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WORLD BANK APPOINTS INTERNATIONAL ADVISORY GROUP ON THE CHAD-CAMEROON PETROLEUM DEVELOPMENT AND PIPELINE PROJECT

WASHINGTON, February 21, 2001—The World Bank today appointed the International Advisory Group (IAG) on the Chad-Cameroon Petroleum Development and Pipeline Project.

The IAG is one part of the oversight structure that was proposed by the World Bank Group to assist with successful implementation of the project when it was approved by the Board of Directors. It will advise the World Bank Group and the two governments on overall progress in implementing the project, including the key objective of reducing poverty in Chad. In particular, the IAG will identify potential problems in the use of public revenues, the adequacy of civil society participation, progress in building institutional capacity, and more generally issues of governance, environmental management and social impacts. The IAG will recommend actions to the World Bank Group and the Governments of Chad and Cameroon to address such problems.

The IAG will be headed by the former Prime Minister of Senegal, Mamadou Lamine Loum, and consist of Jacques Gérin (former Canadian Deputy Minister of the Environment); Professor Jane Guyer (Director of the Program of African Studies at Northwestern University in the United States); Hilde Frafjord Johnson (former Norwegian Minister of Development and Human Rights); Abdou El Mazide Ndiaye (President of the Forum of African Voluntary Development Organizations, FOVAD, based in Senegal); and Dr. Dick de Zeeuw (a Dutch agricultural specialist and Convenor of a similar independent panel on the Nam Theun Project in Laos). Gérin will serve as the IAG's Executive Secretary.

The work of the IAG is expected to continue for up to ten years. It will visit Chad and Cameroon at least twice a year and report periodically to the President and Board of Directors of the World Bank Group. All IAG reports will be made public the same day they are submitted to the World Bank Group.

The IAG will independently develop its work program, which is likely to evolve as project implementation progresses.

The IAG's terms of reference, reflecting public consultations late last year, are attached. Also attached is more detailed information about the IAG members and the Chad-Cameroon Project.

Chad-Cameroon Pipeline and Related Projects

International Advisory Group Terms of Reference

Background

1. The Executive Directors of the World Bank Group (WBG)¹ have approved financing for a group of complementary projects (the Projects)² 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,

¹ 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.

² 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).

the WBG, in 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 area³, direct and indirect social and

³ These could include construction of public markets, an abattoir complex, water and sewerage infrastructure, and health facilities.

environmental 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 President⁴ 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 consortium⁵ 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

⁴ 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.

⁵ The oil consortium comprises the three private sector sponsors: ExxonMobil, Petronas, and Chevron.

crucial to its 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.

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

Biographies of Members

Mamadou Lamine Loum

Loum is a graduate of the Faculty of Law and Economics of the University of Dakar and of the Ecole Nationale d'Administration et de Magistrature of Senegal. He joined the Ministry of the Economy, Finance and Planning in 1977 and held a number of senior positions in the Ministry thereafter, including Chief Treasurer and Paymaster (1983-91), General Director of Treasury (1991-93), and Deputy Minister in charge of the Budget (1993-98) before being appointed Minister of the Economy (January-July 1998). He was Prime Minister of Senegal between July 1998 and March 2000.

Jacques Gérin

Gérin is a civil engineer with a Master's degree in Regional Planning. Formerly with the Government of Canada, he was Vice President of the Canadian International Development Agency (CIDA), Deputy Minister of Environment Canada and Associate Deputy Minister of the Department of Indian Affairs and Northern Development. In 1999, he chaired the Panel on Ecological Integrity of Canada's National Parks and has chaired the Joint Public Advisory Committee of the North American Commission for Environmental Cooperation. He is Chairman of the Board of the International Institute for Sustainable Development (IISD) and a Governor of the International Development Research Centre (IDRC).

Jane Guyer

Professor Guyer received her Ph.D. at the University of Rochester, New York in 1972. Since 1994, she has been Director of the Program of African Studies and Professor of Anthropology at Northwestern University. She has carried out field work in Nigeria and Cameroon intermittently over a period of about thirty years. Her publications include *Family and Farm in Southern Cameroon* (1984) and many other articles and books on political economy, culture and environment in West and Equatorial Africa. She is a member of the American Anthropological Association, the African Studies Association and the Council for the Development of Social and Economic Research in Africa.

Hilde Frafjord Johnson

Johnson was born in Tanzania and did advanced studies in social anthropology at the University of Oslo. She has been a Member of the Norwegian Parliament since 1993 and has served on its Standing Committee on Energy and the Environment for most of that time. Between 1997 and 2000, she was Norway's Minister of International Development and Human Rights. She is on the board of the Global Coalition for Africa, which promotes greater attention to the continent's development needs. She is a member of the Senior External Advisory Panel helping the Asian Development Bank prepare its strategic framework for the period 2001-2015. She is also a member of the awarding committee for the Thor Heyerdahl International Maritime Environmental Award and a member of the boards of several Norwegian non-government organizations.

Abdou El Mazide Ndiaye

Ndiaye is a graduate of Institut d'Etude du Développement Economique et Social at the University of Paris (Sorbonne). From 1985, he was Director General of the African Network for Integrated Development, based in Dakar, and since 1992 has been the Executive President of the Forum of African Voluntary Development Organizations (FOVAD), with members in 36 African countries. In 1987-94, he was active in the African NGOs Environment Network, based in Nairobi. And, in 1999, he was appointed by the Secretary-General of the United Nations to serve as one of 28 members of the Millennium Commission for Africa.

Dick de Zeeuw

Dr. de Zeeuw is a specialist in international agriculture. He was a member of the Dutch Senate (1970-75), General Director of Agricultural Research in the Netherlands (1976-1985), President of the Agricultural University at Wageningen (1985-89), Professor on Environmental Policy and World Food Problems at the Catholic University, Nijmegen (1971-89), and Member and Chairman of the Board of Trustees of the International Food Policy Research Institute, IFPRI (1980-90). Currently, he is Deputy Chairman of the Netherlands Commission for Environmental Impact Assessment (Commissie MER), Chairman of the Working Groups on Social Justice and the Future of Agriculture in the Netherlands, and Convenor of the independent International Advisory Group on the Nam Theun hydroelectric project in Laos.

Attachment 3

The Chad-Cameroon Petroleum Development and Pipeline Project

The project will develop the oil fields at Doba in southern Chad (at a cost of \$1.5 billion) and construct a 1,070 km pipeline to offshore oil-loading facilities on Cameroon's Atlantic coast (\$2.2 billion). The sponsors are ExxonMobil of the U.S. (the operator, with 40°percent of the private equity), Petronas of Malaysia (35 percent), and Chevron of the U.S. (25°percent). Depending on world oil prices, the project could result in nearly \$2 billion in revenues for Chad (averaging \$80 million per year) and \$500 million for Cameroon (averaging \$20 million per year) over the 25-year production period.

Almost all the \$3.7 billion investment will be private. The World Bank Group will provide \$93 million on IBRD terms (\$53.4 million for Cameroon and \$39.5 million for Chad) to finance the governments' equity share in the project and a \$100 million IFC loan to the joint-venture pipeline companies. In addition, IFC may mobilize up to \$100 million in syndicated loans from commercial banks. The remaining funding will be provided by the oil companies themselves, commercial banks, and export credit agencies. The World Bank Group approved the project on June 6, 2000.

This project is extremely important for Chad. At the moment, the country is so poor that it cannot afford the minimum public services necessary for a decent life. In four years' time, the pipeline could increase Government revenues by 45-50 percent per year and allow it to use those resources for important investments in health, education, environment, infrastructure and rural development, necessary to reduce poverty.

World Bank Group involvement has improved the project in a number of ways. It has supported the development of a sound revenue management program, triggered the application of the World Bank Group's strict environmental and social policies, and ensured broad public consultations. The Government of Chad has introduced a far-reaching program for targeting the new revenues to key sectors at the heart of its poverty alleviation strategy, once the oil begins to flow in 2004.

A wide range of steps have also been taken to minimize the social and environmental risks of pipeline construction and operation. The pipeline route has been altered to protect biodiversity, human settlements, indigenous peoples, and cultural heritage. The pipeline will be buried, rather than above-ground, and mainly follow existing infrastructure. Only a small amount of tropical forest in Cameroon will be affected. To compensate for this, two large new national parks have been created in Cameroon. However, important risks remain and close supervision by the two Governments and the World Bank will be necessary to ensure project success. The International Advisory Group will help ensure that such supervision is objective and complete and will add its own independent perspective to Government and World Bank monitoring of the project.

The project website can be found at <http://www.worldbank.org/afr/ccproj/>

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