

May 1, 2000

Mr. James Wolfensohn, President
The World Bank
1818 H Street, NW
Washington, DC 20433

Dear Mr. Wolfensohn:

Last week, the project appraisal document for the Chad/Cameroon pipeline was sent to the Board, with the objective of moving the project for Board approval. I know that there has been an enormous amount of controversy over this project, and I am aware that your staff is expecting your support. I am concerned, however, that as with the China/Tibet project, this may be a situation where the staff are not looking at, or presenting you with, the complete picture. I will ask your indulgence, and hope that you will read this letter despite its length, because I think it is important to have a thorough airing of the issues in order to have meaningful consideration of the dilemma posed for the Bank by this project.

It is my hope that you can look objectively at the risks inherent in this project and take a position that supports the voices of local people in Chad and Cameroon. They are asking that the Bank go slowly, and that this oil and pipeline project not proceed until adequate conditions exist which will allow sustainable development. They want the Bank's help in ensuring that a framework is in place before oil development proceeds.

With the release of the PAD, Bank staff is carrying through on their avowed intention of moving the Chad/Cameroon project to a Board vote as quickly as possible. It seems clear that the concern of the staff was primarily focused on finalizing negotiations with the consortium of multinational corporations that will be benefiting from World Bank Group support. Though it is now clarified that the consortium includes ExxonMobil, Chevron, Petronas, and the governments of Chad and Cameroon, it is not clear that the Bank has properly analyzed the environmental implications of this partnership. There are social and environmental consequences associated with any business deal of this magnitude, and to my knowledge there has been no development screen applied to the corporations involved. This is particularly disturbing when one considers that the oil companies will be entrusted with ensuring compliance with the Bank's environmental standards and the indigenous peoples policy.

An assessment of capacity and political will, as well as the legal arrangements necessary to guarantee compliance, seems to be an important part of due diligence for any bank in

constructing a consortium of this sort. When questioned about Chevron as a partner, however, World Bank staff have responded that do not intend to screen Chevron and that they are relying on ExxonMobil to police its partners. Allowing ExxonMobil to police the compliance of the consortium it leads poses a significant conflict of interest. This arrangement could put the Bank at significant risk of future liability.

Human Rights

In the same way that corruption used to be a dreaded word at the Bank, it seems that now Bank staff wish to turn a blind eye to the human rights concerns of their lending decisions. There are two core human rights issues at stake in the Chad/Cameroon project. One is the Bank's willingness to provide lucrative contracts, political risk insurance, and the ability to exploit otherwise inaccessible markets to private sector partners who have questionable records. The other issue concerns the Bank's willingness to proceed with this project despite an in-country atmosphere of repression, corruption, and armed conflict.

Let me start by saying that I have read the Articles of Agreement, and I do not agree with a perspective that I have often heard voiced at the Bank (though not by you) that Article 4, Section 10 forbids consideration of human rights in project preparation. The clause reads: "The Bank and its officers shall not interfere in the political affairs of any member; nor shall they be influenced in their decisions by the political character of the member or members concerned." Nothing in this clause restricts the Bank from considering the economic implications of political issues, especially when they pose a clear threat to the viability of a project. When human rights violations -- by either a private sector sponsor or a borrowing country government -- challenge the integrity of a Bank-financed project, the Bank has a mandate as a development institution to factor those considerations into its lending decisions.

Consider, for example, Chevron's current record in Africa. Chevron is exploiting the Niger Delta with devastating human and environmental consequences. Chevron has been sued for violations of international human rights law for its role in the death of local villagers protesting the environmental devastation caused by Chevron's operations. In two separate incidents in 1998 and 1999, Chevron provided helicopters, pilots, and boats to the Nigerian military, transporting Nigerian soldiers to attack unarmed protesters and villagers. On April 7, 2000, a US federal judge denied Chevron's motion to dismiss and ruled that the suit against Chevron can move forward in US courts. The situation in the Niger Delta, just next door to Chad, shows the devastating social and environmental costs of collusion between corrupt, militaristic governments and multinational oil companies. The articles of agreement in no way constrain the World Bank Group from considering human rights issues when doing business with the private sector. The IFC should be required to apply a development screen to its projects, and that screen should include the company's role in human rights violations.

As for governance and country-specific human rights concerns, there are clearly significant risks involved in moving forward with an oil extraction and export project at this time. The recently-released U.S. State Department human rights reports for Chad

and Cameroon document an atmosphere of repression and intolerance. The human rights situation in both countries is very bad. The report documents governmental abuses in Chad that include extra-judicial killings, torture, beatings and rape. It also notes that freedom of speech and of the press is restricted, and that the government interfered with the operations of human rights groups. The State Department report notes that “the judiciary was ineffective, underfunded, overburdened, and subject to judicial interference. In practice, officials and other influential persons often enjoyed immunity from judicial sanction.” In other words, the elites enjoy impunity and the poor have no access to justice.

Bank staff claim that Chadian citizens are the primary beneficiaries of this project, and that they can participate in the project through their Parliament. This ignores the reality in Chad. The State Department report found that “fraud, vote-rigging, and local irregularities marred both the 1996 presidential election, which Deby won, and the 1997 legislative elections in which members of the MPS won 65 of 125 seats in the National Assembly.” In addition, you will recall that when opposition Parliamentarian Mr. Yorongar raised questions about corruption and the oil project, he was imprisoned.

Chad is in the midst of a civil war, with fierce armed conflict in the north and a growing rebellion in the south. There has been inadequate attention by the World Bank to the risks involved in developing oil in the midst of war. This risk is not mentioned by Bank staff in the project appraisal document sent to the Board. Massacres of hundreds of civilians that took place in the oil-bearing region of Chad in 1997 and 1998 have never been investigated. Oil development in a repressive country that is in the throes of armed conflict will likely result in attacks on the oil facilities and increased militarization to control the oil-bearing region, with attendant environmental and human costs.

In Cameroon, the State Department found that the overall human rights record “continued to be poor.” The government is repressive, civil society organizations have been targeted, and corruption is rampant. The State Department found that the election process is “not free and fair,” and described the judiciary as “corrupt, inefficient, and subject to political interference.” The World Bank listed Cameroon as the most corrupt government in *World Development Indicators 1998*. Transparency International has also ranked Cameroon as the most corrupt government for both 1998 and 1999.

Both Chad and Cameroon have been intolerant of civil society and have taken steps to silence the voices of individuals and organizations that are concerned about this project. Those who have the courage to speak to Bank staff about their concerns do so at great personal risk. In Chad, there have been threats against human rights activists and journalists, some of whom have had to leave the country to ensure their safety. The Chadian government recently declared illegal a group called EPOZOP that has been working with farmers affected by the oil and pipeline project and that has been voicing concerns about inadequate compensation. In Cameroon, the government issued a new law in December 1999 that gives the government greater control over the activities of NGOs, including the power to shut down those that are critical of government policies.

Inadequate Legal Framework

This letter could be voluminous if I went into detail on the many unresolved technical issues. I would be happy to provide additional detail in a follow-up letter if that would be helpful to you, but for now let me just note that there are fundamental differences in perspective between Bank staff and concerned outside analysts from NGOs, inter-governmental organizations, and academia. Many of these differences concern the viability of the legal framework for handling the social, environmental and financial impacts associated with this project. For instance, the Bank points to Chad's new environmental legislation as evidence that the environment will be protected. However, Delphine Djiraibe, a Chadian lawyer, has reported that the law lacks both implementing regulations and political will on the part of the government, and is seen as simply a step that was taken to secure loan approval.

The viability of the environmental law is a moot point in any event, because the oil companies have effectively exempted themselves from the constraints of national law. Lawyers from the Netherlands Committee for the IUCN have analyzed the Convention of Establishment for TOTCO and COTCO. In a letter to you of April 11, 2000, they expressed their concerns that as currently proposed, the project will undermine the principle of rule of law; that the multinational companies are effectively exempt from complaints by citizens; and that there is no effective monitoring mechanism to ensure compliance with Bank policies.

Another important breach in the legal framework is the revenue management plan, which was developed in an attempt to address the obvious risk of corruption, and to try to ensure that revenues from the project will be directed to social spending. It is the crux of the poverty justification for this project. Bank staff have acknowledged that there is a "significant" risk of mismanagement of funds. The Human Rights Clinical Program of Harvard Law School has analyzed the revenue management plan, including visits to Chad and Cameroon. In its report, the program acknowledged that the Chadian Law Governing the Management of Oil Revenues is "an innovative piece of legislation that seeks to ensure transparency and allocate oil revenues to meet primary needs." However, the report notes that the attitude in Chad is that the law was a necessary condition of World Bank support but that the authorities "have little intention of allowing it to affect local practice." The report concludes that "the law can be seen at best as only a first, and clearly insufficient, step. If its purpose is to address the criticism raised, it is a poor response. If it is to provide a solution to the problems, it is clearly insufficient."

I understand that there is a certain fatigue on the part of Bank staff, who feel that they have prepared more studies and analyses of this project than any other project in Africa. However, the risk of failure is still quite high and there are still fundamental inadequacies in the project documentation. And that risk of failure is being borne by those least able to afford it: the local people who depend on a healthy environment for their survival. Bank staff must move away from the "check list" approach to project preparation, where they can claim a condition is satisfied simply because a law has been drafted or a study has been conducted. Meaningful, implementable and enforceable safeguards are needed.

Compatibility with Your Vision

The Bank's stated goal of poverty reduction for Chad and Cameroon is admirable and one that is supported by the critics of this project. In your speeches, you have affirmed your commitment to listen to the "voices of the poor." From my experience, I think this is the fundamental challenge for the World Bank – to learn how to listen to and respect the perspectives, experiences and knowledge of local people. I believe that this is critically important both in terms of moving towards the development of successful projects, and also in terms of avoiding disastrous projects.

The book *Voices of the Poor*, released by the World Bank just last month, documents the significance of corruption in the lives of poor people. *Voices of the Poor* concludes by noting that "the danger is that development agencies will simply continue 'business as usual.'" This project, indeed, marks business as usual -- old-style planning that is very likely to result in failure, enriching corporate and government elites at the expense of local people. It is not too late to change the path. Once projects are in implementation, history has shown the incredible difficulties in addressing systemic problems. We must address the problems up front, before the oil and pipeline development begins.

In a Washington Post editorial, you have affirmed the importance of a free press to the accomplishment of development objectives. "A free press is at the absolute core of equitable development, because if you cannot enfranchise poor people, if they do not have a right to expression, if there is no searchlight on corruption and inequitable practices, you cannot build the public consensus needed to bring about change." You have succeeded in bringing the discussion of corruption into the parlance of the Bank, which is an admirable change. You have also noted that "Corruption is the largest single inhibitor of equitable economic development . . ." Please recognize that this project is going forward in an atmosphere where there is no free press, where corruption is rampant, where the rule of law does not operate, and where the judiciary is ineffective. These governance concerns have direct economic implications for the success or failure of this project, and they have very real implications for the effect of the consortium's activities on the lives, livelihoods, and environment of the citizens of Chad and Cameroon.

I commend your openness on these issues and the importance that you have placed on giving voice to the poor and to the directly affected communities. The challenges posed by the Chad/Cameroon project provide an opportunity to tackle these issues head on in the name of sustainable development. Moving forward with oil development and pipeline construction is not advisable under the current set of governance issues. However, there is room – but only if you provide leadership, since your staff is not interested – to reach out to partners in civil society in Chad and Cameroon and work to structure a more effective Bank involvement in their countries.

The idea that development in Chad or Cameroon depends on approval of this project and the generation of oil revenue, is quite frankly backwards. While there should indeed be a phased approach, the first phase should belong to governance and the strengthening of

capacity at the local and national level. The oil companies can wait. The people need your help first.

If the political momentum is such that this project must be sent to the Board for approval, at the very least it should be structured in such a way that there is respect for the rule of law and the concerns being voiced by the affected communities. The oil and pipeline project should not be allowed to move forward until after the Bank has strengthened, in partnership with civil society, systems of governance. The people of Chad and Cameroon are asking for the Bank to help with critical issues relating to their development, including rule of law, accountability, transparency, freedom of speech and association, inclusiveness, environmental protection, combating corruption, and the involvement of civil society in development decision-making. Civil society groups have staked out a space for themselves despite facing incredible hurdles. To move forward with the project despite their calls for caution would be to undermine all of these important principles and to continue with “business as usual.”

We are challenging the World Bank to develop a new development strategy, one that does not combine corruption, military dictatorships, repression of civil society, oil development, and multinational corporations with the support of the World Bank Group. I agree that developing the alternative vision is not necessarily easy. However, the first step in embarking down a development path that offers respect for human rights and hope for environmental health is to listen to the voices of the people. There is an engaged civil society in both countries that is struggling to overcome the obstacles of human rights violations. Work with them. To move forward without them, to ignore their call for a moratorium, is to weaken them and to throw cold water on their quest to have a voice. Civil society organizations are calling for the Bank to support good governance, capacity building, establishment of the rule of law, strengthening of systems of environmental protection, and engaged public consultation about development before moving forward with this project. We hope you will agree that their demands are reasonable.

This situation calls for leadership. Civil society has been mocked by Ian Johnson, and seen its concerns largely ignored by project staff. We recognize that the public outcry around this project has at times not been easy for you, but we ask that you consider holistically the scope of issues. The World Bank Group has an opportunity at this time to demonstrate a new approach to social and environmental concerns in Bank-financed projects. We ask that the Bank impose a moratorium on moving forward with the Chad/Cameroon pipeline project until the governance and corruption issues at the heart of this project are addressed, and until there are enforceable mechanisms for ensuring that the environment will be protected, the rights of local people will be respected, and that the anticipated development benefits will be realized by the people. Thank you for your time and attention.

Sincerely,

Dana Clark