

International Advisory Group
Chad-Cameroon Petroleum Development and Pipeline Project

REPORT OF MISSION 12
TO CHAD AND CAMEROON
APRIL 30 TO MAY 24, 2007

International Advisory Group
Mamadou Lamine Loum, Chair
Jane I. Guyer
Abdou El Mazide Ndiaye
Dick de Zeeuw
Jacques Gérin, Executive Secretary

July 18, 2007

IAG Secretariat
5 Place Ville-Marie, Suite 200
Montreal, Quebec
CANADA H3B 2G2
Tel.: +1 514 864 5515
Fax: +1 514 397 1651
secretariat@gic-iaq.org
www.gic-iaq.org

Table of Contents

EXECUTIVE SUMMARY

CHAD - INTRODUCTION	1
PART 1: FROM PROJECT MANAGEMENT TO OIL SECTOR MANAGEMENT	3
1 MANAGING OIL PROJECTS	3
1.1 Production Levels Still Below Initial Estimates.....	3
1.2 Land Use and Compensation Needs	4
1.2.1 Ensuring Sustainable Progress in the Land Restoration and Restitution Process	4
1.2.2 Shortening the Processing Time for Compensation and Claims.....	5
1.2.3 Evaluating and Updating the Resettlement and Compensation Plan and Implementing a New Action Plan.....	5
1.3 Oil Monitoring Activities Slowly Grind to a Halt.....	7
1.4 Environmental and Social Issues	8
1.4.1 Progress on Core Environmental Issues.....	8
1.4.2 Noticeable Progress on Social Issues Overall	9
1.5 Improved Security in the Oil Zone to be Confirmed	10
2 MANAGING THE OIL SECTOR	11
2.1 New Petroleum Code and Other Essential, Long-Awaited Instruments.....	11
2.2 Roles and Responsibilities of the Oil Institutions: Clarity and Resources Required	12
PART 2: FROM MANAGING OIL REVENUES TO MANAGING SOCIAL AND ECONOMIC DEVELOPMENT IN THE OIL PRODUCTION PHASE.....	13
3 FROM MANAGING OIL REVENUES TO MANAGING AN OVERALL BUDGET	13
3.1 Trends in Oil Revenue Budgets from 2004 to 2006	13
3.1.1 Overall Trends in the Oil Budget	13
3.1.2 Trends in Allocations to the Various Sectors.....	14
3.2 The 2007 Budget: Analysis of a Transition.....	16
3.3 Improvements Needed in Managing Public Finances	18
3.4 Regulation and Oversight: Updating the CCSRP's Role.....	22
4 FROM MANAGING THE BUDGET TO MANAGING ECONOMIC AND SOCIAL DEVELOPMENT.....	22

4.1	The Challenge of Diversifying the Economy	23
4.2	The Tools: Those Required Now – and for Developing a 25-Year National Strategic Vision	25
4.3	Clarifying the Role of the New <i>Ministère de l'Économie et du Plan</i>	27
4.4	Maintaining Economic Partnerships Built on Trust.....	27
5	CHAD - CONCLUSION.....	28
	CAMEROON - INTRODUCTION AND CONTEXT	30
6	LESSONS FROM THE OIL SPILL	31
6.1	Accident Causes More Fear than Damage.....	31
6.2	Mixed Abilities to React and Follow Up	32
6.3	Lessons to be Learned Quickly	33
6.4	NOSRP and Environmental Law Implementing Decrees Still Needed	34
6.5	Growing Importance of Regional and Sub-Regional Cooperation.....	35
7	CONCERNS ABOUT THE MANAGEMENT AND FUTURE OF THE ECOLOGICAL COMPENSATION PROGRAM AND THE IPP	36
7.1	FEDEC's Worrisome Financial Situation	36
7.2	Funding Gaps Threaten the National Parks.....	37
7.2.1	Management of Campo-Ma'an National Park	37
7.2.2	Management of Mbam and Djerem National Park	38
7.3	A Promising Start for the New Organization Implementing the IPP.....	38
7.3.1	Competent Oversight.....	38
7.3.2	Ensuring Long-Term Funding.....	39
7.3.3	New Funds for COTCO's Related "Habitat" Program	39
8	IMPROVED COOPERATION NEEDED ON SOCIAL ASSESSMENT	40
9	PERSISTENT DELAYS IN IMPLEMENTING CAPECE: THE NEED FOR AN ASSESSMENT	42
10	NOTICEABLE PROGRESS ON MITIGATING COLLATERAL EFFECTS OF CONSTRUCTION	43
11	INCREASED COOPERATION REGARDING HEALTH PROTECTION IN THE PIPELINE ZONE	45

12	NEED FOR CONTINUED MONITORING OF THE LOM PANGAR DAM PROJECT	45
13	CAMEROON - CONCLUSION	46

LIST OF TABLES

Table 1:	Expenditures from the direct oil revenues allocated to the priority ministries since 2004	14
Table 2:	Proportion of direct oil revenues allocated to the priority sectors	15
Table 3:	2007 general budget allocations	18

ACKNOWLEDGMENTS

APPENDIX 1: CHRONOLOGY OF MEETINGS

APPENDIX 2: ACRONYMS AND ABBREVIATIONS

EXECUTIVE SUMMARY

This report provides an account of the International Advisory Group's (IAG) twelfth statutory visit to Chad and to Cameroon from April 30 to May 24, 2007.

CHAD

The mission objective in Chad was to assess the management of the oil sector and to observe how the country is using its oil revenues and is moving to manage its economic and social development.

Managing Oil Projects

- **Oil production** is still falling short of initial estimates despite the various measures taken by Esso. As a result, Esso is using more land than planned under the Environmental Management Plan (EMP).

- **Land use and compensation** were the two main concerns raised by the local communities.

Esso is continuing to pursue an accelerated campaign to **restore the land and return** it to the communities, but needs to make more efforts to return the restored land to its owners before the next growing season.

Esso must shorten the processing time for **compensation and claims** by bolstering its socio-economic EMP team if necessary.

Following the **evaluation of the Resettlement and Compensation Plan**, Esso developed an Action Plan to mitigate land-use impact at the 3 Doba fields. Implementation of the plan will require that Esso put new procedures in place to guarantee over the long run that households that lost some of their farmable land to the Project have adequate incomes to compensate their losses. Meanwhile, special precautions should be taken in the villages that have temporarily been designated as the most heavily affected so as not to exacerbate the impact. Esso will need to apply these new procedures to all its activities, including those beyond the Doba Project.

- **Monitoring of oil activities** by the government teams is practically non-existent. The Government must urgently allocate the necessary funds from the oil budget to cover the operating and salary costs of the *Comité Technique National de Suivi et de Contrôle* (CTNSC) and the Doba Petroleum Unit (DPU) in order to ensure compliance with its standards and requirements.

- Progress has been made on **environmental and social issues** for the most part. This is true for waste management, dust control, the elimination (according to the local populations) of the illegal 10% tax on individual compensation and the resolution of the dispute between TCC and its former employees.

Concerning **gas flaring** at Miandoum, Esso needs to launch an information campaign targeting the local communities right away to explain the reasons for flaring and its impact, as well as the steps it is taking to limit the effects.

Esso is studying the possibility of **surface use of water pumped** from the oil fields for irrigation or fish-farming. As it prepares to launch a pilot project, the Ministries of *Agriculture* and *Hydraulic rurale* are asking to be involved now.

- **Security conditions** in the oil zone—a particularly sensitive subject during the last IAG visit—seem to have improved but will need to be monitored closely over the coming months.

Oil Sector Management

- Chad passed a new petroleum law (*Loi sur les Hydrocarbures*) in May. However, other essential instruments for the management of the environmental risks associated with the oil sector were still lacking at the time of the mission, particularly the National Oil Spill Response Plan (NOSRP) and the implementing decrees for the Law on the Environment.¹ Correcting this deficiency is critical.
- Concerning the oil institutions, Chad needs to define the roles and responsibilities it wishes to give the *Coordination Nationale* (CN), the CTNSC and the DPU and to equip them with the resources needed to operate.

From Managing Oil Revenues to Managing the Overall Budget

The IAG used the latest publications from the *Collège de Contrôle et de Surveillance des Ressources Pétrolières* (CCSRP) to evaluate trends in the allocation of oil revenues to the various socio-economic sectors and their spending levels.

- Appropriations from direct **oil revenues** increased from 36.8 to 118.2 billion CFA francs between **2004 and 2006**. During this period, there was a large gap between the budget as passed and actual spending by the priority ministries, given that resources were available. The CCSRP decided to investigate the reasons for this discrepancy and how the unspent money is being used.

An analysis of the trends in appropriations for the various socio-economic sectors shows that infrastructure has received the lion's share of direct oil revenues since 2004. In 2005 and 2006, appropriations began to be more balanced and the human resources, rural production and utilities sectors received an increased share. In the end, however, the ministries that support rural production—the real source of sustainable wealth in Chad—continue to be extremely under-funded.

Budget appropriations over the three years were not always in line with the priorities set out in the National Poverty Reduction Strategy (NPRS-1), to the detriment of the social and production sectors. There was also a discrepancy between the budgets as passed and the nature of actual spending.

- The **2007 Budget** is a transitional budget prepared in accordance with the July 2006 Chad-World Bank (WB) agreement. Once the NPRS-2 is ready, a final oil-revenue management mechanism will be defined and used in preparing future budgets.

¹ On June 28, the Council of Ministers adopted the draft NOSRP submitted by the *Ministre de l'Environnement, de la Qualité de Vie et des Parcs Nationaux*.

With the unified budget and the substantial increase in the regular budget due to the influx of indirect oil revenues, the 2007 budget needs to be analyzed on the whole in order to see the trends in sector appropriations. Looking at all sources of funding combined, the 5 leading recipients are: road infrastructure, national education, agriculture, national defense and public health. During the mission the International Monetary Fund and WB mentioned the considerable amount of exceptional expenses allocated to national defense in the first quarter of 2007. This amount exceeds budget estimates and affects the initial balance of the budget.

- An analysis of the **public finance management** system reveals some deficiencies to be corrected and some points of confusion to be clarified.
 - The *Ministère des Finances et de l'Informatique* (MINFIN) and the *Ministère du Pétrole* need to agree on a standard protocol for sending the information to be used in calculating oil revenues from the *Ministère du Pétrole* to MINFIN.
 - MINFIN should establish clear deadlines within its departments for approving contracts and initiating spending and for the timing and payment of expenditures. It should also hire more staff for its financial oversight office if necessary.
 - MINFIN, the CCSRP and the priority ministries need to resolve their differences concerning the notion of spending commitments and carry-over funds as quickly as possible so as to reconcile their figures for the available funds.
 - The Government needs to define the reciprocal responsibilities of the *Ministère des Infrastructures* and the sector ministries (education, health and hydraulics) in delegating the execution of certain capital investment projects, taking into account their respective jurisdictions.
 - Given the numerous complaints from the communities, the *Comité Provisoire de Gestion* (CPG 5%) that oversees the 5% of oil royalties allocated to the oil zone needs to draft a plan for projects that complement those of the Government, taking into account the stated needs of the communities and targeting the most vulnerable populations in the rural zones first.²
- In the context of a unified the budget and indirect oil revenues exceeding direct revenues, **the CCSRP's role** needs be updated in time for the 2008 budget.

From Managing the Budget to Managing Economic and Social Development

The volatility of oil revenues requires that Chad be prudent in its current spending and to focus on reviving its non-oil economy as a source of sustainable income for the country.

- Oil resources should be used to **diversify the economy** by providing more support to the rural production sectors (farming and livestock) and the hydraulics sector, which if developed, could contribute to achieving all of the Millennium Development Goals.

In terms of energy, Chad must choose between several alternatives for reducing fuel costs for the *Société Tchadienne d'Eau et d'Électricité*.

² After the Head of State dissolved the CPG, the Council of Ministers approved a draft decree on June 28, 2007 to reorganize management of the 5% fund with a new, smaller interim committee.

- There are several **instruments** it can use in planning its long-term development, including the results of the **ECOSIT-2** household budget survey and the **NPRS-2**, which can serve as a framework for preparing the budgets in 2008 and beyond.

The **Regional Development Plan**, which has been awaiting government approval for far too long, can also serve as a guide in developing the oil region. This issue warrants attention by the *Ministère de l'Économie et du Plan* whose mandate should be confirmed by decree without delay.

Finally, Chad has another important option: defining a long-term strategic framework for growth—**Chad 2030**. The IAG again urges the Government to take advantage of this opportunity to build a strong political and social consensus as soon as security conditions allow.

- Despite a substantial increase in revenue over the past few years, Chad still needs the support of its bilateral and multilateral **partners** in order to keep its economy on track and assist in its development. Following the 2006 crisis, the World Bank now has the opportunity to start a fresh dialogue with Chad.

Chad stands at a crossroads in its history. The oil revenues are giving it unprecedented control of its economy. However, the very real possibility of a decline in production in the coming years means that Chad must now pay close attention to the following elements:

- Managing public finances prudently,
- Investing more and promoting investment in the economy's rural production sectors,
- Promoting economic diversification,
- Ensuring that the oil sector is developed in a way that is organized, transparent and respectful of the public and the environment,
- Investing seriously in the NPRS-2 as a basis for development in the coming years,
- And consider uniting the country around a participatory exercise to build a forward-looking vision for Chad 2030.

All of which in a context of renewed security.

CAMEROON

In Cameroon, the IAG resumed in 2007 its pattern of two missions a year. This twelfth visit was divided into 2 parts. The first was to monitor implementation of the Indigenous Peoples Plan (IPP) and the second was devoted to updates on the pipeline project and major related programs and more specifically, focused on the lessons learned from the January 15, 2007 oil spill at the Floating Storage and Offloading Vessel (FSO).

- The **January 15, 2007 oil spill** provided an opportunity for COTCO and the Government to assess their emergency procedures and responses and to become better prepared to handle a more serious accident.

On the technical level, COTCO's oil spill containment measures functioned as planned and the company identified corrective actions to minimize the possibility of a future incident. On the

Cameroonian side, however, this accident highlighted weaknesses in its current response mechanisms that could compromise its ability to handle a more serious accident.

The two key lessons learned from this event were the need for COTCO and the Government to review their measures for communicating with the public and the urgent need for the Government to adopt a functional National Oil Spill Response Plan and the decrees needed to implement the Law on the Environment.

This incident also highlighted the importance of building cooperation among the oil-producing nations in the Gulf of Guinea in order to prevent and more effectively contain oil spills. The World Bank could support Cameroon in such an initiative.

- A substantial portion of this mission was spent focusing on the operations of the Foundation for Environment and Development in Cameroon (**FEDEC**) and its efforts to protect the two national parks designated as **ecological compensation** under the Project (Campo-Ma'an and Mbam and Djerem national parks) and to help develop the Bakola/Bagyeli population through implementation of the IPP.

FEDEC's financial situation is a source of concern. Given the risk of exhausting its capital within 5-6 years, whereas it was supposed to manage it over 28 years, the Foundation must take urgent measures to conserve its capital by adopting a more conservative budget management approach, reducing its operating costs, stepping up efforts to identify new investors and by asserting its right to claim tax and duty-exempt status.

The Government needs to clarify its commitment vis-à-vis the two national parks by signing partnership agreements with FEDEC and its two implementing agencies. It must also assume its responsibilities by freeing up the funds needed to manage the parks.

The WB, which supported the creation of FEDEC and which has a responsibility to ensure compliance with its Operational Directive on Indigenous Peoples within the framework of the Pipeline Project, must also play its part in supporting implementation of the IPP.

FEDEC's decision to hire the NGO RAPID to implement the IPP is producing encouraging results, hence the importance of ensuring long-term funding for this program by taking steps to conserve the funds that are specifically earmarked for it.

- After a promising start on the **Social Assessment** by the COTCO/NGO/PSMC tripartite platform for cooperation, the lengthy processing time for claims and the lack of consensus on how to classify the compensation and claims applications are creating a demobilizing effect rather than the convergence and enthusiasm that everyone had hoped to see.

The NGOs, the Pipeline Steering and Monitoring Committee (PSMC) and COTCO need to think about ways to revive and reinvigorate the tripartite platform for cooperation and to establish on-going, transparent, high-level dialogue on the Project.

- The Group was able to gather and analyze only partial information concerning implementation of the activities under the Cameroon Petroleum Environment Capacity Enhancement Project (**CAPECE**) since March 2006.

Despite a two-year extension and the fact that the project is approaching the November 30, 2007 completion date, the persistent delays in implementation have meant that essential studies have not been finalized or adopted, let alone put to use.

The PSMC, with WB support, needs to mobilize to complete the remaining activities under CAPECE before the program ends. Moreover, as Cameroon and the World Bank are discussing the possibility of a CAPECE-2, they first need to ensure that they have learned all the lessons of CAPECE, which fell short of its objectives.

- There is general progress on a number of **issues still pending from the construction phase**. Headway was made on archeological issues, the artificial reef off the coast of Kribi, the safety improvements to the pedestrian bridge over the Lom River and COTCO's relations with local government authorities.

However, one issue is still problematic: the transfer of the Project's temporary sites and infrastructures to the government. This issue, pending since the end of construction in 2003, will require the attention of the Prime Minister.

- **Health protection** in the pipeline zone has made some progress with increased cooperation between COTCO and the Ministry of Health and COTCO's plan to improve the health of the people living along the pipeline route.

- Finally, the additional technical studies on the **Lom-Pangar dam project** requested by the Ministry of Environment and Protection of Nature are still in progress. The issue of the implications of any work done to protect or move the pipeline, and the financial liability for such work, has not yet been resolved. This externality affecting the pipeline requires continued monitoring.

Four main conclusions emerged from this mission to Cameroon, two of which are urgent, and two of which are priority:

- The need for the Government to quickly learn the lessons of the January 15, 2007 oil spill and adopt without delay the missing links in the legislation governing oil risks;
- The urgent need for FEDEC's Board of Directors, the Government and the World Bank to take steps to preserve the Foundation's mission;
- The importance of reinvigorating the COTCO-NGO-PSMC platform for cooperation; and
- The need to learn the lessons of the first CAPECE before contemplating a second program.

CHAD - INTRODUCTION

Mission Description

1. The International Advisory Group (IAG) for the Chad-Cameroon Petroleum Development and Pipeline Project ("Project" or "Doba Project") conducted its twelfth statutory visit to Chad from May 3-17, 2007.
2. In the oil zone, the Group visited the Komé 5 base, Doba, Bébédjia and the villages of Moundouli, Ngalaba and Poutouguem to take stock of the Doba and Nya Moundouli Projects and the development of the Maikeri (Poutouguem) oilfield. It met with local authorities, the *Commission Permanente Pétrole Locale* (Local Standing Committee on Oil, or CPPL), the permanent secretariat of the *Comité Provisoire de Gestion des 5%* (Temporary Management Committee for the 5% Regional Fund, or CPG 5%) and the various security units assigned to the oil zone. The Group was accompanied to the sites by representatives of Esso's EMP team (Environmental Management Plan), the *Comité Technique National de Suivi et de Contrôle* (National Technical Committee for Monitoring and Control, or CTNSC) and the CPPL.
3. In N'Djaména, the Group met with the central ministries and several priority ministries, the government agencies overseeing and managing oil revenues, the *Coordination Nationale* (National Coordination, or CN), the permanent secretariat in charge of preparing the National Poverty Reduction Strategy no. 2 (NPRS-2), Esso Exploration and Production Chad, Inc. (EPC) and representatives of several of Chad's international partners: the World Bank (WB), the International Finance Corporation (IFC), the International Monetary Fund (IMF), the European Union and France. At the end of the mission, the Group met with the *Ministre d'État, Ministre des Infrastructures*, Acting Prime Minister.
4. Due to the various parties' scheduling constraints, the IAG was unable to meet separately with civil society representatives in N'Djaména, the chairman of the CPG 5%, the President of the National Assembly, the *Ministère de l'Intérieur et de la Sécurité Publique* and the *Ministre des Finances et de l'Informatique*, as originally planned. It had a short working session with the heads of the *Ministère des Finances* who were preparing for an international meeting and had limited availability.
5. The mission itinerary and a chronology of the meetings can be found in Appendix 1.

Mission Context

6. **On the political level**, this mission took place shortly after a major reshuffling of the ministries following the death of the late Prime Minister Pascal Yoadimnadj. The new Head of Government, Dr. Nouradine Delwa Kassiré Coumakoye, was appointed on February 26, 2007.
7. The dialogue opened between the Government and the opposition parties over the past several months offers some hope for the beginnings of a political *détente* that could lead to a consensus before the upcoming legislative elections.
8. **Security conditions** within the country and at the borders have been the central concern in recent months, as evidenced by the 6-month state of emergency declared by the National Assembly at the end of November 2006, which was not renewed at the end of May. Despite a

rally to the Government's side by the *Front Uni pour le Changement* (FUC) rebel group at the beginning of the year, fighting between the Chadian regular army and the rebels has continued for several months primarily in the eastern part of the country. This has led to considerable government expenditure to strengthen the army.

9. Nearly 150,000 Chadians have been displaced by the ethnic conflicts in the east. Chad is feeling the growing strain of providing security for both the displaced persons and the camps of Sudanese refugees from Darfur and is turning to the international community for support.³
10. The Riyadh Agreement signed by Chad and Sudan on May 3, 2007 helped ease tensions between these two countries, which were accusing each other of supporting the rebel forces attacking their respective governments.
11. **On the economic level**, the launch of NPRS-2 is a major initiative by Chad to redefine the direction it takes with regard to growth and poverty reduction. The results of a second household budget survey (ECOSIT-2) published at the beginning of the year provide information about the profile and geography of poverty in Chad, as well as the living conditions in its towns and cities. This document will be an important tool in drafting the NPRS-2, which in turn will serve as a guide for the 2008 budget.
12. **On the financial level**, the 2007 budget passed by the National Assembly on January 2, 2007 allocates 70% of all government expenditure, regardless of source (regular and oil budget), to poverty reduction programs, pursuant to the Memorandum of Understanding signed by Chad and the World Bank on July 13, 2006. The macroeconomic aggregates which provide a framework for the budget, show a growth of 3.7% in the gross domestic product, not including oil revenue, a 3% inflation rate and 13.1% fiscal pressure rate, not including oil.
13. As oil prices continue to remain high on the world market, Chad has achieved an unprecedented budget surplus even though oil production is still falling short of initial forecasts. Yet even with the oil revenues, which are predicted to decrease significantly beginning in 2008, Chad must manage its finances cautiously, hence the need for the stabilizing mechanism put in place in March 2007.
14. Finally, on the **social level**, the mission occurred in a context marked by a public-sector strike that began on May 2 originating from salary and retirement-related demands. There was a significant difference in position between the labor unions, which are determined to reap the financial benefits of oil, and the Government, which has to manage recurring expenditures prudently. The strike was still in progress when the Group left the country, but negotiations were underway⁴.

³ On June 17, 2007, given the urgency of the situation with the onset of the rainy season, France set up a humanitarian airlift to help the displaced persons and refugees in eastern Chad.

In addition, the Sudanese Government has confirmed its agreement to the deployment of a hybrid African Union-United Nations force to Darfur to replace the under-equipped and under-funded African Union peace force that is currently in Sudan. Rapid implementation of this agreement would be a major step forward as the search for a political solution to the Darfur conflict continues.

⁴ A communiqué issued by the Prime Minister on June 21, 2007 announced: "Some of the labor unions have signed a memorandum of understanding with the Government ending the public-sector strike that began on May 2, 2007."

15. In addition to the usual review of current issues, the main objectives of this **twelfth mission** were to assess the results achieved since 2004 by using the oil revenues and to determine what remains to be done in order for Chad to attain its development goals.
16. Thus, the IAG wanted to see how the country was moving from simply managing a project to managing the entire oil sector and from managing oil revenues to managing all Government revenues and the country's economic and social development.
17. This report presents the Group's observations and the analyses, conclusions and recommendations suggested to the Group through its mission.

PART 1: FROM PROJECT MANAGEMENT TO OIL SECTOR MANAGEMENT

18. Until now, the normative framework governing the oil sector has been defined primarily by the various agreements leading up to the Doba Project. The recent adoption of a new petroleum code [*Loi sur les Hydrocarbures*] and the creation of the *Société des Hydrocarbures du Tchad* (SHT) are important steps towards defining a legal and regulatory framework – still incomplete – to govern all oil operations.

1 MANAGING OIL PROJECTS

19. The IAG took stock of the production and construction activities at the fields in Doba (Komé, Bolobo, Miandoum), Nya and Moundouli, and Maikeri, paying particular attention to the measures Esso is contemplating or has already implemented to minimize its land-use impact. It assessed how well the Government and Esso have been monitoring the various oil projects and what steps have been taken to mitigate environmental and social impact. The Group also looked at security conditions in the oil zone—a particularly sensitive subject last October.

1.1 Production Levels Still Below Initial Estimates

20. Despite the well infilling campaign, measures to stimulate the reservoir and Esso's efforts to develop new fields, production levels are still falling short of Esso's initial estimate of 225,000 barrels per day (bpd).
21. Average production in 2006 at the three Doba fields (Komé-Bolobo-Miandoum) and at the Nya and Moundouli fields was only 155,300 bpd, instead of the 165,000 bpd predicted at the beginning of the year. Even with the anticipated start-up of the Maikeri field next September, estimates for 2007 vary between 135,000 and 155,000 bpd.
22. The temporary halt of exploration beyond the Chari river and the absence of new production fields beyond Maikeri are putting more pressure on the fields already under development or in production. The 2006 infilling campaign increased the number of production wells to 386 and the number of reinjection wells to 42 at the three Doba fields, the Nya and Moundouli fields and the Maikeri field. According to data from EEPIC, the 2007 drilling plan provides for 76 additional wells (production and reinjection) at these fields.

23. This brings the total number of wells — anticipated for both production and reinjection by the end of the year— to 504, with 441 for Doba alone. This is a considerable increase over the initial plan for 287 wells, which served as the basis for the EMP.
24. The *Ministère de l'Environnement, de la Qualité de Vie et des Parcs Nationaux* is concerned about the well densification, which exceeds EMP figures, and is questioning whether the current plan complies with the initial EMP. The Ministry questioned Esso on the matter but had not yet received a satisfactory answer as of the IAG visit.
25. Increasing production continues to be a priority for Esso, which results in a greater-than-expected impact on land use in the zone, to the detriment of rural farmers.

1.2 Land Use and Compensation Needs

1.2.1 Ensuring Sustainable Progress in the Land Restoration and Restitution Process

26. Since October 2006, Esso has been stepping up its efforts to restore and return the land it has borrowed to the local communities, with special emphasis on restoring the borrow pits and the re-sized well pads (5,231m² instead of 9,350m²) that were used in the operations phase. Esso plans to have all well pads at the new, smaller dimensions by the end of 2007. It is also working on officially transferring the land that has already been restored to the local communities.
27. According to EEPIC, the land-use situation in the Oilfield Development Area (OFDA) covering Komé-Bolobo-Miandoum was as follows as of March 31, 2007: the Project uses a total area of 1,199 hectares (ha) on a permanent basis and 1,730 ha on a temporary basis. By way of comparison, projections in the (revised) EMP estimated permanent land use at 754 ha (exceeded by almost 60%) and temporary land use at 903 ha (exceeded by nearly 80%).
28. Esso had restored and returned to local communities 457 ha of land (less than 30% of the land used temporarily) but should now be able to do better, taking the agricultural growing season into account.
29. Esso's goal for the future is to limit temporary land use to under a year. Beyond that period, the land will be compensated according to the guidelines for permanent use even if it is ultimately returned to the community.
30. Now that Esso is using a Geographic Information System (GIS) and the satellite data that it acquired at the end of 2006, it is better able to assess the Project's footprint and its impact on the villages and to establish a better plan for restoring the land.
31. The next major step will be to restore the rights-of-way for a large number of flowlines, especially in the villages most affected by the projects.
32. The *Ministère de l'Environnement, de la Qualité de Vie et des Parcs Nationaux* has stressed the need to compare the productivity level of the restored land with its original state in order to avoid disputes in this regard.

1.2.2 Shortening the Processing Time for Compensation and Claims

33. The biggest complaint heard by the IAG during its visit to the three villages concerned the time Esso took to process applications for compensation and claims. The Group was also informed of one pending file dating back to 2004 and of several others that are taking a surprisingly long time to process. This situation is penalizing local residents who are already hard-hit by the changes in their environment, and marring their relationship with Esso.
34. Esso has room for significant improvement, especially now that it has a much more functional and complete database of claims and compensation, which will enhance its ability to follow up on cases and to standardize its working methods.
35. In its visits to the villages the IAG also clearly saw the need for more regular meetings between Esso's EMP team and the local community, especially given the recurrence of certain grievances, for the purpose of providing updates on pending cases and accelerating their processing time.

XII. 1 The IAG recommends that Esso:

36. - *Take appropriate steps as necessary to ensure that it complies with Chad's environmental requirements and the EMP requirements with respect to analyzing the impacts of infilling;*
37. - *Adopt a protocol to measure the productivity of restored land so as to verify the effectiveness of the restoration procedures;*
38. - *Continue its land restoration campaign and immediately begin restoring the flowline rights-of-way and returning them to the local communities, giving priority to the villages most affected by the Project. Esso needs to be mindful of agricultural imperatives and return all restored land to the rightful owners before the growing season;*
39. - *Establish, announce and adhere to a reasonable time frame for processing claims and compensation applications; allocate the necessary human resources to this task, in particular by bolstering the socio-economic EMP team; resolve pending cases before the end of July 2007; and hold regular meetings in the villages in order to follow up on pending claims in a more systematic manner.*

1.2.3 Evaluating and Updating the Resettlement and Compensation Plan and Implementing a New Action Plan

40. The Chad Resettlement and Compensation Plan (RCP) Evaluation Study committed by EEPIC and the IFC in April 2006 had two purposes: (1) it fulfilled a requirement in the 1999 EMP, and (2) it assessed the ability of the RCP to address new Project constraints, namely the densification of the production wells and more extensive land use than originally planned in the OFDA. Thus regulatory compliance and the need to update the plan to make it fairer, given the changes in the production context, required a prompt, appropriate reaction.
41. The Study's final report, dated January 2007, is available in English on the World Bank web site at: http://siteresources.worldbank.org/INTOGMC/Resources/chad_resettlement_evaluation_report.pdf.

42. Based on the observations and recommendations in the study, especially concerning the long-term sustainability of the communities affected by the Project, EEPCI worked with the IFC to develop an Action Plan, which was finalized in April 2007 and is available in English and French on Esso's web site at: <http://www.esso Chad.com/Chad-English/PA/TD HomePage.asp>.
43. This plan to mitigate the land-use impact in the OFDA involves 9 action areas. Specifically, it calls for measures to reduce the amount of land used, improved procedures for identifying the impact on area residents at the community (village) and individual level, and a review of the compensation and training programs. Several measures have already been implemented, but others still need to be developed and will require Esso to recruit various experts. This is particularly true with respect to assessing and improving the individual and community compensation programs and with respect to the off-farm and improved agricultural techniques training programs. Consequently, the EMP team will need more staff to ensure proper implementation of the Action Plan.
44. Several steps have already been taken to enhance the effectiveness of the improved agricultural techniques training program. For example, the non-governmental organization (NGO) ORT, which now reports directly to the EMP team, has received a 5-year extension of its contract with Esso, which will enable it to plan its work better. In addition, the beneficiaries of the training will now be monitored for 2 years in order to provide them with support and assess how well they are applying the techniques they have learned.
45. EEPCI and the IFC will provide monthly updates on the Plan's implementation. Esso must now set up new procedures by the end of 2007 to guarantee in the long run that the households that lost some of their agricultural land to the Project will have adequate incomes to compensate their losses. It will also be important to implement emergency measures for the most affected communities as soon as possible, as recommended in the Action Plan.

XII.2 Concerning the next steps for the RCP evaluation, the IAG recommends that:

46. - *Esso immediately take steps to translate into French the RCP evaluation and to publish it and the Action Plan on its web site and to distribute copies at the Project's reading centers and to civil society organizations;*
47. - *Esso use and analyze the information in its improved compensation database to increase its understanding of the land allocation system in the villages and to refine its classification of villages and individuals based on Project impact and the viability of local farms;*
48. - *Until the new classification is final, special precautions should be taken in the villages that have been temporarily designated as the most heavily affected, where a large proportion of the households do not yet have enough farm land to ensure long-term viability, by compensating losses and damages as quickly as possible and by avoiding the appropriation of any additional land for Project use;*
49. - *Esso develop a community compensation system that promotes improved living standards in the villages for the long-term. The involvement of NGOs in defining and implementing compensation would contribute to the success of these projects. In addition to the infrastructure projects proposed by the Project up to now, there are other community development opportunities to be explored in the region including rice fields, community forests and wood production, an extension of the improved agricultural programs currently provided by ORT, etc.*

50. - *Esso regularly publish information about progress in implementing the Action Plan to mitigate the impact of land use in the OFDA and about the updated Resettlement Manual once it is available, and that it apply these new procedures to all its activities including those outside the Doba Project zone.*

1.3 Oil Monitoring Activities Slowly Grind to a Halt

51. Monitoring of oil activities by the government teams—the CTNSC on-site team and the Doba Petroleum Unit (DPU)—is practically non-existent. The situation was already very bad at the time of the IAG’s last visit: it has since further deteriorated and is cause for concern.
52. The CTNSC is currently reduced to a single staff person, the acting Executive Secretary, who provides basic services at the N'Djaména headquarters and is able to make a few site visits thanks to logistical support from EEPCCI during the monthly, joint EEPCCI/CTNSC inspections or if there is a specific need. He has also conducted a few inspections of other oil projects, particularly those of CNPC (China National Petroleum Company), which bought out Encana’s rights and obligations. One of the goals of these inspections is to ensure that the oil companies are complying with the “EMP Principles,” which is one of the CTNSC’s prerogatives on behalf of the Government.
53. As for the DPU, the IAG did not meet with anyone in the field and was unable to determine clearly whether there is still a team in place.
54. The Petroleum Sector Management Capacity-Building Project ended on December 31, 2006. The World Bank offered the possibility of an additional grant but Chad was slow to express official interest and thus the grant seems unlikely to materialize any time soon. Given this and the fact that the 2007 budget does not include any money to fund the CTNSC and the DPU, operations of these two organizations have been paralyzed and there is a major risk of forever losing the valuable experience that has been gained.
55. With this almost total lack of government oversight for oil activities, the Group again notes the Government’s inability to protect its interests and those of its citizens in the oil zone and to ensure compliance with its own regulations. Moreover, there is little sign of a long-term solution to ensure that the Government can adequately handle its ongoing regulatory responsibility.

XII.3 The IAG again recommends that:

56. - *The Government procure the resources it needs to meet the monitoring obligations ensuing from its own laws and from its commitments with respect to the Petroleum Project, by appropriating the necessary funds in the budget to operate the CTNSC and the DPU and pay their employees. These funds should be included in the oil budget that is already being used to fund the Collège de Contrôle et de Surveillance des Ressources Pétrolières.*
57. - *The Ministère de l’Environnement, de la Qualité de Vie et des Parcs Nationaux and the Ministère du Pétrole which oversee the CTNSC and the DPU respectively refer the matter to the Government as soon as possible.*

1.4 Environmental and Social Issues

1.4.1 Progress on Core Environmental Issues

58. • Progress has been made on the issue of **hazardous waste management** now that the Komé hazardous waste incinerator is working again. Esso has therefore suspended the plan to transport the waste to Cameroon for processing.
59. In addition, a joint venture between a Chadian company and a Cameroonian company has been established to recycle plastic and food waste from the Project, with the construction of a recycling facility in Bébédjia.
60. • **Dust control** is one of EEPIC's priorities. Management has given the green light to paving 52 km of roads in the OFDA by the end of 2008. In addition to the 10 km of double bitumen surface treatment (DBST) applied during the 2005-2006 dry season, approximately 20 more kilometers will be treated in 2007 and again in 2008. EEPIC is also continuing its molasses-paving and water-spraying program.
61. The results of the study to assess the impact of dust on local residents' health are still pending. In April 2007, a Chadian research firm was hired to conduct a one-year study on the impact of dust on plant fertility in the zone. According to the terms of reference, the study will be conducted in an agricultural area and will measure the impact of dust on the crops compensated by Esso.
62. • **Excess gas** is still being **flared** at the Miandoum gathering station until a compressor can be delivered at the end of 2007 or during the first quarter of 2008. This is a source of concern for the local communities, especially since Esso has not yet conducted any information campaign on this sensitive issue, which can be perceived very differently by various parties.
63. • EEPIC is continuing to study the possibility of **surface use of water pumped** from the oil fields. It has received approval from the *Ministère de l'Environnement* and the *Ministère du Pétrole* to launch a 240 m³/day pilot project on an area of 12 ha to test whether water treated with a natural reed filtration system meets the necessary specifications for subsequent use in irrigation or fish-farming. Depending on the results of the pilot project, the process may be expanded to a larger scale.
64. The *Ministère de l'Agriculture* and the *Ministère de l'Hydraulique rurale*, who both have an interest, have said they were not informed of the project. The *Ministère de l'Hydraulique rurale* questions its merits in a zone where the supply of surface water is deemed to be adequate to meet current agricultural needs. Clearly the various ministries need to coordinate their positions on this issue and reach an agreement with Esso on a specific project.

XII.4 The IAG recommends that:

65. - *Esso add mango trees to the list of species studied by the Chadian research firm contracted to study the impact of dust on plant fertility;*
66. - *Esso's EMP team avoid further delay in the launch of an information campaign targeting the local communities and civil society to explain the reasons for flaring and its impact, as well as the steps Esso is taking to limit the effects;*

67. - *Esso involve the Ministère de l'Hydraulique and the Ministère de l'Agriculture in the pilot phase of the project to use water pumped from the oilfields on the surface and ensure that, at full-scale, the project would fit with a development process that corresponds to the community's wishes.*

1.4.2 Noticeable Progress on Social Issues Overall

68. • On a positive note, the practice of illegally applying a **10%** tax to individual compensation has disappeared, according to the local residents met during the mission. The penalties imposed by the Government on local authorities guilty of this practice seem to have been a sufficient deterrent.
69. However, given that this has been a recurring problem since the Project began, the Government must remain vigilant and continue to conduct information campaigns in the zones newly affected by the oil activities in order to prevent a resurgence of this practice. Prevention is the key.
70. • In the case of the dispute between **TCC** (Tchad-Cameroun Constructors) and its former employees, the Supreme Court ruling ordering TCC to pay the plaintiffs US\$12.5 million is being enforced. This is half the amount that the Appeals Court had awarded. At the time of the IAG visit, 90% of the former TCC employees had been paid through a clear and undisputed process, according to one former employee.
71. • In terms of Esso's contractors' efforts to **recruit workers for unskilled jobs**, it appears that Esso's hiring procedures dictating that these positions be given to locals are not always followed.
72. In a context where the local population's expectations far exceed the actual employment opportunities offered by the Project, the failure to follow established rules leads to misunderstandings, frustration and disputes that could otherwise be avoided.
73. When the Group raised the issue with Esso during its visits to the villages, the company agreed to verify the facts and to take any corrective actions necessary.
74. • Implementation of the **local business opportunities** program developed by Esso is producing encouraging results thanks in part to the partnership between Esso, the IFC and the CCIAMA (Chamber of Commerce, Industry, Agriculture, Mines and Handicrafts).
75. Several Chadian companies have already been awarded contracts with Esso or its contractors that in the past would have gone to foreign companies.
76. All Project-related requests for proposals are published in the local newspapers. The companies that are pre-selected must then submit their proposals online. For those that do not have Internet access, Esso helps provide transportation to N'Djaména where the IFC's Business Development Center has a connection.
77. In addition, the IFC and Esso have assigned funding to develop a training program for Chadian entrepreneurs to help them gradually migrate to higher added value contracts.

78. • The improvement in **Esso's relations with local government authorities and traditional leaders** seen in October 2006 seems to be continuing. Contacts between the parties are more frequent and are not limited merely to resolving disputes. Esso has involved the various levels of local authorities in the current process to revise the community compensation program.
79. Even though **Esso's relations with the local communities** are benefiting from the trust that has gradually been built between local residents in the Project zone and an experienced EMP team that now has more Chadian nationals, Esso must continue working to develop good neighbor practices and to ensure that rapid and consensus-based conflict resolution becomes the norm, rather than instinctively turning to the courts.
80. **Esso's relations with civil society**, especially the CPPL, could be improved with more regular contact so that the parties can brief each other on progress and problems related to the Project.

XII.5 The IAG recommends that:

81. - *Esso set up a systematic procedure to verify that unskilled positions offered by it or its contractors are allocated to locals. The EMP team's Local Community Contacts (LCC) could be involved in this oversight;*
82. - *Esso and the CPPL hold quarterly meetings to take stock of Project implementation, problems and possible solutions.*

1.5 Improved Security in the Oil Zone to be Confirmed

83. Whereas lack of security in the oil zone was a unanimous concern in the villages the IAG visited during its last mission, local residents did not spontaneously raise the issue this time.
84. The situation seems to have improved significantly, though there are still reports of occasional acts of blatant insubordination by *gendarmes* vis-à-vis judicial authorities, which the IAG was unable to confirm.
85. In the field, the Group met with the *Coordination Nationale's* security team, the security team temporarily reassigned from the N'Djaména *gendarme* unit to guard the oil installations, and representatives from the Komé Base and Komé 5 *gendarme* units under the Doba territorial command. The Group was informed during the discussions that an official curfew is not in effect, as was reported in the IAG's eleventh mission report. Rather, the Governor has issued instructions limiting vehicular traffic near the oil facilities in the evening so as to minimize acts of vandalism and theft. The CN's security unit conducted a campaign to inform local citizens and the *gendarmes* assigned to the region of their rights and duties. However, their task is complicated by a lack of resources and in some cases, a lack of training among the troops on site⁵.

⁵ Following the mission, the CPPL sent the IAG a communiqué dated May 25 from the Governor of the Logone Oriental region banning traffic on certain roads near the oil facilities (for all users, including merchants and NGOs), subject to heavy fines, but without specifying the enforcement period. The IAG was unable to determine the causes and consequences of this decision.

86. The *gendarme* unit from N'Djaména, which has far more troops than Esso actually needs, has been stationed here for several years even though it is supposed to be relieved every 6 months. Requests to have the troops rotated have apparently been made several times, but to no avail, given the national security context.

2 MANAGING THE OIL SECTOR

87. Developing the oil sector requires that Chad adopt regulations, standards and other instruments that will enable it to manage this sector firmly, professionally and transparently and to play the active role that it wishes to play rather than a strictly regulatory one.

2.1 New Petroleum Code and Other Essential, Long-Awaited Instruments

88. • Chad has passed a new petroleum code (Law 006/PR/2007 – *Loi sur les hydrocarbures*) enacted on May 2, 2007. This law, which is an update of the 1962 Petroleum Code, introduces a production-sharing agreement in addition to the concession agreement that until now had been the only instrument in effect. This means that Chad can now participate directly in the production of its oil.
89. In the fiscal context, the royalty rate for the production of liquid hydrocarbons has been increased to a minimum of 16.5% (previous rates were 12.5% and 14.5% in the 1988 and 2004 agreements respectively between Chad and the ExxonMobil/Chevron/Petronas consortium) and corporate income taxes range from 40-75%.
90. Environmental requirements are now more stringent and are applicable starting with the exploration phase.
91. • Paradoxically, however, as of the IAG mission, Chad still had not approved its National Oil Spill Response Plan (NOSRP) nearly four years after production began at the Doba fields, nor finalized the implementing decrees for Law 14/PR/98, which defines the broad principles of environmental protection⁶.
92. The proper approach would have been to have these important legal and regulatory instruments in place before the first oil. In the meantime, there does not appear to be a clear system of accountability.
93. The oil spill that occurred on January 15, 2007 at the Floating Storage and Offloading Facility (FSO) off the coast of Kribi in Cameroon was an important reminder that the Project is not without risk of serious accidents that can damage the environment and harm the local communities. There is no such thing as zero risk and the Chadian government has a duty and a responsibility to protect its citizens using all the environmental risk management instruments available in the oil industry.
94. With respect to the January 15 oil spill, the Chadian representatives working at the FSO with whom the IAG met criticized the fact that officials from Chad did not participate in the assessment mission organized by COTCO (Cameroon Oil Transportation Company) and the

⁶ On June 28, the Council of Ministers approved the draft NOSRP submitted by the *Ministère de l'Environnement, de la Qualité de Vie et des Parcs Nationaux*.

Cameroonian authorities after the incident, and stated that they had not received any information from their chain of command in N'Djaména on the follow-up measures and lessons learned from this event.

2.2 Roles and Responsibilities of the Oil Institutions: Clarity and Resources Required

95. Effective management of the oil sector requires a clear definition of the roles and responsibilities of the national institutions in charge of managing, supporting and monitoring oil activities and the provision of appropriate operating budgets for these institutions.
96. The bylaws of the *Société des Hydrocarbures du Tchad*, which was established by decree on July 27, 2006, are currently being drafted. They will help define SHT's activities and responsibilities from the exploration phase to the distribution of oil products.
97. In the meantime, the CN should continue to serve as the one-stop interface between the Consortium and the Government. However the reduced staff, the absence of an operating budget since December 2006 and the fact that it is under the *Ministère du Pétrole* even though it has a broader mandate all significantly impact the mission of the CN, which no longer has the resources to fulfill its responsibilities. This situation has caused the Consortium to start dealing directly with the various ministries.
98. In addition to the need stressed above to equip the Project monitoring structures (CTNSC and DPU) with the resources needed to fulfill their current mandates, it is also urgent that the Government determine what it wants the CN, the CTNSC and the DPU to look like in the future. The *Ministère du Pétrole* and the *Ministère de l'Environnement* must clarify the manner in which they intend to exercise their regulatory powers and the resources needed to do so.
99. The National Commission in charge of renegotiating oil agreements, especially the 1988 and 2004 agreements, has temporarily suspended its activities until it receives the SHT bylaws. A potential legal dispute can already be anticipated between the State, which is determined to review the existing agreements in light of its new petroleum code, and the Consortium, which will refer to the stability clause in the agreements it signed.
100. On the environmental and social level, it is in Chad's best interest to maintain at least the same level of requirements as for the Doba Project for any new oil projects and must do so for any other project using the Chad-Cameroon pipeline, as stipulated in the current agreements.

XII.6 The IAG recommends that:

101. - *As specified in previous IAG reports, Chad assume its rights and obligations and that it adopt without further delay the implementing decrees for Law 14/PR/98. The Government should also ensure that the recently-approved NOSRP is widely distributed to the public and that the officials who will be implementing the plan receive adequate training;*
102. - *The Government take all necessary steps to ensure sound, transparent management of the new SHT to the benefit of all Chadians, taking care to avoid the missteps and cover-ups frequently seen elsewhere in managing this type of company;*
103. - *The Government determine what future role it wishes the CN and the oversight bodies (CTNSC and DPU) to play in managing the oil sector beyond the Doba Project.*

PART 2: FROM MANAGING OIL REVENUES TO MANAGING SOCIAL AND ECONOMIC DEVELOPMENT IN THE OIL PRODUCTION PHASE

3 FROM MANAGING OIL REVENUES TO MANAGING AN OVERALL BUDGET

104. With Chad entering its fourth year of oil income, the IAG wanted to devote this mission to evaluating the results Chad has achieved using the oil revenues since 2004. However, the lack of hard data about most of the ministries' accomplishments made this task difficult, if not impossible.
105. There is still no reconciled statistical information that accurately reflects budget operations based on oil revenues. Since the CCSRP is the most consistent source of information, the Group used its latest publications to assess the trends in oil revenue allocation to the various socio-economic sectors and in the priority ministries' abilities to mobilize and spend their budgets.

3.1 Trends in Oil Revenue Budgets from 2004 to 2006

106. Below are some of the trends seen in direct oil revenues from 2004-2006 as reflected in the CCSRP's approvals of priority ministries' spending of these revenues (excluding direct oil revenues allocated to the CCSRP, the Oil producing region and the CPG 5% starting in 2005).

3.1.1 Overall Trends in the Oil Budget

107. Table 1 is based on CCSRP data and reflects the changes in direct oil revenues included in the budget since 2004 and the proportions of *Collège*-authorized expenditures and Treasury disbursements.
108. In 2004, when oil revenues were not available until July, budget appropriations were modest and budget implementation rates were high.
109. In 2005, the first full year of oil revenue receipt and use, budget allocations to the priority ministries improved considerably, with a marked increase in the number of authorized spending commitments, but a slight decrease in the number of payments authorized and made by the Treasury.
110. In 2006, appropriations for the priority ministries from the direct oil revenues reached their peak. However, given the country's financial difficulties arising from its dispute with the World Bank following the revision of Law 001/PR/99 and the delay in passing the budget and the two supplementary budgets, the number of CCSRP-authorized expenditures is declining drastically. The number of authorized payments has dropped slightly and the CCSRP did not have any information at the time of the IAG visit concerning the number of actual payments made by the Treasury.

Table 1: Expenditures from the Direct Oil Revenues Allocated to the Priority Ministries Since 2004

	2004	2005	2006	2007
<i>Appropriations from the direct oil revenues (in billions of CFA francs)</i>	36.8	99.9	128.1	111.7
(a) amount allocated to the priority ministries (in billions of CFA francs)	36.8	91.4	118.2	102.8
(b) spending commitments authorized by the CCSRP out of (a)	76%	91%	64%	< 2% as of March 31, 2007
(c) CCSRP-authorized payments out of (b)	93%	88%	83%	
Actual Treasury disbursements out of (c)	98%	93%	Not available	

Source: restated CCSRP data

111. Overall, the gap between the budget as adopted and actual spending by the priority ministries appears large given that these resources are available to the State. Is this because the priority ministries had to go through a learning period to master the new procedures that were established to ensure proper management and oversight of these resources? Is it due to the limited capacities of a Government that has always dealt with extremely modest budgets and suffers from chronic staffing instability? Is it due to the different interpretations of the spending commitments by the *Collège* and the *Ministère des Finances et de l'Informatique* (MINFIN), or to the priorities the Government adopted during the year that guided budget implementation?
112. Whatever the case, the ever-increasing gap between oil-revenue income and expenditure raises the question of how the unspent money is being used. Consequently, the CCSRP has decided to inquire into the matter.
113. In addition to the direct oil revenues that the CCSRP oversees, there are the indirect oil revenues consisting primarily of corporate income taxes that the oil companies have been paying since 2006. The indirect revenues are paid directly into the regular budget. According to EEPFI figures, there was approximately US\$ 475 million (233 billion CFA francs) in indirect revenues in 2006 and there will be an estimated US\$ 445 million (218 billion CFA francs) in 2007. Thus, indirect revenues far surpass direct revenues.
114. Thanks to the indirect oil revenues, the 2006 supplementary budget enabled Chad to achieve a balanced budget for the first time in its history, with an estimated surplus of 21.5 billion CFA francs.

3.1.2 Trends in Allocations to the Various Sectors

115. Table 2 shows the share of direct oil revenues budgeted for various priority sectors.
116. In order to show the trends in allocations based on the CCSRP data, budget appropriations were grouped by sector: road and urban infrastructures (*Ministère des Travaux Publics*, which

later became the *Ministère des Infrastructures*, and the *Ministère de l'Aménagement du Territoire, de l'Urbanisme et de l'Habitat*), human resources (*Éducation Nationale, Enseignement Supérieur, Santé Publique, Affaires Sociales*), rural production (*Agriculture, Élevage*) and utilities (*Environnement et Eau, Pétrole, Mines et Énergie*).

Table 2: Proportion of Direct Oil Revenues Allocated to the Priority Sectors

	2004	2005	2006	2007
Infrastructure	62%	41%	35%	41%
Human Resources	21%	30%	40%	37%
Rural Production	11%	14%	17%	15%
Utilities	6%	12%	8%	7%

Source: restated CCSRP data

117. Firstly, Table 2 shows that a significant portion of the direct oil revenues was allocated to the infrastructure sector in 2004 and in subsequent years. The *Ministère des Travaux Publics* (which later became the *Ministère des Infrastructures*) was the largest recipient. The choice was motivated in part by this ministry's ability to rapidly spend the funds it received, whereas the spending performance of other priority ministries at the beginning of the oil era was particularly poor.
118. In 2005 and 2006 appropriations became more balanced and more funds were allocated to the different sectors. The share of funds appropriated for infrastructure dropped significantly in favor of human resources, rural production and the newly-eligible utilities sector (with *Mines et Énergie* and *Pétrole* being added to *l'Environnement et l'Eau*). For the first time in 2006, human resources received more than infrastructure.
119. However, these trends should be analyzed with caution. The *Ministère de l'Éducation Nationale* received a considerable increase in its appropriations for 2006, but these funds were intended primarily to cover salary expenses. This ministry had received 10.8 billion CFA francs from the oil revenues in 2005, including 5.1 billion (47%) for personnel expenses. In 2006, this amount was increased to 26.9 billion with 17.8 billion (66%) for salaries. At the same time, the *Ministère de l'Enseignement Supérieur* and the *Ministère de la Santé* received a reduced share of allocations. As for rural production, the subsidy paid to CotonTchad out of direct oil revenues in 2005 and, with a major increase in 2006, eclipses the nearly forgotten livestock sector, which received less than 2% of the funds. The ministries that support rural production—a vital source of sustainable wealth in Chad—continue to be extremely under-funded, which in reality contradicts the vision the government expressed when oil production began.
120. Moreover, the initial political will expressed in the 2006 budget was lacking when it came to regulating spending. The already low average of authorized expenditures (64%) conceals the imbalance between human resources (with a maximum of 25% going to health) and livestock (33%) versus infrastructure (94%), agriculture (97%) and energy (86%). This bias makes outlooks unclear and negates the effects of the announcement that funds will be more evenly distributed among the sectors. Thus by the end of the chaotic year in 2006, more than half of all expenditure commitments (51%) were in the infrastructure sector, versus 16% for human resources.

121. Budget appropriations over the three years were not always in line with the priorities set out in the National Poverty Reduction Strategy, to the detriment of the social and production sectors. In addition to this imbalance, there was a discrepancy between the budgets passed and the nature of actual spending. This was a result of the disbursement choices made by the *Ministère des Finances* on the one hand, and the erratic performance by the priority ministries in mobilizing and using their funds on the other.
122. No matter how much light these figures shed, it is still difficult to see the results of these expenditures in the field and their impact on the goal of reducing poverty. The ministries' budget planning processes still lack performance indicators to measure the value added by oil revenue in achieving sector goals.

3.2 The 2007 Budget: Analysis of a Transition

123. From a budgetary standpoint, 2007 is an unusual year for Chad for several reasons:
124. • The *Ministère du Pétrole* is predicting a peak in oil revenues in 2007, followed by a decline in 2008;
125. • The 2007 budget is considered to be transitional. While awaiting completion of the revised National Poverty Reduction Strategy, the Memorandum of Understanding (MOU) between the Government of Chad and the World Bank served as the guide for preparing the budget, which allocates 70% of expenditure to poverty reduction programs (regardless of source: regular or special, oil or non-oil). Once NPRS-2 is available, a final oil-revenue management mechanism is to be defined and used as guide in preparing the budget for 2008 and subsequent years;
126. • Pending redefinition of the CCSRP's roles and responsibilities in light of the new rules established by the July 13 MOU, Law 002 and the pending oil-revenue management mechanism, the portion of oil revenues that it currently monitors and oversees (direct revenues) is significantly less than the indirect revenues, which are paid into the Government's regular budget.
127. The 2007 Budget Act passed by the National Assembly on January 2, 2007 sets budgetary revenue at 918 billion CFA francs, all sources combined, and total expenditure at 689 billion CFA francs. This leaves a record estimated surplus of 229 billion CFA francs.
128. Pursuant to the July 13, 2006 MOU, the Council of Ministers adopted decree 253/PR/MFI/07 on March 29, 2007 creating a temporary mechanism for managing the budget surplus during the interim period in 2007. This stabilizing mechanism will enable Chad to save surplus revenue so as to spread out expenditures over time and cushion the effects of oil revenue volatility.
129. The budget was first amended on February 27, 2007 when a presidential decree was signed ordering the transfer of 2007 funds. Eighteen billion CFA francs from the credit lines of several ministries were transferred to the *Ministère des Infrastructures'* investment line to fund projects in the areas of public works, construction, and road and rural road repairs. Of the 18 billion francs re-allocated, 3 billion came from the oil budget and 15 billion from the regular budget.

130. In 2007, allocations to the priority ministries from direct oil revenues ebbed as compared to 2006. Infrastructure's share of appropriations increased while human resources, rural production and utilities saw a decrease.
131. Although the CCSRP began authorizing expenditures earlier this year because funds were available in January, the number of approved expenditures as of March 31 was still too low to be used as a valid indicator of improvement in the Government's ability to manage its resources after four years of having a specific "oil budget".
132. There was a significant increase in the proportion of direct oil revenues allocated to recurring operating expenses, especially salaries, compared to investment expenditure. In addition, the *Ministère de l'Hydraulique pastorale et villageoise* was omitted from the oil budget, but funded under the regular budget, which was inflated by the considerable influx of indirect oil revenues, expected to peak this year.
133. By and large, while allocation of oil revenues in the 2005 and 2006 budgets was sufficient to give an idea of Chad's spending priorities, the overall budget now needs to be analyzed in order to identify the trends in sector appropriations, given the considerable increase of the 2007 regular budget and the July 2006 MOU requiring 70% of the total expenditure budget be allocated to priority sectors.
134. This affects the CCSRP's specific mandate to monitor expenditures from direct oil revenues which are decreasing as a proportion of the general budget.
135. The total budgeted expenditure for 2007 is 689 billion CFA francs, including 199 billion for operating expenses, 287 billion for capital expenditure, 132 billion in transfers and 71 billion towards debt repayment.
136. Table 3, which is based on the 2007 general budget, shows the main operating and capital expenses budgeted this year for the various ministries and other government agencies.
137. Looking at all sources of funds combined, the 5 leading recipients are, in order, road infrastructure, national education, agriculture, national defense and public health. Given the current context in Chad, this order is not at all unusual provided actual budget implementation does not stray too far from the estimates. Budgetary discipline will be essential in order to meet the challenge of ensuring a reliable budget in the context of both the interim Chad-World Bank agreement and the final agreement that will follow once the version of the NPRS currently being revised is adopted.
138. The security context is already expected to affect implementation of the 2007 budget. At the time of the mission, the IMF and the World Bank mentioned that a significant amount of exceptional expenses had been allocated to national defense during the first quarter, in addition to the unbudgeted funds expended at the end of 2006, thus exceeding the budget forecast and upsetting the initial budget plan and the 70-30 allocation agreed to in July 2006.

Table 3: 2007 General Budget Allocations

	Funds from the operating budget (%)		Funds from the investment budget (%)
National Defense	23	Infrastructure	31.5
National Education	22.3	Agriculture	11
Health	7.5	Finance	11
Executive and Legislative Institutions	6.7	National Education	10
Territorial Administration	6	Hydraulics and Environment	6
Finance	5	Public Health	5.5
Common Expenses	4.8	Mines	4.5
Public Safety	3.6	Land Use Planning	4.5
Diplomacy	2.3	Livestock	4
		National Defense	3.2

Source: restated data from the *Ministère des Finances et de l'Informatique*

3.3 Improvements Needed in Managing Public Finances

139. An analysis of how well the 2006 and 2007 budgets have been implemented to date, along with discussions with the *Ministère des Finances et de l'Informatique* (MINFIN), some of the priority ministries and the CCSRP, show that despite some progress, there are still too many problems with public finance management. Given this situation, expectations for implementation of the Action Plan for the Modernization of Public Finance (PAMFIP) are high.
140. • MINFIN is still not **calculating oil revenues**. The *Bureau chargé du Suivi des Liquidations et des Décaissements des Ressources Pétrolières* (Office in charge of Monitoring Payment and Disbursement of the Oil Funds, or BSLDRP) has been staffed but is still having difficulty gaining recognition as an official institution. MINFIN's General Secretariat still has not approved the BSLDRP's work plan and the Bureau complains that it lacks direct, regular access to the information it needs to calculate oil revenues, especially the amount of crude exported, and the authority to monitor Chad's Citibank accounts directly.
141. For the time being, MINFIN's estimates of oil revenues are based entirely on information from the *Ministère du Pétrole*, which itself is based largely on data from the Consortium.
142. Generally speaking, relations between MINFIN and the *Ministère du Pétrole* are lacking in detail and regularity. MINFIN would benefit from more normalized relations so that it would have access to any information it needs in a timely fashion. This is a problem that affects the credibility of Chad's budget system and that must be overcome quickly.
143. • The **public expenditure circuit** is blocked at several points and the spending ministries are nearly unanimous in criticizing the delays in signing contracts and paying contractors,

including those funded from oil revenues, the biggest delays apparently occurring at the *Contrôle Financier* (Financial Oversight) office. Several ministries also complained they are not told why MINFIN rejects certain bids.

144. In terms of **spending commitments and carry-over funds**, the IAG again noted that MINFIN, the priority ministries and the CCSRP all had different practices and doctrines. One of the direct consequences is that they are each advancing different figures for the available funds. This situation makes it difficult, if not impossible, to monitor budget implementation from one year to the next.
145. The issue was discussed during a recent meeting of representatives from the CCSRP, the priority ministries and the *Ministère des Finances*. They agreed to meet again in October 2007 to discuss which contracts require funds to be carried over to 2008 and thereby to establish spending commitment priorities.
146. Even though this new procedure is a step in the right direction, it may come too late, since budget preparations will begin in September and the budget passed by the Council of Ministers will have to be submitted to the National Assembly by October 15.
147. • The *Ministère de l'Éducation*, the *Ministère de la Santé* and the *Ministère de l'Hydraulique* (for potable water supply system projects only) are concerned by the fact that the **Ministère des Infrastructures executes their capital spending**, and worry that they no longer have control over their planning. They criticize the high unit costs and the *Ministère des Infrastructures'* lack of compliance with school and health-zone maps. The Ministry, on the other hand, says that it is correcting inconsistencies between the budget plans it receives and the realities in the field and that, in accordance with the President's wishes, it favors infrastructure projects that are more durable rather than less costly but more fragile.
148. However, given that the ministries in question still have limited funds, does not this quality over quantity approach jeopardize Chad's ability to achieve the Millennium Development Goals (MDG) in terms of the number of classrooms and health centers? The *Ministère des Infrastructures* has shown flexibility with regard to school infrastructure projects, which may end up costing much less once they have been adjusted to eliminate non-essential elements.
149. The responsibilities of each ministry need to be clarified and the school and health-zone maps need to be updated.
150. • Local communities have many complaints about the **specific management by the CPG of the 5%** of royalties allocated to the oil-producing region.
151. According to data from the account opened at the BEAC (Bank of Central African States), income from the 5% fund in the oil-producing region was roughly 2.2 billion CFA francs in 2004, 5.9 billion in 2005 and 7.6 billion in 2006 for a total of just under 16 billion CFA francs in 3 years. The 2007 budget allocates the same amount of revenue to this region as it received in 2006, i.e. 7.6 billion CFA francs.
152. These funds are allocated to the oil-producing region under the Constitution and are supposed to be an addition to, and not a substitute for, the money the Government is investing in the region; they are meant to improve the living conditions of the local communities based on their

stated priorities. However, plans for using the 5% fund to date have focused only on urban centers, to the detriment of long-awaited projects in the villages. This situation creates frustration and misunderstanding among the rural populations, especially those affected by the oil operations, who are bearing the brunt of the negative impacts without seeing the benefits of oil production coming from their Government.

153. The CPG seems to lack a clear vision of its mandate and the will to assume it fully. Its planning does not appear to be based on an analysis of the requests formulated directly by the communities or on the guidelines contained in the Regional Development Plan (RDP), which could serve as a basis for the CPG's work, even though it has not yet been officially adopted by the Government. At present, the villages closest to the Project sites are strangely absent from the projects planned with these funds.
154. After several misunderstandings between the CPG and the *Ministère des Infrastructures* which is executing the projects, the ministry asked the CPG to submit a detailed plan of projects to be implemented using the 5% fund. In addition, the CCSRP, the CPG and the *Ministère des Infrastructures* clarified their reciprocal relationships: in the future the CPG, which is responsible for planning, will send plans directly to the CCSRP for approval. Once approved, the plans will then be sent to the *Ministère des Infrastructures* for execution⁷.
155. • Implementation of the **PAMFIP**, an accounting and financial instrument that is expected to greatly improve public finance management, has finally begun.
156. The structures that will coordinate the program—the *Secrétariat Permanent* (Permanent Secretariat) and the *Comité de Pilotage* (Steering Committee)—are now in place. They have finalized the 2007-2009 program of activities and begun taking steps to define and organize training sessions to meet the needs expressed by the various government agencies that are involved in managing public finances, either directly or indirectly.
157. Significant progress has also been made in securing funding for PAMFIP. On May 24, the World Bank Board of Directors approved a US\$10 million loan on IDA (International Development Association) funds. Also in May, Chad and the European Union signed a new 3-year agreement for 3 billion CFA francs. Chad has also budgeted money for its contribution to the program.
158. However, despite the availability of funds, administrative obstacles at the MINFIN level are causing delays in initiating expenditures. In order for the PAMFIP team to succeed, its technical department needs to become familiar with MINFIN's administrative and financial procedures and those of all donors involved in the program.

XII.7 The IAG recommends that:

159. - *MINFIN and the Ministère du Pétrole agree on a standard protocol for sending information to be used in calculating oil revenues from the Ministère du Pétrole to the Ministère des Finances,*

⁷ After the Head of State dissolved the CPG on June 21, 2007 for reasons of improper management of the 5% fund, a communiqué from the Prime Minister's office stated that the Council of Ministers meeting on June 28, 2007 had approved a draft decree from the *Ministère des Finances et de l'Informatique* on reorganizing management of the 5% fund of oil revenues allocated to the oil region by establishing a new, smaller interim committee with 5 members instead of the previous 9-member committee and a permanent technical secretariat based in Doba.

and that MINFIN equip the BSLDRP with the resources it needs to fulfill its mandate, in particular, continuous access to oil-related technical, commercial and financial information;

160. - *MINFIN issue a circular to its departments (Financial Oversight–Budget–Treasury) setting clear deadlines for approving contracts and initiating expenditures and for the timing and payment of expenditures, similar to the deadlines assigned to the CCSRP and the Organe de Contrôle des Marchés Publics (Government Contract Oversight Office);*
161. - *MINFIN give reasons anytime it rejects a bid and that it give Financial Oversight, which is where the bottlenecks currently appear to be occurring, the resources it needs to process files within an agreed-upon timeframe;*
162. - *The sector ministries and MINFIN, and more specifically MINFIN's budget office, meet sufficiently early in the budget planning process to agree on what funds will be carried over and thus what the priority spending commitments will be in the coming year, and to protect the Government co-contractors;*
163. - *The Government formally define the reciprocal responsibilities of the sector ministries and the Ministère des Infrastructures in delegating the execution of certain capital investment projects, taking into account their respective jurisdictions;*
164. - *The Ministère de l'Éducation Nationale and the Ministère de la Santé Publique update the school and health-zone maps;*
165. - *The relevant ministries, especially infrastructure, education and health, agree on the criteria to adopt in order to ensure that infrastructure projects are of adequate quality and that the MDGs that are the Government's stated policy are met;*
166. - *The CPG 5% begin recruiting someone to provide technical assistance, even on an occasional basis, to build the capacity of the Permanent Secretariat and enable it to be more mindful of development goals in choosing projects. The World Bank or other donors who have provided support for the CCSRP on several occasions in the past could perhaps provide this assistance;*
167. - *The CPG 5% draft a plan for projects that are truly complementary to those of the Government, taking into account the stated needs of the eligible communities and the guidance provided by the RDP, and targeting the most vulnerable populations in the rural zones first, especially those directly affected by the Project;*
168. - *Since everything seems to be in place for implementation of the PAMFIP, MINFIN should endeavor to free up the available funds and ensure that the program becomes operational as soon as possible⁸.*

⁸ On June 23, a Forum to report on the Multi-Donor Mission, convened by the *Ministère des Finances et de l'Informatique*, adopted 14 recommendations on the issues of public finance management, the security context and development challenges. A summary of the forum and the text of the recommendations are available on the Prime Minister's web site at: <http://www.primature-tchad.org/?2007/06/26/552-le-forum-de-restitution-de-la-mission-multi-bailleurs-accouche-des-recommandations-en-14-points>.

3.4 Regulation and Oversight: Updating the CCSRP's Role

169. • The *Collège de Contrôle et de Surveillance des Ressources Pétrolières* was drafting its 2006 annual report at the time of the IAG visit. This document should report on the CCSRP's activities in the past year and the observations, conclusions and recommendations drawn from its document review and on-site supervision of priority ministry projects funded with direct oil revenues budgeted in 2006.
170. The CCSRP says that it has taken the necessary steps to improve its consultation process to allow all the ministries it oversees to submit comments and add clarifications or make corrections as needed before the report is published. The Government has passed a decree extending the period between the time the *Collège* sends the report to the Government and the time it is published from 15 to 30 days.
171. • In terms of applying the recommendations in its 2005 annual report, the CCSRP has noted an initial impact in the field, with generally improved compliance by contractors of project specifications and deadlines for contract completion.
172. Moreover, the President's office has organized two meetings to clarify the relationship between the CCSRP, the *Ministère des Finances et de l'Informatique* and the *Ministère du Pétrole*, to make decisions on applying the various recommendations of the CCSRP and to discuss the future of the *Collège*.
173. • With respect to the CCSRP's future, the Government will need to continue thinking about the role it wishes to give the *Collège* in a context in which direct oil revenues are decreasing as compared to indirect revenues and in which the oil budget needs to be managed within the framework of a single, overall budget. As mentioned in the IAG's eleventh mission report, two essential functions must be maintained in reviewing the CCSRP's role. Upstream, it must continue to verify whether the priority ministries' planned expenditures are consistent with their plans, functions, mission and objectives; and downstream, it must continue to verify proper implementation of projects, as seen by the effectiveness of services performed. The scope of this expanded role should be well defined so as to avoid creating a parallel administration over the whole budget but also to avoid bypassing the *Collège* by various devices such as transfers or cancellation of authorized priority expenditures.

XII.8 The IAG recommends that:

174. - *The Government conclude its review of the CCSRP's future before the 2008 budget and clearly define the scope of its responsibilities and mission in the new context of unified revenues and appropriations for the priority ministries with the aim of controlling expenditures efficiently, of verifying the effectiveness of outcomes and approving in advance changes to agreed plans.*

4 FROM MANAGING THE BUDGET TO MANAGING ECONOMIC AND SOCIAL DEVELOPMENT

175. The influx of oil revenues is giving Chad unprecedented control of its economy and the opportunity to actively manage its development and to begin implementing a more effective poverty-reduction policy. This is especially true now that the country has a balanced budget and even an occasional surplus.

176. However, due to the volatility of the oil revenues and the risk of reverting to a deficit budget in the event of an economic reversal or exhaustion of the oil fields, Chad must be cautious in its current spending and revitalize its non-oil economy so as to provide another source of sustainable revenue for the country. The stabilizing mechanism put in place in March meets one of these needs. However, Chad must make more effort to provide long-term support for its wealth-producing sectors so as to ensure continued development less dependent on the uncertainties of the oil sector.
177. As a consequence of the July 2006 MOU with the World Bank—a single budget in 2007 and the drafting of the NPRS-2 to guide development and future budgets—there is no longer a separate “oil economy.” Instead, Chad must now manage the economy as a whole and establish a definitive mechanism to manage all income, including the oil revenues. This comprehensive approach must be focused on economic and social development and be a guiding force in the appropriations process.
178. Chad has some tools and institutions it can use to achieve this goal, and others that need to be perfected. There are also roles to be defined and economic partners who can support Chad in planning a future based on economic diversification.

4.1 The Challenge of Diversifying the Economy

179. • All of the parties with whom the IAG met, including the Chadian authorities, recognize that the country’s wealth must stem first and foremost from rural production, i.e. **farming and herding**, especially in the oil-producing region. However, it appears difficult to translate this vision into reality. Except for the subsidies paid to cotton growers and CotonTchad, the farming and livestock sectors are neglected when it comes to distribution of the country’s resources.
180. Yet these two sectors are a driving force in the economy. They hold great, untapped potential that surpasses even that of oil. Chad cultivates only 2 million hectares of its 39 million hectares of arable land. The country has over 17 million head of cattle from which it exports on a live weight basis rather than creating added value by developing a processing industry.
181. Increasing yields, however, requires extension support to farmers, support in the form of production inputs and equipment, support for agricultural research aimed at rebuilding and improving the country’s seed stocks and development of agricultural education from secondary school through university. Setting up demonstration farms and facilitating farmers’ access to microcredit are other avenues for developing the sector.
182. For now, funding for some of the more critical activities needs to coincide with deadlines dictated by the growing seasons. The importance of getting funds to the *Institut Tchadien pour la Recherche Agronomique et le Développement* (Chadian Institute for Agricultural Research and Development, or ITRAD) on time so that it could produce and distribute the improved seed that cotton growers need was a case in point. The IAG brought this issue to the Acting Prime Minister’s attention since it required urgent action by the Government while the Group was there.
183. In this general context of impoverishment, the Government has been making some efforts. Last February, it reallocated an additional 3 billion CFA francs from the oil funds to the *Ministère des*

Infrastructures to repair rural roads. The ministry in turn made plans to repair 2,000 km of “priority” rural roads over 4 years (2007-2011).

184. The ECOSIT-2 study attributes the impoverishment of several regions in the south, including the oil zone, to the **decline of the cotton industry**. The process of privatizing CotonTchad that began several years ago has not focused enough on the production and marketing systems that are essential to improving the living conditions of small-scale cotton growers, whereas this should have been the primary emphasis. Training and organizing farmers, improving the technology package and providing inputs at a reasonable cost must be integral parts of any strategy to develop the cotton industry, along with improving rural roads and research. These efforts must be made now, without waiting for the specifics of the CotonTchad privatization strategy. The cotton industry cannot be privatized successfully unless productivity and production are improved.
185. As far as the livestock industry is concerned, the general livestock inventory project and the National Livestock Development Plan, an ambitious and comprehensive program from 2008-2015 that is currently being finalized, should add value to this sector by establishing an investment-friendly framework to extend the production process and diversify the finished product.
186. • In addition to the strictly agricultural sectors, **hydraulics** is a sector that, if developed, can play a role in achieving all the MDGs. Yet, the current funding level for this sector is insufficient to achieve even the specific goal of providing access to drinking water.
187. The ministry is not on the list of ministries funded from direct oil revenues in 2007 and its share of the ordinary budget is still inadequate to allow it to develop the knowledge of the resource needed for effective management. Significant adjustments to this ministry’s appropriations need to be made in the next 2007 supplementary budget.
188. • In terms of **energy**, for several years Esso and the Government have been studying the possibility of building a **crude oil topping plant (COTP)** in Komé that could produce 2,000 barrels of diesel fuel per day. Part of this would be used to run the topping plant, part would be used by Esso and the largest part would be used by the Government to fuel the STEE (*Société Tchadienne d’Eau et d’Électricité*) power plants in N’Djamena and in other large cities. This project would also help Esso reduce the amount of crude oil it currently uses to operate the Komé facilities and thereby increase the amount of exported oil. An implementation schedule has been proposed and Esso is ready to move forward, subject to the STEE’s capacity to meet all international standards for safely handling and transporting the fuel.
189. At the same time, the Government also appears to be considering an alternative that consists of building a 20,000 bpd refinery at the CNPC drilling site near Bongor that could be used both to fuel thermal power plants and to produce refined products for sale.
190. In either case, it will be important to be realistic and to choose an option that is feasible given Chad’s specific need to reduce the STEE’s supply costs as rapidly as possible, which is the only way to reduce the cost of electricity for business and consumers in the short term.

XII.9 The IAG recommends that:

191. - *Concerning privatization of the cotton industry, the Government and the donors, especially the World Bank, focus first on the measures needed to improve productivity, product marketing and the well-being of growers, without waiting until the privatization process is fully defined;*
192. - *When the next 2007 supplementary budget is prepared, the Government increase the amount of funds allocated to the Ministère de la Pêche, de l'Hydraulique pastorale et villageoise, which is essential to attaining the MDGs in this sector;*
193. - *Reality, feasibility and the consequences of each option be considered when choosing between the two alternatives for supplying fuel to the STEE.*

4.2 The Tools: Those Required Now – and for Developing a 25-Year National Strategic Vision

194. • **ECOSIT 2**, a household budget survey conducted in 2002-2003 by the *Institut National de la Statistique, des Études Économiques et Démographiques* (National Institute of Statistics and Economic and Demographic Studies, or INSEED) with the results published at the beginning of this year, provides a wealth of data on the profile of poverty in Chad and a better understanding of Chadians' situations in the various regions.
195. The survey results in terms of the country's poverty rate (55%), identification of the poorest regions (the rural south), the proportion of Chadians who use electricity for lighting (less than 2%) and drink potable water (less than 50%), the illiteracy rate among adults ages 15 and up (67.1%) and numerous other indicators suggest that poverty is massive, multi-dimensional and variable from one region to the next and between rural and urban environments.
196. Thus ECOSIT 2 sets the stage for the major effort that Chad must undertake to reduce poverty among its citizens in the long term and to achieve the Millennium Development Goals in the short term.
197. This study will be a useful tool in preparing the NPRS-2.
198. • Chad stands at a turning point in its history as it launches the **NPRS review** process at a time when it must decide how to use the oil resources to finance its development over the coming years.
199. NPRS-2 must stand out from the first NPRS with more thorough and better-supported analysis and by focusing as much on creating wealth as on the social objectives of the MDGs as it must become the framework for preparing the budgets in 2008 and beyond.
200. The NPRS review began in November 2006, based on a participatory process involving 5 thematic sub-groups: infrastructure, rural development, human development, sources of growth, and governance. Each sub-group has representatives from the civil service, the private sector, NGOs and other civil society organizations.
201. At the time of the IAG visit, all of the sub-groups had finished their reports, except for the sources of growth group, which was still finalizing its report. The NPRS Steering Committee had announced the next steps as follows:

202. In May:
- sub-group sectoral reports finalized,
 - preparation of a summary document to be sent to the *Ministre de l'Économie et du Plan* summarizing the NPRS-2 objectives and the inter- and intra-sector priorities that these objectives involve,
 - first draft of the NPRS-2 prepared.
203. In June:
- organization of a forum for consultation with the public and private sectors and civil society on the NPRS-2 objectives,
 - contribution to the medium-term, macro-economic budget framework letter.
204. In June-July: provision of support for the preparation of the 2008-2011 sector-level medium-term expenditure frameworks (MTEF) and the 2008 budget.
205. The NPRS-2 would be finalized in July-August for final approval by the authorities in September.
206. Even though the process is already several months behind the initial plan established in 2006, it should be possible under the new time frame, which presupposes an accelerated work pace, to make enough progress so that the key development areas can be used to guide the 2008 budget preparations, provided that there are no further delays. This requires mobilizing all the parties, including the World Bank, which is providing technical assistance at various stages.
207. • Development in the oil region can be based on the observations and proposed areas of development in the **Regional Development Plan** (RDP). This tool is the result of large involvement by the region's local leaders and has not received any formal follow-up at the risk of people losing interest. Even at this stage, judicious use could be made of the RDP to provide guidance for the NPRS and the CPG 5% and for all parties working in the region.
208. However, there are two urgent prerequisites: the long-overdue fees for the consultant who finalized the Plan must be paid and, more importantly, the Plan must be adopted by the Council of Ministers in order to be applicable (something that has been pending for several months).
209. • Chad also has the opportunity to pursue another important option: defining a long-term strategic growth framework known as **Chad 2030**. With NPRS-2 followed by the overall MTEF, Chad, for the first time, has the opportunity to adopt a strategic and fiscal framework to define priorities and chart a path to growth and poverty reduction that will be reflected in the 2008-2011 MTEF and in the budget for 2008 and beyond.
210. Because Chad now has the resources and means to define its future like never before, it could build on its economic and political efforts in order to launch a timely and participatory process to define a long-term, national strategic vision based on a consensus among the various segments of society (political leaders, the administration, economic operators, civil society, researchers and academics, etc.), i.e. Chad 2030.
211. The IAG again urges the Government to take advantage of this opportunity to build a strong political and social consensus as soon as security conditions allow. This will enable Chad to begin shaping a sensibly-planned future based on various options stating the paths it has

chosen and the reforms it must implement, and also to encourage national and international partners to invest in its development.

4.3 Clarifying the Role of the New *Ministère de l'Économie et du Plan*

212. The *Ministère de l'Économie et du Plan* was created during a ministry reshuffle in March 2007 that separated the functions assigned to the *Ministère des Finances, de l'Économie et du Plan* in August 2006. This decision enables the Government to place the aforementioned instruments (ECOSIT & NPRS) under a ministry whose strategic mission is to plan and shape the Government's economic policy.
213. Since the decree establishing the general structure of the Government has not yet been approved, the ministry's mission of providing budgetary guidance remains to be confirmed. If the ministry is to play a budgetary role, its powers and duties must be clarified as quickly as possible so that it can be involved in drafting the 2008 budget. In this case, the ministry will need to have a close and fruitful relationship with the *Ministère des Finances* to think about ways to reconcile budget allocations and the target objectives in the various sectors and to encourage ministry departments to adopt a results-based culture. In a country where everything seems urgent, priorities must be set, budgets must be rationalized and funds must be disbursed on time in order to meet the country's objectives.
214. This ministry would also be responsible for formally approving implementation of the Regional Development Plan for the Logone Oriental region referred to above.

XII.10 The IAG recommends that:

215. - *Given the strategic importance of incorporating the NPRS-2 into Chad's policies, all the parties prioritize strict adherence to the tight deadline, by allocating the necessary human and material resources to the task and by relying heavily on the ECOSIT 2 data so that the 2008 budget can be built on its results;*
216. - *As recommended in previous reports, the Ministre de l'Économie et du Plan ask the Government's General Secretariat to add approval of the RDP to the Council of Ministers' agenda as soon as possible; Chad should also pay the consultant hired to finalize the Plan without further delay;*
217. - *The Government start thinking now about how to give the social and political dialogue a unifying objective: to create a consensus-based vision for Chad's future to 2030 that transcends the current context of insecurity that the country faces;*
218. - *The Government quickly adopt the decree establishing the responsibilities of the Ministère de l'Économie et du Plan, taking care to neutralize any potential problems or conflicts of jurisdiction with the Ministère des Finances.*

4.4 Maintaining Economic Partnerships Built on Trust

219. Despite its considerable increase in revenue in recent years, Chad still needs the help of bilateral and multilateral partners to keep its economy on track and promote development.

220. • Chad's **bilateral partners**, especially France and the European Union, have chosen to focus on creating a context for lasting peace through democratization, promoting political dialogue in the country and supporting the upcoming elections, while still continuing to intervene in the areas of health, education, water and road infrastructure.
221. • With respect to Chad's relationship with the **IMF**, the Poverty Reduction and Growth Facility (PRGF) has been suspended since the first review is still not complete. The country will have to make more satisfactory progress in order to be able to complete a new PRGF program and thereby become eligible for completion point under the HIPC (Heavily Indebted Poor Countries) initiative.
222. • Following the 2006 crisis, the arrival of the **new World Bank President**, Robert Zoellick, (who took office on July 2), and, recently, of a new Resident Representative in N'Djaména, the Bank has an opportunity to establish a fresh dialogue with Chad in an open and transparent manner, taking into account Chad's newly-acquired financial resources, its desire to manage its development actively and the priorities it has established for itself. Since the World Bank's planned portfolio over the next three years is considerably less than in the past, its highest priority must be an effective contribution to the well-being of the population, in exemplary collaboration with other donors in order to better integrate the contributions of all.
223. The NPRS review process is a vital step in normalizing relations between the Bank and Chad after the July 13, 2006 MOU. The NPRS-2 will serve as a basis for defining the Bank's next Country Assistance Strategy (CAS) for Chad in fiscal years 2008-2010. It can only be hoped that lessons learned from implementation of the previous CAS will be applied in order to pave the way for a new, productive partnership that will enable Chad to develop its entire economy by effective using of its oil resources.
224. Finally, the **IFC's** programs conducted in-country by the N'Djaména-based team to develop local business opportunities, improve the business climate and increase access to financing are producing on-going positive results and deserve to be continued.

5 CHAD - CONCLUSION

225. Esso figures indicate that thanks to the rise in oil prices, Chad took in over US \$1.8 billion from July 2003 to April 2007, which is nearly the amount initially projected over 25 years for the Doba Project. This income gives Chad an unprecedented degree of control over its economy. The Government continues to renew its pledge to use these assets to accelerate the country's development and reduce poverty.
226. The 2008 budget will be the first budget guided by the NPRS-2, which in turn is based on the ECOSIT-2 study. This budget, therefore, will be based on recent data on the distribution and impact of poverty in Chad. Just as with the oil institutions, the thought process surrounding the NPRS-2 provides a unique opportunity for experts and the public to discuss the development priorities and processes needed in Chad.
227. Everything that is known about the oil production to date—that the Doba fields are producing less than expected, that exploration in other regions in Chad has not yet yielded any significant

discoveries and that current production estimates are between 800 and 900 million barrels over 25 years—points to a decrease in oil revenues starting in 2008.

228. The current, perhaps short-lived, peak in revenues coincides with Chad's first opportunity to adopt an integrated development budget. This coincidence is creating tension between the pressing needs that have been put off and the gradual implementation of long-term strategies. Government employees started a strike motivated by the desire to reap their share of the oil benefits. In the oil zone, there is a growing lack of understanding given that there have been few tangible results from the 5% fund and that the RDP still has not been approved. Other than the promise of improved rural roads and the completion of a few sporadic projects, the local communities have seen very few initiatives to improve their quality of life despite the availability of funds.
229. While the Government must be prudent with its recurring expenses and equip itself with the necessary tools and attitudes to manage its finances effectively, nothing prevents it from rapidly completing development projects in the oil zone to improve people's well-being and to help increase local income by supporting agricultural production.
230. The very real possibility of a decline in production and thus in revenues in the coming years means that close attention must be paid now to the following elements:
- 231. - Managing public finances prudently and adopting tangible target objectives,
 - 232. - Investing more and promoting investment in the rural production sectors of the economy and in their diversification by increasing human capital and infrastructure,
 - 233. - Promoting economic diversification,
 - 234. - Ensuring that the oil sector is developed in a way that is organized, transparent and respectful of the public and the environment,
 - 235. - Investing seriously in the NPRS-2 as a basis for development in the coming years, and
 - 236. - Preparing to unite the country around a participatory exercise to build a forward-looking vision for Chad 2030.
237. Above all, as stated by the citizens consulted during the drafting of the NPRS-1, development cannot occur without security within the country and at its borders.

CAMEROON - INTRODUCTION AND CONTEXT

238. At the invitation of the Prime Minister, Head of Government, the International Advisory Group (IAG) for the Chad-Cameroon Petroleum Development and Pipeline Project ("Project") resumed in 2007 its pattern of two missions per year to Cameroon.
239. The Group conducted its twelfth statutory visit to the country in two parts. From April 30-May 2, the Group traveled to Kribi and several Bakola/Bagyeli settlements in the zone to observe progress in implementing the Indigenous Peoples Plan (IPP). Then from May 18-24, the Group traveled to Douala, Kribi and Yaoundé and visited the Komé-Kribi Floating Storage and Offloading Vessel (FSO).
240. In Douala, the Group met with representatives from the Cameroon Oil Transportation Company (COTCO) to discuss Project developments since its last mission in March 2006, particularly with respect to progress on social issues and lessons learned from the oil spill at the FSO on January 15, 2007. It then traveled to the FSO to meet with the COTCO core management team of the offshore terminal and the technical teams from Chad and Cameroon that oversee and monitor the off-loading operations. In Kribi, the Group met with the Prefect of the Océan department and the mayor of Kribi, who had organized a public meeting for the occasion. The Group also met with the Mboamanga chieftaincy, the president of the local fishers' association and the residents of Bumé village (formerly Ebomé).
241. The Group was accompanied to the various sites by representatives of COTCO's EMP (Environmental Management Plan) team and several Cameroonian non-governmental organizations (NGOs).
242. In Yaoundé, the Group met with the NGOs involved in monitoring the Pipeline Project, the World Bank (WB), the Foundation for Environment and Development in Cameroon (FEDEC), the Wildlife Conservation Society (WCS), the World Wildlife Fund (WWF), the Minister of Environment and Protection of Nature (MINEP) and the Minister of Health. At the end of its mission, the Group held a cross-checking and debriefing session with the Pipeline Steering and Monitoring Committee (PSMC), the World Bank, COTCO and the NGOs.
243. The second half of the mission coincided with a number of public holidays, which made scheduling meetings difficult due to the participants' limited availability. The Group was especially disappointed that it was unable to hold a separate working session with the PSMC, which would have provided an update on implementation of the Cameroon Petroleum Environment Capacity Enhancement Project (CAPECE). The Group was also unable to brief the Prime Minister on its mission as it usually does.
244. The mission itinerary and a chronology of the meetings can be found in Appendix 1.
245. Cameroon is seeing positive results at the macro-economic level. The last three reviews of the International Monetary Fund's (IMF) Poverty Reduction and Growth Facility (PRGF) program were satisfactory. In April 2006, the country reached completion point under the Heavily Indebted Poor Countries (HIPC) initiative, freeing up considerable resources for its development. This made Cameroon eligible for additional assistance under the Multilateral Debt Relief Initiative (MDRI) and from bilateral donors belonging to the Paris Club group of countries.

Cameroon will thus earn an average annual reduction on its foreign debt payments of approximately US\$265 million from 2006 to 2015 and \$209 million from 2016 to 2025.

246. In this context, the Government has begun preparing a second National Poverty Reduction Strategy (NPRS), slated for completion in 2008, to establish guidelines for using these new-found resources and for the overall budget.
247. Now that Cameroon is among the African nations least dependent on foreign aid, the World Bank sees the need to redefine the partnership between Cameroon and its various donors on a more structured basis. The Bank is extending its current program until the new NPRS is adopted, at which time it will work with Cameroon and its other partners to prepare the next Country Assistance Strategy (CAS).
248. On the political level, the next major event will be the upcoming legislative elections in July 2007.
249. This twelfth IAG report presents the Group's observations and the analyses, conclusions and recommendations suggested to the Group through its mission.

6 LESSONS FROM THE OIL SPILL

6.1 Accident Causes More Fear than Damage

250. According to information from COTCO, at around 7:00 a.m. on January 15, 2007, supervisors aboard the FSO noticed an oil slick in the water surrounding the structure. COTCO immediately implemented its Oil Spill Response Plan. The source of the spill was traced to an overboard discharge line and the leak was contained by around 8:30 a.m.
251. COTCO quickly mobilized its on-site emergency response teams and the necessary equipment to control and contain the oil spill. It also activated its Mutual Assistance Agreements with local and sub-regional operators and brought in independent specialists from Oil Spill Response Limited (OSRL) of Southampton (United Kingdom). These resources are normally reserved for larger spills, but were deployed as a precaution to prevent the situation from deteriorating.
252. Investigation established the spill volume at an estimated 220 barrels of oil ($\pm 10\%$). The wind and currents pushed the oil slick out into the open sea (toward the west then to the north). Consequently, it did not reach the shore. Dispersants were applied for three days until the oil slick disappeared.
253. Fishermen reported the presence of oil on the beaches on January 14, but the source of this oil could not be determined or verified.
254. This incident was limited in scope and did not cause any noticeable damage to the coast or the marine sensitive environment. Nevertheless, it provided an opportunity for the various parties to evaluate their emergency procedures and responses and to become better prepared to handle a more serious accident.

6.2 Mixed Abilities to React and Follow Up

COTCO's Internal Review

255. COTCO's reaction was to activate the oil spill containment procedures and to continue these operations until the slick disappeared.
256. Subsequently, COTCO launched a series of internal reviews to analyze the causes and volume of the spill, to investigate its own potential vulnerabilities and to improve its prevention and detection measures so as to avoid future incidents.
257. These measures include structural changes to the FSO and improvements with respect to the periodic site inspections, the automatic leak detection mechanisms and the effectiveness of the nightly visual rounds.

Communication

258. Early on the morning of January 15, COTCO informed the PSMC, as the government authority, and the local government authorities via the Prefect of the Océan department.
259. COTCO then left it up to these authorities to inform the mayor of Kribi and the local residents. However, the lack of official communication from the government allowed the spread of rumors and fears.
260. On January 17, COTCO granted the *Cameroon Tribune* newspaper an interview, which ran on January 18. The company also conducted an information campaign on January 19-20 that targeted the communities living along the Kribi coast.
261. On January 23, the NGOs published a statement criticizing the lack of communication and the failure to involve the local populations, demanding details of the incident from COTCO and the authorities and questioning the Government's ability to respond in such a situation.
262. This situation highlighted the gaps in the plans for disseminating information to the most sensitive and vulnerable groups of people in the event of an oil spill, namely the coastal population and more specifically, the fishermen.

Reaction by Government Authorities

263. As soon as the Kribi prefecture office was alerted, it began regular monitoring of the coast and the regional environmental commission dispatched agents to the site.
264. A team of MINEP, the PSMC and the World Bank, under the auspices of the Prefect of Océan, met from January 24 - 26 to assess the spill. The assessment confirmed the absence of damage to the beach and of oil near the FSO.
265. Since all oil spills are considered to be violations of the environmental laws, MINEP levied a fine on COTCO. The payment terms for the fine had not yet been decided as of the IAG visit.

6.3 Lessons to be Learned Quickly

266. An incident without significant consequences provides the perfect opportunity to reassess procedures, identify and correct gaps and become better prepared for future emergencies.
267. • On the technical level, the oil spill containment measures functioned as planned on the operator's side, with COTCO implementing its Specific Oil Spill Response Plan in the coastal and maritime zones and even bringing in the outside experts normally reserved for more serious accidents. In addition, the company's investigation enabled it to identify immediate and long-term corrective actions to minimize the possibility of future incidents.
268. On the Cameroonian side, this accident highlighted the weaknesses in its current response mechanisms. The departmental and local authorities said they felt powerless to handle an oil spill that affected the coast and are calling upon the Government to provide better training and adequate resources to manage this type of incident more effectively, including civilian protection measures and resources, a functional fire department in Kribi and an emergency first aid unit. The absence of a National Oil Spill Response Plan (NOSRP) appeared to be the most glaring deficiency.
269. • There are more lessons to be learned on the communications level. These include, among others:
270. - The need to define responsibilities along the government's chain of communication in order to guarantee that the people who are affected or fear they may be affected by an oil spill or any other Project-related incident receive rapid, detailed information about the facts, the potential risks and the steps taken to minimize these risks. The absence of information fuels rumors and fears—something that could be avoided.
271. - The need for the Project's partners to evaluate the detailed incident reports that COTCO submitted to the authorities and the World Bank. These reports provide detailed information on the spill, especially on the technical level. It would be helpful to involve the NGOs that monitor the Project as well.
272. - The need to provide more reassurance for the coastal populations who live in the shadow of the FSO and of drilling platforms, especially those living in Kribi, a major fishing and tourism area. There is perpetual fear of a major oil spill that could negatively impact these two economic resources, which are vitally-important to the region. Only a massive, ongoing and concerted effort by COTCO and the government to provide information and raise public awareness will alleviate these fears, especially in the event of an actual spill. Messages about prevention and reminders of what to do in the event of a spill must be disseminated frequently.
273. - The need to improve the alert mechanisms available to area residents so that they can quickly warn COTCO and the authorities in the event of an incident at the Project site. The emergency number listed on COTCO posters in all the villages near the Project should connect to a dedicated office that can provide information to the public. This currently is not the case.

XII. 11 The IAG recommends that:

- 274. - *COTCO, the Government and the local authorities review their procedures for communicating with the public and agree on a protocol that clearly defines each party's responsibilities;*
- 275. - *The lessons learned from this incident lead to a more extensive public awareness campaign targeting the coastal populations to inform them of the follow-up efforts by the Government and COTCO and to explain how to alert the authorities in the event of a problem;*
- 276. - *COTCO investigate simpler and more direct ways to receive information in the event of an alert (e.g. a 24-hour hotline) and to respond to requests for information from the public. It should also consider sharing the detailed reports produced after this incident with the NGOs;*
- 277. - *The Government formally assess whether the tools and resources available to the coastal authorities are adequate to handle more serious incidents and take any necessary corrective actions.*

6.4 NOSRP and Environmental Law Implementing Decrees Still Needed

- 278. Since its third report in April 2002, the IAG has been stressing that Cameroon needs to implement the legal and regulatory environmental protection instruments it has developed, in particular, the National Oil Spill Response Plan, which has been available since mid-2004 but still has not been approved, and the Framework Law on the Environment, which dates back to 1996 but still lacks implementing decrees.
- 279. Money from the CAPECE program, which is scheduled to end in November 2007, was used to fund all of the studies needed to prepare the NOSRP and its implementation manual. The PSMC has reviewed and approved this document. All it needs now is ratification by the government in order to be applicable. The plan will then need to be widely distributed to the public and the relevant government agencies.
- 280. The January 15 oil spill served as a reminder that there is no such thing as zero risk. This warning could have had much more serious consequences for the local populations and the environment and should have prompted the Government to act rapidly. However, nearly five months after the incident, the National Assembly still has not approved the NOSRP. This inaction is difficult to understand and gives cause for concern.
- 281. The same holds true for the 12 decrees required to enact the Framework Law on the Environment drafted under the CAPECE project. Only one decree—the one on environmental impact studies—has been enacted to date. At the time of the visit, it appeared that the texts were finally ready to be transferred to the Government by the PSMC.
- 282. These decrees are all the more necessary given that two years after MINEP was created, the scope of its mandate and its responsibilities is still ambiguous, for instance in relation to those of the PSMC.
- 283. The Group wonders whether the authorities truly understand the importance of these legal and technical instruments that have been in abeyance for some 3 years.

XII. 12 The IAG recommends that:

284. - *The Government take its cue from one of the obvious lessons from the January oil spill and immediately adopt and enact the NOSRP in the appropriate legal format, then take steps to disseminate the plan to the public soon afterwards and train the people who will be involved in implementing it;*
285. - *The Government clarify MINEP's responsibilities, if necessary, in order to eliminate any uncertainty in this respect and take steps immediately to enact the 11 implementing decrees drafted as part of the CAPECE project, so as to make the Framework Law on the Environment no. 96/12 applicable.*

6.5 Growing Importance of Regional and Sub-Regional Cooperation

286. The January 15 oil spill also highlighted the importance of building cooperation among the oil-producing nations in the Gulf of Guinea in order to prevent and more effectively contain oil spills in a zone that is particularly sensitive due to the many activities in the Gulf.
287. This cooperation already exists among the oil companies, which enabled COTCO to invoke the Mutual Assistance Agreements on January 15 and obtain immediate logistical and material support from the other oil producers in the zone.
288. Cameroon has already expressed interest in cooperating with its neighbors, and the World Bank had said it was ready to support these initiatives. However, nothing has materialized as of yet.
289. The January 15 oil spill not only underscored the importance of collaborating; it also highlighted other factors that make cooperation imperative:
290. • The coastal populations are worried about the "degassing" (tank cleaning) practices of ships entering the Gulf to be loaded. This pollution is regulated, but difficult to monitor, and is likely to have significant cumulative effects that could be mitigated if the countries in question would band together in their efforts to enforce compliance.
291. • Inshore fishing has seen a widespread decline for the past several years both in the Kribi zone and along the entire Atlantic coast. This drop in production affects a significant portion of the population and understandably creates a great deal of uncertainty for the future. The lack of baseline data makes it difficult to assess the impact of the pipeline project and other oil activities on the fishing zone. This situation warrants attention by the Ministry of Fisheries and necessitates a serious study of the true causes of this decline and possible corrective actions. These issues would be best discussed at a sub-regional or even wider level.⁹

XII. 13 The IAG recommends that:

292. - *Cameroon take the initiative, with World Bank support, to convene a meeting of the countries in the sub-region to discuss common problems, especially the management of the impact of oil activities in the Gulf of Guinea;*

⁹ On June 19, 2007, the government daily *Cameroon Tribune* reported that Cameroon has acquired a satellite watercraft-monitoring system that will enable it to monitor fishing activities in its waters.

293. - *The Government actively study the decline of inshore fishing so as to determine the causes and to avert the effects.*

7 CONCERNS ABOUT THE MANAGEMENT AND FUTURE OF THE ECOLOGICAL COMPENSATION PROGRAM AND THE IPP

294. The IAG spent the first part of this mission evaluating FEDEC's new system for implementing the IPP. The Group also took stock of the progress made by WWF and WCS in managing the Campo-Ma'an (CMNP) and Mbam and Djerem (MDNP) national parks and the difficulties they face. Close attention was paid to the operations of the Foundation.

7.1 FEDEC's Worrisome Financial Situation

295. In July 2006, FEDEC's Board of Directors voted to increase the number of board members to six. During a special general meeting on April 2, 2007, the Board elected a new chairman, Mr. Bodo Abanda Ernest, to replace Mrs. Paulette Bisseck, whose term had expired.
296. The enlarged Board and new chairman offer hope for fresh ideas to better publicize the work of the Foundation, to improve its operations after taking stock of the available funds and the results obtained since its work began and to continue the process begun over a year ago of rethinking FEDEC's strategic objectives and the ways to attain them.
297. Meanwhile, FEDEC's financial situation is a source of concern. According to the EMP, FEDEC is supposed to manage its capital over 28 years so as to ensure long-term funding for three programs (the IPP, MDNP and CMNP) and for its own operating expenses. However, it has already been dipping into this capital and will likely use it up within 5-6 years if it continues at the current pace. COTCO initially provided US\$3.5 million in capital to the Foundation. By January 2007, this amount had dwindled to approximately \$2 million.
298. The EMP stipulates how the Foundation may use the initial capital provided by COTCO to fund the national parks and the IPP. In 2006, as FEDEC was entering its fourth year of conducting these three programs, the funding level for each program should have been adjusted based on the amount of capital remaining. However, FEDEC maintained higher funding levels in 2006 and 2007 than specified in the EMP, without finding new donors to increase its capital and without the Government providing additional funds to support these levels. In addition, FEDEC must support its annual operating expenses.
299. From this standpoint, it is vitally important that FEDEC take protective measures to conserve its capital. In particular, it must:
- 300. - Follow its own bylaws and adapt its annual contribution to each program based on the funds available;
 - 301. - Actively seek out new sources of funding, and
 - 302. - Reduce its operating costs, which are currently 20% of the budget.
303. As in previous reports, the IAG reiterates the need for FEDEC to develop a logical framework for its operations which will facilitate its fundraising efforts. In this regard, the discussions

concerning funding for the IPP framework that were initiated over two years ago with the International Finance Corporation (IFC) should be resumed.

304. The World Bank Group is responsible for ensuring that its Operational Directive on Indigenous Peoples is followed in the context of the pipeline project, which means proper implementation of the IPP.¹⁰
305. There is still another area where FEDEC can save money. In 2001 it was granted public utility status, which exempts it from taxes and customs charges. However, it has not been able to take advantage of its tax-free status due to a lack of agreement with the relevant authorities.

7.2 Funding Gaps Threaten the National Parks

7.2.1 Management of Campo-Ma'an National Park

306. FEDEC has contracted with WWF for the technical and financial management of CMNP. During Phase 1 of the Project (2003-2006), WWF was able to finalize the park management plan and obtain approval. The plan was subsequently launched in Kribi by the Ministry of Forests and Fauna (MINFOF) on October 19, 2006. In the overall context of park protection, this phase also allowed for the training, equipping and deployment of 25 certified ecoguards to prevent poaching, to acquire data about the park's natural resources, provide support for the development of community forests and other income-generating activities for area residents and for the development of an eco-tourism project.
307. Phase 2 (2007-2009), which primarily focuses on implementing the park management plan, has been launched based on a new three-year contract between FEDEC and WWF and with a financial contribution from FEDEC in the amount of 225 million CFA francs. For its part, WWF has raised equity capital of 200 million CFA francs, obtained a 1.5 billion CFA franc grant from the Dutch aid agency, and was expecting a grant from the European Union in the amount of 180 million CFA francs at the time of the IAG's visit. The Government contribution via MINFOF is estimated at 65 million CFA francs.
308. Because some of the funds are earmarked for specific activities, there will likely be a funding gap for park security. The status of some of the ecoguards is also problematic since only some of them have been hired on as civil servants.
309. However, the main difficulty faced by WWF and FEDEC is the delay in signing the tripartite FEDEC/MINFOF/WWF agreement, which would define the roles and responsibilities of the three parties in this new phase. The Government, particularly MINFOF, has been slow to clarify its commitments and to free up adequate funds to manage CMNP. It is the Government's responsibility to protect CMNP as other national parks, while FEDEC and WWF should be providing complementary support.

¹⁰ See Report no. 25754: "Implementation of Operational Directive 4.20 on Indigenous Peoples: An Evaluation of Results", on the WB website at <http://go.worldbank.org/VBKYRBZ630>.

7.2.2 Management of Mbam and Djerem National Park

310. WCS is the implementing agency hired by FEDEC to help manage MDNP. WCS prepared the park management plan using a participatory and consensus-based process that included a national workshop to present the plan in February 2007. The document still needs to be approved by the Government and officially launched. Meanwhile, Phase 1 of the Project was extended to December 2007 on the basis of an amendment to the initial FEDEC/WCS contract and with an additional Foundation grant in 2007 in the amount of 75 million CFA francs.
311. While working to develop a land allocation plan for MDNP and the surrounding area, WCS has continued its efforts over the past few months to promote environmental awareness, develop income-generating activities and prevent poaching and bush fires.
312. Once the park management plan has been approved, FEDEC plans to sign a 3-year contract with WCS including a 225 million CFA franc Foundation grant, just as with CMNP. However, before the second phase even begins, there is already a problem with a dearth of funds for routine park management. Due to internal budget restrictions WCS can no longer afford the financial contribution it had initially planned to make. On May 11, 2007, it submitted an official request to FEDEC for additional funds to continue its work in the park. If FEDEC cannot provide, WCS will be forced to withdraw from the Project in July 2007.
313. The timing of these financial difficulties is especially problematic given that the Foundation itself is also facing a rapid decrease in capital and needs to start thinking about how it will be able to sustain its work in the long term. As of the writing of this report, the outcome of this dilemma, which had the potential to seriously compromise the future of the Project in the MDNP, was unknown.
314. Just as with CMNP, the fact that MINFOF has not clarified its commitments vis-à-vis MDNP complicates the task of planning budgets and possible activities in the coming months.

7.3 A Promising Start for the New Organization Implementing the IPP

7.3.1 Competent Oversight

315. Just as it did with the two national parks, FEDEC hired an implementing agency to execute the IPP starting August 1, 2006. The agency it chose was RAPID (*Réseau d'Actions Participatives aux Initiatives de Développement*), an NGO established in 2002 and reactivated for the occasion by the person who had been serving as FEDEC's Community Development Facilitator up to that point.
316. A cooperation agreement was signed with RAPID for a 17-month transitional phase (August 2006-December 2007) with a total grant of 63,857,000 CFA francs. This agreement may be renewed for a maximum period of 5 years.
317. The Group traveled to Kribi to meet with RAPID's staff, to be briefed on the terms of this NGO's mandate and to take stock of the work it has been doing since August 2006.
318. The Group's overall impression was that FEDEC's decision to delegate the IPP to RAPID is currently producing encouraging results. This new model appears to be working well. The

RAPID team is dynamic, creative and motivated and the Bakola/Bagyeli seem to trust them fully. The team has developed an approach based primarily on the participation of the Bakola/Bagyeli who wish to break away from the rather paternalistic approach that had been adopted until now. Thus, a greater number of Bakola/Bagyeli are being designated as contact points in the various settlements where RAPID works and they are being asked to make a symbolic financial and/or material contribution for the services they are receiving.

319. The fact that RAPID is based in Kribi also gives it greater flexibility and the ability to respond more quickly to the needs of the Bakola/Bagyeli. Its projects are still focused in agriculture, health, education and citizenship.
320. After being closely monitored by FEDEC, the PSMC and COTCO for the first few months, RAPID now has greater autonomy and submits semi-annual reports to FEDEC. It has sent the Foundation its 2006 project evaluation report and its 2007 Action Plan.
321. One observation arises from these reports: RAPID would benefit from developing more specific results indicators and a project execution schedule. This would help it to better structure and measure the impact of its projects.

7.3.2 Ensuring Long-Term Funding

322. FEDEC's financial situation raises the issue of funding for the IPP beyond 2007. In accordance with the EMP, US\$600,000 of FEDEC's initial capital is earmarked specifically for implementation of the IPP over 28 years. Income derived from this capital must therefore be allocated to the IPP. After 4 years, it would be useful to clarify what amount is still available and to ensure that these funds are protected for this program.
323. RAPID has already taken steps to begin working with other partners and projects, such as WWF in Campo-Ma'an, and to identify other potential donors. FEDEC should support these efforts.
324. The Government could also take advantage of the experience gained after several years of conducting the IPP to make funds available for expanding the program to include new activities and new areas beyond the FEDEC zone. This task would fall to the Ministry of Social Affairs, which is responsible for overseeing the vulnerable indigenous populations.

7.3.3 New Funds for COTCO's Related "Habitat" Program

325. COTCO's habitat program is not part of the IPP but rather part of the regional compensation program the company established for the Bakola/Bagyeli people affected by the pipeline project.
326. In its last report, the IAG urged COTCO and FEDEC to clear up a misunderstanding concerning the program's content and how to address the expectations created in the recipient communities.
327. COTCO has since given FEDEC a 3 million CFA franc grant on May 8, 2007 to fund the construction of 3 new, improved traditional huts in various Bakola/Bagyeli settlements in the zone. RAPID has been given the management of this project. COTCO is also planning to extend the program for three more years at a cost of 2 to 3 million CFA francs per year.

XII. 14 The IAG recommends that:

328. - FEDEC immediately assess its shaky financial situation, take steps to protect its capital by adopting a more conservative budget management approach, reduce its operating costs, step up efforts to publicize its work, actively seek out new investors to fund its activities and increase its capital, and assert its rights vis-à-vis the appropriate authorities so as to take advantage of the tax and customs-free status to which it has been entitled since 2001 as a public utility. In particular, the Foundation needs to ensure funding of the IPP beyond 2008;
329. - FEDEC develop a long-term strategy of intervention in the parks and towards vulnerable indigenous populations. This strategy should fit in with the Government's programs, and to the extent possible, complement the work of other groups working in the Kribi-Lolodorf area and be conducted in partnership with them;
330. - The IFC, which had expressed a willingness over two years ago to provide financial assistance to develop a master plan for the IPP, quickly reach an agreement with the Foundation on how to make this offer a reality;
331. - The World Bank, which supported the establishment of FEDEC and has specific obligations stemming from its Operational Directive on Indigenous Peoples, support the efforts to rectify FEDEC's financial problems either directly or by helping it approach other potential donors;
332. - MINFOF clarify its commitments with respect to Campo-Ma'an and Mbam and Djerem national parks by signing Memoranda of Understanding with FEDEC and the two implementing agencies, WWF and WCS, and that it fully assume its responsibilities and free up the money needed to manage the parks, using funds from the Forest and Environment Sector Program (FESP), the Participatory Community Development Program (PNDP) and the IPP if necessary;
333. - RAPID add specific results indicators and a project execution schedule to its project plan.

8 IMPROVED COOPERATION NEEDED ON SOCIAL ASSESSMENT

334. After a promising start, the tripartite COTCO/NGO/PSMC platform for cooperation established in 2005 to address Project-related claims appears to be losing steam.
335. Many of the claims in the 2005 and 2006 Social Assessments are still pending, either because they are in the resolution process or because the parties have not yet reached a consensus on their classification, which is the case for the majority of the claims.
336. • The NGOs are concerned about COTCO's **processing time for claims**. The company is giving priority to the category 1 claims for which it is responsible and has set the end of 2007 as the deadline for closing the category 1 cases under the 2005 and 2006 Social Assessments. Concerning the category 2 cases, COTCO feels it has fulfilled its obligations, but in the spirit of "good neighborliness," it has expressed a willingness to help find solutions to mitigate the problems and will work towards gradually closing these cases by 2009. This category primarily involves water supply points.
337. The plan for resolving the category 2 cases is a source of disagreement. The NGOs do not understand—and rightly so—COTCO's logic in extending the deadline to 2009 for processing

claims that date back several years, when the pipeline was built in less than three years and has been completed since 2003. The local communities are growing impatient and expressing their frustration. This situation is straining the relationship between the Project and its neighbors.

338. • The **classification** of claims is also a problem. In the majority of cases, the parties have not been able to agree on the basis for the claims and the liability involved. When the 2005 Social Assessment report was signed on June 21, 2006, a consensus had not been reached in 44.2% of the cases. A lack of consensus is also predicted for a majority of claims under the 2006 Social Assessment, even though efforts to classify them were underway at the time of the IAG mission.
339. The three parties need to conduct joint site visits in order to clarify these cases. At the current rate, however, it will take several years to classify and process these claims. The existing mechanism needs to be improved so that claims can be processed within a time frame that is acceptable to all parties, starting with the affected populations.
340. • The parties have established **rules** for intervention, but these are not always followed. The NGOs reminded COTCO in particular that the terms of reference for projects related to the Social Assessment need to be submitted to them; that they need to be informed on a regular basis of the progress made in project implementation; and that closure must be agreed by consensus among the three parties. This currently is not the case.
341. • Concerning the **platform for cooperation's** effectiveness, the IAG noted deterioration in communication among the three parties and a lassitude that could well lead to a breakdown in cooperation.
342. In terms of the Social Assessment, the processing time for claims is creating a demobilizing effect rather than the convergence and enthusiasm that everyone had hoped to see. It would seem to be in the interest of everyone, especially COTCO, to resolve the claims as quickly as possible in a manner that satisfies all parties as best possible. The NGOs and the PSMC did not appear to be well informed about the various pending claims, which reflects a communications problem with COTCO.
343. The goal of the information forum on the Chad-Cameroon pipeline that the PSMC, COTCO and the NGOs organized in Yaoundé on November 2-3, 2006 with support from the World Bank was to provide the public with information about activities in the pipeline operations phase and to present the platform for cooperation. However, the NGOs were not entirely satisfied with this commendable initiative that met one of the recommendations of the 2005 workshop on Implementation Completion Report. They complain that they were not involved in drafting the forum report and wonder what follow-up will be given to the recommendations. For its part, COTCO would have liked to extend the dialogue beyond the social assessment.
344. The platform for cooperation is a significant benefit of the Project. However, the parties are having difficulty capitalizing on this opportunity in order to process claims more quickly and to establish true communication and dialogue concerning Project monitoring, oversight and management. The January 15 oil spill, for example, was an opportunity for the three parties to meet, even if only to communicate information effectively. However, this did not occur.

XII. 15 The IAG recommends that:

345. - NGOs, the PSMC and COTCO think about ways to revive and reinvigorate the platform for cooperation. COTCO needs to accelerate its on-site claims resolution process and the timetable of the Social Assessment. In addition, the parties need to establish an on-going, transparent, high-level dialogue on the Project;
346. - COTCO study the possibility of reinforcing the socio-economic EMP team so that claims can be handled and processed more quickly;
347. - NGOs, the PSMC and COTCO agree on a formal procedure that will allow NGOs to assist COTCO in officially handing over projects to the local communities and to resolve claims by consensus;
348. - The PSMC be more involved in this issue and actively contribute to finding a consensus-based solution for each category of claims.

9 PERSISTENT DELAYS IN IMPLEMENTING CAPECE: THE NEED FOR AN ASSESSMENT

349. Since the IAG was not able to hold a working session with the PSMC and did not receive any documentation from the Committee, the Group was unable to fully assess the progress on implementing CAPECE activities since March 2006. Most of the information the Group gathered came from the World Bank.
350. Extending CAPECE by two years to November 30, 2007 provided an opportunity to make up for the numerous delays since the project began and to complete its various activities.
351. Cameroon appears to have made efforts over the past few months to accelerate some of the activities and make up for lost time. This is true especially for the implementation of the training plan. However, as in previous reports, the Group had no choice but to note that the country is still far from achieving the target results. Just a few months before project completion, several essential studies still have not been finalized or approved, let alone put to use. This is the case in particular for:
352. - The study of the Pipeline's socio-economic impact;
353. - The follow-up study on protecting the coastal zone and the marine environment;
354. - The study on the long-term vision for the environmental and social management of the oil sector;
355. - The legal framework for environmental management of the oil sector (implementing decrees for the Law on the Environment and the NOSRP).
356. As the time approaches to evaluate the CAPECE project and as Cameroon and the World Bank are starting discussing the possibility of a CAPECE 2 to extend its benefits, the fact that the first CAPECE is far from achieving its target objectives should prompt the parties to assess the program and to proceed with caution.

357. The need to monitor the social and environmental aspects of the pipeline project, of the overall oil sector and of other major projects being planned requires increased government capacity. This is the purpose of CAPECE. However, before launching a new capacity-building program, Cameroon must be sure that past problems have been resolved and the lessons from CAPECE learned. Some of these lessons in particular involve the unmet needs in terms of institutional training and civil society's access to training programs. The possibility of renewing or extending the PSMC's mandate as an inter-ministerial coordination entity should also be thought through.

XII. 16 The IAG recommends that:

358. - *The PSMC, with World Bank support, endeavor to complete the remaining activities under CAPECE before the program completion date. Priority should be given to the study on the pipeline's socio-economic impact, the follow-up study on protecting the coastal zone and the marine environment, the study on the long-term vision for environmental and social management of the oil sector and to adopting the legal framework for the environmental management of the oil sector (implementing decrees for the Law on the Environment and NOSRP);*
359. - *Cameroon and the World Bank learn the lessons from CAPECE, which fell short of its objectives, and ensure that any future project to replace CAPECE be built on targeted, measurable objectives and give priority to training for government institutions and for civil society.*

10 NOTICEABLE PROGRESS ON MITIGATING COLLATERAL EFFECTS OF CONSTRUCTION

360. In looking at a number of pending issues from the construction phase that have been monitored for several years, the Group noted progress nearly across the board.
361. • **Archeological issue:** The two Cameroonian students chosen by the Ministry of Culture to receive COTCO-funded scholarships began their studies at the *Université Libre de Bruxelles* in October 2006.
362. Publication of a book on the archeological finds in Chad and Cameroon is a few months behind schedule and should occur sometime in 2008.
363. • **Artificial reef off the coast of Kribi:** In May 2006, the PSMC authorized COTCO to move forward with the artificial reef project that was developed in consultation with local authorities and the PSMC and presented to the local communities and fishermen. On July 26, 2006, the artificial reef was laid as compensation for the rocks that were destroyed off the coast of Ebomé when the underwater portion of the pipeline was built.
364. COTCO set up a program to regularly monitor the reef and has set aside 20 million CFA francs for programs to assist 6 coastal villages in completing the micro-project of their choice.
365. • **Improved safety for the pedestrian crossing on the Lom River railway bridge:** COTCO completed construction of a bridge railing and an access ramp in October 2006.

Pedestrians can now safely cross the bridge, including the children who must cross it to reach school.

366. • **Monitoring the pipeline right-of-way:** After assessing its experience, COTCO concluded that it was not advisable to extend the pilot project involving area residents monitoring the northern part of the pipeline route to other zones. COTCO felt that in areas where there are regular land-clearing operations, the on-site inspections and monitoring by the technical teams and its Community Relations Officers are frequent enough that an additional monitoring system is not needed.
367. However, in order to pursue its policy of citizen involvement in the Project, COTCO has set up a pilot project for regular cleaning of the pipeline right-of-way throughout the year by locals who are paid for this work. If the project is successful, it will be extended to other areas along the right-of-way.
368. • **Relations with the PSMC and Local Authorities:** Since the problems in **PSMC-COTCO** coordination noted in the last IAG mission, the two partners now have an excellent working relationship according to COTCO. They have agreed on a schedule for regular coordination meetings and additional meetings as needed to discuss specific topics in detail. At the same time, the environmental inspectors for the PSMC and COTCO have been conducting joint monthly site inspections of the pipeline right-of-way, the permanent sites and the Kribi coast.
369. In terms of **COTCO's relationship with local government authorities**, the Group noted significant improvements in the company's relationship with the Kribi prefecture authorities. According to the new Prefect, contacts with COTCO, which were prompted by the January 15 oil spill and have since become more regular, are now "more human." COTCO's relationship with the mayor of Kribi, however, could stand to be strengthened and improved.
370. COTCO provided the Group with a schedule of its visits to the prefects of the various pipeline regions in 2007 and a list of the "good corporate citizen" activities that it conducted in recent months (donation of school supplies and sports equipment, road maintenance, construction of a fence around a school, etc.). Local authorities still have high expectations for COTCO to be more involved in the "life" of the villages affected by the pipeline, but things seem to be on the right track.
371. • **Transferring the project's temporary sites and infrastructures to the government:** This is still a problem. Things are now as in March 2006: the process of transferring the Project's sites and facilities to the Government, which was begun at the end of the construction phase in 2003, is still not complete.
372. Despite some progress, COTCO is still waiting for the Cameroonian Government to sign the Memoranda of Agreement to transfer the three temporary bridges, the two decommissioning decrees for the facilities located on private government property and the decrees to incorporate infrastructures on public property into private government property.
373. The attention of the Prime Minister is drawn to this issue, which has been pending for too long. The Group again stresses that in the meantime, there is a legal void in terms of liability for the

deterioration of the sites and infrastructures, the erosion problems they are creating and the safety of the temporary bridges.

XII. 17 Reiterating a recommendation from its previous report, the IAG recommends that:

374. *- In the interest of public safety and the preservation of the sites, facilities and bridges that will potentially become Government property, the Government immediately take the necessary protective steps and accelerate the transfer process.*

11 INCREASED COOPERATION REGARDING HEALTH PROTECTION IN THE PIPELINE ZONE

375. The IAG met with COTCO and the Ministry of Health to discuss their plan for protecting health along the pipeline route.

376. The Group's main observation was that the long-overdue improvements in cooperation between COTCO and the Ministry are being made.

377. COTCO has a detailed and ambitious plan to improve the health of residents living near the pipeline over the period 2007-2011. Its approach consists of lending its support to national programs already in place. It plans to intervene in efforts to fight malaria, HIV/AIDS, trypanosomiasis and in other periodic programs by developing partnerships with the government, the local communities, NGOs or science institutes. The success of the programs will therefore depend on the implementation of partnership agreements and the finances available to the various partners.

378. For the period of 2007-2011, COTCO has decided to focus its outreach on malaria prevention in 234 villages. It will invest US\$40,000/year over 5 years on this program. It will also spend \$5,000/year on HIV/AIDS prevention.

379. The Government has approved the National HIV/AIDS Prevention Plan for the period 2006-2010. The two mobile screening units are again operational and free antiretroviral drugs have been distributed since May 1, 2007.

380. The Ministry has received the CAPECE-funded health map; the software has been installed and the Ministry is using it.

12 NEED FOR CONTINUED MONITORING OF THE LOM PANGAR DAM PROJECT

381. The two additional technical studies supplementing the Environmental Impact Assessment (EIA) requested by MINEP from the promoter are now underway. These are the study of the cumulative effects of the dam reservoir on the Chad-Cameroon pipeline and the impact of the reservoir on the Deng Deng forest, part of which will likely be submerged.

382. The IAG was unable to learn whether the study on alternatives for meeting Cameroon's energy needs had begun.

383. A timetable for finalizing these various studies is not yet available. However, the main EIA should be revised to incorporate this information and whichever solution is chosen for the dam elevation and the extent of the reservoir.
384. Meanwhile, the World Bank is insisting on the need to comply with the pipeline project's EMP whatever solution is chosen.
385. The issue of the implications of any work required to protect or move the pipeline, and the financial liability for such work, has not yet been resolved.

13 CAMEROON - CONCLUSION

386. The January 15 oil spill was undoubtedly the event that attracted the most attention in recent months. The Government needs to focus on the lessons to be learned from this incident in terms of its ability to act and inform. Above all, the missing links in the legal framework governing the risks associated with oil must be put in place without any further delay.
387. It is important to reinvigorate the COTCO-NGO-PSMC platform for cooperation. This could come from an accelerated timeframe for resolving pending cases, which would end disputes stemming from the past and pave the way for an expanded agenda that would allow for true information sharing on Project-related issues.
388. The future of FEDEC must be preserved. It must take the steps necessary to protect its capital while fulfilling its mandate. The Government must assume fully its responsibility to protect and manage the two national parks taking into account whatever funds FEDEC may raise over time.
389. As the possibility of a second version of CAPECE is being discussed, it will be important to understand the lessons from the first CAPECE and to adopt a plan with specific and measurable objectives to provide effective capacity-building for all the parties involved.
390. Finally, the Lom Pangar dam project still requires further studies and continued vigilance with respect to its impact and the resources needed to adequately handle these effects.

ACKNOWLEDGEMENTS

The IAG thanks all of the interlocutors who accompanied us on our field visits, welcomed us and shared their concerns, aspirations and satisfaction in response to the implementation of this Project. Each of them made a significant contribution to the Group's information and understanding of the evolution of the stakes that affect the fate of the people.

The IAG also thanks the Governments of Chad and Cameroon, the Consortium members and the World Bank whose welcome, availability and logistical support all contributed to a smooth visit.

The IAG welcomes written reactions and comments pursuant to this report and will be pleased, upon request, to post these on its web site (at www.gig-iaq.org), in accordance with the terms of use of the site.

The IAG in particular encourages its principal partners to provide it with information on actions taken in response to its recommendations, on a regular basis and before the Group's next visit.

All reports of the IAG's working visits are available on its web site, at www.gic-iaq.org, and on the World Bank site, at www.worldbank.org/afr/ccproj.

International Advisory Group

Mamadou Lamine Loum, Chair

Jane I. Guyer

Abdou El Mazide Ndiaye

Dick de Zeeuw

Jacques Gérin, Executive Secretary

IAG Secretariat

5 Place Ville-Marie, Suite 200

Montreal, Quebec

Canada, H3B 2G2

Tel: + 1 514 864 5515; Fax: +1 514 397 1651

E-mail: secretariat@gic-iaq.org

Web site: www.gic-iaq.org

Appendix 1 Chronology of Meetings

CAMEROON - 1

Monday, April 30, 2007 – Kribi¹¹

- Bagyeli settlement: Bidou
- RAPID

Tuesday, May 1st, 2007 – Kribi-Lolodorf

- Bagyeli settlement: Andoua Mvoule (Makouré)
- Bagyeli settlement: Loundabele (Kouambo)
- Boarding school of Bipindi managed by FONDAF
- Community clinic of Bidjouka
- Boarding school of Ngoyang

Wednesday, May 2, 2007

- Kribi-Douala-N'Djaména

CHAD

Thursday, May 3, 2007 – N'Djaména

- *Coordination Nationale*/CTNSC
- WB/IFC
- IMF

Friday, May 4, 2007 – N'Djaména

- EEPCI
- Permanent Secretariat for the National Poverty Reduction Strategy

Saturday, May 5, 2007 – N'Djaména and Komé 5

- CTNSC: acting Executive Secretary
- Esso Chad: EMP, construction and production teams

Sunday, May 6, 2007¹²

- Poutouguem village (Maikeri field)
- Construction sites of Maikeri field
- Ngalaba village (Miandoum field)

Monday, May 7, 2007

*Team 1: Doba and Bébédjia*¹³

- Permanent Secretariat for the Temporary Management Committee for the 5%
- Governor of Eastern Logone, Prefect of Pendé department, Regional Delegates
- ORT
- Prefect of Bébédjia

*Team 2: Moundouli field*¹⁴

- Infill, production and restored sites
- Moundouli village
- CPPL (meeting held at Begeureu village)

¹¹ IAG accompanied by RAPID

¹² IAG accompanied by the CTNSC, Esso Chad EMP team and the CPPL

¹³ IAG accompanied by the CTNSC

¹⁴ IAG accompanied by Esso Chad EMP team and the CPPL

Tuesday, May 8, 2007 – Komé 5

- IAG internal working session: preparation for the close-out meeting
- EEPCI, CTNSC: close-out meeting
- Oil zone security services (CN, Komé Base and Komé 5 *gendarmerie* units)

Wednesday, May 9, 2007 – N'Djaména

- *Ministère de l'Agriculture*
- *Ministre de l'Élevage*

Thursday, May 10, 2007 – N'Djaména

- *Ministre de l'Éducation Nationale*
- European Union
- Working session with MINFIN technical services + *Bureau chargé du Suivi de la Liquidation et des Décaissements des Ressources Pétrolières*
- Technical team for the implementation of the cotton sector reform
- EEPCI

Friday, May 11, 2007 – N'Djaména

- *Ministère du Pétrole*
- CCSRP
- French embassy and French Development Agency (AFD for *Agence Française de Développement*)

Saturday, May 12, 2007 – N'Djaména

- *Ministère de l'Environnement, de la Qualité de Vie et des Parcs Nationaux*

Sunday, May 13, 2007 – N'Djaména

- IAG internal working session: preparation for the cross-checking session on May 16

Monday, May 14, 2007 – N'Djaména

- *Ministère de l'Aménagement du Territoire, de l'Urbanisme et de l'Habitat*
- *Ministère de l'Enseignement Supérieur, de la Recherche Scientifique et de la Formation Professionnelle*
- Permanent Secretariat for the PAMFIP
- *Ministère de la Santé Publique*
- *Ministre d'État, Ministre des Infrastructures*
- *Ministère de l'Environnement, de la Qualité de Vie et des Parcs Nationaux*

Tuesday, May 15, 2007 – N'Djaména

- *Ministère de l'Économie et du Plan*
- *Ministère de la Pêche, de l'Hydraulique Pastorale et Villageoise*
- OCOMP
- *Ministre d'État, Ministre des Infrastructures*

Wednesday, May 16, 2007 – N'Djaména

- Working session with the CN, MINFIN, CCSRP
- WB
- IAG internal working session: preparation for the debriefing
- Acting Prime Minister (*Ministre d'État, Ministre des Infrastructures*)

Thursday, May 17, 2007 – N'Djaména

- Debriefing
- WB/IFC/IMF: audio-conference organised with Washington-based teams
- IAG internal working session: preparation for the mission report

CAMEROON - 2

Friday, May 18, 2007 - Douala

- PSMC

Saturday, May 19, 2007 – FSO-Kribi

- FSO : Government of Chad, Government of Cameroon and COTCO technical teams
- Prefect of Océan department
- Mayor of Kribi
- Chief of Mboamanga and President of the Association of Fishermen¹⁵
- Bumé village (Ebomé)

Sunday, May 20, 2007 – Yaoundé

- IAG internal working session

Monday, May 21, 2007 – Yaoundé

- IAG internal working session
- Cameroonian NGOs

Tuesday, May 22, 2007 – Yaoundé

- WB
- FEDEC, WCS, WWF
- Minister of Environment and Protection of Nature
- Minister of Health

Wednesday, May 23, 2007 - Yaoundé

- IAG internal working session: preparation for the cross-checking session and the mission report
- Cross-checking/debriefing with COTCO-NGOs-PSMC-WB

Thursday, May 24, 2007 – Yaoundé

- IAG internal working session: preparation for the mission report

¹⁵ IAG accompanied by COTCO EMP team and NGOs

Appendix 2 Acronyms and Abbreviations

BEAC	Bank of Central African States
Bpd	Barrel per day
BSLDRP	<i>Bureau chargé du Suivi des Liquidations et des Décaissements des Ressources Pétrolières</i> / Office in charge of Monitoring Payment and Disbursement of the Oil Funds
CAPECE	Cameroon Petroleum Environment Capacity Enhancement Project
CAS	Country Assistance Strategy
CCIAMA	Chamber of Commerce, Industry, Agriculture, Mines and Handcrafts
CCSRP	<i>Collège de Contrôle et de Surveillance des Ressources Pétrolières</i> / Oil Resources Control and Monitoring Group
CDF	Community Development Facilitator
CMNP	Campo-Ma'an National Park
CN	<i>Coordination Nationale</i> / National Coordination
CNPC	China National Petroleum Company
COTCO	Cameroon Oil Transportation Company
COTP	Crude Oil Topping Plant
CPG 5%	Temporary Management Committee for the 5% Regional Fund
CPPL	<i>Commission Permanente Pétrole Locale</i> / Local Standing Committee on Oil
CRP	Compensation and Resettlement Plan
CTNSC	<i>Comité Technique National de Suivi et de Contrôle</i> / National Technical Committee for Monitoring and Control
DBST	Double Bitumen Surface Treatment
DPU	Doba Petroleum Unit
EEPCI	Esso Exploration and Production Chad Inc.
EIA	Environmental Impact Assessment
EMP	Environmental Management Plan
FEDEC	Foundation for Environment and Development in Cameroon
FSO	Floating Storage and Offloading Vessel
GIS	Geographic Information System
Ha	Hectare
HIPC	Heavily Indebted Poor Countries
IAG	International Advisory Group
IDA	International Development Association
IFC	International Finance Corporation
IMF	International Monetary Fund

INSEED	<i>Institut National de la Statistique, des Études Économiques et Démographiques</i> / National Institute of Statistics and Economic and Demographic Studies
IPP	Indigenous Peoples Plan
ITRAD	<i>Institut Tchadien pour la Recherche Agronomique et le Développement</i> / Chadian Institute for Agricultural Research and Development
MDG	Millenium Development Goals
MDNP	Mbam and Djerem National Park
MDRI	Multilateral Debt Relief Initiative
MINEP	Ministry of Environment and Protection of Nature (Cameroon)
MINFIN	<i>Ministère de Finances et de l'Informatique</i> / Ministry of Finances and Information Technology (Chad)
MINFOF	Ministry of Forests and Fauna
MOU	Memorandum of Understanding
MTEF	MediumTerm Expenditure Framework
NGO	Non-Governmental Organization
NOSRP	National Oil Spill Response Plan
NPRS	National Poverty Reduction Strategy
OCMP	<i>Organe de Contrôle des Marchés Publics</i> / Procurements Oversight Agency
OFDA	Oil Field Development Area
ORT	Organisation for Rehabilitation and Training - International
PAMFIP	Action Plan to Modernize Management of Public Finance
PRGF	Poverty Reduction and Growth Facility
PSMC	Pipeline Steering and Monitoring Committee
RAPID	<i>Réseau d'Actions Participatives aux Initiatives de Développement</i>
RDP	Regional Development Plan
SHT	<i>Société des Hydrocarbures du Tchad</i>
STEE	<i>Société Tchadienne d'Eau et d'Électricité</i>
TCC	Tchad-Cameroun Constructors
WB	World Bank
WCS	Wildlife Conservation Society
WWF	World Wildlife Fund