

**International Advisory Group**  
***Chad-Cameroon Petroleum Development and Pipeline Project***

**FINAL REPORT**

**International Advisory Group**

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## FOREWORD

This Final Report by the International Advisory Group (IAG) is an update of its Assessment Report published in French on June 15, 2009 and in English on June 25, 2009. It incorporates comments received at the feedback sessions on the Assessment Report held in N'Djamena on June 29 and in Yaoundé on July 2, and from its briefing at the World Bank in Washington on July 13 and 14.

At the end of each workshop, the various breakout groups presented their work to the plenary session. A summary of these reports can be found in Appendix 4. Additional written comments the IAG received on the Assessment Report are posted on its web site.

As with other IAG reports, this report will be available in French and English on its web site [www.gic-iaq.org](http://www.gic-iaq.org), until June 30, 2010.

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## INTRODUCTION

1. After many years of study and negotiations, development of the Doba oilfield in southwestern Chad by the ExxonMobil-Chevron-Petronas Oil Consortium became a reality in 2000 when the Executive Directors of the World Bank Group (WBG) approved financing for a set of complementary projects (the “Projects”).<sup>1</sup>
2. This set of projects involved substantial investments in a poor country based on an uncommon public-private partnership. Its goals were to:
  3. 1) provide financing through the International Bank for Reconstruction and Development (IBRD) and the European Investment Bank (EIB) for the governments of Chad and Cameroon to purchase equity shares in the companies transporting Chadian crude to the coast of Cameroon;<sup>2</sup>
  4. 2) co-finance Consortium development of three oilfields in Chad (Komé, Bolobo, Miandoum), a Chad-Cameroon oil pipeline and related facilities through the International Finance Corporation (IFC) and other international investors;  
and, through the International Development Association (IDA),
  6. 3) build capacity for Chad and Cameroon to manage the Projects’ potential environmental and social impacts; and
  7. 4) equip Chad with the capacity to manage the oil sector and improve its ability to transparently use its oil revenues to reduce poverty.
8. The Chad-Cameroon Petroleum Development and Pipeline Project (the “Project” or CCP), a megaproject of original design, faced the challenge of reconciling the interests of the main stakeholders:
  9. - For the Consortium: establishing the conditions for successfully carrying out a commercial project with a level of private investment never before achieved in sub-Saharan Africa, under difficult geographic, security, political and economic circumstances in Chad;
  10. - For the World Bank: ensuring that this petroleum project would contribute above all to reducing poverty in Chad, and to a lesser extent, to increasing Cameroon’s income to help boost its growth, while meeting high environmental and social standards;
  11. - For Chad and Cameroon: positioning themselves to more quickly implement a domestic agenda of poverty reduction and economic, social and political development.
12. The contractual agreements and commitments in the Project’s financial documents and other related World Bank (WB) project documents aim to make the CCP a commercial project with spin-offs that promote development—one that puts an end to the “oil curse” all too often seen in other countries. To achieve this, the CCP was designed around the following three major components:

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<sup>1</sup> Including the Chad-Cameroon Petroleum Development and Pipeline Project (the “Project” or CCP), consisting of two IBRD loans to Chad and Cameroon approved on June 6, 2000; and three technical assistance and institutional capacity-building projects in Chad and Cameroon, namely: the Management of the Petroleum Economy Project (GEEP) (one IDA loan to Chad approved on January 21, 2000); the Petroleum Sector Management Capacity-Building Project (PSMCBP) (one IDA loan to Chad approved on June 6, 2000); and the Cameroon Petroleum Environment Capacity Enhancement Project (CAPECE) (one IDA loan to Cameroon approved on June 6, 2000).

<sup>2</sup> Tchad Oil Transportation Company (TOTCO) and Cameroon Oil Transportation Company (COTCO).

13. 1) Mitigation of the Project's impact on the environment and area residents, based on a key instrument, the Environmental Management Plan (EMP). The plan was developed by the Consortium, using high standards in keeping with WBG standards. The Consortium and the host countries agreed to implement it as a condition for obtaining loans from the IFC and the IBRD.
14. 2) An oil revenue management program in Chad, based largely on the Oil Revenue Management Law 001/PR/99 promulgated by the President on January 11, 1999 and strongly encouraged by the WB, which was anxious to ensure that this income be used in a transparent way to alleviate poverty and improve the standard of living for the citizens of Chad.
15. 3) A capacity-building program supported by the WB to assist the two host countries and enable them to best manage the environmental and social impacts of such a project; and in Chad's case, to manage its oil sector.
16. Seen by some as an innovative endeavor with a design and objectives that could serve as a model for other projects, there was nevertheless considerable controversy surrounding the World Bank's support for a project in the sensitive oil sector, which, furthermore, was being undertaken in countries with weak institutional capabilities compared to those of the Consortium and, in Chad's case, a country noted for insecurity and still-fragile political stability. In view of the Consortium's clear advantages and the obvious doubts about the countries' ability to benefit from these Projects, some even suspected the WB of looking out for the Consortium's interests in contrast with its mission to support development of the population.
17. Civil society and some WB Executive Directors expressed many concerns about the Projects, their impact in Chad and Cameroon and the risk that they would not meet their objectives of reducing poverty and protecting people and the environment. This led the WBG, in cooperation with the governments of Chad and Cameroon, to reinforce the existing mechanisms for monitoring the Projects.
18. The International Advisory Group (IAG) was therefore created in February 2001 to provide independent advice to the WBG's President and the two governments concerning implementation of the Projects.
19. As its mandate expires, the Group wishes to provide a final review in two parts:

### **Part I: A Forward-Looking and Strategic Assessment**

20. With the intent to reflect on the overall experience while avoiding duplication of its own detailed reports, the Group proposes to provide an assessment of the CCP that focuses on the future.
21. This means identifying, based on the lessons learned from the Projects, the key points likely to help guarantee the future success of both continued implementation of the CCP and the preparation and completion of future projects.
22. This is a forward-looking and strategic exercise that foregoes a detailed evaluation of every element of the Projects in favor of an approach that focuses more on what should be retained for the future.

### **Part II: An Internal Review**

23. Despite the inherent difficulties of such an exercise, the IAG is providing an internal review of its experience as an independent advisory mechanism that has operated for over eight years and is still relatively unique, without prejudice to any external reviews that may be done by others.

## PART I: ASSESSMENT OF THE CHAD-CAMEROON PROJECT

24. Based on lessons learned in the design, management and implementation of the Chad-Cameroon Petroleum Development and Pipeline Project (CCP) and related capacity-building projects supported by the WBG, this forward-looking strategic assessment is intended to identify the key elements of success to be maintained, and other elements to be corrected or improved, in order for the Chad-Cameroon Project to successfully continue, and also to serve as a guide for other projects facing similar issues.
25. These elements are grouped together as lessons and recommendations in the areas of environmental and social issues, development and oil-revenue management, and the cross-disciplinary issues of capacity-building and good governance, all issues monitored by the IAG since 2001.
26. The assessment is preceded by a synopsis of the overall context of Chad-Cameroon Project; the important milestones in the Project preparation, structure, and implementation to date; and the issues and challenges it has faced.

### 1. OVERALL CONTEXT AND INITIAL STATUS

#### 1.1 Context

27. • A new millennium with countries and multilateral financial institutions prioritizing poverty reduction, debt relief, and Africa. The effects of globalization and the growing importance of private capital;
28. • A new U.N. initiative to avoid the failures of the “Development Decades”, with a determined push toward 2015 and the Millennium Development Goals (MDG);
29. • The International Monetary Fund (IMF) and WB programs’ focus on poverty alleviation;
30. • The United State’s desire to diversify its oil supply by focusing on Africa;
31. • The lack of a model in Africa, particularly in the CEMAC zone, to counter the negative experiences of the “oil curse” syndrome in places such as the Niger delta and the Congo;
32. • The need to achieve tangible economic progress to reinforce the period following the sovereign national conferences in Africa that led to more formal democracy;
33. • Efforts to promote peace and democracy under post-conflict conditions;
34. • Landlocked Chad serving as a transition area between the Sahara and the forest, partly Arabic-speaking and partly other African languages, and situated at the junction of the east-west trans-Saharan route and the north-south trans-African route.

#### 1.2 The Situation in 2000

##### Chad

35. • A government without an effective presence in its country, only just entering a period of calm following a long period of endemic rebellion and a first presidential term drawing to a close (1996-2001).
36. • National cohesion threatened on all sides by various forms of irredentism and separatism, even though they are weakened and marginalized.

37. • A very poor basic economy (167<sup>th</sup> of 174 countries ranked in the UNDP's Human Development Report for 2000, based on 1998 data) dominated by traditional herding and a declining cotton-growing industry, and focused on the prospects for developing the oil that had been discovered in the 1970s but then seemingly vanished like a mirage.
38. • A limited economic infrastructure, deficient in nearly all areas: paved roads, usable rural roads, electrification, potable water supply, telephony.
39. • Natural resources of which the most abundant is arable land: 39 million hectares, only 2.2 million of which were being farmed in 2006 and even less before then, and 5.6 million hectares of irrigable land for an essentially rural (80%) population of 8.1 million.<sup>3</sup>

### **Cameroon**

40. • A country abundantly blessed with rich forest and mineral resources (petroleum, natural gas, gold, iron, uranium, and bauxite), fertile agricultural land, a generally favorable climate and high potential for diversification.
41. • Rapid economic growth between 1975 and 1985, but momentum was lost in the mid-1990s following the collapse of world prices for oil, coffee and cacao, the country's main export products.
42. • Despite the country's national wealth, nearly a fifth of the population lived on less than US\$1 per day at the end of the 1990s.
43. • In 2000, Transparency International ranked Cameroon 84 out of 90 countries included in the study, with a perceived corruption index of 2.0. It had ranked last in 1998 and 1999.

## **2. OVERVIEW OF THE OIL DEVELOPMENT PROJECT**

### **2.1 Preliminary Steps**

44. • Chad's oil reserves confirmed beginning in the 1970s;<sup>4</sup>
45. • Rekindled interest in the early 1990s spurred on by Exxon;
46. • Study of alternative scenarios for transporting Chad's crude confirms the route via Cameroon;
47. • Critical steps in decision-making by the private developers with a first oil consortium in 1998 (Exxon, Shell, Elf);
48. • Withdrawal and then replacement of two of the three members of the Consortium (now consisting of ExxonMobil-Chevron-Petronas) in 2000;
49. • Approval of the Project and its components by the WB's Board of Directors in June 2000;
50. • Controversies and concerns of civil society and some World Bank Executive Directors;
51. • IAG created in February 2001.

### **2.2 Institutional Structure**

52. • WB involvement through the granting of:

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<sup>3</sup> Source: National Food Security Program, Republic of Chad, 2006.

<sup>4</sup> See Appendix 3



- Two IBRD loans to Chad (US\$39.5 million) and Cameroon (US\$53.4 million) enabling them to purchase shares in TOTCO and COTCO, the companies operating the oil pipeline;
  - 3 IDA capacity-building loans for Chad through the GEEP (US\$17.5 million) and PSMCBP (US\$23.7 million) projects, and for Cameroon through the CAPECE project (US\$5.77 million);
  - Commercial loans to the Consortium from the IFC, the leading private lender (US\$200 million to COTCO and TOTCO).
53. • Parties to the contract included: two governments (Chad and Cameroon), one Consortium of private multinationals (ExxonMobil-Petronas-Chevron), two public financing agencies (WBG and EIB) and private financial backers.
54. • Three operators were involved on site:
- Esso Exploration and Production Chad Inc. (EEPCI): the oilfield operator on behalf of the Consortium;
  - TOTCO: owner-operator of the pipeline in Chad;
  - COTCO: owner-operator of the pipeline in Cameroon.

## 2.3 Issues and Challenges

### Issues

55. • For *Chad's government*: to demonstrate the ability to successfully host a megaproject that at US\$3.5 billion was a record for sub-Saharan Africa; to be visible on the world agenda; and to succeed, after thirty years of trying, in developing its petroleum reserves and thereby gain an additional asset bringing in significant revenues that can be used to finance its development.
56. • For *Cameroon's government*: to offer its landlocked neighbor, through an act of international cooperation, a way to transport its crude over a route through ecologically sensitive areas; to locally develop a specialized profession—pipeline transport—and at the same time collect additional tax and non-tax revenues.
57. • For the *Consortium*: in a context of stepped-up oil exploration in Chad and neighboring countries, to have a transportation infrastructure that would benefit any oilfield development project of its own or by third parties.
58. • For the *World Bank Group*: to provide assistance for a project that is seminal in terms of environmental and social requirements and conditioned, transparent use of Project-generated revenues for development, capacity-building and poverty-reduction efforts.

### Main Challenges

#### *For Chad:*

59. • Negotiating a fair contract with a more powerful partner that has greater resources and capabilities, in which the margin between company profits and government revenues is acceptable to domestic and world opinion;
60. • Obtaining maximum employment and business benefits for its citizens during the construction and operating phases;

- 61. • Knowing how to use the financial windfall from the Consortium's commercial project to leverage development and poverty reduction;
- 62. • Ensuring rational, wise management of public monies in a country that instability has accustomed to non-standard and not very formalistic procedures.

*For Cameroon:*

- 63. • Successfully managing a megaproject and direct foreign investment without bureaucratic paralysis, in a weak business environment;
- 64. • Managing the social and environmental risks of building and operating a 900-km pipeline and a Floating Storage and Offloading Vessel (FSO) affecting several communities and crossing sensitive ecological areas;
- 65. • Obtaining maximum employment and business benefits for its citizens during the construction and operating phases.

*For the Consortium:*

- 66. • Setting up and effectively operating an expensive state-of-the-art facility in a remote rural environment in a poor landlocked country;
- 67. • Building a 1000+ km pipeline with minimal negative impact on area residents and the environment.

*For the WBG:*

- 68. • Providing timely support for developing the capabilities of the parties involved, especially the governments, through high-level strategic advice on a project intended to serve as a model;
- 69. • Maintaining its commitment to a long-term project as conditions and staff change.

### **Extrinsic challenges related to good governance**

- 70. • Internal and external security;
- 71. • Stability and civil peace;
- 72. • Government presence and functional, local authorities;
- 73. • Decentralization in progress or already accomplished, in the Project's host region;
- 74. • Engaging in ongoing dialogue with partners and civil society.

## **2.4 Project Configuration and Chronology**

### **Configuration**

- 75. • The OFDA (Oil Field Development Area): Doba basin development area in Logone Oriental in southern Chad—location of the oil extraction, processing and shipping facilities;
- 76. • Three oilfields (Komé, Bolobo and Miandoum) developed via the drilling of 300 initially planned wells;
- 77. • 1070-km buried pipeline (including 12 km underwater), from Komé in Chad to the Kribi offshore facilities on Cameroon's Atlantic coast;
- 78. • Three pumping stations and one pressure-reducing station;

79. • Floating Storage and Offloading (FSO) vessel off the coast of Kribi (Cameroon).

### **Chronology<sup>5</sup>**

80. • Work began in October 2000, initial construction phase finished in July 2003, one year earlier than planned (opening in October 2003);
81. • First oil: first crude pumped from Miandoum field in July 2003;
82. • First export: first cargo of crude loaded from the FSO onto an oil tanker in October 2003 for sale on the international market;
83. • First payment of oil royalties into Chad's London escrow account in November 2003;
84. • Doba crude, which is heavier and more acidic than Brent benchmark crude, is sold at a lower price;
85. • Development proves more complex than expected, lower yields require additional investments. Despite the development of new fields (Moundouli, Nya and Maikeri) and well infilling at the three original fields (up to 500 additional producing wells by 2012), the production profile remains markedly below initial projections. In Chad, the financial repercussions were offset by the rise in oil prices from 2006 to 2008. In 2009, the Consortium confirmed the reservoir's exploitable volume at the initial estimate of 900 million to 1 billion recoverable barrels.
86. • Other minor discoveries were recorded elsewhere in Chad but, to date, there is no conclusive indication of new large-scale oilfields.

## **3. ENVIRONMENTAL AND SOCIAL COMPONENTS**

87. Various sensitive components of the CCP determined or strategically influenced its environmental and social impact. Evaluating these has provided some lessons for the Project's future, and more generally, for guiding other infrastructure projects that might face the challenge of reconciling a large-scale commercial investment with application of strict environmental and social standards in a country with weak institutional capabilities.

### **3.1 Impact Assessment Studies**

88. These days, such a large-scale infrastructure project could not be even contemplated without an assessment of its potential impact on the environment and the public. This is a necessary step for developing appropriate strategies in advance to avoid, correct or mitigate any negative effects and define adequate measures for public compensation in order to meet contractual, legal and regulatory requirements.
89. The impacts of any project cannot be measured unless the initial conditions are properly understood prior to startup.
90. In the CCP's case, Exxon started the environmental assessment process in 1993 when it began various baseline technical and scientific studies. These were most often done by consultants and research agencies, sometimes directly by the operator, and incorporated into an Environmental Assessment (EA). A preliminary version of the EA went through a public consultation process in 1997, leading to significant modifications of the Project's design. In

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<sup>5</sup> See Appendix 3

particular the pipeline was rerouted to avoid sensitive areas such as the Deng Deng forest in Cameroon.

91. In 1999, the Consortium published an Environmental Management Plan (EMP) based on the 1998 EA and on other studies up to that point. The EMP described the Project's anticipated environmental and social impacts, and the planned social and environmental measures and standards for managing, mitigating or eliminating these impacts. It was made available for public comment.
92. The EA and EMP were prepared specifically to comply with the WBG's safeguard policies that were applicable at the time. In June 1999, both governments and the Consortium submitted the EMP to the World Bank, which after examining it, approved it concomitantly with its decision to finance the CCP.
93. - Despite the public input collected at some stages, the fact that the Consortium did not publish the baseline studies created concern, especially among non-governmental organizations (NGOs) which worried about the quality and comprehensiveness of these studies, if they even existed at all.
94. These fears were at least partially allayed when the IAG reviewed the studies in 2002 in Houston and provided an introduction to them in a report posted on its website,<sup>6</sup> and when the Consortium agreed to make some of them available to the public, notably at the Project's reading centers in Chad and Cameroon.
95. - The absence of some baseline studies, or their lack of depth, and the resulting dearth of information and related standards in the EMP, made monitoring, evaluating and mitigating the Project's impact in the field more difficult and also meant that some of the Project's direct and indirect effects will never be fully known.
96. This is especially true for the Project's impact on public health in areas near oil facilities (epidemiological data), and on fishing along Cameroon's coast (nature and volume of catches), which are difficult to assess due to insufficient data on initial, pre-Project conditions.
97. - Preparatory work for the CCP also neglected to assess the Project's cumulative effects. This important omission was noted in the Inspection Panel's report in 2002, which found the lack of a regional environmental assessment unfortunate given that the Project has affected the lives of everyone in the area. A regional study was finally done in 2004, rejected, resumed in 2006 and then finally abandoned by Chad in 2007.
98. To date, the Consortium has continued to undertake new studies to update existing baseline data and meet the monitoring criteria in the EMP. These new studies examine the expansion of the oil zone to new fields not covered by the original EA and EMP, and the increase in oil-related activities at the three fields Komé, Bolobo, and Miandoum, which are causing unanticipated cumulative impacts.

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<sup>6</sup> International Advisory Group. May 10, 2002. Report of the Visit to Exxon-Mobil—Houston Office. Review of Baseline Studies, February 28–March 1, 2002. Available on the IAG's website at: [www.gic-iaq.org](http://www.gic-iaq.org)

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## LESSONS/RECOMMENDATIONS: IMPACT ASSESSMENT STUDIES

### Future Projects

99. - Define the initial social and environmental conditions prior to the project (including public health), taking into account the anticipated impacts of both the construction and operating phases.
  100. - Before beginning the project, evaluate/anticipate its cumulative impact on the entire affected area, both on local communities and at the regional level, using various realistic scenarios.
  101. - Consider the significant disruptions to residents' everyday lives caused by a rapid change in their environment, which cannot easily be quantified (for example, the impact of transmission lines on the landscape, lights that shine all night, traffic on the roads, dust, possible security problems and an increased law-enforcement presence).
  102. - Develop effective methods for public consultation taking the socio-cultural context into account, and ensure that everyone fully understands the project's expected positive and negative impact.
  103. - Make the baseline studies, impact studies, EMP and other project-related public documents available to the public—especially to NGOs and the national scientific community—in layman's terms and, at a minimum, provide a summary in the local languages, to ensure that they are understood by all and to support informed discussion.
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### 3.2 Social and Environmental Standards and Capacity-Building

104. By definition, the social and environmental standards adopted for a large infrastructure project exist to manage and limit the level of potential damage and nuisance. They are dictated by the host countries' laws and regulations and by the project stakeholders' contractual commitments, and play a decisive role in determining the project's impact.
105. WBG involvement in the CCP was contingent on the application of social and environmental standards that met the financial institution's safeguard policies, which are commonly recognized as standards of reference for good international practices in managing the environmental and social risks related to major investments. These high standards—much higher than the national standards then in effect in Chad and Cameroon—served as the basis for the Consortium's environmental and social commitments.
106. With the application of these directives, the construction phase for the Project's main infrastructures begun in October 2000 ended one year ahead of schedule, in July 2003, without any major incidents in terms of serious environmental or social impact. The construction phase was validated by a certificate of completion from the External Compliance Monitoring Group (ECMG) on October 29, 2004.
107. - While the Project's application of these standards is commendable, it seems unfortunate that to date, they have not been fully incorporated into Chad's and Cameroon's lower-standard domestic regulations. These laws would benefit from being reviewed and strengthened to ensure that all new oil or mining projects in either country comply with standards at least as high

as those in the CCP, now that it has been shown that high standards do not in and of themselves cause delays or cost overruns.

108. Cameroon is already preparing to undertake several large infrastructure projects in the energy sector, such as the Lom Pangar dam and the gas-fired power plant in Kribi. These projects represent an opportunity to quickly benefit from the experience of the CCP, and they demand responsible management.
109. - The WB-backed PSMCBP (Chad) and CAPECE (Cameroon) capacity-building projects aimed to provide support for passing and enforcing new environmental regulations that would have allowed both countries to equip themselves with more suitable legal and regulatory instruments for protecting their environment and their citizens from oil-industry risks. This objective was not met, as neither Cameroon nor Chad adopted the draft implementing decrees for the environmental laws prepared in the context of the two projects.
110. Another major deficiency was the delay in producing the two national oil spill response plans, which were developed several years after first oil, have not yet been approved by the Prime Minister's Office in Cameroon's case, and to date are not in effect in either Chad or Cameroon. Fortunately, oil spills at the Floating Storage and Offloading Vessel (FSO) in Cameroon in January 2007 and from the pipeline in Chad in August 2008 were small and were handled adequately by the Consortium, which activated its own specific oil spill response plans. Both countries however are still responsible for being better prepared to manage oil risks and for showing constant vigilance. In particular, Cameroon could continue with the steps it has taken to engage its neighbors in a sub-regional approach to the issue.
111. Due to the many delays in implementing the CAPECE and the PSMCBP, both of which have now ended, the components on strengthening environmental legislation were not successfully implemented. The delays resulted from the Chadian and Cameroonian project teams' unfamiliarity with WB procedures, from their organizational weakness and probably from a lack of support and willingness on the part of the relevant political authorities. On the WB side, they were caused by sometimes lax or inappropriate management, without specific quantitative objectives, which resulted in, training funds being used for numerous studies and even for the construction of public buildings (the "emergency measures" in Chad); and by internal procedures often deemed too lengthy by the Bank's local partners, especially concerning the issuance of non-objections.
112. - Like the EMP, the Republic of Chad/IBRD loan agreement for the CCP and the related project agreements with the Consortium include environmental requirements covering the future development of oilfields in Chad. They are in the form of a safeguard clause in the loan agreement that stipulates:

*"The Borrower shall ensure that any oil developed outside the Doba Basin Oil Fields<sup>7</sup> which is proposed to be transported through any part of the Transportation System in Chad is developed in accordance with the principles set forth in the EMP with respect to environmental analysis and protection, consultation, information disclosure, resettlement and compensation and with the equivalent legal and administrative approval processes and information disclosure as applied with respect to the oil developed in the Doba Basin Oil Fields."<sup>8</sup>*

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<sup>7</sup> Refers to the three fields: Komé, Bolobo and Miandoum.

<sup>8</sup> Source: Loan agreement between the Republic of Chad and the International Bank for Reconstruction and Development. Chad-Cameroon Petroleum Development and Pipeline Project. Loan no. 4558-CD. Section 4.10. March 29, 2001.

113. In response to this clause, the WB, Chad and the Consortium jointly developed the “Guidelines for EMP Management Principles” in 2005.<sup>9</sup> They apply to all developers of new oilfields who propose to transport oil through any part of the Chad-Cameroon oil pipeline.
114. These guidelines could constitute an intermediate step toward incorporating the Chad-Cameroon Project EMP’s principles into Chad’s regulations. However, for the moment, the ministries responsible for the environment and oil have shown little movement in this direction and dedicated few resources to ensuring that these guidelines are in fact followed.
115. - The section of the EMP that covers Cameroon contains specific clauses in response to the expected impact on Bakola/Bagyeli pygmy populations and on the environment:
- an Indigenous Peoples Plan (IPP),
  - the management of two national parks, Campo-Ma’an and Mbam and Djerem, as environmental compensation.
116. The Foundation for Environment and Development in Cameroon (FEDEC) was created by the Project with an initial capital of US\$3.5 million from the Consortium, specifically to finance and implement these two components for a period of 28 years.
117. However, FEDEC’s financial difficulties over the past several years, foreseen by its Board of Directors back in 2001, give rise to fears of imminent bankruptcy for the Foundation, which would then be unable to fulfill its mandate, thereby jeopardizing the promising social and environmental protection results obtained to date.
118. Under such circumstances, FEDEC’s founders—the Consortium represented by COTCO, the government of Cameroon, and the WBG—risk being unable either to fulfill their contractual obligations under the EMP and other commitments in the loan and project agreements related to the CCP, or to comply with their own national policies (Cameroon) or safeguard policies (World Bank).
119. The donation agreement signed on January 23, 2009 under which COTCO agreed to give FEDEC 164.1 million CFA francs (CFAF) per year for five years to “support the actions constituting the Foundation’s main purpose,” offers FEDEC only a temporary reprieve, under conditions that will not allow it to continue its activities at their current level.

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## LESSONS/RECOMMENDATIONS: SOCIAL AND ENVIRONMENTAL STANDARDS AND CAPACITY-BUILDING

### CCP

120. - *Preserve the Project’s social and environmental standards by ensuring continued implementation of the EMP. This should be reflected at the level of government policies, ministerial organization and dedicated resources.*
121. - *Make these national standards that apply to all future oil or mining projects, by updating environmental laws and allocating the resources needed to enforce them (implementing decrees for the Law on the Environment, National Oil Spill Response Plan, and in Chad, implementation of the EMP Principles).*

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<sup>9</sup> Guidelines available on the WB website for the Project (now archived): <http://go.worldbank.org/K3SO67H2X0>

122. - *Actively manage the major social and environmental risks through operational mechanisms and plans at every level of the oil facilities and infrastructures—OFDA, pipeline, station, FSO, coast—including through the use of a sub-regional approach.*
123. - *In Cameroon, it is up to FEDEC's founders (Government of Cameroon, WBG, Consortium) to set the Foundation on a financially sound and sustainable footing by devoting the necessary energy and resources, clarifying its mandate and setting priorities. The ultimate objective is to meet two of the Project's major environmental and social compensation commitments, namely managing Campo-Ma'an and Mbam and Djerem national parks and implementing the Indigenous Peoples Plan.*

### **Future Projects**

124. - Define and apply contractual social and environmental standards that are at least as high as those in the Project's EMP, and provide a means of verifying and sanctioning non-compliance.
125. - Define a capacity-building project for the host country with specific objectives for applying the standards mentioned above and regulating the sector beyond the project, a clear timetable for implementation, and adequate funding for the preparation and execution phases. Ensure that government and civil society teams are continuously updated through tailored training plans.
126. - In the future, given the relative failure in the CCP's case of capacity-building projects and, in Chad, of government monitoring of on-site activities, which was not supported by the State once the WB loans had run out, consider the possibility of incorporating all expenses related to environmental and social monitoring and to preparing the host country and its people to live with and adequately manage the project impacts, into the project costs from the beginning, as deductible expenses.
127. - For the host countries, internalize the project's standards if national legal and regulatory standards are lower.
128. - Where relevant, define specific standards and protective measures for the vulnerable indigenous populations affected by the project, in keeping with the World Bank's relevant Operational Directive.
129. - Ensure that all programs funded in the context of a project (such as the two national parks in Cameroon in the CCP's case) have realistic and sustainable financial arrangements from the start.

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### **3.3 Monitoring**

130. Whether they come from the host country, the developer, other private and public lenders or civil society, the mechanisms for monitoring a project during the construction and operational phases serve to establish whether or not the project complies with the applicable environmental and social standards, and more generally to identify the effects on people and the environment and to sound the alarm if necessary.
131. - In the CCP's case, the EMP is the main instrument that defines the environmental and social standards to which the Project must adhere. The EMP is accompanied by strict, legally-binding rules and specifications. Having been the subject of intense negotiations between the



signing parties, and also put forward for public comment while under development, it constitutes a contractual obligation by the Consortium and the governments of Cameroon and Chad, each with its own degree of responsibility:

- the Consortium is responsible for complying with the standards defined in the EMP for its activities and those of its contractors and subcontractors;
- the governments of Chad and Cameroon have dual responsibilities:
  - making sure the operator has access to the Project sites by helping to ensure compliance with the Compensation and Resettlement Plan in Chad and the Compensation Plan and IPP in Cameroon, all of which are included in the EMP;
  - supervising the operator's activities during the construction and operational phases, and managing the indirect impacts on local communities.

132. The WBG is not a signatory to the EMP. However, since it included the Plan's implementation by the Consortium and both countries in the terms of its loan agreements and other CCP-related project documents, it has transitive responsibility for ensuring that the parties with which it signed contracts comply with this Plan.
133. Each has put in place mechanisms for monitoring the EMP, with varying degrees of success.
134. • For the **Oil Consortium**, EMP teams are responsible for verifying that EEPICI, COTCO, TOTCO and their contractors implement the Plan, and for penalizing them for non-compliance.
135. These teams have gradually been augmented in terms of human resources, organization, tools, and budget. This has enabled them to carry out increasingly effective and professional monitoring functions in consultation with the construction and operational teams. This development has paralleled the changing mentality that seems to have come about within the companies, which—as even COTCO and EEPICI managers acknowledge—have come to consider the EMP as a working tool rather than a restrictive mechanism.
136. As a result, some of the on-site procedures were modified to reduce and/or mitigate the impact of oil operations such as the reduction as of 2006 of wellpad size for the production phase - a commendable step, but that still exceeds EMP standards.
137. Although reactions were sometimes too slow in the past, it now seems that the EMP teams and tools are in place to deal with what is currently one of the Project's major challenges in Chad's oil region: managing and mitigating the impact of greater land use than originally planned due to the expansion and infilling of oil activities, which the Consortium says were necessitated by a geology and production profile that differed from initial projections. To achieve this, the Consortium must prioritize implementation of the Land Use Mitigation Action Plan (LUMAP) and continue to allocate the necessary human, financial and material resources.
138. • To help the **World Bank Group and the group of lenders** verify compliance with the EMP, in 2001 the IFC recruited an outside entity, the External Compliance Monitoring Group (ECMG), to oversee and assess how well COTCO, TOTCO, the production system operator (EEPCI) and the two governments are meeting their environmental obligations defined in the EMP and in the Project's financial and other documents.
139. The ECMG's mandate runs until the Consortium has fully repaid the loans, and since 2001 the group has provided regular, in-depth monitoring of the Project's compliance with the EMP.<sup>10</sup>

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<sup>10</sup> The ECMG's reports are published online at [www.ifc.org/ecmg](http://www.ifc.org/ecmg)

140. The WBG also directly monitors the Project through its teams in Washington and on site.
141. However, the World Bank's withdrawal from the Project in Chad in September 2008 and Chad's early repayment of the balances on the IBRD loan and the two IDA loans give rise to fears that the teams monitoring compliance with the EMP, to which the Bank had stated it attached great importance, may be dismantled. NGOs in Chad and Cameroon share this concern, as does Cameroon's government, even though Cameroon is not affected by this decision.
142. The question has arisen as to how the WB intends to continue this monitoring for the duration of the Project until the oilfields are closed, as provided in the EMP, especially since the ECMG will have completed its mandate once the commercial loans have been repaid.
143. • Finally, the two **host countries**, which are committed to supervising the operator's activities during the construction and operation phases and to managing the indirect impacts on local communities, have set up interdepartmental Project monitoring teams.
144. In **Chad**, the National Technical Committee for Monitoring and Control (*Comité Technique National de Suivi et de Contrôle*, CTNSC) was created in July 1997 to monitor and oversee the Project's social and environmental impact. This committee was also responsible for supervising implementation of the Petroleum Sector Management Capacity-Building Project (PSMCBP), the main component of which was to develop the CTNSC's capabilities and provide funding for it.
145. However, the final analysis is rather disappointing. Recruitment of the CTNSC team took a long time. Once the team was finally at full strength at the end of 2002, the lack of training and resources, and to a certain extent, communication problems with the Consortium, prevented the CTNSC from providing government monitoring for the Project with the expected level of professionalism, diligence and regularity.
146. Training for the CTNSC's technical staff on monitoring functions, as provided by the PSMCBP, was minimal or inadequate.
147. By the end of the PSMCBP, the CTNSC's resources were being depleted rapidly, as the *Ministère de l'Environnement* (the supervising ministry) was not providing it with the funds necessary to operate. The CTNSC died a slow death in 2007,<sup>11</sup> leaving Chad unable to provide government monitoring of the Project's social and environmental impact.
148. During the same period, the Doba Petroleum Unit, supervised by the *Ministère du Pétrole* and responsible for overseeing oil operations, also disappeared when the PSMCBP stopped funding it.
149. Were these events due to a lack of political will or a lack of resources? The fact that the two government oversight bodies disappeared when WB funding for the capacity-building project ended raises the question of whether Chad has really taken ownership of these structures and whether it is willing to exercise its regulatory authority over the Consortium, whereas oil revenues provide it with the financial resources to do so.
150. In **Cameroon**, government monitoring and oversight of EMP and CAPECE implementation were entrusted to the Pipeline Steering and Monitoring Committee (PSMC) an interdepartmental, ad-hoc committee attached to the Cameroon National Hydrocarbons Corporation. It has a permanent steering committee and technical teams of experts from the various relevant ministries to oversee the Project's social and environmental aspects on site.

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<sup>11</sup> The IAG was informed that the *Ministère de l'Environnement* appointed a new Executive Secretary and a new on-site Supervisor for the CTNSC in April 2009.

151. These teams appear to have been working on a regular basis since the Project began, despite the disputes over the respective responsibilities of the PSMC and the ministries, which expressed a desire to take back all of their project monitoring responsibilities.
152. However, it should be noted that the PSMC's "one-stop shop" role has helped coordinate the ministries involved in the Project and communication with COTCO. This is an important role for a megaproject involving multiple ministries and run by a foreign investor that is not very familiar with the country's sometimes cumbersome administrative procedures.

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## LESSONS/RECOMMENDATIONS: MONITORING

### CCP

153. - *In Chad, reestablish and give funding priority to strict governmental monitoring of oil activities until the Project ends (Ministère de l'Environnement and Ministère du Pétrole).*
154. - *Provide initial and refresher training for the government's social and environmental monitoring teams for the Project, giving them the necessary priority and allocating substantial human, financial and material resources. These teams could become the government's permanent monitoring staff.*
155. - *Despite its withdrawal from the Project in Chad, the World Bank has an ongoing responsibility to see that the operator and the host countries comply with the EMP, hence the need to maintain a system for regular monitoring in both countries which will also allow the WB to ensure that its relevant Operational Directives are followed (such as those concerning Resettlement or Indigenous populations).*

### Future Projects

156. - Throughout the life of the project (or the related contracts), conduct professional, diligent and regular monitoring to verify compliance with contractual and national standards and make all necessary corrections quickly, and ensure that the public's interests and well-being are protected:
- by the project operator (internal EMP team);
  - by the host country or countries (government monitoring teams);
  - by the project's lenders (regular outside monitoring of compliance with contractual standards—ECMG-type, monitoring by the WBG's internal teams).
157. This mechanism can be bolstered by an independent advisory mechanism (IAG-type) covering the entire project and not limited to contractual or country standards. (See IAG Internal Review in Part II.)
158. - In Cameroon, ensure that the "one-stop shop" concept is maintained and institutionalized based on the PSMC's gains, and improve this model by defining and recognizing the sector ministries' responsibilities in monitoring future projects in areas of mining and energy.

### 3.4 Compensation

159. The quality of the reference system for assessing the damages and nuisance sustained by residents, the compensation's degree of adaptation to the local populations' needs and customs, and its lasting effect on reestablishing the people's standard of living are important elements that determine a project's impact on local residents. Their feeling of having been treated with fairness and respect—or not—can influence how well they co-exist in the long-term with a project that has disrupted their lives.
160. In the case of the CCP, the Project's system, for compensating temporary or permanent land use, is based on several underlying criteria, including:
- Chad's and Cameroon's land laws: most of the land belongs to the State. Before the Project acquires land, individuals and communities specify the usage rights that make them eligible for compensation.
  - Compensation is for investment: fallowing of land for a year or less; loss of harvest, fruit trees and installations.
  - There are two levels of compensation: first, individual compensation paid to individuals who have sustained a direct loss; second, regional compensation in Cameroon or community compensation in Chad, which compensates the villages affected by the Project's permanent facilities.
  - Individual compensation is in cash or in kind.
  - Regional and community compensation is in kind.
161. - In spite of the precautions taken by the oil company to assess the losses suffered by residents and the specific compensation system under the EMP, implementation of the plan resulted in numerous disputes between Project operators and members of the public (supported by the NGOs). The problems encountered most frequently had to do with disagreements over to the assessment of damages and the time frame for resolving disputes, which many people felt was too long.
162. In both countries, despite numerous public information meetings, people still have difficulty understanding the standards governing individual, community and regional compensation.
163. Many recipients used cash compensation in non-sustainable ways due to a lack of sufficient information, awareness or assistance when they received these unaccustomed sums of money, and the quality of in-kind compensation was often disputed.
164. COTCO and EEPIC strengthened their teams responsible for assessing the damage/losses caused by the Project, paying the related compensation and handling the disputes. Faced with the increasing volume and complexity of the information, EEPIC invested in satellite data and advanced equipment (Geographic Information Systems, or GIS) and in extensive computerization of the compensation database, which can now produce a more accurate and rapid assessment of the Project's footprint on the land and the extent of its impact on local populations.
165. - The oil company's provision of compensation under conditions that comply with the EMP and more importantly, are fair, is undoubtedly one of the main areas of Project-related activism by the international and local NGOs even though the latter did not receive the capacity-building support planned for them in the Project Appraisal Document (PAD) for the CAPECE and the PSMCBP.

166. Their demands were considered during the Project's preparatory stages, and the applicable compensation schedules were revised upward by the Consortium, to surpass the national standards.
167. In Cameroon, a tripartite "platform for dialogue" (NGOs, COTCO, PSMC) was created in 2005 to settle disputed cases in connection with the Social Assessment and establish an ongoing dialogue concerning the Project. In spite of everything, some compensation claims still have not been settled more than five years after the end of the construction phase.
168. In Chad there was a problem with the authoritarian *chefs de canton* [district chiefs] levying a 10% tax on the compensation paid to individuals affected by the Project. This practice was banned by the President of the Republic in 2001, but the problem was again reported to the IAG in 2005 and in 2007.
169. Despite the problems and thanks to great efforts by all parties, compensation payments are generally satisfactory. Resolution of pending cases is underway in both countries. The Consortium has an ongoing obligation to comply with the EMP's standards for compensation, and it is the duty of the WBG and the governments to verify that it does so.

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## LESSONS/RECOMMENDATIONS: COMPENSATION

### CCP

170. - *In Chad: give priority to reducing delays in compensation and land restitution to the affected populations.*
171. - *In Cameroon: settle the remaining disputed cases under the Social Assessment as quickly as possible.*

### Future Projects

172. - Set up an accurate, rapid system for assessing damages, making use of appropriate technologies and equipment (such as GIS or GPS), which then allows the creation of a complete, interactive and scalable database for the life of the project.
173. - Establish mutually agreed-upon rules for fair compensation, which may mean exceeding outdated national standards.
174. - Establish a simple and user-friendly claims mechanism that promotes amicable settlements as much as possible. Appoint a mutually-agreeable independent third party to follow up on appeals.
175. - Define compensation that respects local customs, meets the public's needs and can be implemented within a reasonable amount of time to sustainably reestablish the standard of living and well-being of affected residents.
176. - Plan for a system that allows quick detection of populations that are affected by the project and in a highly-vulnerable situation, and implement appropriate corrective measures without undue delay.
177. - Avoid paying compensation in cash, or reduce the practice to a minimum, and when it is done, provide a mechanism to assist recipients in making sustainable, informed investments.

### 3.5 Communication and Information

178. The excessive fears and overly optimistic expectations arising from a large-scale project can threaten its long-term coexistence with the host country's residents. Under these circumstances, the communication and information plan developed by the operator, the government and the lenders plays an important role in the acceptance process and the project's ability to fit into its environment.
179. - In the CCP's case, there was an enormous gap right from the start between an ultramodern project and a public in the two host countries that had no reference point whatsoever for grasping its implications.
180. Despite the Consortium's numerous public awareness campaigns involving thousands of villagers, communication with the people was hard to establish and continues to be difficult to maintain. The oil company faces the challenge of continually adapting its message in order to:
- Temper the overly optimistic expectations of those who see the Project as the solution for unemployment, revitalizing the local economy, providing electricity to local villages, etc. Even though the Project contributes to such endeavors in a positive way, it is not in a position to meet all of the public's expectations, and it is not intended to replace the Government.
  - Provide concrete reassurances to a public that for lack of reference points expresses Project-related fears. Whether these fears are justified or irrational, whether or not they are questionable from a technical and scientific standpoint, the developer must take them into account and respond. That is one of the responsibilities of coexistence.
  - Inform the public of the Project's impact on permanent or temporary use of land which up to this point has been used for agriculture in most cases. This step is an integral part of the compensation process.
181. The creation of LCC (Local Community Contact) positions on the EMP teams, later replaced by CROs (Community Relations Officers), contributed significantly in both Chad and Cameroon to fostering close ties between the Project and local residents, and to conveying information from the public and local authorities to the oil company and vice versa.
182. The Consortium had to learn to communicate regularly and spontaneously with local governments and traditional authorities, a continuing challenge notwithstanding recent progress.
183. Every effort should be made to ensure the Project does not develop in isolation. Otherwise, the developer risks increasing alienation from the public and the local authorities, with all the resulting consequences for project/host relationships.
184. - Right from the Project's preparatory phase, international and local NGOs actively mobilized. They were highly critical of the CCP and in some cases even radically opposed to it at first, and their work contributed greatly to making progress on establishing the criteria for protecting the public and the environment, from Project design to the current implementation phase.
185. Faced at first with a failure to listen, and sometimes a lack of consideration, on the part of those involved in the Project, the local NGOs were able to gradually assert their status as true partners, able to help highlight some of the Project's shortcomings and convey the problems raised by the public, some of which were corrected.
186. Despite continued difficulties and disagreements, the establishment of an ongoing, structured dialogue between NGOs, COTCO and the PSMC in Cameroon is one of the Project's key

successes. Chad is gradually heading in this direction even though, without the CTNSC, the government is largely absent.

187. - The governments' onsite communication concerning the Project's social and environmental impact and its management depended almost exclusively on the PSMC in Cameroon and on the *Coordination Nationale* (National Coordination) and the CTNSC in Chad, both of which have now disappeared. Their absence means that the Consortium often is the only contact for local residents and is subjected to demands that are not its responsibility.

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## LESSONS/RECOMMENDATIONS: COMMUNICATION AND INFORMATION

### CCP

188. - *In Cameroon, continue the COTCO/PSMC/NGO tripartite platform for cooperation.*
189. - *In Chad, first formalize EEPCI-civil society relationships, then bring in the government.*
190. - *There is still time to provide the promised training and capacity-building for the NGOs, in Cameroon through the World Bank funded Environmental and Social Capacity-Building for the Energy Sector Project (PRECESSE), and in Chad through the various lenders' development aid programs.*

### Future Projects

191. Partners and developers working with the government to undertake a similar large-scale investment should:
192. - "Tell the truth": discourage overly optimistic expectations by showing the profound changes and the difficulties such a project entails, and the limits to its positive benefits (especially for the economic operators).
193. - Encourage the operator, the government and the lenders to communicate with and inform the public about the project on a regular basis.
194. - Involve civil society organizations as "partners" starting at the project's preparatory stage and from then on, through an ongoing, structured dialogue with the developer, the government and the lenders, and possibly within the context of negotiated agreements between the parties that stipulate the roles and responsibilities of each.

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## 4. MANAGING REVENUES AND DEVELOPMENT

195. Chad's ability to manage its oil revenues in a way that reduces poverty and promotes economic development is one of the CCP's major challenges, and the very reason for the WBG's involvement in the Project. (The objectives were different in Cameroon, where the Project's economic and fiscal impact was relatively less significant.)

#### 4.1 Economic Assessment of the Project

196. An economic assessment of a project during the preparatory phase should determine the project's economic viability and the expected financial returns for the various stakeholders, based on different scenarios. It helps inform the stakeholders' decision on whether or not to commit to the project.
197. - According to the financial projections in the CCP's Project Appraisal Document (PAD) prepared by the WBG in 2000, the Project was expected to generate about US\$1.7 billion in royalties, tax revenues and dividends for Chad, and some US\$505 million for Cameroon in the form of transit fees, taxes and dividends, during the approximately 25-year production period.
198. An economic analysis of the Project by the World Bank is included in the PAD. However, it does not clearly identify or justify the share of revenues between Chad, Cameroon and the Consortium, or explain how Chad's net revenue was calculated after discount (from Brent) and transportation costs.
199. In its 2002 report,<sup>12</sup> the Inspection Panel expressed concerns about whether Chad was receiving a fair share of the revenues.
200. Although changes in the US\$/CFAF exchange rate and the real production profile were difficult to predict, it turns out that based on the PAD hypotheses with the price of a Brent barrel projected at US\$15.25, Chad's financial returns from the project would have been practically nonexistent today, taking the discount and transport costs into account – a hypothesis that does not seem to have been considered in the WB analysis.
201. Be that as it may, with total revenues initially projected at US\$1.7 billion over 25 years, the contribution to Chad's development would have been minimal considering its enormous need, even with optimal allocation of the oil revenues.
202. Fortunately for Chad, even though the production profile was below expectations and the quality of Doba Blend was inferior to the benchmark Brent crude, the country benefited considerably from the rise in oil prices on the international market in recent years, which reached record levels in 2008. The Consortium estimates that it paid Chad over US\$4.3 billion in oil revenues from 2003 to 2008, greatly exceeding initial projections.
203. This was an early windfall. In five years, Chad has received more than 250% of the revenues expected over 25 years, while the petroleum sector management capacity-building programs have not yet been assimilated. Managed effectively and sustainably, it could provide good prospects for reducing poverty and developing the country. However, unless there are major new oil discoveries, it may not last. Oil revenues are threatening to drop sharply beginning in 2009.
204. In Cameroon, the volume of crude transported through the pipeline and offloaded at the FSO from 2003 to the end of 2008 generated US\$118 million in transit fees for the country, at the rate of US\$.41/barrel, in addition to the dividends and taxes paid by COTCO.

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<sup>12</sup> Source: Inspection Panel. 2002. Investigation Report No. 23999 by the Inspection Panel. Chad: Chad-Cameroon Petroleum Development and Pipeline Project (Loan No. 4558-CD); Petroleum Sector Management Capacity Building Project (Credit No. 3373-CD); and Management of the Petroleum Economy (Credit No. 3316-CD).



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## LESSONS/RECOMMENDATIONS: ECONOMIC ASSESSMENT OF THE PROJECT

### Future Projects

- 205. - The financial estimates underlying the commitments must not only be forecast accurately; they must also be understandable to all parties involved, especially the host country or countries, and be based on different production and price scenarios.
- 206. - Oil prices have been exceptionally volatile since 2007, and therefore could not have been predicted. However, in such a volatile sector, prudent management should be an integral part of all budget scenarios and forecasts.
- 207. - Verbal or informal agreements that cannot be enforced should be avoided—such as, with the CCP, the promise to synchronize capacity-building and the rate of construction.
- 208. - Efforts must be made to publicize a summary of all the agreements, clearly indicating each of the various parties' expected share of the revenues.
- 209. - Given that in passing Law 001, Chad had to accept certain constraints on how it managed its oil revenues, it was to be expected that it would seek to have greater flexibility as soon as it was able to do so. This was a known risk that did in fact materialize. Lesson for the future: contracts that are perceived as inequitable or too constraining are vulnerable and will not stand the test of time.

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## 4.2 Use of the Projects' Financial Returns

### 4.2.1 *Building the Capacity to Manage Public Resources*

- 210. The World Bank based its decision to support the CCP and grant the loans to both countries on the Project's potential to reduce poverty and increase public investment in health, education and basic infrastructure.
- 211. In Chad, the CCP looked like the country's first real chance to stimulate its economic growth and substantially increase its public revenues.
- 212. The prospect of having to take in and effectively manage public resources in unprecedented amounts meant that setting up a program to build Chad's institutional capabilities was critical. The PSMCBP and the GEEP were intended to meet this objective and to enable the country to reach a sufficiently high level to begin effectively monitoring the Project before the revenues started to flow in.
- 213. However, the significant weakness of Chad's institutional capabilities and the many delays in launching and implementing the two capacity-building projects, while Project construction was proceeding faster than expected, created a "two-speed" phenomenon and capacity-building never caught up. The plan to synchronize capacity-building and construction announced by the WB when civil society began calling for a moratorium long enough to let the country adequately prepare itself for the challenges it would face, never materialized.

214. As mentioned in section 3.2, the capacity-building programs were managed with objectives that were not always specific; some of the content was at times unsuitable; and some funds were devoted to projects other than training. This resulted in inadequate training that did not always correspond to the real needs of the government departments responsible for monitoring and managing the project.
215. The Consortium paid Chad its first oil royalties in November 2003. They were deposited in an escrow account in London but could not be repatriated by the country until July 2004 because the mechanism for doing so was not ready at the time.
216. Significant problems persist despite numerous efforts by Chad's government and the World Bank, and improvements in public finance management procedures that enabled the country to better understand and manage a budget that has been increasing for five years. The failure of *Ministère des Finances* and *Ministère du Pétrole* departments to understand oil revenue liquidation and the Consortium's costs is particularly worrisome.
217. The Consortium's total investment has now surpassed US\$6 billion, nearly double the initial estimates. The oil company attributes the extra costs mainly to the various steps taken to maintain or increase the level of oil production. Despite the fact that these additional oil costs have a direct impact on its revenues, Chad is not in a position to verify them.

#### 4.2.2 Poverty Reduction

##### a) Mechanism for Managing the Oil Revenues

218. - The oil revenue management program stemmed from negotiations between the World Bank and Chad, and its cornerstone was Law 001/PR/99 which governed the allocation of oil resources. It was a novel safeguard system designed to guarantee that the oil revenues would be used to alleviate poverty, based on detailed rules for processing and allocating these sums. .
219. This mechanism worked more or less as intended in 2004 and 2005 despite the country's significant cash-flow problems that continually threatened budget execution. These difficulties were aggravated when the IMF suspended drawing rights under its program at the beginning of 2004 and the European Union froze the budgetary aid it had planned to provide.
220. The "priority" ministries gradually familiarized themselves with the procedures for managing direct oil revenues, which could be allocated and disbursed for specific projects only after approval by the *Collège de Contrôle et de Suivi des Ressources Pétrolières* (Oil Resources Control and Monitoring Group, CCSRP).
221. - The CCSRP, consisting of representatives from Chad's government, the National Parliament, the Supreme Court and civil society, was created specifically to supervise the use of the oil revenues. It audits spending commitments and payment records from the priority ministries in advance, and the completion of some transfers and investment projects financed by direct oil revenues after the fact. Each year it publishes a report of its activities, along with recommendations.
222. While the added discipline and transparency in oil revenue management resulting from this auditing mechanism is commendable, it is unfortunate that Chad's government does not systematically act on the CCSRP's recommendations and observations.
223. - Faced with a dangerous military situation and the exigencies of the day-to-day budget, Chad sought to gain more flexibility. In December 2005, the Parliament passed Law 002/PR/06 to amend Law 001/PR/99. It eliminated the Fund for Future Generations (which was repatriated into government coffers), expanded the list of priority sectors able to receive oil revenues,

increased the unallocated portion of the oil receipts in the Budget and changed the composition of the CCSRP. The World Bank retaliated immediately in January 2006, even before the law was promulgated, and froze the external accounts into which Chad's oil revenues were being deposited.

224. Chad and the WB renewed ties with an interim agreement in April 2006 and a final agreement in July 2006, which served as the basis for the 2007 Budget. But this year that was supposed to be a test year was also marked by the resumption of rebel attacks. In the eyes of the World Bank, Chad failed the test. At the heart of this failure was the extent of its security expenditures and unit costs for infrastructures financed with oil revenues that were considered exorbitant.
225. Under these circumstances, it is difficult to say whether Chad's attitude was due more to weak capabilities or weak governance; or whether the World Bank was motivated more by a concern for discipline and compliance with the agreements it signed with Chad, or by the desire to pull out of a project now considered to pose a risk to its image.
226. The World Bank's withdrawal from the Project in Chad in September 2008, and Chad's early repayment of the balance of the IBRD and IDA loans, marked a partial divorce between the two partners, prematurely ending the joint effort to find and use appropriate management mechanisms that incorporated both partners' development goals and Chad's reality. The IFC continues to be involved in the Project through its loans to the Consortium, while the WB and the government agreed in January 2009 to gradually resume cooperation in other sectors.
227. Despite the incidents experienced since 2003, the mechanism for managing Chad's oil revenues has had some noteworthy successes. Although the degree of transparency is not perfect, it has few equals elsewhere. And in spite of questionable levels of expenditure for security, though with mitigating circumstances given the repeated rebel attacks suffered by Chad, the overall level of oil-revenue expenditures on the priority poverty-reduction sectors could serve as an example to many countries.

#### b) Poverty Reduction and Development

228. - Appropriations to the priority sectors identified in Law 001, then in Law 002, have increased overall since 2004 thanks to the windfall of oil revenues. The sectors' capacity to absorb them also has gradually improved since then, though it still is sometimes inadequate.
229. The infrastructure sector has been the main beneficiary since the 2004 Budget, with substantial outlay for transportation infrastructures, primarily in the form of a road network designed to make the country and its regions less isolated. However, this has meant neglecting other major repair and maintenance needs for rural roads.
230. In 2006 there was some rebalancing, with more oil revenues allocated to the human resources sectors (education and health)—again, with a strong focus on investment expenditures for building and renovating school and health-care infrastructures.
231. Since 2007, the agricultural production sectors (farming and herding) have finally begun to benefit from the oil revenues, seeing a substantial increase in their budgets. This will be an encouraging trend if it continues, given the strong potential of these two sectors—which authorities again recently reiterated are “the lifeblood of Chad”—for developing Chad's economy.
232. However, not all monies were invested so effectively. Some pharaonic expenditures (such as a sports stadium), high standards and unit costs for school and health-care facilities that often lack the human and material resources to operate, a focus on cities (N'Djamena, Doba, Bébédjia, Mbaibokoum) at the expense of rural residents, and a lack of attention to basic public

needs—such as access to potable and agricultural water, and repair of rural roads— fall on the liability side of the balance sheet.

233. - In the oil-producing region, appropriate allocation of the 5% of oil royalties that were specifically set aside for this area should have helped to avoid such deviations, but this has not been the case to date. The Interim Management Committee for the 5% Fund (CPG 5%) has difficulty standing up to the central authorities and has not yet adopted a clear policy doctrine that would allow it to finance the projects it wants based on requests from local populations, as a supplement to ministry projects funded by the national budget.
234. The CPG 5% could make use of the Regional Development Plan (RDP) that was developed, not without difficulty, under the PSMCBP. The plan is a high-quality document produced through a highly participatory process. Unfortunately, this document still has not been approved by the government, the ministry in charge is not making use of it, and—on a different but equally critical level—the foreign consultant hired to finalize the document has not been paid by the Chadian authorities.
235. The *Fonds d'Actions Concertées d'Initiatives Locales*, (Local Initiatives Development Fund, or FACIL) set up under the PSMCBP was a source of great hope for the development of micro-lending in the oil-producing region but dried up prematurely in 2006. The reasons for this are still unclear and a way must be found to recover the loans that the fund made with state monies to financial intermediaries.
236. Chad is making progress on the road to development, but because of its weak capabilities, lack of organization and coordination, security problems, and sometimes inadequate political will, the appropriation of funds is not yet logically tied to the sector priorities announced in National Poverty Reduction Strategy No. 2 (NPRS-2).
237. A coherent economic policy should have a strategic development plan and a poverty reduction plan built around priority objectives that, ideally, are defined after consulting all the sectors of the nation.
238. - After five years of receiving oil revenues, it is still too early to accurately measure the impact of these resources on Chad's economy and the well-being of its people.
239. Progress appears to have been made. However, due to the unavailability of certain data—mainly because of Chad's weak statistical capabilities, and in many government departments to the absence of result indicators for tracking progress toward achieving specific sectoral objectives or the MDGs (such as the Household Budget Survey, which was postponed to 2010)—it is difficult to conduct a complete detailed and quantitative assessment of the impact of oil resources in Chad to date, especially since by nature some investments (in health, education, and infrastructures) cannot be expected to yield measurable results for several years.
240. However, according to the latest available data, between the year 2000, when the Project was approved, and 2005, the last base year for the Human Development Index (HDI) calculated in 2007-2008, Chad's score improved slightly from .365 to .388 (+ 6.3%) and its ranking stagnated somewhat, moving from 166 out of 173 to 173 out of 177 countries ranked. (During the same period, Cameroon's HDI showed even less improvement, moving from .512 to .532 (+ 3.9%), with its rank declining from 135/173 to 144/177).<sup>13</sup>

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<sup>13</sup> The HDI is a summary index that measures national wealth, life expectancy, school enrolment ratio for children and adult literacy. In the breakdown for 2000-2005, gross domestic product, GDP, (at purchasing-power parity, PPP), grew by 60% in Chad, life expectancy increased from 45 to 50 years and the overall school enrolment rate (primary, secondary and university) rose slightly from 31% to 37%.

241. Though this exercise cannot be undertaken now, it will still be important to go beyond mere monitoring/examination of how the oil revenue management mechanisms put in place by Chad operate, and conduct a real quantitative assessment of the impact of these resources on poverty reduction at the national and regional level. Such an evaluation, which will be conducted by someone other than the IAG, should be done by 2012 or at the mid-point review of the NPRS-2 and could do the following:
- Assess the impact of revenue use on macroeconomic data;
  - Empirically assess the consistency of operating, transfer and investment expenses;
  - Provide a summary assessment of the geographic breakdown of these expenses and the magnitude of regional imbalances;
  - Measure the socioeconomic and strategic impact (including security) of expenditures for human capital, agricultural production, the environment and urban and rural infrastructure;
  - Assess the national economy's dependence on foreign assistance prior to oil production and in 2010;
  - Analyze changes in the UNDP's Human Development Index in 2000, 2003, 2007 and 2010, and Chad's ranking;
  - Assess the extent to which government finances depend on oil revenues and the economy depends on the oil sector;
  - Assess the Project's impact on development and local businesses' sales and the gradual rise of a new class of businesspeople;
  - Assess the impact on the supply of agricultural and livestock products and on other sectors of the economy, primarily in terms of industrialization;
  - Assess the impact on the status of women (education, medical and health-care support, financial independence, reduction of household work).

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## LESSONS/RECOMMENDATIONS: MAKING USE OF THE PROJECT'S FINANCIAL RETURNS

### CCP in Chad

242. *With regard to upgrading economic management capabilities, more specifically, the capacity to manage oil revenues:*
243. - *Bring capacity-building up to speed, at all costs, for budget and finance management and for program planning and management, focusing on achieving the results inspired by the NPRS-2 (Ministère des Finances and all spending ministries). Most training, organization, equipment, and instrument needs have already been identified and need only be filled.*

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In Cameroon, GDP (at PPP) grew by 35%, life expectancy stagnated at 50 years, and school enrolment increased significantly from 43% to 62%.

In both countries, the maternal mortality rate peaked at 1,000+ deaths per 100,000 live births. Child and infant mortality rates improved slightly in Cameroon but dropped somewhat in Chad, with both countries still far from achieving their millennium development goals.

244. - *Correct shortcomings and strengthen the system for good economic and financial governance through:*
- *A certifiably reliable budget and financial information management system, with known and predictable mechanisms;*
  - *A reliable public procurement system with a minimum of exceptions, a functional appeals mechanism, and appropriate oversight procedures that do not create undue delays in the implementation of projects and programs;*
  - *Demonstrated ability by government finance departments to analyze oil contracts and calculate the revenues owed to the State;*
  - *Administrative decentralization of the government to territorial authorities and decentralization to elected local authorities;*
  - *The strengthening of administrative, parliamentary and judicial oversight institutions and an increase in their credibility through enforcement of the penalties provided by law.*
245. - *Update laws on revenue management, incorporating the most credible experience from the Project and correcting mistakes. Draw inspiration from the world's best practices for using transient and volatile resources: transparent, participatory use of the product; promoting investments over consumption and local production over imports; balance among regions and communities and better social cohesion; improvement of human security for citizens and the safety of institutions; control of unit costs for procurement and public works.*
246. *With regard to the use of the oil revenues:*
247. - *Pass conservative budgets that include mechanisms for adjustment and take oil revenue volatility into account.*
248. - *Allocate oil revenues to priority sectors in a way that is consistent with the NPRS and the MDGs and allows sources of growth for the country, such as the agricultural sector and oil-related industries, to develop and diversify.*
249. - *Develop farming and herding production in a balanced way with yearly progress indicators; improve the quality of education and health; balance and adjust the capacity to maintain transport and energy infrastructures, and give hydraulic infrastructure a place of honor in the context of sustainable development.*
250. - *CCSRP: define its role in the context of a unified budget, giving priority upstream to the use of a certificate of compliance, and downstream to the use of on-site ex post audits to verify the effectiveness of cost, work, supplies and services; and give it the power to initiate legal proceedings in the context of monitoring its reports.*
251. - *5%: respect the fact that these funds are in addition to the national budget; accelerate the creation of local decentralized communities, build their capacity and help them with startup; use the revenues judiciously for the projects most often requested by the public, guided by the RDP, which must be implemented without delay.*

252. - *Ensure the continuity of micro-lending programs set up under FACIL by recovering loans and building up a working capital.*
253. - *By 2012, conduct an in-depth qualitative assessment of the impact of oil revenue use on poverty reduction and the country's development.*
254. - *Develop a vision for Chad over the duration of the CCP, i.e. up to 2030-2035, using a participatory and consensus-based approach that includes policy-makers and civil society. This should serve as a guide for periodically updating the National Poverty Reduction Strategy document (or its equivalent), which must have buy-in from policy-makers to be fully implemented.*

### **Future Projects**

255. - Host country: develop in advance an acceptable level of ability in managing public resources (system, procedures, oversight and penalties) and promote capacity-building for the government, civil society, businesspersons and workers to maximize the project's returns for the country. As mentioned above, consider incorporating financing for such programs into project costs from the start.
256. - Lender(s) of public funds:
- Ascertain ahead of time whether the political will exists to establish an adequate level of good governance in financial management and a demonstrably good-faith, credible budget,
  - Enlist their best people to work with the poorest countries;
  - Where needed, help build the host country's ability to rapidly manage growing budgets through capacity-building projects with targeted training programs. These should be implemented as early as the start-up phase to avoid the "two speed" phenomenon of the CCP.
257. - In a round-table-type format, invite other lenders to support capacity-building for civil society, and work cooperatively.
258. - Provide rational, transparent mechanisms for managing the project's financial returns so as to achieve specific, pre-determined goals for advancing development, reducing poverty and improving public well-being at the national and regional levels. For this purpose:
- Balance investments to improve public well-being in the short term with longer-term objectives for growth and diversification,
  - Encourage diversification of the national economy through investments in various sectors identified as sources of growth,
  - At the start, define indicators for specific results based on the NPRS and/or the MDGs to track:
    - changes in national wealth, both collective and individual;
    - changes in monetary aggregates;
    - changes in absolute and relative poverty;
    - changing human capital;

- changes to infrastructures and the living environment (transportation, water, electricity, etc.);
  - changing business climate;
  - changing development indicators in the project region.
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### 4.3 Development of the Private Sector and Local Employment

259. Aside from the revenues the project generates, its economic benefits for the host country are also defined through the employment and business opportunities it creates locally. The country benefits more if it positions itself to take advantage of these opportunities right from the construction phase.
260. - In the CCP's case, pipeline construction work covering more than 1000 km (begun in November 2001), wellpads in the Doba basin and their related oil facilities, and production activities since 2003 have generated several thousand short- and long-term jobs for locals in Chad and Cameroon.
261. This was undeniably one of the Project's positive impacts on economic activity in the two host countries, where job opportunities are rare compared to the available number of workers. However, the labor force was not always able to meet the needs of the Project, which had to hire foreigners for certain jobs requiring high-level or very specific skills not available on site, such as pipeline welding operations.
262. Esso and its co-contractors set up several training programs for their employees, enabling them gradually to improve their professional abilities and move into increasingly skilled positions, with the ultimate goal being to reduce the number of jobs filled by expatriates to a minimum, in favor of the local labor force.
263. - The Project is also a source of business opportunities for local economic operators. They were unprepared when the project arrived, and in the beginning very few were awarded the contracts offered by Esso and its subcontractors, which then dealt with foreign operators better equipped to meet the demands of such a project.
264. In Chad, faced with local operators' protests and the pressures exerted by the authorities and the WBG, EEPCI created a database of local companies and, in collaboration with the IFC and the Chamber of Commerce, developed a local business opportunities program to assist and train the local operators. Despite expectations that exceed opportunities actually provided by the Project, the results of the program are encouraging, with local economic operators being hired for work previously contracted out to foreign companies.
265. The assistance and training for produce farmers in the oil-producing area who were given the opportunity to supply the Project bases with fruits and vegetables is a compelling success story for the policy of developing the local private sector.
266. In contrast, the commercial law dispute that arose in 2004 when one of Esso's foreign subcontractors hastily left Chad without first paying its debts to local businesses, and the subsequent legal proceedings, showed the importance of having the Project's developer include precautionary clauses in its business contracts, such as a security deposit, to protect both itself and local entrepreneurs.



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## LESSONS/RECOMMENDATIONS: DEVELOPMENT OF THE PRIVATE SECTOR AND LOCAL EMPLOYMENT

### CCP

267. - *The ministries responsible for job training and employment should create a status report of the workforce trained by the CCP, sum up the lessons learned from the training provided by the operators, participate in future training sessions where possible, assess on-going needs and adapt the training programs offered by the state education system.*
268. - *The ministries responsible for commerce and business services should sum up the lessons learned from missed business opportunities and their causes, so as to better adapt capacity-building activities for businesspersons.*
269. - *In Chad, continue the IFC/Chamber of Commerce/EEPCI partnership in the context of the support program for local economic operators.*

### Future Projects

270. - As soon as it is certain that a large-scale project will be undertaken, set up training programs before it even starts to prepare local workers likely to be approached by the project, drawing inspiration from training models in the private sector.
271. - Widely disseminate the rules for selecting companies and facilitate access to contract announcements and notices.
272. - Provide a preparation and assistance program for local economic operators so they can take advantage of the opportunities the project offers as early as the construction phase.
273. - Take steps to encourage recruitment of local labor to help prevent population shifts, and the project's use of local economic operators.
274. - From the start, adopt business rules with high standards for use by the developer, subcontractors and national businesses. More specifically, the developer should set up a mechanism to ensure its subcontractors meet their social and commercial obligations.

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## 4.4 Governance

275. It is essential that project implementation comply with international standards, civil rights, partnership agreements between the stakeholders, corporate governance and transparency, to ensure a positive impact on the country's citizens and serve as an element of the ultimate assessment that might influence decisions for future investments.
276. For the IAG, the aspects of governance relevant to its mandate were:
- Respect for the civil rights of persons affected by the Project;
  - Transparency in Chad's management of oil revenues and overall management of the budget;

- The degree to which the oil company conducts itself as a corporate citizen, well-adapted to its host country;
- Coordinated relations between business-government-civil society;
- Active management of the partnerships.

### Respecting Rights

277. People living in the oil zone have often been subjected to harassment of all kinds, including the 10% “taxes” levied on their compensation by the *chefs de canton*—an abuse that Chad’s Head of State tried to stop when the IAG raised the issue in 2001.
278. Security issues and repeated thefts from the oil facilities served as pretexts for sometimes excessive and arbitrary government action: arrests and random searches ordered by sub-prefects, travel restrictions, public humiliation of heads of families, death threats against NGO representatives, etc.
279. When local NGOs shed light on these abuses, which the IAG always verified through interviews with the victims and those allegedly committing the abuses, it was often possible to mitigate or end most of them, though not without a struggle.

### Transparency

280. The World Bank’s web site was an excellent source of information for detailed figures on Chad’s oil revenues. Since this source is no longer available due to the WB’s withdrawal, it is up to Chad’s government to make this information available to everyone.
281. Even more so since in 2007, Chad expressed its interest in participating in the EITI (Extractive Industries Transparency Initiative) and must therefore comply with certain rules on transparency to be admitted.
282. This transparency also applies to the government’s internal workings. The mechanisms for managing the oil revenues could have functioned better if the instability of the government teams had not meant that new arrivals regularly had to be informed of and trained in specific management procedures, and if the rules had been clear and enforced.

### The Oil Company as a Corporate Citizen

283. It is not easy for a corporation with such massive operations and that is foreign to the host region to integrate effectively into its environment.
284. Over the years, the oil company has made great strides in this area. Its progress in both countries is reflected in its greater openness to the local authorities’ need to be recognized (governors, prefects and sub-prefects) and in the concrete, transparent steps it has taken to give local entrepreneurs easier access to its contracts.
285. The oil company’s program for developing the local labor force is also helping the Project to fit into both countries. Viewed as a long-term investment, this program has made it possible to train Chadian and Cameroonian recruits, sometimes abroad, who now hold skilled technical and administrative positions in the Project.

## Dialogue

286. Despite civil society's strong objections to the CCP during its preparatory phase and the resulting communication problems between the NGOs and the WBG/governments/Consortium, the relationships among the various parties have evolved over the course of the Project. Led to work on the same topics in the context of their Project-monitoring activities, and strongly encouraged by the IAG, the parties gradually learned to work together in spite of the fact that they did not always have common interests.
287. In Cameroon, a formal, permanent framework for dialogue concerning the Project was established in 2005 as the tripartite platform for cooperation, which brought together the government (PSMC), COTCO and some Cameroonian NGOs. Now that this commendable framework is in place, the challenge for the parties is to maintain it.
288. The situation in Chad is not as advanced, but EEPIC and some local NGOs have begun a promising partnership to achieve the same level of dialogue and the government should be involved in this effort.

## Managing the Partnerships

289. Managing the Chad-Consortium and Chad-World Bank partnerships has not been easy.
290. In the first case, there have been many, often persistent, disputes and renegotiation of the oil agreements. But a *modus vivendi* allowing both parties to operate has been established.
291. In the second, the unilateral amendments that Chad made to Law 001 on Oil Revenue Management triggered a dispute that ended three years later with the Bank's withdrawal.
292. The case of a weak government trying to regain its sovereignty—perceived as having been chipped away by powerful institutions—appears to be the underlying cause of these difficulties. In the relationship between the government and the Consortium, the two parties' mutual interests are clear enough to ensure that the partnership is maintained. In the government's relationship with the Bank, this feeling of mutual interests gave way to a situation where one's needs were perceived by the other as demands, often met without ownership, which led to the breakdown in relations. This could possibly have been avoided had there been a dialogue that paid more attention to these basic obstacles and tried to focus on mutual interests.
293. In Cameroon, the relationship between the government and the Consortium is channeled through the PSMC "one-stop shop." At a minimum this type of mechanism allows for the maintenance of ongoing dialogue, but does not always succeed in compensating for the government's delays—as evidenced by the process of transferring the Project's temporary sites and infrastructure to the government that begun several years ago but is still not complete; and the one-year delay in approving publication of the book on the results of the Project's archeological program.
294. In Chad, the Project's "one-stop shop" was channeled through the *Coordination Nationale* during the construction phase and at the start of production but was abandoned in 2007.

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## LESSONS/RECOMMENDATIONS: GOVERNANCE

### CCP

- 295. - *In Chad, the Government should regularly publish detailed figures on oil revenues and meet the EITI's conditions for recognition.*
- 296. - *Create a legal framework based on international standards for economic governance that will be relevant and reassuring to all parties.*
- 297. - *Encourage greater stability in government and administrative teams.*
- 298. - *For the World Bank, encourage stability in the teams responsible for the Project, or in any case a high-quality consultant role with an open mind and the ability to listen.*
- 299. - *Working with civil society, build its capabilities, as was planned but not carried out in the initial capacity-building projects supported by the Bank; correct this omission through PRECESSE in Cameroon and other future projects in Chad.*

### Future Projects

- 300. - Promote good governance in project implementation by the stakeholders (private developers and operators, lenders, host countries), with each fulfilling its written and moral responsibilities and commitments.
- 301. - Use appropriate mechanisms to guarantee transparency concerning the project's financial returns.
- 302. - Promote a sincere, lasting and strategic partnership between the host country and the lenders, in particular the WBG, formalized by an agreement on the parties' mutual goals, that includes a set timeframe and clearly-defined oversight mechanisms.

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## 5. CONCLUSION

### Chad-Cameroon Project

- 303. Certain requirements must be met to ensure successful completion of the Project:
- 304. - Continue efforts to bolster both countries' ability to manage the social and environmental risks through an updated legislative framework and effective on-site monitoring;
- 305. - In Chad, build the capacity to manage the overall budget and to analyze and verify the oil costs and revenues;
- 306. - In Chad, develop specific criteria for appropriating budgets that will result in action and produce measurable progress on goals such as the MDG;
- 307. - In Cameroon, a viable and permanent solution for funding FEDEC must be found.

## More generally

308. There are some lessons on the essential and strategic aspects of this Project that could be useful for other current and future projects.
309. 1. **World Bank involvement:** Did the WB do the right thing when, despite heavy opposition, it became involved in an oil project involving significant environmental and social risks, and hosted by countries with weak institutional capabilities for managing the many impacts of the project? Our answer is “Yes.”
310. And that is based on the following:
311. - The Consortium’s commitment to comply with WBG directives on managing the Project’s social and environmental impacts yielded a high-quality EMP that was followed and an investment that was made in record time without causing irreversible damage to the communities or the environment, despite the real disruptions to local residents’ lives.
312. - Project-management and monitoring institutions were created in both countries, but had more continuity in Cameroon than in Chad.
313. - Novel revenue-management mechanisms provided Chad with a more professional civil service that in spite of failures represents an enormous step forward from a very weak, almost nonexistent administration.
314. - The oil money was used for major public investments. These were not managed with the desired level of efficiency and transparency, but even under difficult security conditions, they have produced tangible infrastructure and equipment.
315. For all of these reasons, it is difficult to justify the WB’s withdrawal from the Project in Chad when so much remains to be done.
316. 2. **Has Public Well-Being Improved?**
317. This is the central issue and the *raison d’être* for all of the extraordinary measures taken in connection with this Project.
318. This type of project involves major disruptions to the lives of local residents. Some NGO analyses are drawing negative conclusions. Yet some gains for these communities can be seen: the jobs created and the compensation (which is a right and not a “surplus”) resulted in a visible improvement in basic living conditions. Public infrastructures, roads, schools, and drinking water are lasting gains that would not have been possible for many years under Chad’s former budget.
319. The necessary quantitative analysis is not yet possible due to a lack of available data and given the time needed for these investments (in infrastructure, education, and health) to yield measurable results. This exercise will need to be undertaken in the years to come.
320. Meanwhile, a brief qualitative assessment shows that despite some not very productive investments and a lack of attention to rural areas in favor of the major cities, public expenditure of oil revenues for infrastructure, education, health, farming and herding is increasing and bodes well for a positive impact on poverty and development indicators.
321. There have been improvements to Chadians’ living environment such as the urban landscape in N’Djamena, but not a comparable increase in their standard of living.
322. 3. **A fundamental truism:** a country will always develop its natural resources as soon as it can. Doing nothing was not and is not an option, so it is better to surround oneself with partners

and acquire the tools and mechanisms that will help maximize the benefits for the country's development.

323. 4. **WB-Chad relations:** misunderstandings and a lack of trust led to a partial divorce between the two parties.
324. A true partnership involves an agreement that incorporates both parties' concerns and mutual objectives. Under pressure from the Project's opponents, the WB believed that it had to take a hard line with Chad from the start of the negotiations, rather than try to identify and promote mutual interests that keep sight of the ultimate objectives. However, circumstances were such that Chad had to bow to the WB's "advice" in order to have its project, only to challenge the Bank later at every opportunity.
325. Dialogue must now be resumed based on a new, joint effort to promote development. This could be accomplished if the WB, in conjunction with other donors, is actively involved in sector programs (health, education, agriculture and water) with particular emphasis on the production sectors. This sector-based approach could benefit from having a decentralized component that incorporates the various different needs throughout the country. The WB should make top experts in these fields available to help Chad achieve specific development goals.
326. 5. **Civil Society's Important Role**
327. Heavy involvement by international and especially local civil society in monitoring the Project from the preparatory stage forward allowed them to influence its design and implementation, to assert the rights of the host populations, and expose abuses.
328. Despite the difficulties it faced, and the occasional mistreatment by irritated authorities, civil society in Chad and Cameroon advanced the right of objection and made progress itself by moving from "pure criticism" to "constructive criticism" of the Project.
329. 6. **The Importance of a Thorough Social and Environmental Assessment**
330. "Psychological impact," though not measured or quantified, is nevertheless a very real effect of the disruption and profound changes imposed on people's lives by ultra-modern facilities in an extremely poor environment.
331. These enormous projects disrupt lives and the environment in ways that go well beyond what is measured, calculated, and compensated. So the compensation and mitigation measures must take this reality into account.
332. 7. **Capacity-building is Key to Success**
333. Implementation delays and failures in the capacity-building projects were behind many of the CCP's shortcomings. The needs still exist and efforts must be made to meet them. Capacity-building is a long-term endeavor that must be continued in both countries, especially Chad. It should be noted that where the Consortium was able to recruit, train and hand off responsibility to hundreds of local agents, the World Bank and the Government did not come close to this level of achievement.
334. 8. **Is Chad an Oil Country?**
335. At this point, nothing indicates that Chad's future will be that of a rich petroleum producer. There are indeed traces of oil here and there in and around Chad, but the IAG received no information

to indicate that there may be other deposits within the country large enough to sustain Chad's revenues at their average level from 2005-2008. (The IMF reached the same conclusion.)<sup>14</sup>

336. So it is of paramount importance for this country to manage its current revenues not as an inexhaustible source of wealth, but as a temporary windfall that must be invested wisely and with the greatest care so it can benefit more than one generation.
337. Finally, it is essential to conduct a forward-looking, participatory and inclusive analysis of where Chad will stand when this oil basin dries up around 2025-2030.

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<sup>14</sup> See report no. 09/67 (Chad: Selected Issues) and no. 09/68 (Chad: 2008 Article IV Consultation), published by the IMF in February 2009. Available on the IMF website at [www.imf.org](http://www.imf.org)

## PART II: IAG INTERNAL REVIEW

### Lessons Learned From Our Experience

338. The International Advisory Group (IAG) for the Chad-Cameroon Petroleum Development and Pipeline Project (the “Project”) has been at work for over eight years. Now that its mandate is expiring after six years of oil production, the IAG wishes to internally review its experience as an Independent Advisor appointed by the World Bank Group (WBG) in agreement with the governments of Chad and Cameroon.
339. The members of the IAG wish to draw the lessons learned from this experience and provide a broader discussion of the relevance of using or adapting this Independent Advisory mechanism for other projects.

## 6. THE CREATION OF THE IAG

### 6.1 Context

340. Due to the many concerns over the Chad-Cameroon Petroleum Development and Pipeline Project and other related capacity-building projects (the “Projects”),<sup>15</sup> and the significant risks and challenges associated with them, the President of the World Bank Group, in cooperation with the governments of Chad and Cameroon, created an independent advisory mechanism to supplement the existing internal and external oversight and monitoring structures.
341. Accordingly, the International Advisory Group was formed in February 2001. Its function is to observe implementation of the Projects and advise the President of the WBG and the governments of Chad and Cameroon.
342. A number of specific conditions led to the creation of the IAG, and might recur in the context of other projects. They were:
- the sensitivity of a megaproject in a highly visible sector, namely the extractive industries and more specifically oil;
  - significant and varied potential environmental and social impacts on the surrounding communities, especially vulnerable indigenous populations;
  - a complex design involving a public-private partnership with a consortium of multinational companies (“the Consortium”), two countries and several multilateral financing agencies;
  - revenue management, good governance and safety issues, including a commitment by one of the parties—Chad’s government—to allocate a large portion of its oil revenues to priority sectors of poverty alleviation;
  - considerable controversy and challenges from civil society, especially considering the lack of preparedness of the host countries;
  - the host countries’ weak institutional capacity in contradistinction to the Consortium’s human, financial and technological resources.

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<sup>15</sup> Chad-Cameroon Petroleum Development and Pipeline Project (the “Project”), Management of the Petroleum Economy Project (GEEP, Chad), Petroleum Sector Management Capacity-Building Project (PSMCBP, Chad), and Cameroon Petroleum Environment Capacity Enhancement Project (CAPECE, Cameroon).



## 6.2 Function

343. The purpose of the IAG is to “[...] *advise the WBG and the Governments of Chad and Cameroon with respect to its observations about overall progress in implementation of the Projects and in achievement of their social, environmental and poverty alleviation objectives as well as with the broader goals of poverty alleviation and sustainable development in Chad and Cameroon.*”<sup>16</sup>
344. The Group was created for a ten-year period covering oilfield development and pipeline construction and the first six years of oil production and inflow of the corresponding revenues.
345. The principals expect the IAG to provide comprehensive, regular, independent and forward-looking feedback on a complex project.
346. The Group is an observer, not a participant. It acts independently and provides public recommendations in its reports posted on its web site [www.gic-iag.org](http://www.gic-iag.org) and that of the World Bank (WB) [www.worldbank.org/afr/ccproj](http://www.worldbank.org/afr/ccproj) (archived since the World Bank’s unilateral withdrawal from the Project in Chad, in September 2008).
347. The Group’s mission is structured around five components as defined in its Terms of Reference: environment, social impact and community development, capacity-building, resource and revenue management (in Chad) and governance. As an advisory body, the IAG has purview over all activities related to the Projects.
348. The IAG had full discretion in developing its work plan and was able to make changes as the Projects advanced.
349. The Group works in consultation with many different parties, including villagers, non-governmental organizations (NGOs), unions, businesspersons, members of both governments up to the Prime Minister, the Oil Consortium, the WBG, government officials, and Chambers of Commerce.

## 6.3 Composition

350. The IAG’s members are internationally-recognized experts in their fields who were recruited individually.
351. Its Terms of Reference state that “*The IAG will consist of six persons, including one who will serve as Executive Secretary. Their collective professional experience and knowledge should allow them to address the main areas of importance to the Projects.*”
352. Since its inception, the Group has consisted of:
- Mr. Mamadou Lamine Loum, Senegal, Chairman
  - Mr. Jacques Gérin, Canada, Executive Secretary
  - Ms. Jane Isabel Guyer, United States of America
  - Mr. Abdou El Mazide Ndiaye, Senegal
  - Mr. Dick de Zeeuw, Netherlands (deceased on February 18, 2009)
353. The Group is supported by a Secretariat staff consisting of a Project Officer, Céline Houdin and a Secretary, Christiane LeBlanc.
354. A sixth person, Ms. Hilde Frafjord Johnson from Norway, was appointed but had to resign in September 2001 when she was called to other duties that prevented her continued participation in the IAG.

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<sup>16</sup> IAG Terms of Reference, paragraph 5. See Appendix 2 or [www.gic-iag.org](http://www.gic-iag.org).

355. Each of the members has expertise in one or more of the Group's five working areas. Added to this specific expertise are generalist skills and a development culture that allow the Group to work together as a body.

## 7. THE IAG'S OPERATIONS AND WORK

### 7.1 Fulfilling the Mandate

#### 7.1.1 *Financial and Logistical Support*

356. • Initially, the IAG was **financed** by a trust fund supported by the WBG and other lenders. Later, the cost was assumed by the World Bank's Africa Department.
357. This funding has allowed the Group to fulfill its function and meet its obligations, which include two three-week statutory visits to Chad and Cameroon each year and at least one other meeting, about a week long, to communicate its recommendations to the WBG's senior officials and to set its annual planning. The funds also cover days worked outside of the country visits and the operating costs for the Group's Secretariat.
358. From 2001 to 2009, the IAG's average annual operating budget, including fees, travel and technical and logistical support by the Secretariat, was approximately US\$600,000, plus other costs related to logistical support provided by the Consortium for the Group's site visits, and other local expenses absorbed directly by the WBG.
359. • In the field, the Group received **logistical support** from the World Bank's resident missions and from the Consortium who greatly facilitated travel in Chad and Cameroon, especially in the areas where the oil facilities are located.
360. For several years, the *Coordination Nationale* (National Coordination) for the oil project helped organize the missions in Chad. But this entity, set up by Chad to coordinate implementation of the Projects and to facilitate contacts between the oil Consortium and the government, was dissolved in October 2007.
361. → *Despite the IAG's intent to demonstrate its independence, the fact that it regularly turned to the resident World Bank missions in N'Djamena and Yaoundé for support in preparing and carrying out its missions and communicating with certain contacts, especially the government departments, contributed to an erroneous perception by some that the IAG was a World Bank entity.*
362. *The issue of complete autonomy for the IAG in terms of human resources and field operations was raised. But experience has shown that this would have been difficult, especially concerning cost. Some local NGOs volunteered to act as the IAG's permanent "representatives" on site but the Group felt that its members, appointed on a personal basis, could not be represented by others. However, the Group could have probably enlisted the help of local consultants more often to provide periodic support, as it did in January 2009.*

#### 7.1.2 *Availability and Quality of Information*

363. The IAG's ability to analyze and advise is based largely on the quality and consistency of the information collected from its many and varied contacts concerning Project implementation, prevailing conditions, and their fears, concerns, hopes, disappointments and satisfaction. Information was gathered in person and through regular perusal of many documents issued by the various Project stakeholders.

364. • At the institutional level, it was sometimes difficult to obtain the desired information from the ministries. Despite the departments' obvious willingness to cooperate, frequent staff turnover and limited capacity meant that they could not always provide the IAG with the information it requested.
365. With regard to Chad's use of the oil revenues, the Group was faced with limited statistical capability and a lack of available data, as well as the fact that by nature, the results of this type of investment are not always immediately measurable. Thus, at this stage, it is not possible for the IAG to give a complete picture of the impact of these revenues on development and poverty reduction within the country.
366. • The Oil Consortium, represented by EEPIC in Chad and by COTCO, the pipeline operator, in Cameroon, was always available both on site and between missions to supply the IAG with substantial information about the Project's implementation. The Consortium generally provided specific responses to the Group's particular requests expressed during the field visits, at meetings or through written reports.
367. • The NGOs alerted the Group each time the rights of the communities (individuals, families, villages) were violated or threatened. They helped the Group check and cross-check its information by accompanying it on field visits to make observations or interview the parties involved.
368. • The villagers spoke out despite facing the risk of repeated harassment and public humiliation by local or military authorities.
369. • The World Bank generally provided the information the IAG requested, but there were some unfortunate delays and a failure to willingly, systematically and regularly communicate all Project-related information without the IAG having to ask for it.
370. → *Generally speaking, the trust that was gradually built between the IAG and its contacts made regular, open and constructive exchanges possible. The stakeholders nearly always responded favorably to the Group's requests for information, even on highly sensitive subjects. This allowed the Group to have an overall view of the projects and the intrinsic and extrinsic factors that could affect them.*

## 7.2 Working Methods

371. • **A community-oriented approach:** From the Group's first meeting in March 2001, its members moved beyond the literal wording of their advisory mission to agree on the *leitmotiv* that would guide their work and was never to change: giving priority to protecting the communities' interests and improving their well-being. In other words, "Ensuring that the Oil Project [would] be an opportunity to create an equitable economic and social development process for the communities."
372. • **Regular fieldwork:** The IAG's Terms of Reference called for two statutory visits per year to Chad and Cameroon and the possibility of arranging additional specific visits as required to monitor the Projects.
373. These statutory visits, of which there were 14 to Chad and 15 to Cameroon, proved barely adequate to cover the scope of work, collect the information needed to analyze the projects, and identify new problems as they emerged. Specific agendas were announced in advance. The visits consisted of working sessions and interviews with the various stakeholders involved in or affected by the Projects, review of written data, direct monitoring in the field, and end-of-mission feedback sessions where the Group gave the stakeholders an initial overview of its observations

and advice stemming from the visits, and offered them an opportunity to correct any factual errors.

374. In addition to continually monitoring the Projects, preparing upcoming missions and drafting reports, the Group also held teleconferences and regularly reviewed documentation between missions. It kept abreast of news from the press and the websites of the governments, the NGOs, the oil Consortium, the WB and the IMF, to ensure that it remained informed about any progress, disruptions or disputes.
375. • **An integrated multidisciplinary approach and a stable team:** The team's multidisciplinary nature proved to be essential for covering a complex project's social and environmental dimensions and the other components included in the Group's mandate. The members' varied professional and personal experiences resulted in a remarkably rich and constructive dialogue within the team.
376. In contrast to the many changes observed elsewhere (governments, WB), the team's stability provided some continuity that was beneficial for Project monitoring, a task made all the more difficult since the Group meets only a few weeks each year. This stability also helped strengthen the trust established with its contacts.
377. The Group's multidisciplinary structure and its working methods, with a flexible division of tasks that could change as needed, minimized the impact when one IAG member withdrew a few months after the group was created. There was initially some concern over the absence of an oil industry expert (a role that Hilde Frafjord Johnson would have filled to some extent). However the members of the Group did not find this to be a major obstacle in fulfilling their mandate. When needed, they occasionally used the services of an expert such as for revising the Consortium's Area Specific Oil Spill Response Plans.
378. → *Given the importance the Group's mandate places on oil-revenue management and use, it would have been helpful to recruit a financial specialist (in addition to the Group's Chairman who oversaw this area) who could have conducted more research and analysis of the information on the use and impact of these revenues.*
379. • **An independent advisor:** The IAG's independence is what guarantees its credibility. Though the WB provided part of the Group's financing at first, and later all of it, the Group has always been in charge of organizing its own work, and is completely independent.
380. The Group developed its own work plan (which it has revised several times since 2001), decided on the schedule and agenda for its missions, dealt with its contacts directly, and created its own website so it could post its various reports and documents online.
381. The Group considers that it has always been able to carry out its activities as it intended, except in 2008 when it found itself a "hostage" to the ongoing dispute between Chad and the World Bank and did not receive World Bank authorization to conduct its planned missions in that country.
382. • **The Secretariat's support:** The IAG is supported by an office staff consisting of the Project Officer and the Secretary, who report to the Executive Secretary. The Secretariat oversees the Group's internal and external communication, documentation, writing, translating and mission logistics tasks.
383. It would have been difficult for the Group to operate without this structure. The support was all the more essential considering that the members devoted more time to the Project than originally anticipated. Initially announced as 20 days per year for the members and 30 days for the Executive Secretary, the actual amount of time spent was perhaps three times that.

Reconciling this initial underestimation with everyone's already busy schedules was not always easy.

384. → *Regular field visits turned out to be essential for effective monitoring by the IAG.*

385. *The composition of the team, its stability and independence, and its office staff were also assets as the Group carried out its mission.*

### 7.3 Action Taken on Recommendations

386. Since the IAG has no enforcement authority, public dissemination of its mission reports in French and English on its website, the same day they are sent to the WBG President and the Prime Ministers of Chad and Cameroon is, in a way, its only means of persuasion.

387. Each report includes conclusions and recommendations intended, first, for the principals (WBG and the governments), but also for all of its various contacts, including the Oil Consortium, NGOs, businesspersons, unions and other parties involved.

388. Though regularly asked to do so, the IAG does not provide a formal evaluation of the action taken on each of its recommendations. Since there were several hundred recommendations, some of which dealt with medium- to long-range issues requiring a long-term response, such a quantitative evaluation would not be as relevant as it might seem.

389. However, it should be noted that during each mission, the IAG systematically reviewed the action taken on the previous missions' recommendations with the various parties, and reported any progress or backward movement in subsequent reports.

390. The Group has noted the following trends with regard to action on its recommendations by its main contacts.

391. • **World Bank:** The IAG's annual meetings with the WB President and with the Managing Director, and its interactions with the project teams in the field and in Washington enabled it to present its observations and advice to this institution. They were generally well received and were sometimes followed by important decisions concerning the Projects, as when the decision was made at the end of 2001 to strengthen the on-site team assisting with the Bank's Projects in Chad.

392. The Bank's responses to the recommendations varied, but notwithstanding the Group's Terms of Reference, there was no official, systematic, public response except for comments sporadically inserted in appendices to the WB's internal reports that were submitted semi-annually, then annually to the Executive Directors.

393. The NGOs in the North indicated to the IAG that meeting with the WB's Executive Directors to make them directly aware of its observations and recommendations would be useful. The Group did so annually, meeting with the African Executive Director responsible for both countries.

394. → *If consistently followed through, the WB's commitment to publicize its action plans in response to the problems identified by the IAG would have made Project monitoring much easier for the IAG and the other parties, especially the NGOs.*

395. • **Government of Chad:** Although the IAG was never turned down and it felt it had been listened to and that its recommendations and information-gathering efforts often were well received, willingness on the part of the ministers and their departments was not always sufficient to overcome obstacles arising from a lack of funds, resources and sometimes expertise.

396. The instability of the ministerial teams, a lack of coordination among ministries, and the difficulties decentralized authorities have in acting on their responsibilities are also an obstacle to solving some of the problems identified. Finally, given this inaction, the possibility of a lack of political will to apply certain recommendations could not be discounted in some cases.
397. Thus Chad still has not responded to some important topics that were repeatedly raised by the Group, for example, the adoption and implementation of the Regional Development Plan, reinstatement of government monitoring of oil activities, appropriate management of oil revenues allocated specifically to the oil-producing region (5%), and repair of rural roads.
398. In contrast, some issues were handled quickly, such as the problem of the 10% levy by local authorities on the compensation paid to individuals affected by the Project. This practice was banned by Presidential decree after it was reported to the President of the Republic in 2001. Also, Chad's decision, after several years, to increase funding for agricultural research and training institutes is a welcome initiative.
399. • **Government of Cameroon:** The way in which Cameroon's government operates sometimes makes decision-making a long process and action slow to come. In this context, the IAG's influence on government action and receptiveness were not always obvious. Consequently, the IAG measures direct follow-up on its recommendations by small successes such as the Pipeline Steering and Monitoring Committee's (PSMC) participation on the government's behalf in the tripartite platform for dialogue with the NGOs and the Oil Consortium.
400. However, in 2007 the government of Cameroon asked the IAG to reinstate two statutory visits per year, after the Group had decided in 2006 that one visit each year thereafter would be sufficient to handle the issues in that country.
401. → *Generally speaking, the IAG felt that both governments listened to it, though not always following its recommendations. Aside from the obstacles faced by governments with limited capacity, which can explain the slowness of their reactions, one rule of the game is obvious: the IAG remains merely an advisor of sovereign States. Its ability to influence their decisions is an ongoing challenge.*
402. • **Oil Consortium:** Although the Consortium is not one of the IAG's principals, it was in fact advised by the Group and was certainly the contact that gave the most systematic and even the quickest responses to IAG recommendations, which were regularly inspired by the productive exchanges with civil society organizations, produce farmers, chambers of commerce and village communities.
403. EEPIC and COTCO used the Group's reports as a working tool to change or improve their procedures and interventions in the field and their relationships with the local and national authorities, the NGOs and the public.
- **Unheeded Recommendations:**
404. Some recommendations that the Group considered to be essential have come to nothing, for example, those concerning the working methods of Chad's ministries and the updating of environmental legislation in both countries.
405. The failure of FEDEC's founding parties (Consortium, Government of Cameroon, World Bank) to provide the Foundation with adequate funding, despite repeated warnings from FEDEC's own board since 2001, and later by the IAG, is a setback for all parties involved.

406. It is unfortunate that despite repeated warnings, the dispute between Chad and the WBG was not resolved and ended with the Bank's withdrawal from the Project in Chad. It is difficult to view this decision as one that helps advance the Project's objectives.

#### 7.4 Additional Contributions

407. The IAG's contacts are the best judges of the IAG's added value. Over the years some have mentioned the various benefits they derived from its work.
408. • **Information carrier:** The IAG's mandate and the diversity of its contacts allowed it to gather and publicly disseminate broad-based, comprehensive and regular information about the Project, providing an independent perspective that anyone can use as appropriate for his or her role and functions. Since the IAG has been privileged to meet with a wide range of contacts and provide a certain amount of institutional memory, its reports provide a snapshot of the situation that cannot be found elsewhere.
409. This level of information seemed all the more appreciated (by the ministries, National Assembly, economic operators, civil society, etc.) given that communication from host governments about the Projects was rare and, in Chad's case, there was a persistent lack of transparency concerning oil revenues management.
410. • **Identification of unanticipated problems and help with solving them:** The IAG provided high-level independent advice to the governments and the WBG first and foremost, but also to others. Aside from strict monitoring of the Project's compliance with its framework standards, rules and contracts, the Group sought to observe and identify unanticipated problems and to raise the awareness of the parties involved in order to implement solutions for reducing environmental, social, economic and other risks.
411. This role allowed the Group to highlight the concerns of the communities and civil society and help ensure they were heard.
412. • **Dialogue facilitator:** The IAG worked very hard (both publicly and behind the scenes) to facilitate and initiate a dialogue among the Project stakeholders, sometimes in order to contribute to resolving conflicts and clarifying a lack of understanding, and sometimes in order to help lay the foundations for the long-term coexistence of an impressive ultra-modern project with poor communities.
413. Despite the strong reservations encountered initially, a structured and ongoing dialogue among the Consortium, the government and civil society was established in Cameroon through the tripartite platform for cooperation.
414. In Chad, small steps forward are being taken in this direction with some local NGOs and EEPCI having recently developed partnership relationships. The oil company has also gradually set up mechanisms to encourage working with local economic operators.

## 8. CONCLUSION - LESSONS FOR THE FUTURE

415. Increased environmental, social, legal, contractual and moral requirements, lobbying by an increasingly well-informed and organized civil society, market pressures and many other factors are causing private-sector entities, governments and lenders – notably the World Bank, to try to reduce the environmental and social risks of the projects they undertake.
416. In the case of the Chad-Cameroon Project, the risks and challenges identified were such that they led the WBG, in cooperation with the two host governments, to set up an independent

advisory mechanism supplementing the monitoring tools already in place. The IAG was this mechanism.

417. From this internal review of the Group's experiences since its creation in 2001, some lessons have emerged along with elements that might be useful in the event this type of mechanism is considered for other major infrastructure projects or for projects in sensitive sectors.
418. Specifically, it is essential to ensure:
- Complete independence of the individual members, which guarantees credibility;
  - A generalist vision and a development culture, apart from each member's sector expertise;
  - An interdisciplinary and multicultural team, as well as continuity to the extent possible; all of which permit an integrated approach to the problems and increase the effectiveness of the advice;
  - Budgetary autonomy for the Group and control of its own work plan, based on adequate financial resources;
  - Regular site visits and contact with the entire spectrum of stakeholders;
  - A permanent support structure, the Secretariat;
  - Essential logistical support from the principals (travel, distribution of information) that the Group cannot itself provide;
  - Interest by the principals at the highest levels in receiving the Group's recommendations;
  - A public and systematic mechanism for responding to the recommendations made to the principals;
  - A mandate with a duration consonant with the nature of the projects, the evolving nature of the challenges, and the continued importance of the issues.
419. The Chad-Cameroon IAG was able to provide continuity and permanence, which was essential to whatever influence it may have had. We benefited right up to the end from the wisdom of our late colleague Dick de Zeeuw. His influence is still present in this review. His strong commitment and understanding of the role of an advisory group inspired us all from 2001 to 2009.



## Acknowledgements

The IAG would like to thank the following.

- The successive Presidents of the World Bank Group, the Government of Chad and the Government of Cameroon, which placed their trust in the Group and were open to sharing information and receiving its advice.
- The NGOs in both countries. Their availability and cooperation were essential and despite their very limited resources, they provided the Group with information each time community interests were at stake. They also helped the Group to experience the reality of the villages in Chad and Cameroon.
- All of the contacts that assisted the Group with its field visits; welcomed it to Chad, Cameroon and Washington; gave it logistical support; shared with it their concerns, aspirations and satisfaction arising from the implementation of these Projects; and helped it fulfill its mandate.
- All the participants and people who helped organize the Assessment Report Feedback Sessions in N'Djamena (June 29, 2009) and in Yaoundé (July 2, 2009). These workshops provided an open, rich and productive dialogue that is reflected in this Final Report.

## Appendix 1 Acronyms and Abbreviations

CAPECE	Cameroon Petroleum Environment Capacity Enhancement Project
CCP	Chad-Cameroon Project
CCSRP	<i>Collège de Contrôle et de Surveillance des Ressources Pétrolières /</i> Oil Resources Control and Monitoring Group
CEMAC	Central African Economic and Monetary Community
CFAF	CFA Franc
COTCO	Cameroon Oil Transportation Company
CPG 5%	Interim Management Committee for the 5% Fund
CRO	Community relations officer
CTNSC	<i>Comité Technique National de Suivi et de Contrôle /</i> National Technical Committee for Monitoring and Control
EA	Environmental Assessment
ECMG	External Compliance Monitoring Group
EEPCI	Esso Exploration and Production Chad Inc.
EIB	European Investment Bank
EITI	Extractive Industries Transparency Initiative
EMP	Environmental Management Plan
EU	European Union
FACIL	<i>Fonds d'Actions Concertées d'Initiatives Locales /</i> Local Initiatives Development Fund
FEDEC	Foundation for Environment and Development in Cameroon
FSO	Floating storage and offloading vessel
GDP	Gross Domestic Product
GEEP	Management of the Petroleum Economy Project
GIS	Geographic Information System
GPS	Global Positioning System
HDI	Human Development Index
IAG	International Advisory Group
IBRD	International Bank for Reconstruction and Development
IDA	International Development Association
IFC	International Finance Corporation
IMF	International Monetary Fund
IPP	Indigenous Peoples Plan
LCC	Local community contact
LUMAP	Land Use Mitigation Action Plan

MDG	Millennium Development Goals
NGO	Non-Governmental Organization
NPRS	National Poverty Reduction Strategy
PAD	Project Appraisal Document
PPP	Purchasing Power Parity
PRECESSE	Environmental and Social Capacity Building for the Energy Sector Project
PRGF	Poverty Reduction and Growth Facility
PSMC	Pipeline Steering and Monitoring Committee
PSMCBP	Petroleum Sector Management Capacity-Building Project
RDP	Regional Development Plan
TOTCO	Tchad Oil Transportation Company
UNDP	United Nations Development Program
WB	World Bank
WBG	World Bank Group

**Appendix 2**  
**Terms of Reference of the IAG**

## CHAD-CAMEROON PIPELINE AND RELATED PROJECTS

### INTERNATIONAL ADVISORY GROUP

#### TERMS OF REFERENCE

(12/01/2001)

#### Background

1. The Executive Directors of the World Bank Group (WBG)<sup>17</sup> have approved financing for a group of complementary projects (the Projects)<sup>18</sup> designed to promote poverty alleviation in Chad, one of the poorest countries in the world by: (a) enabling, together with the European Investment Bank, the Governments of Chad and Cameroon to finance their equity shares in two companies transporting petroleum by pipeline from southwestern Chad to a marine terminal offshore from Cameroon; (b) co-financing, through the International Finance Corporation (IFC) and other international investors, the development of the oilfield in Chad and the construction of the pipeline and associated facilities by three private sector sponsors—ExxonMobil, Petronas and Chevron; (c) building capacity in Chad and Cameroon for managing the potential environmental and social impacts of the Projects and, in Chad, for promoting development in the project area and for managing the petroleum sector more generally; and (d) building capacity in Chad to manage future petroleum revenues and to direct them, efficiently and transparently, towards poverty alleviation.

2. A comprehensive mechanism has been established for the supervision and monitoring of the Projects. This includes supervision of the Projects by the WBG, and monitoring of project activities by the Governments of Chad and Cameroon in their respective territories, with inputs from civil society. The Governments of Chad and Cameroon will be assisted by an Environmental and Social Experts Panel (ESEP), whose mandate is to help the Governments in assuring that the Projects' Environmental Management Plans (EMP) are satisfactorily implemented. An External Compliance Monitoring Group (ECMG) will also be established to monitor the implementation of EMP on behalf of the lender group.

3. Broader concerns have been raised, however, about the Projects and their potential impacts in Chad and Cameroon. There is a risk that the Projects will not achieve their poverty alleviation objectives, could have negative impacts on affected populations and result in adverse environmental impacts. Weak institutional capacity in Chad and Cameroon and the potential for conflict between involved parties also present risks for the implementation of the Projects. In order to address these risks, a number of measures have been built into the design of the Projects and in the respective WBG Country Assistance Strategies (CASs). However, the WBG, in

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<sup>17</sup> The World Bank Group in this context includes the International Bank for Reconstruction and Development (IBRD), International Development Association (IDA), and International Finance Corporation (IFC), the private sector affiliate of the World Bank.

<sup>18</sup> Petroleum Development and Pipeline Project (Chad-Cameroon), Management of the Petroleum Economy Project (Chad), Petroleum Sector Management Capacity-Building Project (Chad), and Petroleum Environment Capacity Enhancement Project (Cameroon).

cooperation with the Governments of Chad and Cameroon, seeks to further strengthen the monitoring instruments available to support these Projects.

### **Purpose of the IAG**

4. The WBG, in consultation with the Governments of Chad and Cameroon, will appoint an International Advisory Group (IAG) to further strengthen the mechanism for monitoring progress in the implementation of the Projects. To ensure transparency and accountability, the IAG will comprise highly respected impartial individuals, with relevant expertise. These individuals will be independent of all parties to the Projects and will have freedom to obtain information from all relevant sources.

5. The purpose of the IAG is to advise the WBG and the Governments of Chad and Cameroon with respect to its observations about overall progress in implementation of the Projects and in achievement of their social, environmental, and poverty alleviation objectives, as well as with the broader goals of poverty alleviation and sustainable development in Chad and Cameroon. The IAG's specific responsibilities are to: (a) identify potential problems as they arise, concerning issues such as the misallocation or misuse of public revenues, adequacy of civil society participation in the implementation of the Projects, progress in building institutional capacity, and more generally, issues of governance, environmental management and social impacts; and (b) recommend actions to the WBG, Government of Chad and Government of Cameroon to address the problems identified.

### **Scope of Work**

6. The IAG will visit Chad and Cameroon at least twice a year, or more often depending on the IAG's assessment. As an advisory body, the IAG will have purview over all activities related to the Projects and will directly observe progress in their implementation, although it is not expected to duplicate the field work on monitoring to be carried out by the governments, WBG, and the project sponsors. However, all reports prepared by these parties or on their behalf, including any other documents having a bearing on the implementation of the Projects, will be made available to the IAG for the purpose of undertaking its responsibilities.

7. The IAG will carry out its work in consultation with the full range of stakeholders: government staff responsible for monitoring project progress and planning and managing revenues for poverty-focused development, affected populations, and civil society organizations. The IAG is expected to serve as another vehicle for the affected populations and citizens to channel their concerns about the social, environmental and poverty related impact of the Projects in Chad and Cameroon. The IAG will advise the WBG and the Governments of Chad and Cameroon of these concerns and suggest actions that need to be taken to ensure that these concerns are appropriately addressed.

8. The IAG will independently develop its work program, which is likely to evolve as project implementation progresses. Among other issues, the initial work of the IAG could include social investment activities in the project area<sup>19</sup>, direct and indirect social and environmental

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<sup>19</sup> These could include construction of public markets, an abattoir complex, water and sewerage infrastructure, and health facilities.

impacts associated with the construction process, and progress with regard to capacity-building activities, whereas increased attention to activities related to sound revenue management is envisaged once oil revenues come on stream.

9. One member of the IAG will be named by the President of the WBG as the Convenor. The Convenor will be provided with support services necessary for coordination of the work of the IAG and preparation of its reports. After distributing information about the Projects to the other members of the IAG, the Convenor will arrange for the IAG to meet prior to undertaking its initial field visit. The IAG will have a start-up meeting to review the scope and objectives of the Projects and to review and discuss the Terms of Reference. It will then undertake a familiarization visit to the project area in Chad and Cameroon. On the basis of this process, the IAG will develop its initial work plan, which will be presented to the WBG and the Governments of Chad and Cameroon. After review by these parties, the work plan will be made available to the public and the IAG will begin a series of regular field visits.

10. Following preparation of the work plan, the IAG may, at its discretion, meet with the WBG President, the Corporate Oversight Committee (COC) appointed by the President<sup>20</sup> to coordinate and oversee the implementation of the Projects, WBG senior management, and the project team. It will also have regular meetings with senior representatives of the Governments of Chad and Cameroon and the oil consortium to collect information and exchange views. The IAG will meet with nongovernmental organizations (NGOs) and local communities affected by the Project, without interference from any government, the oil consortium<sup>21</sup> and/or WBG officials. The views and opinions of all stakeholders will be actively solicited from the beginning of the IAG process, and the IAG will prepare and make available to the public its plan and agenda for future meetings.

11. The work of the IAG is expected to continue for a period of up to ten years, covering the period of oilfield development and pipeline construction and the first six years of the flow of oil and accompanying inflows of significant oil revenues. At the end of the second, fifth, and seventh years, the WBG and the IAG will conduct a joint stocktaking, with inputs from civil society to evaluate whether the IAG's work has been useful and should be continued, and to make any necessary adjustments in the IAG's scope of work. Other partners funding the work of the IAG are anticipated to participate in this evaluation.

### **Composition of the IAG**

12. The task of translating oil revenues into poverty-alleviation programs is challenging and will require not only political, economic, environmental, social, financial, and technical skills, but also the ability to listen and understand the concerns of people in the project area, representing all levels of society and diverse cultural backgrounds. The IAG's independence is crucial to its

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<sup>20</sup> The Corporate Oversight Committee is chaired by Shengman Zhang, World Bank Managing Director, and includes Kemal Dervis, Vice President, Poverty Reduction and Economic Management Network; Ian Johnson, Vice President, Environmentally and Socially Sustainable Development; Mats Karlsson, Vice President, External Affairs and UN Affairs; Andreas Raczynski, Director, IFC Technical and Environment Department; Katherine Sierra, Vice President, Human Resources Services; Meg Taylor, IFC Compliance Advisor/Ombudsman; and Ko-Yung Tung, Vice President and General Counsel.

<sup>21</sup> The oil consortium comprises the three private sector sponsors: ExxonMobil, Petronas, and Chevron.

effectiveness. IAG members must, therefore, be of international stature and unimpeachable personal integrity, able to resist any pressure that might be brought to bear on their conclusions.

13. The IAG will consist of six persons, including one who will serve as Executive Secretary. Their collective professional experience and knowledge should allow them to address the following areas of importance to the Project:

- (a) *Governance Issues*. Knowledge of all aspects of governance issues in the African context;
- (b) *Management of Public Finance*. Knowledge of national planning and programming of public resources and the use of these resources for effective poverty alleviation;
- (c) *Environmental Aspects of Development*. Knowledge of environmental management and monitoring issues associated with major infrastructure projects and the linkages between environment and poverty;
- (d) *Social Aspects of Development*. Knowledge of social aspects of major infrastructure projects and the ways in which addressing these impacts and risks is linked to poverty alleviation; and
- (e) *Community Development*. Knowledge of community development issues including experience working with the types of communities that may be affected by the Projects.

It is desirable that IAG members have knowledge of African conditions and experience with infrastructure investments. Fluency in English and French is desirable, but not required.

14. The IAG will be able to call upon the services of specialists to examine specific issues as needed within the budget provided for this specialized support. It will also be able to hire translators/interpreters to assist the IAG in undertaking its work and to ensure that its findings and recommendations are widely disseminated in local languages.

### **Selection Criteria and Process**

15. To ensure the complete independence of the IAG, its members should:
- (a) Not be nationals of Chad or Cameroon;
  - (b) Not be current or former staff members of WBG;
  - (c) Not currently be engaged in positions or consultancies with the project sponsors, or the Governments of Chad and Cameroon; and
  - (d) Not accept any position to consult with or work for any of the parties in (c) during tenure on the IAG.



16. The selection process will be coordinated by the COC, which has been appointed by the WBG President. The final decision on the membership of the IAG will be made by the President of the WBG.

### **Reporting**

17. The IAG will report periodically to the WBG President and WBG Board of Directors as well as to the Governments of Chad and Cameroon on its findings and recommendations. The WBG, in turn, will report to the IAG and the WBG Board on the actions taken to address the issues identified. All reports of the IAG, without modifications and/or amendments, will be distributed simultaneously to the WBG Board and other stakeholders on the same day they are submitted to the President of the WBG. The WBG's action plan for addressing the issues identified by the IAG will also be made public, immediately after these have been discussed with the WBG Board.

18. The IAG, as a group of experts, may, at its discretion, hold discussions with civil society about its findings and recommendations, prior to submitting its reports to the President of the WBG and the Governments of Chad and Cameroon. The IAG will also advise on the status of dissemination of its reports and the implementation of its recommendations.

### **Budget**

19. The WBG has agreed to make available the resources needed for the effective functioning of the IAG. It has also confirmed the interest of other donors in supporting the IAG. Funds provided to support the work of the IAG will be placed in a Trust Fund dedicated to this task.

### Appendix 3

#### Synoptic timeline of major events of the Chad-Cameroon Petroleum Development and Pipeline Project

1970s	Significant oil reserves confirmed in Chad
1988	The Republic of Chad and a consortium of oil companies (including Exxon) sign an agreement for a ten-year oil exploration permit (since extended) and a thirty-year lease to develop three oilfields in the Doba basin
1993	<ul style="list-style-type: none"> <li>- Significant oil reserves confirmed in the Doba basin</li> <li>- Start of Environmental Studies</li> <li>- First contacts between Exxon and World Bank</li> </ul>
1996	<ul style="list-style-type: none"> <li>- Multiparty presidential elections in Chad</li> <li>- Chad and Cameroon sign an agreement for the construction and operation of an oil pipeline and related facilities across Cameroon's territory</li> </ul>
November 1997	Terms of WB loans to Chad and Cameroon drawn up (IDA concessionary loans, later changed to IBRD loans)
September 1998	Exxon publishes the Project's Environmental Assessment
December 1998	Chad's National Assembly passes Law 001/PR/99 on Oil Revenue Management
January 11, 1999	Promulgation of Law 001/PR/99 by the President of Chad
November 1999	Shell and Elf leave the Oil Consortium
May/June 1999	EMP published and submitted to the WBG
April 2000	Chevron and Petronas join ExxonMobil in the Consortium
June 6, 2000	WBG's Board of Directors approves the Chad-Cameroon Petroleum Development and Pipeline Project
August 2000	Contested use of signing bonus by Chad
October 2000	Official ceremony launching the work at Komé (Chad) and Kribi (Cameroon)
February 2001	Creation of the IAG
May 2001	Presidential elections in Chad
Beginning of 2002	World Bank reinforces supervision and coordination of capacity-building projects in Chad, allocating additional human resources in N'Djamena and Washington
July 2002	Inspection Panel report on the Project in Chad
May 2003	Inspection Panel report on the Project in Cameroon
July 2003	First Oil
October 2003	First Export
November 2003	First royalties paid to the government of Chad on the escrow account at the

	Citibank in London
January 2004	<ul style="list-style-type: none"> <li>- Extractive Industries Review, launched by WB in 2002, issues report</li> <li>- IMF support to Chad suspended (after sixth PRGF review not completed); consequently support from the EU and other partners also suspended</li> </ul>
May 10, 2004	Chad and the Consortium sign new exploration agreement raising royalties from 12.5% to 14.25% – Consortium pays 1 <sup>st</sup> installment of bonus
June 2004	Consortium pays 2 <sup>nd</sup> installment of bonus to Chad
July 6, 2004	First repatriation of oil revenues to Chad
September 2004	Decree creating an Interim Committee to Manage the 5% of oil royalties allocated to the producing region
October 2004	President Paul Biya reelected in Cameroon
March 31, 2005	Paul Wolfowitz becomes WBG's tenth President
May 2005	New PRGF program signed by IMF/Chad
June 2005	Referendum on changing Chad's constitution → removal of term limits for president
October 2005	<ul style="list-style-type: none"> <li>- Workshops on the Implementation Completion Report for the World Bank project held in Chad and Cameroon with the IAG as moderator</li> <li>- New triennial PRGF program signed by Cameroon/IMF</li> </ul>
December 2005	Chad's National Assembly passes Law 002/PR/2006 amending Law 001/PR/99
January 11, 2006	<ul style="list-style-type: none"> <li>- Promulgation of Law 002/PR/2006 by the President of Chad</li> <li>→ Applicable to all of Chad's oilfields: repatriation of the Future Generations Fund to Chad for immediate use, increase in the number of priority sectors, increase in the proportion of direct oil resources allocated to government operating and investment costs, change in the composition of the CCSRP and the way its members turn over</li> <li>- WB suspends disbursements on its Chad portfolio, Chad's escrow account in London is frozen, absence of external budget support for Chad</li> </ul>
April 2006	<ul style="list-style-type: none"> <li>- Interim agreement by Chad/WB</li> <li>- Cameroon achieves completion point</li> </ul>
May 2006	President Idriss Déby Itno reelected in Chad
June 2006	Chad resumes repatriation of oil revenues
July 13, 2006	Chad/WB memorandum of understanding: 70% of Chad's total expenditures allocated to poverty reduction programs
July 2006	Creation of the <i>Société des Hydrocarbures du Tchad</i>
November 2006	State of emergency declared in Chad for six months (rebellion)
January 2007	Oil spill in Cameroon at the FSO
April 2007	Finalization of the LUMAP

May 2007	In Chad, law on hydrocarbons (new Petroleum Code)
During 2007	PRGF Program suspended in Chad
July 1, 2007	Robert B. Zoellick becomes the WBG's eleventh president
August 2007	In Chad, political agreement is reached between the majority and the opposition parties
February 2008	<ul style="list-style-type: none"><li>- February 2 and 3: rebels attack N'Djamena</li><li>- State of emergency in Chad from February 15 to March 16, 2008</li></ul>
April 2008	Cameroon's constitution amended: removal of term limits for president
August 2008	Oil spill in Chad
September 9, 2008	WB withdraws from oil project in Chad, Chad repays remaining loan balances early
January 2009	Gradual reopening of WB offices in N'Djamena

**Appendix 4**  
**Feedback Workshop Breakout Group Reports<sup>22</sup>**  
**(in French)**

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<sup>22</sup> See Workshop's Terms of Reference and Assessment Report on IAG website : [www.gic-iag.org](http://www.gic-iag.org)

**ATELIERS DE RESTITUTION DU RAPPORT BILAN DU GIC****N'Djaména, Tchad – le 29 Juin 2009**

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**RAPPORT DE LA COMMISSION I – TCHAD****VOLETS ENVIRONNEMENTAL ET SOCIAL & REVUE INTERNE DU GIC**

Dans le cadre des travaux en sessions thématiques, les membres de la Commission 1 ont retenu la démarche citée ci-dessous qui a été proposée par le modérateur et adoptée par les membres présents dans la salle de la Commission 1. Cette démarche porte sur les trois points suivants :

- les questions après la lecture du rapport;
- les interrogations;
- les observations et commentaires.

Conformément aux termes de référence et au programme de l'Atelier, les membres de la Commission 1 ont engagé les discussions en deux temps, sur la section 3 de la partie I (Volets Environnemental et Social) et sur la partie II (Revue Interne du GIC) du Rapport Bilan.

**Concernant la partie I du Rapport Bilan : Volets environnemental et social*****Gouvernance environnementale***

Le défi environnemental : les membres de la Commission 1 constatent que les effets cumulatifs d'impact environnemental n'ont pas été suffisamment adressés. En effet, la zone d'exploitation du pétrole (Bassin de Doba) subit les effets cumulatifs liés à une pression sur le sol et la terre arable, sur les eaux de surface et les eaux souterraines et sur l'air et l'atmosphère. Les mesures d'atténuation mises en œuvre à ce jour par le Consortium pour limiter les effets néfastes sur l'environnement ne semblent pas avoir eu beaucoup d'impacts positifs pour arrêter la dégradation. Les participants estiment que le changement climatique va encore compliquer davantage les impacts environnementaux dans le site d'exploitation pétrolière. A ce titre, des mesures d'adaptation doivent être prévues. De plus les services techniques de l'Etat ne disposent pas suffisamment d'indicateurs et de statistiques pour suivre l'impact environnemental et social. Il n'y a pas de remontée des informations disponibles sur ces cas.

***Gouvernance Socio-économique***

Le défi social : il a été relevé que l'incidence de la pauvreté est perceptible (pas de chiffres sur le nombre de pauvres et la profondeur de la pauvreté) et que les 5% de revenus pétroliers alloués à la région productrice ne sont pas très visibles (opacité). Sur ce plan, il est difficile de pondérer leur contribution sur les objectifs de développement

du millénaire (2015). De plus, la question relative aux aspects liés à la santé n'est que timidement adressée dans le rapport.

### ***Gouvernance institutionnelle***

La question relative à la faible fonctionnalité de l'appareil étatique et à la capacité insuffisante du Gouvernement de faire travailler ses différents services régionaux n'a pas été mise en exergue. Un flagrant déficit de participation de l'Etat et de suivi des différentes activités sur le site.

Les participants adhèrent à l'idée que qu'après 6 années de production, le mandat du GIC devrait changer et cela ne pourrait se faire qu'à travers un processus participatif de consultation avec les parties prenantes. Dans un esprit d'appropriation, le Gouvernement doit être capable d'assurer la relève.

Les participants ont émis les vœux que la compensation telle qu'elle faite est désuète et estiment qu'elle doit se faire sur une base beaucoup plus réaliste qui exige de la part du Gouvernement tchadien une capacité de négociation qu'il n'a pas encore.

La Banque Mondiale doit poursuivre son rôle de garant et parrain pour le Tchad face aux géants pétroliers, pour la prise en compte dans le cadre du Projet des précautions sociales et environnementales consignées dans le Plan de Gestion Environnementale (PGE).

### **Concernant la partie II du Rapport Bilan : Revue interne du GIC**

Les participants ont été unanimes pour reconnaître que le GIC a fait un travail important et que ses conseils ont été utiles pour les deux Gouvernements (Tchad & Cameroun), le Groupe de la Banque Mondiale et le Consortium.

Les participants se sont intéressés sur la question du mandat du GIC et ont posé des questions avec beaucoup de regret et d'insistance surtout à un moment où la Banque Mondiale s'est retirée.

Après 8 ans de travail pour le GIC et 6 ans d'exploitation du pétrole, le Tchad se trouve aujourd'hui à la croisée des chemins. Il serait souhaitable et il en va de l'intérêt du Tchad que cette institution ou une autre institution de même nature puisse continuer à conseiller le Gouvernement sur les différents aspects liés à l'exploitation présente et future des gisements minier et pétroliers afin d'éviter les écueils (au moment où le Tchad est en difficulté avec son partenaire principal).

N'Djaména, le 29 Juin 2009

**Le Rapporteur**

**ISMAEL MAHAMAT MOCTAR**

**Le Président de la Commission**

**ZAKARIA OUSMANE**

**RAPPORT DE LA COMMISSION II – TCHAD****GESTION DES REVENUS ET DEVELOPPEMENT & REVUE INTERNE DU GIC**

NB : la numérotation des paragraphes correspond à celle utilisée dans le Rapport Bilan

**Concernant la partie I du Rapport Bilan : Gestion des revenus et Développement*****Évaluation économique du Projet :***

- Omission importante :
  - Insérer le coût du projet par rapport aux estimations et aux prévisions de recettes pétrolières
  - Après un report en 2008, « insérer le prix moyen du baril du pétrole qui a permis de dépasser les estimations en 5 ans à 4,3 milliards de USD par rapport à 1,7
- Nouvelle suggestion :
  - Insérer une recommandation relative au renforcement des capacités en matière d'analyse, d'évaluation et de gestion financière des projets
- Désaccord avec le Rapport Bilan :
  - Reformuler la recommandation au paragraphe 203 pour introduire la notion de condition au lieu du terme souveraineté

***Utilisation des retombées financières par le pays :***

- Erreur corrigée :
  - Au paragraphe 213 lire : « des difficultés aggravées par la suspension des tirages du FMI consécutif à l'utilisation du bonus pétroliers et à la suspension du programme soutenu par la FRPC de 2005 en mai 2008 suite aux 1ère et 2ème revue non concluantes et aux événements de février 2008 »...
- Omissions importantes :
  - Au paragraphe 223, ajouter : « tout comme le secteur de développement urbain et de l'amélioration des conditions de vie des populations et de l'habitat qui voit ses allocations budgétaires diminuer comme peau de chagrin alors que les besoins de populations augmentent. »
  - Au paragraphe 229, lire « parfois de volonté politique et de problèmes sécuritaires »
- Désaccord avec le Rapport Bilan :
  - Le Gouvernement a de 2006 à 2008 mobilisé 17 milliards de FCFA pour les pistes rurales ; ce qui a permis de réaliser l'entretien de 1400 km de pistes rurales et 800 km de pistes sont en cours de réalisation.
- Nouvelles suggestions :
  - Recommandation : « donner le pouvoir au CCSRP de saisir la Justice en cas de malversation financière ».



- Renforcer le système statistique tchadien.

***Développement du secteur privé et de l'emploi local :***

- Nouvelles suggestions :
  - Développer des accords de partenariat avec les ministères en charge de la formation professionnelle ;
  - Demander à l'Office National pour la Promotion de l'Emploi (ONAPE) de faire un contrôle réel sur la main d'œuvre recrutée ;
  - Mettre en place une politique énergétique pro-pauvre ;
  - Encourager l'auto emploi.

***Gouvernance***

- Nouvelle suggestion :
  - Créer un cadre de concertation permanente entre acteurs du PTC à l'instar de celui du Cameroun.

**Concernant la partie II du Rapport Bilan : Revue interne du GIC**

- Nouvelles suggestions :
  - Si l'expérience est à répéter, nécessité d'avoir une antenne locale du GIC.
  - Une large diffusion et vulgarisation du Rapport GIC auprès des Administrations et acteurs de la Société Civile ;
  - Produire des indicateurs de niveau de base dans la région productrice pour conduire les études d'impacts du projet sur les populations ;
  - Faire la restitution des rapports de missions du GIC au Chef de l'Etat.

N'Djaména, le 29 Juin 2009

**Le Rapporteur**

**ISSEINE MOUHORO**

**Le Président de la Commission**

**MANASSE GUEALBAYE**

**ATELIERS DE RESTITUTION DU RAPPORT BILAN DU GIC****Yaoundé, Cameroun – le 2 Juillet 2009**

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**RAPPORT DE LA COMMISSION I – CAMEROUN**

Réunie dans le salon dénommé Mont Cameroun, le jeudi 3 juillet 2009, la Commission a eu comme facilitateurs le Président du Conseil d'Administration de la FEDEC et un membre de ce conseil. Il s'agit respectivement de M. Bodo Abanda dans la matinée et de M. Achoudong dans l'après midi. Le secrétariat de la Commission était assuré par Valérie Ngongo-Mbede de l'AFARD-Cameroun.

Dès le départ, le facilitateur a fait une mise au point en nous signifiant qu'il n'était pas demandé aux participants et aux participantes de réécrire le Rapport Bilan du GIC. Cette réunion à son avis, il s'agissait d'un forum d'échanges, afin d'apporter des améliorations à l'avenir pour des projets similaires.

Comme méthodologie, il a été suggéré d'analyser point par point certains thèmes du Rapport Bilan.

Les débats ont été passionnés et passionnants à cause de nombreuses questions adressées tantôt aux membres du GIC, tantôt à ceux de la COTCO. Ce jeu de questions réponses a permis aux participant(e)s de se remettre en mémoire le long processus de consultations et d'études accomplis de part et d'autre.

A la suite de cela, après avoir félicité les membres du GIC non seulement sur l'excellent travail accompli sur le terrain, mais aussi sur la manière qu'ils ont procédé pour informer avec constance et régularité leurs partenaires à chaque retour de mission au Tchad ou au Cameroun. Cependant, les participant(e)s de la Commission numéro une ont tenu à faire les observations et les recommandations suivantes:

- Les participant(e)s ont déploré le fait que lors des consultations publiques, on n'ait pas pensé à utiliser des canaux plus neutres comme les églises et les mosquées. En effet, les prêtres, les pasteurs et les imams sont très proches des populations et celles-ci peuvent donner sans crainte leur opinion devant ces leaders spirituels.
- Nous avons également regretté le fait que les experts nationaux n'aient pas été vraiment impliqués.
- Les participant(e)s ont recommandé qu'à l'avenir, des évaluations diagnostiques étaient nécessaires avant le démarrage du projet, tant sur les populations que sur l'environnement.
- Ces évaluations devraient porter sur : le genre de vie menée par les habitants de la zone, leur philosophie de la vie, leurs activités (cultivateurs, éleveurs transhumants ou non), leur mode de vie et l'état de leur santé avant la mise en place du projet.

- Les participants et les participantes ont également estimé que le renforcement des capacités des populations doit se faire avant le projet et non après ou pendant. Ceci pour qu'elles sachent exactement quels sont les enjeux.
- Les participants ont regretté que lors des négociations avec les compagnies pétrolières les gouvernements tchadiens et camerounais n'aient pas jugé utile d'associer toutes les personnes compétentes à l'instar des sociologues, des avocats, des spécialistes de l'environnement (biologistes animales et végétales, géographes, environnementalistes purs), des historiens et archéologues, des travailleurs sociaux. Il était donc souhaitable de les associer à toute élaboration d'un mégaprojet futur.
- Les participants ont suggéré d'éviter de signer des accords avec des bailleurs ou des investisseurs dans l'impréparation et la précipitation.
- Les participants ont recommandé que nous devions apprendre à mieux négocier avec les investisseurs pour éviter que les populations du pays hôte ne se sentent pas flouées quand la conjoncture mondiale change.
- Les participants ont également estimé que l'on remette aux membres du GIC toutes les données sur le Pays afin de faciliter leur tâche.
- Les participants ont souhaité que l'accompagnement des populations soit fait avant, pendant et après le projet.
- L'unanimité a également été faite sur la recommandation du guichet unique. Il fallait capitaliser au mieux cette expérience tel qu'a fonctionné le CPSP pour le Projet Pipeline Tchad-Cameroun.
- Les participants ont estimé aussi qu'à l'avenir, le GIC devrait être mis en place par tous les protagonistes et pas seulement par les investisseurs et la Banque Mondiale.
- Enfin, les membres du GIC ont pris bonne note des suggestions faites par les participants pour améliorer le texte du Rapport Bilan.

Fait à Yaoundé le 3 juillet 2009 au Hilton Hôtel

**Le Rapporteur**

**Valérie Marie NGONGO-MBEDE**

**Les Présidents de la Commission**

**BODO ABANDA Ernest  
Pr. ACHOUDONG**

## RAPPORT DE LA COMMISSION II - CAMEROUN

Composée de représentants des administrations du Cameroun et du Tchad, des ONG du Cameroun, d'un syndicat, de membres du GIC et du Représentant de la Banque Mondiale.

Les échanges visaient à :

- Identifier et corriger les éventuelles omissions importantes et erreurs factuelles de ce Bilan,
- Faire valoir des points de vue ou expériences différents de ceux exprimés par le GIC sur le Projet Tchad-Cameroun et sa mise en œuvre,
- Relever les sujets de préoccupation ou de satisfaction particuliers relatifs à la conception et à la mise en œuvre du Projet Tchad-Cameroun et projets connexes de renforcement des capacités, et au mécanisme de Conseil Indépendant GIC, etc.

Les résultats des travaux peuvent être classés en quatre catégories :

1. Des suggestions visant à préciser des informations contenues dans le rapport, afin d'en faciliter la compréhension. Il s'agit notamment de préciser :
  - Pour chacun des commentaires et observations, s'il s'applique au Tchad ou au Cameroun ;
  - Préciser la nature des données évoquées aux paragraphes 20 et 94 ;
  - Apporter des précisions sur les revenus des autres parties (Cameroun et Consortium), même si elles ne sont pas concernées par le Plan de Gestion des revenus mis en place par le projet.
2. Des ajouts et corrections matérielles au texte :  
Ils ont été remis formellement aux membres du GIC.
3. Les points ayant fait l'objet de vifs débats et de désaccords :
  - La qualité de l'information et de la consultation : était-elle bonne, seulement acceptable ou profondément lacunaire ?
  - La question de la violation des droits de l'Homme :  
Vaut-elle seulement pour le Tchad, ou a-t-on aussi observé des cas au Cameroun ? Si certains estimaient qu'au Cameroun, il serait exagéré de parler d'abus de cette nature le long de l'oléoduc, d'autres participants pensent que la répression à NGOUMOU et à EKABITA par exemple étaient bien constitutives de violation des droits de l'Homme.
  - La question de la volonté politique :  
Peut-on, comme de nombreux participants, dire qu'elle a été absente sur le projet, et qu'il en est résulté les nombreuses faiblesses énoncées dans le rapport ? Ou le fait d'avoir mis en place des institutions comme le CPSP est, en soi, une expression suffisante de la volonté politique.

- La situation de l'emploi et des opportunités d'affaires :  
La faiblesse des retombées locales en termes d'emploi est-elle une défaillance des administrations publiques compétentes qui n'ont pas su anticiper en ce qui concerne la nature et les contours de la demande, ou alors relève-t-elle de la seule responsabilité des demandeurs d'emploi, qui ne se sont pas suffisamment préparés. Le même raisonnement a été exprimé en ce qui concerne les opportunités d'affaires.
- La réalité de la malédiction des ressources, notamment au Cameroun, a fait l'objet de débats, et de désaccords. Certains estimant que le Cameroun a été épargné par ce fléau.

4. Les réflexions et constats généraux sur le projet :

- Qu'on veuille ou non le considérer comme un modèle, le projet formait un schéma différent de ceux existants dans le secteur des industries extractives, et autorise donc les comparaisons.
- Le rôle de l'Etat, dont les défaillances ont été préjudiciables aux citoyens et à l'Environnement. Cette faiblesse suscite des craintes pour l'avenir, et encourage à la recherche de mécanismes de garanties visant à suppléer un Etat défaillant :
  - Soumission du déblocage des fonds à des conditionnalités sur le renforcement des capacités ;
  - Institution d'un quitus social pour les sous-traitants ;
  - Gestion des griefs par une tierce partie, afin d'éviter tout conflit d'intérêt ;
  - Publication de la liste des employés étrangers, avec leurs qualifications, comme moyens de protéger l'emploi local.

Yaoundé, le 2 juillet 2009

**Le Rapporteur**

**CELESTIN MBARGA**

**Le Président de la Commission**

**SAMUEL NGUIFFO**