

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

**REPORT OF MISSION**  
**TO CAMEROON AND CHAD**  
**JULY 19 - AUGUST 3, 2001**

**September 28, 2001**

**International Advisory Group**

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**1. INTRODUCTION**

The International Advisory Group for the Chad-Cameroon Petroleum Development and Pipeline Project (IAG) was appointed February 21, 2001. Its mandate is to advise the President of the World Bank Group and the governments of Chad and Cameroon with respect to its observations about the implementation of all of the projects related to petroleum development and the building of the oil pipeline in Chad and Cameroon by the ExxonMobil-Chevron-Petronas consortium.

In particular, this mandate involves identifying the measures that can contribute to making of this project a veritable instrument of development. It must encourage, in a context of improving good governance, an increase in the security and welfare of the populations concerned and the development of the expertise and the tools required by public administration as well as by business and civil society.

Given the unknowns inevitably created by a project of this scale, the IAG perceives its mandate as being essentially centred on anticipation, identification of mid- and long-term risks and opportunities and the proposition of measures to manage the issues. It is not primarily on monitoring technical compliance, this responsibility having already been taken on by others.

Meeting for the first time in Washington for a briefing session in March, the Group carried out a courtesy and preliminary contact visit to Chad and Cameroon in April and met in May to formulate its Mission Statement and prepare its Work Plan. The latter, made public last July 30, provides a first overview of its work schedule until the end of 2003 and identifies sectors on which the IAG will focus.

In accordance with its terms of reference and according to its timetable, the Group made a first working visit to Cameroon and Chad from July 19 to August 3, 2001, the subject of this report.

**Context and Objectives of Mission**

This Mission Report presents the main observations and recommendations we are in a position to formulate at this stage. This first working visit consisted mainly of a general survey and, in many cases, a first contact to lay the groundwork for working relationships and trust. The Group tried to gather the broadest information possible and to establish the greatest number of contacts so as eventually to concentrate its efforts on specific topics. This mission was

undertaken without the Group having yet had the opportunity to take cognizance of all the documentation available or requested.

This Report's objective is to account for the issues we have identified and to propose avenues for helping authorities to advance matters, without claiming to have, in a few short weeks, definitive solutions to propose, especially as regards mid- and long-term risks besetting the project and the ways to avert them.

### **Chronology of the Mission**

After arriving in Douala July 19, the IAG stayed in Cameroon until the 25<sup>th</sup>, meeting individuals and groups in Douala, Kribi and Yaounde.

From Yaounde, we flew to Kome and Bebidjia, which served as a base to visit Moundou, Doba and surrounding villages.

We travelled to N'djamena on the 29<sup>th</sup> where we worked until Thursday night, August 2<sup>nd</sup>.

During this stay, the IAG held more than 50 meetings with individuals, departments, groups and institutions. The chronology of the stages of this visit and the list of meetings are presented in the appendix.

## 2. GENERAL OVERVIEW

### Features Common to Both Countries

The Chad-Cameroon Petroleum Development and Pipeline Project is exceptional, both in the size of the investment planned and in its historical, geographic, social and cultural context. It will inevitably be a source of profound changes in both countries, especially in Chad. Can these changes ultimately be beneficial to the populations of these countries, especially the population along the pipeline? This is a challenge that is still far from settled.

There is a glaring disequilibrium between, on the one hand, the capacity of the operating consortium (ExxonMobil-Chevron-Petronas) in terms of financial resources, technology, rigorous co-ordination and precise schedule, and, on the other hand, the means available to the states and their populations to manage, regulate, and even influence the course of the project and take advantage of all possible benefits. The project is presently progressing in a promising manner, but at different paces and according to very different processes for both parties: the consortium, by focused action towards its objective, and the countries, by debates and negotiations on many questions that concern various territorial divisions. A protracted period of struggle by civil society against the first version of the project made it possible to improve the protection of the populations and of the environment. Technical options and the manner of implementation are now more reassuring. The governments, civil society, the consortium and the World Bank need to transform their mutual perceptions now that the project is in the implementation phase.

At this stage, delays present serious problems for all parties and the danger is not limited to missed opportunities during the construction phase, important though these are. In spite of the project's deep integration into the ecosystem, there is an obvious risk of creating an industrial enclave for export and its supporting services that is intimately connected to the exterior but cut off from the host socio-economic and cultural environment to which the consortium will necessarily be integral for the next 30 years. If it becomes impossible to establish a relationship of trust with the population, we can expect that the project will be passively tolerated, at best.

Most of the national capacity-building programmes have been announced, but many have failed to develop at the same pace as the consortium's work. For example, national monitoring has yet to be implemented. Other initiatives are too modest, such as sub-contracting work to nationals and efforts to substitute local technical expertise for that from abroad. Yet others have barely started, such as a comprehensive plan to respond to the fears and other preoccupations of riverine populations and fishermen with respect to the protection of surface and groundwater in the oilfields and along the pipeline, as well as in the national and international waters offshore from Cameroon.

Effective communication with all those that have a legitimate interest remains a serious problem, especially with those whose means of livelihood could be affected for better or worse by the project. Revenue allocation between the central government and local and regional governments still remains to be determined, ensuring that the revenue management plan will be in force by the time operations get under way. These shortcomings could undermine project efficiency and affect the benefits to the populations.

It will therefore be crucial to achieve full implementation of capacity-building projects by the time oil begins to flow in 2003. For the programme to be effective, all parties should be proactive,

disseminate information and maintain dialogue, remedy weak points and develop contingency plans in case of problems.

### **Features Particular to Cameroon**

Cameroon, in general, has a relatively operational national infrastructure which is likely to improve over the coming years. Project impacts are also geographically more diffuse, and, barring catastrophe, less visible. Taken together, these conditions mean that local Cameroonian institutions, having a certain track record of stability, should be in a relatively good position to respond to project requirements. Immigration and price increases linked to the project are mentioned less often as problems in Cameroon than in Chad.

The main project challenge, where Cameroon is concerned, is in mastering the significant environmental risks arising out of the construction and operation of the pipeline, including the offshore portion, as well as the management of the social impacts on the communities.

Market opportunities are important in the short term, during the construction period, but the financial benefits for the state will be of lesser importance than in Chad at the operations stage. It is therefore important that significant measures be taken to stimulate maximum economic spin-offs as soon as possible.

### **Features Particular to Chad**

In Chad, people have great expectations for tangible and visible project-related benefits. At the same time, and despite the importance of revenues generated by the oil, Chad needs to develop a diversified economy and one which is not dependent on a single product. The search for an optimal synergy of substantial but realistic co-operation between the oil and other sectors will require considerable effort and imagination at every stage, but especially at the planning stage.

The project represents a major intervention, a mega-project, in a young and poor country whose still-evolving political and social institutions are fragile. Security incidents, whether attributed to rebels, bandits or the military, serve to limit initiatives if populations fear a return to uncertain times. Discipline and respect for law on the part of all who bear arms therefore remain a source of concern.

The project is largely concentrated in a complex rural economy whose administrative institutions and economic structure are expected to change rapidly in the near future due to reasons only partially related to the petroleum project. To the present, cotton production controlled by government has constituted the main cash crop. It is grown on small plots by farmers who live in villages scattered over a flat terrain that is crossed from north to south by heavily travelled pastoral corridors and from east to west by equally active commercial networks with the Central African Republic and Cameroon. This diversity holds the potential for enhanced commercial production. The building of three new roads over the coming years, — from Mbere to Kome, built by TOTCO, linking the central region of Cameroon to the coast, from Garoua Boulai to Bangui and from Ngaoundere eastwards to link up with the road to Mbere — will intensify and redirect trade and modify people's activities and therefore land use. An increase in livestock in the area has been noted over the last twenty years, probably largely due to climate change. Conflicts between farmers and herders are reported to have increased and mediation methods appear unsatisfactory to most parties.

During the last thirty years, local government has proven to be variably effective in this region of Chad, which explains in part the extent of the presence and activities of NGOs in all aspects of development activities. As in the rest of the country, local government in the area will undergo a major reform undertaken by the Ministère de la Décentralisation. The first elections of councillors for the communes should be held in June 2002 following the next national legislative elections that will be held around March 2002. Based on the experience of the May 2001 presidential elections, we can expect a vigorous political contest in the South; it is no easy task to predict how the petroleum project will figure in the debate. Concurrently, COTONTCHAD — the industry that until now constitutes the base for Chad's exports — is slated to be privatised and reorganised according to plans made in 2000-2001.

Consequently, the coming years promise to be marked by unprecedented changes in many aspects of social life in the oilfields region. This would be true of some changes, even without the petroleum project. But the construction activities and the expectations of the population will add to the intensity of the changes. Increased prices for housing and food, a greater presence of herds and incidence of conflicts, waning interest on the part of farmers, the decline of cotton and security problems do not arise exclusively from the economic activity created by the petroleum project. But these tendencies are no doubt exacerbated by the project, due to the real or hoped-for opportunities for jobs and income distribution.

In these circumstances, the development and implementation of a regional development plan on the one hand, and devolution of greater administrative and financial responsibility to local and regional governments, on the other hand, become important instruments for implementing the poverty alleviation measures arising from oil revenues and the national poverty alleviation strategy. These actions should further strengthen the relationship of trust between the citizens and the public authorities, whether local, regional or national. Especially in the South, these authorities will have the responsibility for promoting a diversified economy and spin-offs for the population in the context of this large-scale petroleum project.

It is therefore not surprising that the project should evoke expectations, concerns and serious controversy at the political, economic, environmental and social levels. Whether the ultimate impact is positive or negative for the country, it will be considerable. Every effort is required to create the conditions that promote success. The limited financial, human and material resources at the administration's disposal to prepare and provide a feeling of security to the populations concerned, provide support to local businesses and revitalise the project's network of support mechanisms, remain a source of concern.

## **The World Bank**

The World Bank also shares in the challenge of making this commercial project an instrument of development. Accelerating the support mechanisms to governments — mechanisms already identified in projects approved in June 2000 — is essential to avoiding too great a gap between the project and the capacity building. Field presence, flexibility and timeliness are among the important challenges that today confront the World Bank. Some useful adjustments are under way in terms of monitoring in the field; others still need to be flexibly and responsively implemented in relation to the governments of both countries.

### 3. FINDINGS, CONCLUSIONS, RECOMMENDATIONS

This section returns to the five components of the Group's terms of reference and identifies for Cameroon, for Chad, or in general, the findings, the conclusions, and where necessary, recommendations. Unless otherwise specified, these recommendations, presented in italics, are addressed to the World Bank and to the governments in accordance with the IAG's Terms of Reference. They should also be of interest to the consortium, civil society and other stakeholders.

## CAPACITY BUILDING

### IN GENERAL

#### A Two-Speed Project

There is an increasing disequilibrium between the pace at which consortium operations are taking place, which follows its proposed timetable, and the pace at which the governments, the public institutions, the World Bank and civil society are able to act.

This disequilibrium takes diverse forms. It shows up, among other ways, in the creation of programmes or structures that, once set up, do not receive the human or material resources to act effectively. A few examples:

- the FACIL project for which funds are not yet disencumbered;
- the IFC initiative on behalf of local entrepreneurs that has yet to reach a successful conclusion;
- the regional planning process which is yet to get under way in the Doba region;
- the socio-economic studies on family budgets, which are delayed;
- the creation and almost simultaneous check on the activities of the FEDEC;
- the incompleteness of communication plans and, above all, the scarcity of actual communication activities;
- the absence of regular and public reports from government authorities entrusted with project monitoring.

*The World Bank and each of the governments must re-examine the status of each of the initiatives involved and take the measures required to speed up their implementation.*

*It may sometimes be useful to disengage projects with multiple components in order to avoid delays in one from impacting the whole: for example, the regional planning process can move forward without waiting for the family budget studies.*

*If necessary, carry out a new comprehensive review of all these initiatives, assign priorities and review the possibility of structural modifications or other changes to facilitate their implementation.*

## Inadequacy of Resources in Relation to Needs

In both countries, but especially in Chad, there is an imbalance between the needs of public authorities, of the contractors and of civil society, for each to play its role, and their present state of preparation. Delays in getting under way with the institutional capacity-building programmes supported by the World Bank worsen the situation even further. The beginning of the pipeline construction period in November 2001 and its commissioning in 2003 create inescapable deadlines.

*The World Bank and both governments must accelerate the start-up of the institutional development programmes. They must also immediately design the necessary measures to ensure catching-up in the mid term. Certain measures were deemed necessary and the conditions of the implementation were negotiated and agreed to. The inability of one of the parties to comply with the start-up requirements cannot signify that the action has lost importance but rather that the party unable to proceed needs some initial assistance. We cannot settle for waiting to act until all conditions are satisfied. To the extent that this type of intervention is new, Bank and IFC officials should be able to take initiatives that can push forward with the planned actions, to the benefit of the states, the private sector and civil society.*

## Private Sector Involvement

Private sector involvement in contracts resulting from the project is at once a problem of communication, of capacity building and of the emphasis that has been put on the project's local spin-offs.

In Chad as in Cameroon, the private sector feels itself ignored by the project, either through lack of communication and confidence when the procurement requirements exceed the capacity of operators, or because there exists no structure likely to provide them with the institutional and financial support necessary to enable them to compete.

This situation demands both short- and mid-term action to encourage as much participation as possible in the spin-offs from pipeline construction and to develop the expertise and the market mechanisms that will make it possible to participate in the operations phase.

*The two governments must help to:*

- *initiate in a participatory manner a meeting between the consortium and local contractors, a meeting designed to create the conditions of a true dialogue. It is matter of creating a common framework whose format and methods are agreed to by each party, in order to find solutions acceptable to all, notably by an arriving at a common understanding of the competitive rules of the game;*
- *create in Cameroon and develop in Chad communication mechanisms between the consortium (COTCO, TOTCO) and the large and small business interests to clarify market terms and conditions;*
- *classify businesses according to their expertise and the type of support required for their involvement in the project's implementation;*
- *create a commitment on the part of the contracting companies towards a realistic quantitative objective that, without endangering the quality of the work, assigns portions of the procurement to local businesses;*

- *initiate reflection on the system's efficiency and on the financial institutional approach to small and mid-size local businesses to promote their development as the project accelerates.*

## **Labour Relations**

Strikes and other social movements among pipeline construction teams are a sign of a lack of dialogue and consultation.

*The government should create, — or if it exists, implement — a framework for consultation between COTCO-TOTCO and the representatives of the workers whose objective would be the prevention of labour disputes by appropriate labour management and compensation.*

## **IN CAMEROON**

### **Feeling of Exclusion**

Private sector interests and NGOs each express a feeling of exclusion from the managing bodies of the petroleum project, especially the Pipeline Steering and Monitoring Committee, under the leadership of the Société Nationale des Hydrocarbures (SNH).

This is a problem of communication between the actors and the stakeholders.

*The government should examine the possibility of broadening the steering and co-ordinating bodies to include stakeholders, especially representatives of private operators and NGOs. The government should also take the initiative of developing and giving impetus to a permanent framework for consultation on the economy and the project.*

### **Legislative and Regulatory Framework for NGOs**

The recent publication of the decree on NGOs completes their legislative framework, but the main stakeholders do not seem to have been sufficiently listened to. If it is recognised that the work of NGOs is important for the country, the legislative and regulatory framework that concerns them should facilitate and encourage their work, based on internationally recognized good practice and without excluding the required controls.

*The Government of Cameroon should take the initiative of inviting NGOs to an open, free and constructive discussion on:*

- *the nature and impact of their actions;*
- *the mutual expectations of NGOs and the government;*
- *the potential changes to be made to the regulatory framework that was the subject of a recent decree;*
- *the creation of a permanent framework for cooperation and working procedures.*

*The World Bank should be directly involved in facilitating this dialogue.*

## IN CHAD

### Administration

The level of readiness of the central and local governments is a source of concern. Chronic deficiencies are aggravated by the departure of personnel attracted by opportunities offered by the consortium and other private operators. (For example, a government engineer in the field of energy or the environment can be enticed away from his job by a six-fold increase in remuneration).

*The government must make provision in the 2002, 2003 and 2004 budgets for sufficient funds to recruit and train key personnel, especially in the fields of petroleum resource management, environmental management, socio-economic planning and sectoral programming (education, health, hydraulics). If there is an issue of limiting or controlling the number of public employees, ensure that provision is made to preserve the number of agents needed in these fields.*

### Employee Training

The level of readiness and training of candidates for jobs with the consortium or its contractors is clearly insufficient.

*Complete and broaden professional training and technical education programmes based on present needs and especially needs that can be foreseen in the near future. In the immediate future, the consortium and the main contractors must continue, adapt and complete the training of the personnel they have already recruited.*

### Private Sector Interests

Small and medium-sized firms are underdogs in obtaining contracts because of their lack of preparation and training. It is not sufficient to set out the requirements to bid for contracts; it is also necessary to help potential operators to prepare themselves adequately.

*The Government, the Bank and the consortium must accelerate programmes designed to prepare local businesses and reinforce the capacity of small and medium-sized firms to respond to the more sophisticated requirements of this project. Instruments used so far seem unfit to overcome the handicaps that must be remedied to facilitate the participation of Chadian operators: new ways of operating must clearly be invented.*

### Status of Seconded Personnel

A solution needs to be found to enable the administration's elite personnel to be seconded to an institution involved in the management of the project without having to resign from the civil service, with attendant loss of employment and long-term benefits.

*The Government and the World Bank must solve this problem of secondment as soon as possible in order to allow the executives involved to dedicate themselves to the tasks set aside for them. Regulatory or operational provisions at the Bank level that force the government to definitively lose its officials should be reviewed and adapted so as to not weaken the administration in its role of controlling and monitoring economic and social activity. The most valuable civil servants must not be forced to resign in order to assume*

*functions within the autonomous but provisional structures that have been entrusted with orienting the project according to national interests.*

## **The Press**

The Press does not have adequate means to deal with the issues of oil, its risks and opportunities so as to be able to inform the public in a professional manner. While being conscious of the peril of media dependence on either government subsidies or on predominant advertisers, the Press (newspapers, radio, TV) must nevertheless remain an essential instrument of information and discussion of the issues involved and must have the means to carry out its mission.

*The government can make a useful contribution by encouraging training (seminars) and providing technical support (Maison de la Presse). The Government can also, in conformity with the Florence Agreement that it has reportedly ratified, grant routine fiscal and customs advantages and thus encourage publishers to improve the quality of their publications. Newspapers should benefit from comprehensive information and, if necessary, from financial backing for the regular publication and the treatment of information related to the project. Certain bilateral donors who have initiated programmes to support media training and development could be invited to contribute, facilitated by the Government.*

## **RESOURCES AND REVENUE MANAGEMENT (ECONOMICS – FINANCES – POVERTY)**

### **IN GENERAL**

#### **Communication**

A general and persistent problem is the absence of effective communication between the main stakeholders. It touches on every component of our terms of reference. A few examples can be noted:

- the breakdown of communications between COTCO and the employers' associations in Cameroon;
- lack of dialogue between the Government of Cameroon and employers;
- insufficient tripartite consultation, Government – COTCO – company management (including representatives of small and medium-sized firms);
- in Chad, absence of clear information and of communications between all interested parties: government, consortium, private sector, civil society, press.

Communication and consultation are not, in themselves, substitutes for actually solving problems, but they are essential to grasping the problems and starting to search for solutions. The widespread lack of communication is a source of frustration and misunderstanding, which often leaves unresolved problems that simple, clear and understandable communication would help to settle. Efficient communication is a pre-requisite to clarify, to minimise rumours and worries that result from the absence of information and to address the real issues. Consultation between the stakeholders is a necessary means to tackle the search for solutions.

*Beyond a general comment on the urgent need for action in this area, the IAG formulates the following recommendations for the benefit of all major stakeholders:*

- *until the end of pipeline construction and during the first years of operation, establish a technical co-ordination committee between COTCO management and the CPSP;*
- *in Chad, the consortium must take the initiative of targeted and sustained communication with each of the partners affected by the project: local business interests, rural population, civil society. It is not enough to announce, explanations and dialogue are required;*
- *the project's co-ordination secretariat should become a depository of all information on the various aspects of the project, a centre widely accessible to all and with branches in regions directly concerned by the project;*
- *local grassroots organisations, notably the NGOs, must receive support to enable them to disseminate information on opportunities and risks;*
- *the technical solutions to the most worrisome problems should be given priority in information dissemination. For example, the risks of oil spills off the coasts, at sea, at the maritime floating terminal, or the situation concerning flaring, should be popularised so that the discussion can be based on factual, validated and recognised data.*

## **IN CHAD**

### **National Strategy of the War on Poverty**

This programme is of strategic importance for Chad. This strategy, combined with the use of revenues from the petroleum project, represents the hope and the means for a concerted war on poverty.

*The Government must finalise this strategy before the end of the year 2001, prepare as of now the programmes that will ensure its implementation and maintain close co-operation between senior officials in charge of this strategy and those with responsibility for the use of petroleum revenues.*

### **Regional Development of the Nine Cantons**

This is a critical exercise which could become an important instrument in the orderly development of the region. The process of development is just as important as the product: to the extent that the process is open, inclusive and democratic, chances increase that the result will be a plan that will be adopted and efficiently implemented. The time-frame is also important since the vision of the region that will result from the process should guide the manner of spending the oil revenues and should therefore be in place before the revenues start flowing. A few questions concerning structural matters still require clarification, such as the administrative boundaries of the plan that apparently cut across parts of cantons and departments. The process must be defined as soon as possible. The impact of the first communal elections on the plan's preparation and its adoption must also be taken into consideration.

*The question of responsibilities and of decision-makers in the planning process must be clarified; the process must be an open and democratic one; attention must be paid to the convergence of structural, political and process issues. At the Government's initiative, a new*

*seminar such as the one held at Bebidjia in 1999, could be a way to move this process forward.*

### **Unavailability of Recent Local Statistics**

An update is expected in the near future.

*The Government should carry out studies to update local statistical data as rapidly as possible, without waiting for the setting up of decentralised local institutions, so that they are available as of the beginning of 2002.*

### **Stationary State of Affairs of the FACIL Programme**

The populations and small and medium-sized businesses have considerable expectations of this program and its potential contribution to investment and microcredit.

*The World Bank and the Government must define the means to free up this project so as to have concrete and visible action before beginning the laying of the pipeline in November 2001.*

### **Sub-contracting Problems**

There is a feeling of powerlessness on the part of aspiring sub-contractors in the face of TOTCO and implementing agencies. There is a problem of transparency and of information as well as of defining requirements and preparing candidates. The problem is especially acute in transport, services and increased food production, resulting from the repeated elimination of Chadian operators.

*For a first phase, the Government should check and monitor the assertions of unsuccessful bidders on subcontracts and assist potential candidates for future contracts.*

*In order to allow local and national firms to access a larger portion of these contracts during the longer term of the project, the Government, with World Bank assistance, should promote the development of private infrastructure construction, transport, horticulture and livestock production services; it should provide training for operators and develop compliance with international standards in force on the project.*

### **Use of Bonus**

This is an example of what must no longer be done. It is an incident which should serve in the future in developing relationships of trust with the population and with the partners in development.

*The Government of Chad will have to provide for a transparent and consensual use of the remaining portion of the bonus, including the interest.*

## GOVERNANCE

### IN GENERAL

#### Relations With Civil Society

A lengthy struggle by civil society against the first version of the project made it possible to improve the protection of the populations and the environment. As a result, the governments, civil society and the consortium must transform their mutual perceptions and tackle the problems resulting from the work already underway and yet to come.

*In this implementation phase,*

- *frequent meetings at fixed intervals are required to exchange information on project status, discuss the concerns of one another and seek, outside the realm of controversy, solutions to problems that arise. Such a framework for joint consultation is imperative in each country, especially in Chad;*
- *the traditional information relays of the populations (local authorities, NGOs) must be activated to allow populations to benefit from the opportunities without exaggerating their expectations;*
- *NGOs and civil society must be enabled to assume their duty of being vigilant and on the alert by means of a legal status that has been discussed and negotiated with them (especially in Cameroon).*

### IN CHAD

#### CCSRP

The Group takes note of the fact that the Collège de Contrôle et de Surveillance des Revenus Pétroliers (CCSRP) has finally been set up. Conditions that will allow it to become operational must now be fulfilled.

*The Government must define and allocate to the CCSRП a budget for the second semester of 2001. The College must, for its part, define its doctrine of intervention with precision and prepare a plan of concrete tasks to be carried out. Decisions concerning the use of the balance of the bonus should be referred to the college.*

#### Political Dialogue

There are minor but exacerbated and clearly expressed political tensions around the project. Parties of the majority supported the Chad Petroleum project and the opposition parties we met do not seem to be opposed to it. They express doubts as to the possibility that the present Government, even with the support of the World Bank, will ensure a transparent management and an equitable distribution of oil revenues to the benefit of the populations within the framework of a concerted policy of struggle against poverty.

*At the initiative of the Government, develop a dialogue with the stakeholders (political parties, NGOs, civil society) around the oil project, explain the issues involved and the challenges, justify the choices made from various options and shed some light on dynamic*

*compromises. Negotiate with the oil company and with international and national partners to improve sustained economic, environmental and social spin-offs.*

### **The Process of Administrative Decentralisation**

This process is promising for effective local and regional development. It remains to be definitely determined exactly what this decentralisation of powers will be. Much remains to be done to apportion responsibilities and revenues between the central and local administrations. The implementation of the National strategy on poverty reduction will also be affected by the process of decentralisation. A successful decentralisation could, over time, have considerable impact on governance and on the well-being of the population.

*The Government and the Bank must pay close attention to the local administrative reform destined to launch the process of decentralisation with a redistribution of powers, responsibilities and funds. In particular, they should ensure that the process is harmonised with the new realities of the oil region benefiting from the 5% of oil revenue.*

### **Ensuring the Security of Populations**

The circulation of weapons of war and of uniformed persons that seem to commit numerous exactions constitutes a source of concern for the populations who fear a return to uncertain times, when weapon ownership was an objective for everyone. The fact that certain exactions are committed by persons in uniform, whether they are military or not, is prejudicial to the authority of the State. The absence of security limits initiatives.

*Capacity building includes those capacities that the State requires to ensure adequate standards of personal security, military discipline and good governance. This requires a uniform and transparent enforcement of the laws that ensure safety of life and property as well as the sensitisation and training of the forces of law and order in issues of human rights in pursuit of law enforcement.*

## **MANAGING THE ENVIRONMENT**

### **IN GENERAL**

#### **Baseline Data**

The basic data of the Environmental Impact Study, i.e. the studies ("baseline studies" or "zero situation") describing the basic situation that serves as the starting point for the study of the impacts on the environment and on society, does not appear to be complete nor available. The IAG has received many representations to this effect, including claims that those studies do not exist. The IAG itself has not yet been able to obtain them.

Other information indicates that these studies are qualitative in nature rather than quantitative and do not sufficiently take into account important parameters such as:

- the quantity and quality of surface and groundwater;
- data on poaching and unlawful logging;
- data on the health and well-being of the populations concerned.

*Since these studies constitute the very basis of the social and environmental analysis, it is essential that they be available to interested persons and institutions, including the IAG. If there are still serious shortcomings, it is important that the gap be filled before construction activities are further advanced. Governments and the World Bank must make haste in this matter without further delay.*

### **The Environmental Management Plan (EMP)**

This plan is the main environmental management tool for the overall project and therefore the principal instrument for monitoring and control. It is a demanding plan, subject to modification on the basis of the project's real circumstances.

*To this end, the IAG asks the following questions:*

- *To what extent is the EMP explicit in terms of its capacity to adapt to unforeseen and new circumstances?*
- *To what extent is the EMP sensitive to variations in project revenues? Must provision be made for certain guarantees to ensure the integrity of management in all circumstances?*
- *What provisions have been made to manage impacts that would last over the long term or on a permanent basis?*
- *Do agencies entrusted with monitoring EMP implementation in both countries have the required technical and material capacity? If not, what actions are required, immediately or in the mid-term, to ensure this essential capacity?*

*The matter is referred to the consortium, the World Bank and the two governments for a response.*

### **Impact on Hydrologic and Marine Resources**

The most specific issues of concern involve water resources: the protection of coastal and fluvial fishing, which is an important component of trade and of domestic food supply for both countries; the impact of petroleum development on the water table in Chad which is reported to have been affected by the long-term changes in precipitation in West Africa since the 1970s. Until now, we seem to have paid more attention to impacts on land than on water; this imbalance must now be corrected.

*Data on water management must be consolidated to address the main concerns, including those of:*

- *the fishermen at Kribi and those of the major rivers;*
- *NGOs in Chad;*
- *representatives of the Government and of the public in Cameroon where offshore security is an international problem that extends beyond the framework of this single project;*
- *scientific advisors.*

### **Ministerial Capacity**

The Departments of the Environment of both countries have heavy responsibilities, compounded by the proliferation of the activities generated by petroleum projects. In Cameroon,

there is the constant pressure of poaching and of unlawful logging. In Chad, the concern is the capacity of the Department to effectively assume all of its functions.

*In all of the institutional development efforts of public administrations, priority must be given to ensuring that the Departments of the Environment are in a position to carry out their monitoring and control functions with regard to their entire responsibilities, and especially the petroleum projects.*

## IN CAMEROON

### FEDEC

The Foundation is certified. To become fully operational it still needs to be recognised by decree as being in the public interest.

Given its responsibilities, its directors worry about the means placed at the Foundation's disposal. Certain operating conditions, such as the unanimity required for board decisions, could cause deadlocks. Also, the statutes of the Foundation are governed by an agreement that can be renegotiated without the agreement of all parties.

There seems to be some divergence between the management approach to national parks under the respective responsibilities of the FEDEC and the Department of the Environment.

*If this has not already been done, the decree recognising FEDEC as being in the public interest should be issued without delay by the Government.*

*At the Foundation's initiative, define and quantify a detailed plan of action that will make it possible to compare FEDEC's duties and their financial means in a convincing manner. An agreement between the parties as to the funds to be made available and their source could facilitate the reappraisal of the other clauses of the statutes that are being called into question.*

*Establish some means of collaboration and of convergence between the Department of the Environment and the FEDEC to ensure mutually coherent standards of management for the national parks.*

### Oil Spills

Renewed concerns are expressed concerning measures taken to assess the risks of, and to manage and remedy, oil spills at sea and those on land that could endanger the water table. Management of these matters is of the greatest importance because of the potential consequences of spills and the concerns they have created.

*Many actions are required in this matter on the part of the Government and of the consortium:*

- *a study of oil spills has been proposed and its terms of reference adopted. Call for tenders with all due despatch;*
- *this study will have to pay particular attention to risks related to transfers at sea (at the maritime oil transfer terminal);*

- *according to experts, the \$0.8 million allocated for the prevention and control of oil spills is definitely insufficient. It is not comparable to what is provided elsewhere in similar circumstances and, save any demonstration to the contrary, must be revised upwardly;*
- *on land, study how to find incentives to interest populations along the pipeline to undertake responsibilities to ensure pipeline security.*

### **Discussions with the Public**

The level of information available to the populations and to their representatives, and the degree of awareness of environmental issues related to the project as well as those of a broader nature, is weak. Consequently, the level of understanding of the issues is also weak, even non-existent.

*At the Government's initiative and with the assistance of international consultations, launch an intensive programme of public discussion and education about the issues of the project and other environmental issues.*

## **IN CHAD**

### **Information**

There is a serious information deficit that must be filled as a prerequisite to the study of the real problems and issues. Basic data ("baseline studies", "zero situation") are inaccessible; certain technical information, concerning, for example, flaring and reinjection, is available but has not been communicated in a such a way as to satisfy concerns, notably of civil society.

*At the Government's initiative, with the consortium's co-operation, create a framework for dialogue and mediation for a common understanding of the problems, their dimensions and foreseeable impact. (If, for example, torching is not adopted as a technique, this information should be widely shared so that debate take place around the real issues.)*

### **The Sidigui Deposit**

Exploitation of the Sidigui deposit and transporting the gas and oil to N'djamena are outside the framework of the Doba region petroleum project. There exists, however, a de facto relationship at many levels:

- the quality of environmental and social standards required for the Sidigui project should not be any less, despite its reduced scope, than that of the Doba project;
- the supply of the energy to the capital is a social as well as an economic imperative. Otherwise, a petroleum-exporting country would find itself with an energy deficit in trying to meet the needs of its own population. (This is also the case of the population of Southern Chad, a situation that will also require attention.)

*The Government should clearly indicate what measures it intends to take for awarding contracts and for the economic, environmental and social management of this project. Environmental standards should be of the same calibre as for the Doba project.*

*The Government should initiate, jointly with local populations, a reflection on ways to provide in matters of energy for the populations of the petroleum region.*

## **SOCIAL IMPACT AND COMMUNITY DEVELOPMENT**

The project will impact local communities in many ways during its entire duration. The following observations and recommendations relate to the stage in progress and to the immediate future.

### **IN GENERAL**

#### **Small Business Access to the Markets**

In many places, consortium employees or others have noted the excellent potential for commercial links between the operators and small businesses such as local restaurants and cooks, small hotels, suppliers of consumer goods, butchers and gravel producers. Conversely, many persons have criticised the awarding of contracts for these services to major suppliers, especially those from the outside. Formal requirements (membership in the Chamber of Commerce, fiscal requirements, etc.) often act as brakes to providing maximum of opportunity to local suppliers, certain of whom, like the Moundou women's co-operative, already meet some of the formal requirements (accounting records, auditing, legal status).

*Consolidate data on the local procurement conditions throughout the length of the pipeline and in the oilfields sector in order to optimise the participation of local producers and of small businesses as the pace of construction increases. COTCO, TOTCO and the major operators should co-ordinate their efforts with FACIL and with the NGOs to continue expanding the participation of small businesses.*

#### **Inflation**

Many people mentioned the increased cost of housing and food in the capitals and in the oilfields region, as well as in Douala and Kribi. This situation is probably caused by a host of factors that extend beyond the project. Increased petroleum development in the entire western and equatorial region of Africa can lead to increased prices, as could last year's low rainfall. At the local level, however, increases likely to be related to project activities have been reported. Money generated by the project in the form of salaries, the purchase of supplies and the compensation programme cannot but have a certain short-term impact. An expansion of trade and mobility creates pressure on the housing market and new roads usually change the value of land. It is no easy task to speculate about the impact of prices on local markets, especially on the basis of isolated cases, but it is clear that a sudden increase in the price of essential goods generates legitimate concerns.

*Governments must constantly monitor prices of essential goods such as foodstuffs, fuel and housing as well as land, at the local level in areas affected by the project in order to provide a complement to national data. NGOs could be invited to participate in carrying out the studies jointly with local, regional and national governments.*

#### **Compensation**

In Cameroon, individual compensations were apparently paid out in a satisfactory manner. It is already obvious that people use the goods and the money. Community compensation plans

continue to be implemented although the planned schedule suggests some slowing-down. In Chad, compensations have generated more controversy. The format is now determined and the consortium expects to proceed to a large extent in the same manner for individual compensations. The compensations will continue in Chad until all the well sites have been selected: there is therefore a benefit in developing new methods to handle remaining problems. For example, there remains a number of differences in isolated cases concerning quotas for species not yet treated (African locust bean, shea tree). This litigation could be settled rapidly by third-party findings: it's a question of taking over individual cases presented, processing them systematically and arriving at a decision. There remain some controversies concerning the quality of brick used in houses provided for the relocation of displaced persons.

One of the challenges stems from the new payment plan for fruit trees, whereby some individuals will be entitled to sums far in excess of all the income they could have received in the past, up to five and even ten times the annual income of a cotton producer. At the same time, there exists no entrenched tradition of savings in banks nor sufficient decentralised banking institutions to allow for compensation to be deposited in bank accounts as in Cameroon. Consortium personnel advance the opinion that the use of hard cash was in fact much less "useless" than could have been expected, but NGOs remain concerned.

*It is important to determine all community compensations before the end of 2001 and to settle the greatest number possible. Community compensations should be paid before major construction work begins in that community.*

*It would be useful to review and assess how beneficiaries use their compensation in order to help them better manage these sums. We could also take advantage of this influx of cash money in the region to develop savings mechanisms and inform the populations about managing these funds.*

## IN CAMEROON

### The Situation of the Bakola

Minorities such as the Bakola ("pygmies") must benefit from special support to enable them to survive in the environment of the petroleum project. Indeed, although the project has made important efforts to avoid any direct interference in the life of these communities, they remain vulnerable because of the dynamics of the project and the increasing interaction with strangers. It is important to develop specific and customised capacity-building measures that respect their traditions and cultures and respond to their legitimate aspirations to improve their living conditions.

*A first measure of reinforcement would consist in reinstating, at the Government's initiative, Bakola citizenship by providing them assistance in rectifying the situation of their civil status, by establishing a national identification card for them and, finally, by assuring them of title to the land on which they live and farm. This could eventually be extended to all small communities generally ill-informed about the evolution of administrative decisions that concern them.*

*Extend to the Bakola that use the pipeline territory for hunting the same employment opportunities made available to those who farm there.*

## The Fishermen

The Kribi fishermen express fear as to the future of their activity in the zone. Questions as to the sustainable development of fishing remain, in their estimation, without answer.

*It would be desirable, at the initiative of the region's development authority, a recently-created body, to carry out a specific study of the conditions that, positively or negatively, will affect fishing conditions in the region.*

## IN CHAD

### Local Infrastructures

The implementation of infrastructure projects to improve the conditions of services to the populations, such as clinics, slaughterhouses, and others, is delayed. These infrastructures will improve the safety, hygiene and well-being of the populations and to help them to respond to the requirements of growth.

*Ensure that these local infrastructure projects are in place as soon as possible. It is also necessary to aim at making use of available manpower before the oil project construction is in full swing.*

### Regional Information

Information, education and communication at the regional level are very important. A national day was held during which quarterly local information days were announced. Despite the importance of ensuring ongoing two-way information, education and communication at the regional level, these events have not yet taken place.

*Organise regional and local days of information and communication before November 2001. Also organise a seminar on regional development during the first half of 2002.*

### Migration and Relations Between Farmers and Herders

Many people claim the petroleum project has stimulated significant immigration. Others suggest that population movements existed in the region long before the project. Conflicts between farmers and herders have not yet been resolved satisfactorily, but it seems unlikely, given the ethnic diversity of the herders that this situation stems from some type of orchestration.

*The problematics of these conflicts should be examined and approaches developed as a contribution to the regional development plan and to the new decentralised administrative structures.*

### Research and Training

Certain social impacts have already been noticed by observers: price increases of certain products, the sudden appearance of so-called "satan neighbourhoods", conflicts caused by migration, the effects of AIDS. Changes will increase more rapidly and will be more diversified in the coming years. Due to the recent instability, Chad's research infrastructure in general, but

especially that in the South, is inadequate to provide the information required by the project's stakeholders.

*Research on relevant environmental and social issues must be officially encouraged and receive guaranteed financial support so as to remain independent. A training infrastructure needs to be developed to support the development of an economy with agricultural potential where oil will also play an important role.*

## 4. CONCLUSION

### Main Concerns

The main concerns arising out of this first working visit can be summarised as follows:

- the "two-speed" pace of advance between the consortium, on the one hand, and the public administrations and civil society on the other, as well as the discrepancies between their capacity to regulate and efficiently monitor work progress and its consequences for the environment and the populations;
- the importance of ensuring the security of the populations with respect to project impact and to their relationship with public administrations;
- the absence of effective communication or dialogue between the interested parties; efforts in this respect rest with the consortium vis-à-vis the firms interested in contracts and the affected populations, and more generally, with each of the stakeholders, to create the necessary channels of communication and frameworks for dialogue;
- the importance of the regional development plan under preparation in Chad's oilfield region, which could become an instrument for consultation and local action uniting all stakeholders and which could give rise to development initiatives other than oil;
- the urgent need to implement all preparations for managing oil revenues expected to flow by the end of 2003.

### Follow-up

The IAG will continue to focus on the topics outlined in this report. We will be back in Chad and Cameroon in the second half of November and until then we will continue to keep ourselves fully informed by thoroughly studying the documentation and by correspondence with stakeholders.

We will notify in advance which topics we intend to deal with during our next visit and invite suggestions. We also seek to develop and maintain a communication network allowing us to keep as well informed as possible.

The IAG will inaugurate its own web site by the end of 2001 and remains accessible through its Secretariat.

## **Acknowledgements**

The IAG expresses its thanks to all the persons who, as individuals, as representatives of administrations, institutions and groups, agreed to meet and share with us their ideas, visions, sentiments and findings.

It offers its heartfelt thanks the governments of Chad and Cameroon for their hospitality, their availability and for facilitating the mission; consortium members, COTCO, TOTCO, ESSO, for the information provided, and for the services and logistical support placed at the disposal of the group; finally, World Bank personnel, especially in Cameroon and Chad, for the efficient organisation that allowed us to make the most of our visit.

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**APPENDIX I****Chronology of Meetings  
July 20 to August 2, 2001**

<b>Friday July 20</b>	<b>Douala</b> <ul style="list-style-type: none"> <li>- COTCO</li> <li>- Provincial Governor</li> <li>- IFC</li> <li>- Private sector: Chamber of Commerce, SICAM, MECAM</li> </ul>
<b>Saturday July 21</b>	<b>Kribi</b> <ul style="list-style-type: none"> <li>- Prefect, Département de l'Océan</li> <li>- Visits to Bekola villages</li> <li>- COTCO</li> </ul>
<b>Sunday July 22</b>	<b>Yaounde</b> <ul style="list-style-type: none"> <li>- World Bank and IMF briefing</li> <li>- FEDEC</li> </ul>
<b>Monday July 23</b>	<b>Yaounde</b> <ul style="list-style-type: none"> <li>- Chairman, House Committee on Production, Town Planning, Construction and Domestic Trade</li> <li>- Société Nationale des Hydrocarbures (SNH)</li> <li>- Minister of Public Investments</li> <li>- Civil society</li> <li>- Delegated Minister in charge of the Budget</li> <li>- Canadian High Commissioner</li> </ul>
<b>Tuesday July 24</b>	<b>Yaounde</b> <ul style="list-style-type: none"> <li>- Africa Project Development Facility</li> <li>- Secretary General, Department of the Environment and of Forestry</li> <li>- Prime Minister</li> <li>- Ambassadors and representatives</li> <li>- Secretariat of the Presidency</li> </ul>
<b>Wednesday July 25</b>	<b>Yaounde - Moundou - Koume - Bebidjia</b> <ul style="list-style-type: none"> <li>- Esso – Koume</li> <li>- World Bank - CTNSC, FACIL</li> </ul>
<b>Thursday July 26</b>	<ul style="list-style-type: none"> <li>- Field trips and to villages</li> <li>- Visit to Mbaibekoum and Mbere</li> </ul>
<b>Friday July 27</b>	<b>Moundou</b> <ul style="list-style-type: none"> <li>- Subprefect</li> <li>- NGO and HRA (CPPL)</li> <li>- Chamber of Commerce</li> <li>- Women's Association</li> <li>- Religious leaders</li> <li>- Regional delegates: education, health, environment, finance</li> </ul>

- Saturday  
July 28**                      **Moundou**
- Doba : authorities and BELACD NGO
  - Moundou : cotton producer's associations  
CPPL
- Sunday  
July 29**                      **Moundou - N'Djamena (by road)**
- Monday  
July 30**                      **N'Djamena**
- Cellules de coordination : CTNSC, direction du pétrole
  - CCSRP
  - FACIL
  - Conseil du patronat
- Tuesday  
July 31**                      **N'Djamena**
- Steering committees, National Poverty Reduction Strategy
  - Ambassadors and representatives
  - Majority parliamentarians
  - Minority parliamentarians
  - Collectif des femmes de l'opposition
  - Minister of Decentralisation
  - Esso
- Wednesday  
August 1**                      **N'Djamena**
- Departmental directors: environnement, education, health, animal husbandry, agriculture, economics, finance
  - Ministre de la Promotion Économique
  - President of the Republic
  - NGO & HRA
  - Briefing, World Bank, IMF
- Thursday  
August 2**                      **N'Djamena**
- Media
  - Internal work
  - Departure