loans ranging from CFAF 750,000 to lines of credit worth around CFAF 656 million, with repayment periods generally spanning six months to four years. The development of microfinancing has been fostered by new COBAC regulations in that regard, introduced in 2002.⁷⁴ The URCOOPEC brings together several of these establishments, while the others operate independently.

(b) Insurance services

95. Chad's insurance market is comprised mainly of *STAR nationale*, the *Société africaine d'assurance et de réassurance* (SAFAR), and *Assureurs-conseils tchadiens*. *STAR nationale* was Chad's first national insurance company.⁷⁵ It was privatized in 1992.⁷⁶ Its capital is distributed as follows: 65.5 per cent held by private Chadian shareholders, and the remainder by foreign private parties. SAFAR was created in 2001 with private Chadian and Cameroonian shareholders. The Chadian market also comprises four insurance brokerage firms, two of which are foreign (Marsh and Gras Savoye) and two Chadian (Socar and Sotca).

⁷³ Regulation No. 01/00/CEMAC/UMAC/COBAC instituting the Single Authorization for credit establishments in the Central African Economic and Monetary Community, 27 November 2000. Consulted at: <http://droit.francophonie.org/doc/html/znac/loi/lgcm/fr/2000/2000dfznaclgcmfr5.html>.

⁷⁴ Regulation No. 01/02/CEMAC/UMAC/COBAC concerning the requirements for engaging in and overseeing microfinance operations in the Central African Economic and Monetary Community. Consulted at: http://www.izf.net/IZF/Documentation/JournalOfficiel/AfriqueCentrale/2002/REGCOM01_02_UEAC.htm.

⁷⁵ Ordinance No. 10/PCSM/SGG/77 of 30 June 1977.

⁷⁶ Order No. 42/MFI/DG/95 on the final award of *STAR nationale*.

96. The Chadian insurance market is governed by the Insurance Code of the Inter-African Conference on Insurance Markets (CIMA), established in 1992.⁷⁷ CIMA has the following organs: the Council of Ministers, the Regional Commission for Insurance Supervision (CRCA), and the General Secretariat. Insurance companies may start operations only after obtaining approval from the Minister of Finance, subject to the assent of the CRCA.

97. Applications for approval must contain, *inter alia*, a list of the branches of insurance that the company intends to cover; where applicable, an indication of the countries in which the company plans to operate; a copy of the company's instrument of incorporation; evidence of a bank deposit; the list of managers and directors and of all persons who will be discharging similar functions; and a programme of activities. The programme must contain: (i) a document specifying the nature of the risks the company intends to insure; (ii) for each of the branches of insurance for which approval is being sought, two copies of the policies and printed matter intended for distribution to the public or for publication; and (iii) for each of the branches for which approval is being sought, two copies of the rate structure. The minimum capital required under the CIMA Code for the creation of an insurance company is CFAF 500 million for limited liability companies, and CFAF 300 million for mutual companies.

98. Applications for approval submitted by companies with headquarters outside the territory of the Member State where the company in question wishes to operate must contain, in addition to the documents mentioned above, evidence that the company maintains a branch where it has elected domicile in that Member State. Risks inside Chad may not be covered by companies that do not have their registered headquarters in a CIMA member country. Risks outside CIMA member countries may not be insured by companies domiciled in Chad, except by special dispensation from the Minister responsible for insurance. No single company may offer life and non-life insurance cover.

99. Under the CIMA Code (Book II), automobile insurance (third-party liability) is compulsory. The Minister of Finance issues an order setting a minimum for automobile insurance premiums (third-party liability). The premiums for other types of insurance are set by the operators and submitted to the Ministry for approval.

(vii) Professional and business services

100. Business services, including professional services, are provided mainly in N'Djamena. They are chiefly information technology services, accounting, auditing, legal counsel and tax advisory services, studies, training, and representation.

101. Some six accounting firms are listed in N'Djamena. The international audit firms present in Chad include Finadev (Horus Group) and FIDAFRICA (Price Waterhouse Coopers Group). The legal regime governing the profession of certified accountant reportedly dates back to 1982. There is apparently no association of certified public accountants or equivalent professional body. In 2002, a CAEMC decision instituted a system of single accreditation for certified public accountants and certified accountants, as well as for accounting firms within the Community.⁷⁸ Accountants who had been previously accredited under national law were automatically accredited under the newly created system of registration.

⁷⁷ The Code applies in the following countries: Benin, Burkina Faso, Cameroon, Central African Republic, Chad, Congo, Côte d'Ivoire, Gabon, Mali and Togo (CIMA, information online. Consulted at: <http://www.cimaonline.net/Traite/Code/traite7.htm>).

⁷⁸ Decision No. 22/99/UEAC-10-C-CM-02 concerning the approval of the accounting professions.

102. The lawyer's profession is regulated by a law passed in 1996.⁷⁹ To register with the Lawyers Association and be entitled to practice in Chad, candidates must be of Chadian nationality or citizens of a State granting reciprocity, and resident in Chad. Candidates must also hold a law degree and have obtained a certificate of completion of traineeship at a lawyer's office. The Board of the Lawyers Association approves or rejects applications. Foreigners may practice as legal advisers in keeping with the law of their countries, or with international law.

⁷⁹ Law No. 33/PR/96 of 5 November 1996 creating and organizing the lawyer's profession.

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