

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

**REPORT OF MISSION 10**  
**TO CHAD AND CAMEROON**  
**SEPTEMBER 25 TO OCTOBER 18, 2005**

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

**November 24, 2005**

**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](mailto:secretariat@gic-iaq.org)  
[www.gic-iaq.org](http://www.gic-iaq.org)

### **Erratum**

In the report of the ninth mission to Chad and Cameroon from May 15 to June 6, 2005, published on July 11, 2005, the second sentence of paragraph 75 should read as follows:

“The two parties reached an agreement on the selling price of Chadian crude oil for each quarter of 2004, which provided Chad an additional US\$ 18 million\*.”

\* Corrected December 14, 2005, previous version indicated billion.

## Table of Contents

### EXECUTIVE SUMMARY

<b>GENERAL INTRODUCTION .....</b>	<b>1</b>
<b>CHAD – INTRODUCTION .....</b>	<b>3</b>
<b>1 UTILIZING THE OIL RESOURCES .....</b>	<b>4</b>
<b>1.1 Oil-Related Activities: Increasing Production through Densification and Expansion.....</b>	<b>4</b>
1.1.1 Production Activities .....	4
1.1.2 Seismic and Exploration Activities .....	5
<b>1.2 Monitoring Oil Activities:         Teams Functioning at Different Levels – Improved Cooperation .....</b>	<b>5</b>
1.2.1 Activating On-Site Government Teams .....	5
1.2.2 EEPCCI's EMP Team: Building on the Considerable Progress .....	6
1.2.3 Promising Progress in EEPCCI – CTNSC Relations.....	6
1.2.4 Delays in Finalizing Application of the Doba EMP Principles .....	6
<b>1.3 Multiple Urgent Environmental Issues.....</b>	<b>7</b>
1.3.1 Soil Restoration and Restitution .....	7
1.3.2 Waste Management .....	8
1.3.3 Dust.....	8
<b>1.4 Old, New and Evolving Socio-Economic Issues.....</b>	<b>9</b>
1.4.1 Individual Compensation: Maximizing Training Benefits .....	9
1.4.2 Community Compensation: Ironing Out the Flaws and Examining New Cases .....	9
1.4.3 Ways of Adapting Compensation to the New Fields.....	10
1.4.4 Social Closure: Annual Social Assessment – Building on Consensus .....	10
1.4.5 Business Opportunities: Facilitating Access to Contracts.....	11
1.4.6 Commercial Law Dispute: Sharing Information on the Taylors Affair .....	11
1.4.7 Labor Rights Dispute: Improving Communication on the TCC Affair.....	11
<b>1.5 Relations with Local Authorities .....</b>	<b>12</b>
1.5.1 Persistent Gaps in Understanding between Esso and Local Authorities .....	12
1.5.2 Local Populations and Authorities: Extortion Banned but Still Persists .....	13
<b>2 MANAGING OIL REVENUES .....</b>	<b>13</b>
<b>2.1 Oil Revenues: Assessment and Calculations Fall Short of Expectations .....</b>	<b>13</b>
2.1.1 2005 Oil Revenues Revised Downward .....	13
2.1.2 Calculation Methods Not Yet Mastered .....	13
<b>2.2 Progress in Spending: To be firmed up.....</b>	<b>14</b>
2.2.1 Inconsistent, Erratic Spending Performance by Priority Ministries .....	14
2.2.2 Priority Ministries' Familiarity with Expenditure Procedures: Satisfactory But Could Do Better .....	15
2.2.3 Honing Procedures for Spending the 5% Regional Funds .....	15
<b>2.3 Regulation and Oversight .....</b>	<b>17</b>

2.3.1	Collège de Contrôle et de Surveillance des Ressources Pétrolières: Lessons from the First Report.....	17
2.3.2	Procurements Oversight Agency (OCMP): COJO Completely Decentralized.....	17
2.3.3	Ministère du Contrôle Général de l'État et de la Moralisation: An Innovation to Encourage.....	17
<b>2.4</b>	<b>2006 Budget Proposal Delays.....</b>	<b>18</b>
<b>2.5</b>	<b>Amending Law 001.....</b>	<b>19</b>
<b>3</b>	<b>MANAGING THE OIL SECTOR.....</b>	<b>20</b>
<b>3.1</b>	<b>Legal and Regulatory Instruments Still Lacking.....</b>	<b>20</b>
<b>3.2</b>	<b>Additional Capacity-Building Programs under Negotiation.....</b>	<b>21</b>
<b>4</b>	<b>DIVERSIFYING CHAD'S ECONOMY.....</b>	<b>22</b>
<b>5</b>	<b>CHAD - CONCLUSION.....</b>	<b>24</b>
	<b>CAMEROON – INTRODUCTION.....</b>	<b>25</b>
<b>6</b>	<b>COMPENSATION AND SOCIAL ASSESSMENT: JOINT ANALYSES AND ACTION.....</b>	<b>25</b>
<b>7</b>	<b>PROGRESS ON ECOLOGICAL COMPENSATION PROGRAMS IMPERATIVE.....</b>	<b>26</b>
<b>7.1</b>	<b>Resolving Jurisdictional Disputes between MINEP and MINFOF.....</b>	<b>27</b>
<b>7.2</b>	<b>Fixing FEDEC's Internal Problems.....</b>	<b>27</b>
<b>7.3</b>	<b>WWF and WCS Awaiting Park Management Plans and Performance Reviews.....</b>	<b>28</b>
<b>8</b>	<b>HEALTH ALONG THE PIPELINE ROUTE: JOINT AIDS PREVENTION PROGRAMS.....</b>	<b>29</b>
<b>9</b>	<b>CAPACITY BUILDING: BENEFITS OF EXTENDING AND REACTIVATING THE CAPECE.....</b>	<b>30</b>
<b>10</b>	<b>MANAGING THE PIPELINE ROUTE AND TEMPORARY INFRASTRUCTURES: BUDDING SUCCESS, PERSISTENT DELAYS.....</b>	<b>31</b>
<b>10.1</b>	<b>Successful Pilot Experiment in Pipeline Surveillance.....</b>	<b>31</b>
<b>10.2</b>	<b>Transferring the Temporary Sites and Facilities.....</b>	<b>32</b>
<b>11</b>	<b>ACTIVE RESPONSES TO PROJECT'S IMPACT REQUIRED.....</b>	<b>32</b>
<b>11.1</b>	<b>Archeological Issues.....</b>	<b>32</b>
<b>11.2</b>	<b>Artificial Reef off Kribi.....</b>	<b>32</b>
<b>11.3</b>	<b>Securing the Pedestrian Crossing on the Lom River Bridge.....</b>	<b>32</b>
<b>12</b>	<b>LOM PANGAR DAM: MANAGING PROACTIVELY THE IMPACT OF THIS EXTRINSIC FACTOR.....</b>	<b>33</b>

<b>13 CAMEROON - CONCLUSION .....</b>	<b>33</b>
<b>WORKSHOPS ON THE IMPLEMENTATION COMPLETION REPORTS FOR THE CHAD-CAMEROON PETROLEUM DEVELOPMENT AND PIPELINE PROJECT.....</b>	<b>35</b>
<b>ACKNOWLEDGEMENTS.....</b>	<b>37</b>
<b>Appendix 1: Chronology of Meetings</b>	
<b>Appendix 2: Acronyms and Abbreviations</b>	

## EXECUTIVE SUMMARY

This report presents the observations, analyses, conclusions and recommendations arising from the International Advisory Group's (IAG) tenth statutory visit to Chad from September 25 - October 9 and to Cameroon from October 14 -18, 2005. From October 10 -14, the IAG moderated the Project's Implementation Completion Report (ICR) workshops in N'Djaména and Yaoundé.

## CHAD

The mission in Chad coincided with preparations for the Project's ICR workshop and the 2006 budget, and the Government's announcement of its intention to amend Law no. 001/PR/99 on oil revenue management. It provided the Group with an opportunity to monitor activities in the oil zone, to analyze routine management of the 2005 oil revenues and overall management of the oil sector, to conduct a preliminary analysis of the initial 2006 budget proposal and finally, to study further the need to diversify Chad's economy and the prospects for doing so.

### Utilizing the Oil Resource

- In the south of Chad, Esso is using various techniques to densify and expand **oil activities**. The company's priority is to increase production, which is currently below forecasts. Esso and EnCana's seismic and exploration activities stretch to the east and to the west of the Doba basin and to the Lake Chad region. Despite the absence of implementing decrees for the environmental protection law, the Government is urged to ensure that the best environmental rules and practices are adopted and used right from the start of seismic and exploration activities.
- Performance in terms of **monitoring oil activities** has been variable. While the work of Esso's EMP (Environmental Management Plan) teams has improved considerably, the Chadian teams are working at a slower pace due to a lack of sufficient funding. The level of cooperation between the CTNSC and Esso has increased now that they have begun their joint site inspections. While waiting for the supplementary grant for the Petroleum Sector Management Capacity-Building Project (PSMCBP), the Government is again urged to implement the necessary budget measures to support government monitoring of the Project.

In the context of expanded oil activities, the World Bank (WB) and its partners are urged to quickly finalize one activity that has been too long in coming – the development of guidelines defining how the Doba EMP principles will be applied to other projects using the Chad-Cameroon pipeline.

- There are numerous urgent **environmental issues** to be resolved:
  - Esso is still lagging behind in **restoring and restituting land** to area residents. The company should adhere to its announced timeframe, which calls for priority land to be returned to villagers before the next growing season starts in May 2006. Failing that, Esso will have to consider additional compensation measures.

- **Waste management** has seen progress in the area of recycling and donations of equipment imported duty-free. The process still needs to be refined and the out-of-order hazardous waste incinerator needs to be repaired.
- Esso still has to launch a study on the impact of **dust** on the health of the population and plant fertility.
- **Socio-economic issues** concern the following areas:
  - **Individual compensation:** Esso should provide a sufficient budget to support the increased demand for training in improved agricultural techniques.
  - **Community compensation:** Esso needs to fix some of the flaws noted in the compensation projects completed under the direction of GTZ. In addition, the infilling campaign in the Doba zone should not compromise agricultural viability. To this end, the Government is urged to expedite a land occupation study and to work with Esso to consider the appropriateness of providing additional community compensation in the zone.
  - **Compensation at the new fields:** The planned follow up by Esso, the World Bank and the Government on socio-economics studies previously conducted by Esso should help determine whether the compensation scheme needs to be adapted to the reportedly higher population density in the Moundouli zone than in the Doba zone.
  - The promising emergence of a consensus between Esso and the NGOs on the **social closure process** becoming annual assessment should be strengthened.
  - **Private operators'** access to contract opportunities: Esso needs to step up efforts to post its bid requirements in N'Djaména and in the region, and to provide more decentralized locations where operators in the provinces can submit bids.
  - The **Taylor's** commercial dispute is in the process of being resolved. Now that Esso has paid the monies owed to Taylor's direct creditors, this information needs to be publicized so as to facilitate reimbursement of the smaller creditors.
  - While awaiting possible arbitration and a final ruling on the dispute involving former employees of **Tchad Cameroon Constructors (TCC)**, the Government could facilitate a reciprocal exchange of information so as to calm the situation.
- In terms of its **relationship with the authorities**, Esso is again urged to develop a protocol for consistent, normalized relations with local authorities. The Government sent an inspection team to investigate the **extortionist practices** reported to the IAG in May, but the team's report is still pending. These practices, however, do not appear to have ended.

## Oil Revenue Management


The IAG focused on management of the 2005 oil budget and conducted a preliminary analysis of the 2006 budget, which was being drafted at the time.

- **Oil revenues** were revised downward in the August supplementary budget, which the *Ministère des Finances* (MINFIN) attributed to decreased production. MINFIN's technicians

still do not fully master oil revenue calculation. The Ministry is again urged to obtain the resources it needs to accomplish this important task for which it is responsible.

- After a difficult start in the second half of the year, with delays in budget implementation, the priority ministries are now making progress in **spending**. However, performance is inconsistent and erratic depending on the sector. As of August 31, the *Collège de Contrôle* (Oil Resources Control and Monitoring Group, or CCSRP) had approved 60% of the oil revenue expenditure, compared to barely 20% in April. This figure is still low given the transfers to CotonTchad and STEE, the frequent use of sole sourcing procedures, and the fact that part of the salaries at the *Ministère de l'Éducation Nationale* and the *Ministère de la Santé* were paid out of these funds. Overall, the priority ministries have a better understanding of budget execution procedures. Implementation of the 5% regional fund began when the *Collège* approved the projects chosen from among the abandoned “urgent measures” in Bébédjia and Doba. The 5% Temporary Management Committee should use a participatory process to choose future projects, making every effort to ensure an equitable distribution of projects between urban and rural zones, while taking care to avoid duplicating Government investments.
- With respect to **regulations and oversight**, the CCSRP published an extremely informative report of its first inspection mission in May 2005. The report identifies problems using oil revenues. Although the report was well received overall, some of the ministries regretted not having the opportunity to contradict some of the report’s affirmations. The *Collège* should provide this opportunity in the future. The report calls for follow up on the part of the Government.

The *Ministère du Contrôle Général de l'État et de la Moralisation* is an innovation that the Government and its partners should support by equipping it with the means to combat non-transparency, corruption and misappropriation of public funds.

- Preparation of the **2006 budget** has been delayed. The allocations in this third oil budget should be more in line with NPRS guidelines and comply with the principle of additionality under Law 001. The priority ministries should be ready to commit the 2006 budget funds by the end of January at the latest.<sup>1</sup> 
- The Government announced its intention to amend some of the provisions of **Law 001** in order to alleviate the country’s cash flow problems.<sup>2</sup> Chad’s financial partners – World Bank and the IMF – and civil society have voiced concerns about modifying this instrument of transparent management that is part of the baseline commitments for the Doba Project. The World Bank and the IMF have stressed the need for transparency and discipline in the management of Chad’s public finances, and the need to determine the root cause of the cash flow problem prior to amending the law. The IAG recommends that Chad and its

---

<sup>1</sup> The 2006 budget proposal was passed by the Council of Ministers on November 10, 2005 and then sent to the National Assembly, which should vote on it soon.

<sup>2</sup> On November 8, 2005, the Council of Ministers approved several amendments to Law 001. In particular, these amendments expand the concept of priority sectors, increase the share of the oil funds allocated to administrative operations from 15 to 30%, repatriate the Fund for Future Generations to the Treasury account so that the money can be used immediately, and extend the law to all oil fields. The National Assembly is expected to vote on this new law soon.

international partners continue the dialogue and avoid a confrontation that will only hurt the population.

As an independent Panel, the IAG is closely monitoring the evolution of this situation.

### Oil Sector Management

- The **legal and regulatory framework** instruments for managing the oil sector are still lacking. Once the Council of Ministers adopts the 2005-2008 oil sector policy letter, Chad should focus on bringing the Petroleum Code and the decrees establishing the bylaws of the *Société des Hydrocarbures du Tchad* into line with the policies set forth in this document. The National Oil Spill Response Plan and the implementing decrees for the Environmental Law must also be approved.
- Chad and the World Bank are continuing to negotiate an additional grant for the **PSMCBP** and the **Program to Support the Modernization of Public Finances**, the successor project to the GEEP. In both cases, the experiences from previous projects must be taken into account so as to better define performance objectives and give training the priority place that it deserves.

### Diversifying the Chadian Economy

The success of the Doba Project will be measured in several years by its impact on the country's development and improvement of public well-being. At a minimum, this requires that the priority ministries use the oil money to effectively reduce poverty in a lasting way, while also focusing their efforts on diversifying the Chadian economy so as to reinvigorate its productive sectors.

In the context of the ever-expanding oil activities and the role of the agricultural and herding sectors in the South, the Government must develop a long-term vision for the oil-producing region so as to reconcile the needs of oil production and agriculture.

Finally, Chad should take advantage of the oil-related discussions and developments to prepare a 25-year prospective study as the IAG suggested in its last report.

In **conclusion**, Chad must continue to concentrate on resolving the urgent issues while simultaneously developing a long-term vision of the country's development.

The pressing issues include:

- For the Government: the urgent need to make the oil activity monitoring agencies operational again, to promulgate the long-awaited legal and regulatory framework, and to equip the *Ministère des Finances* with the means to learn and become skilled at oil revenue calculation.
- For Esso: the importance of launching operations to restore and return land to local residents, to resolve any residual disputes, to set up a transparent and standardized system of posting business opportunities and to normalize its relations with local authorities.

- For the World Bank: the need to work with its partners to promptly resolve the issue of compliance with the Doba Project EMP principles for new oil projects.
- For the Government, the World Bank and the IMF: the need to agree on the terms and conditions for pursuing a productive partnership around the Chadian experience of oil-revenue management.

With respect to a long-term vision, MINFIN must allocate the oil revenues more efficiently and in a less empirical manner than it currently does, with a culture of results based on pertinent indicators. The Government should conduct a three-year assessment of oil revenue expenditure, taking stock of the performance objectives and the results obtained. The country's economy needs to be diversified, for example in agriculture, herding, transportation and telecommunications, in order to build a broader economic base that serves first as a compliment to, and then a substitute for, the oil income.

Finally, the rationalization of oil research and development versus the agricultural potential in the South calls for an integrated vision for the management of all these resources, which will help Chad make formative decisions with full knowledge of the facts.

## CAMEROON

The IAG conducted a shorter-than-usual visit to **Cameroon** following the ICR workshops. However, the Group did have the opportunity to take stock of progress made on the main areas that it monitors on a regular basis, including management of the Project's social and environmental impact and implementation of the related compensation programs, health protection along the pipeline route, implementation of the CAPECE project, and developments on the Lom-Pangar dam project, whose potential interaction with the pipeline must be managed proactively.

**Compensation and the Social Assessment:** The IAG was pleased to note that since its last visit, COTCO, the Pipeline Steering and Monitoring Committee (PSMC) and the NGOs have continued to work together closely on implementing the social closure process, which has since been replaced by the "Social Assessment." The three parties will need to agree in advance on a methodology to handle litigious cases.

**Ecological compensation:** Decisive progress must be made in the following areas.

- **The respective responsibility for protected areas**, especially the national parks, has still not been clarified between the new ministries – the Ministry of Environment and Protection of Nature (MINEP) and the Ministry of Forests and Fauna (MINFOF). The Government must quickly resolve this jurisdictional dispute.
- **FEDEC** has internal problems that must be fixed. The Foundation should plan to discuss and resolve the important issues affecting its future at its next board meeting on December 1. These include: revising its bylaws, identifying profiles of future board members, and defining the tasks of board members and the respective tasks of the Board and the Administrator. Once these issues are resolved, the Foundation should reconstitute its Board as quickly as possible.

FEDEC and WWF are in a financial impasse that has led to a 5-month delay in paying the ecoguards' salaries and consequently, a reduction in activities to combat poaching in the Campo-Ma'an park. In any case, the IAG recommends that the Foundation prioritize the payment of the ecoguards' salaries in the two national parks.

- The two executing agencies in the Campo-Ma'an and Mbam and Djerem parks, **WWF** and **WCS**, have focused on finalizing their park management plans in recent months. Once the plans are approved, FEDEC and the Government will need to think about finding funds to implement them. In addition, FEDEC should conduct a performance review for WWF and WCS prior to renewing their contracts in February 2006.

**Protecting health along the pipeline route:** The mission showed that the Ministry of Health, the National AIDS Prevention Committee, the PSMC and COTCO must work more closely together to develop better articulated and more efficient AIDS prevention strategies, especially in the pipeline's sensitive areas. The Ministry of Health could take the initiative for this project.

**Capacity-building:** Cameroon submitted a request for a 1-year extension of CAPECE beyond the initial closing date of December 31, 2005. The World Bank has hinted that the request would be favorably received. The PSMC needs to take action to meet the implementation deadlines for the remaining CAPECE activities between now and the end of 2006, as submitted to the World Bank. Priority must be given to the development of a legal and regulatory framework, the NOSRP and the implementing decrees for the Environmental Law.

**Managing the pipeline route and temporary infrastructures:** The pilot experiment using area residents to monitor the northern part of the pipeline route has been successful according to COTCO. The company is considering the possibility of gradually expanding this program to full length of the right-of-way. The issue of transferring the Project's temporary sites and facilities to the Government is progressing slowly. COTCO is worried that in the time it is taking to resolve this issue, some of the equipment has been exposed to deterioration, which will create new problems. The PSMC points to the fact that land transfers require a set of formal procedures that cannot be skipped.

**Active responses to Project impact:** COTCO is continuing to deal with some of the effects of the Project. These involve archeological compensation, the laying of an artificial reef off the coast of Kribi and securing the pedestrian crossing on the railway bridge over the Lom River. Deadlines have been set for resolving these issues, which will need to be met.

**Lom Pangar dam:** While the Government is pursuing the process to assess the environmental and social impact of the dam project, NGOs are voicing concern that the deadlines in the decree setting the terms for executing environmental impact studies are not long enough to allow for studies of this scale to be thoroughly analyzed. Now that COTCO has been officially informed of the project, it will work with Cameroon to analyze the dam's impact on the pipeline and determine what protection measures will be required. If the dam is built, Cameroon must ensure that environmental and social standards at least equivalent to those of the Pipeline Project are applied.

In **conclusion**, a major point of progress emerged from this mission – the beginning of a structured, tripartite dialogue among NGOs, COTCO and the PSMC. FEDEC's internal problems are a source of concern. It can only be hoped that these problems will be resolved at

least partially at its upcoming board meeting. Managing the Project-related issues and impact requires ongoing vigilance and diligence. Preliminary studies on the Lom Pangar dam project must be conducted. If the dam is built, the performance standards must meet the highest standards.

### **IMPLEMENTATION COMPLETION REPORT WORKSHOPS**

The Governments and the World Bank held workshops on October 10 and 11 in N'Djaména and on October 13 and 14 in Yaoundé to prepare the Implementation Completion Report that the Bank must submit to its Board of Directors.

The parties asked the IAG to participate in these workshops as the moderator.

The workshops allowed people to become better acquainted with the content of the Project and clarified a number of misunderstandings. They resulted in lively discussions in an atmosphere of courtesy where everyone could speak freely. This was an important step towards establishing a structured dialogue among the Project partners. Everyone expressed a desire to see this dialogue continue, a permanent platform created and this event repeated.

It was also clear to everyone that this exercise was only the assessment of an initial stage and that the final assessment of the Project will only be measured by the value of its lasting benefits for the populations.

A summary of the workshops and its conclusions will be published in the workshop proceedings.

## GENERAL INTRODUCTION

1. The International Advisory Group (IAG) for the Chad-Cameroon Petroleum Development and Pipeline Project (“Project” or “Doba Project”) conducted its tenth statutory visit from September 25 - October 18, 2005, visiting Chad from September 25 - October 9 and Cameroon from October 14 - 18. From October 10 -14, the Group attended Implementation Completion Report (ICR) workshops in N’Djaména and Yaoundé.
2. In Chad, the IAG visited the Komé, Moundou, Doba and Moundouli 1 oil zones to monitor the Doba Project and the Nya Moundouli Project (NMP). The Group also traveled to Sarh, Maimana and the Doseo Basin, where Esso is conducting exploration work. It met with economic operators in Moundou, regional delegates, local authorities and local residents of the villages it visited. 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 two consortiums of local non-governmental organizations (NGOs): the *Commission Permanente Pétrole Locale* (Local Standing Committee on Oil, or CPPL) and the *Réseau de Suivi des Activités liées au Pétrole au Moyen Chari* (RESAP-MC).
3. In N’Djaména, the Group met with the Prime Minister, the central and priority ministries, (except for the *Ministère des Mines et de l’Énergie* and the *Ministère de l’Action Sociale et de la Famille*), the *Ministère du Contrôle Général de l’État et de la Moralisation*, the National Assembly, the government agencies in charge of managing and overseeing oil revenues, the *Coordination Nationale* (National Coordination, or CN), Esso Exploration and Production Chad, Inc. (EEPCI), EnCana, the *Société Générale Tchadienne de Banque* (commercial bank through which part of the oil revenues are transited), representatives of the Chamber of Commerce and private business, civil society organizations, the World Bank (WB), the International Finance Corporation (IFC), the International Monetary Fund (IMF) and international aid agencies.
4. In Cameroon, the IAG traveled to Yaoundé, where it met with Cameroon Oil Transportation Company (COTCO), the permanent secretariat of the Pipeline Steering and Monitoring Committee (PSMC), the Ministry of Environment and Protection of Nature (MINEP), the *Comité National de Lutte contre le SIDA* (National AIDS Prevention Committee, or CNLS), the Foundation for Environment and Development in Cameroon (FEDEC), NGOs (including the two executing agencies under contract with FEDEC), and the World Bank.
5. The mission itinerary and a chronology of the meetings can be found in Appendix 1.
6. The objectives of the tenth statutory mission to Chad were to assess both management of the 2005 oil revenues and the 2006 budget preparations, and to monitor expansion of the oil activities in the South. In Cameroon, the objectives were to evaluate how well the Project’s environmental and social impact is being managed, to assess the degree of implementation of the CAPECE project (Cameroon Petroleum Environment Capacity Enhancement Project), and to monitor the activities of FEDEC and its contractors.
7. This report presents the Group’s observations and its analyses, conclusions and recommendations arising from the mission.

8. The last section of the report covers the ICR workshops in Yaoundé and N'Djaména since the IAG served as moderator for these meetings.

## CHAD – INTRODUCTION

9. **The timing** of the mission coincided with preparations for the Implementation Completion Report workshops and the 2006 budget (the country's third oil budget). These two events provided an opportunity for the Government to announce its intention to amend Law no. 001/PR/99 on oil revenue management.
10. The **social context** was marked by budget difficulties evidenced by the inability, among other things, to pay salaries and pensions, causing government employees to strike. Insecurity has also been on the rise in Chad. These concerns were on the National Assembly's agenda at the opening of the current session.
11. On **the economic level**, oil production was about 25% below initial projections, stabilizing around 170,000 barrels per day (bpd) instead of the estimated 225,000 bpd. However, the sharp increase in the price of oil on the world market in recent months meant that even though Chad's oil revenues were revised downward by the 2005 supplementary budget, they still exceeded initial planning estimates. Economic growth is expected to reach 14% in 2005, with 6.9% coming from the non oil-related sector. This sector has produced encouraging results. The 2004-2005 campaign to revive the cotton industry was relatively successful with a production level of 200,000 tons (of which 14,000 is still stored in the villages). The rainy season started early, which helped compensate for the grain deficit from the previous year and prevent sharp inflation during the 2005 bridge period. Finally, local banks backed investments in a new brewery and the sugar industrial unit.
12. On **the financial level**, Chad continues to experience cash flow problems with the 2005 budget, which are increasingly exacerbated by poor performance by the government agencies responsible for collecting revenues, especially custom duties. Consequently, the IMF has not completed its review of the Poverty Reduction and Growth Facility (PRGF), which is delaying disbursement of the last annual installment. The country has not yet reached completion point for the Highly Indebted Poor Countries (HIPC) initiative. Discussions continue with the World Bank on the funding of new capacity-building programs for managing public finance and the oil sector. With respect to the mid-term outlook, Chad is on the second list of countries eligible for forgiveness of their IMF, World Bank and African Development Bank debts.
13. This tenth mission was an opportunity to monitor exploration, construction and production activities in the **oil zone**, to analyze routine management of the 2005 **oil revenues** and overall management of the **oil sector**, to conduct a preliminary analysis of the first 2006 budget proposal and finally, to study further the need to **diversify Chad's economy** and the prospects for doing so.

## 1 UTILIZING THE OIL RESOURCES

14. The IAG reviewed the production and construction activities at the three Doba fields (Komé, Miandoum and Bolobo), the Nya and Moundouli fields, and further east, Esso's exploration activities in the Doseo Basin. The Group took stock of the Government and Esso's monitoring of these activities, efforts to remedy the social and environmental impact, local business opportunities linked to these activities, the two disputes involving former EEPCCI contractors, and the relationship between the local authorities, area residents and Esso.

### 1.1 Oil-Related Activities: Increasing Production through Densification and Expansion

#### 1.1.1 Production Activities

15. Oil production at the three Doba fields has currently stabilized at approximately 170,000 bpd, but remains below the production peak of 225,000 bpd that EEPCCI had originally predicted until the end of 2006. At the same time, a considerable volume of water (approximately 300,000 bpd) is still being pumped. Even though the Project was designed to handle up to 900,000 bpd of water, EEPCCI did not anticipate reaching this volume so quickly.
16. In order to compensate for the decline in production, EEPCCI is taking steps on several levels:
17. • Increase in the number of production wells: the company launched an "infilling campaign" to densify the production wells in the Doba Oil Field Development Area (OFDA). It plans to drill 60 additional production wells in the three fields by year end, along with new re-injection boreholes.
18. • Activation of 4 wells at the Nya field in June 2005, with a current average production of 6,000-7,000 bpd.
19. • Activation of the Moundouli field scheduled for June 2006: the EMP for the Nya Moundouli Project, which EEPCCI completed in July 2005, was approved by the *Ministre de l'Environnement et de l'Eau* on September 14, 2005. The company was authorized to pursue development of the Moundouli concession, whose 25 wells are expected to produce approximately 25,000 bpd after start-up.
20. • Improved production performance: the company began specific studies to better understand the reservoir's geology and is currently testing well stimulation techniques to increase oil production and decrease the amount of water pumped. One of the techniques involves injecting acid into certain wells. The IAG has been assured that this process has no impact on the environment. It may also be necessary to re-inject more water in order to maintain pressure in the reservoir.
21. The company is hoping to return to an oil production level of at least 200,000 bpd in 2006.

22. At the same time, Esso is continuing to research and study the possibility of treating part of the pumped water for use on the surface.

### 1.1.2 Seismic and Exploration Activities

23. Esso is continuing its seismic acquisition and exploration activities to both the east and west of the Doba Project zone.
24. It drilled one wildcat well this year to the east of Doba in the Pende.
25. In Doseo East, the exploration plan includes the construction of a 227 km road from Sarh to Sako, 3 camps and a landing strip, and the drilling of 2 wildcat wells. The work was suspended during the rainy season and was expected to resume mid-October, along with the program to compensate local populations affected by these activities.
26. To the west of Komé in the Logone region, Esso submitted an application to the Government for a concession, which has not yet been approved, after 2 wildcats produced positive results in the Maïkeri zone (Poutouguem). The economic feasibility of developing this field remains to be studied.
27. EnCana is continuing exploration activities in the Lake Chad zone, where one wildcat well was scheduled to be drilled in October-November 2005. The company plans to drill six additional wells in the Moyen-Chari by the end of June 2006. It should be noted that EnCana has begun discussions with the Justice and Peace Commission and the Lai diocese with respect to possible exploration activities in the Lai region.

#### X.1 The IAG recommends that:

28. - *In spite of the absence of implementing decrees for Law 14/PF/98 defining the general principles of environmental protection, the Government ensure that the best environmental rules and practices are adopted and implemented as soon as seismic and exploration activities begin, including baseline studies and the appropriate environmental impact studies.*

## 1.2 Monitoring Oil Activities: Teams Functioning at Different Levels – Improved Cooperation

29. The IAG paid special attention to how well the Government is monitoring all the current oil activities in the country. It also focused on the specific monitoring efforts by Esso's EMP teams.

### 1.2.1 Activating On-Site Government Teams

30. Monitoring by the government teams – the CTNSC on-site supervision team and the Doba Petroleum Unit (DPU) – is still severely impeded by the lack of human and especially, financial and material resources. The DPU is operating with a skeleton crew and the CTNSC is all but grounded. Since disbursements for the Petroleum Sector Management Capacity-Building Project (PSMCBP) loan stopped in January 2005, the Government has been paying salaries, but the teams lack the tools to work. The fact that some CTNSC team members' contracts will expire in the coming weeks could be a sign that the situation will further deteriorate, especially

for the on-site team, even though oil activities continue to expand across the country. Despite the lack of resources, however, the on-site teams could be expected to take more initiative to carry out their duties.

### **1.2.2 EEPCI's EMP Team: Building on the Considerable Progress**

31. Conversely, the IAG noted improved monitoring by a dynamic, reinvigorated Esso EMP team, which is now benefiting from the lessons learned since the beginning of the Doba Project and more particularly, from the implementation of the interface agreements signed with the seismic and exploration teams. These agreements represent considerable progress, especially in terms of applying the EMP to these two phases and Esso's ability to oversee more effectively the contractors involved in, for example, implementing compensation for area residents.
32. However, area residents and civil society organizations repeatedly informed the IAG that one of Esso's contractors, Western Geco, is paying compensation based on a system that is not transparent, does not comply with the EMP and facilitates extortion of the 10% by local authorities.
33. A recent experiment in Cameroon that involves area residents actively monitoring the pipeline seems to be successful. Although the facilities in Chad are significantly different, the EMP teams should consider this concept of increased citizen participation.

### **1.2.3 Promising Progress in EEPCI – CTNSC Relations**

34. Despite the difficulties the CTNSC is facing, the joint site-inspection program by EEPCI and the CTNSC is now operational. An inspection manual and inspection cards were designed and approved by the two parties in September and the inspection schedule for September-October 2005 has been established. On-site inspections began September 26 at the Doba field production sites and facilities. Starting in October, the inspections were to be expanded to construction activities. EEPCI is handling the program logistics.
35. The Government and Esso finally signed an agreement on logistics that defines the technical and logistical support (offices, etc.) that Esso will provide to the Chadian monitoring agencies (DPU and CTNSC).

### **1.2.4 Delays in Finalizing Application of the Doba EMP Principles**

36. Despite a conspicuous delay, the World Bank and EEPCI have made headway in drafting the guidelines that will reflect the agreement requiring that all oil expected to transit through the Komé-Kribi pipeline be produced in compliance with the Doba Project EMP principles. During the IAG's mission, the parties were still discussing one outstanding point. The World Bank and Esso must fully involve the Government in finalizing this text and making it operational since it will be in charge of its implementation. Finalization of the document is all the more urgent now that oil development outside the Doba region has begun. This text will be crucial to ensuring compliance with the agreements between Chad, the Bank and the companies using the pipeline.
37. With the start-up of the Nya field, and soon the Moundouli field, which are not subject to the provisions of Law 001, it is imperative that the Government and Esso reach an agreement on

fair procedures to be used in measuring the volume and quality of oil produced at these new fields and in calculating the royalties owed to the State.

X.2 The IAG recommends that:

38. - *Esso take corrective measures to ensure that its contractor Western Geco pay compensation in accordance with the EMP. These measures are especially important as Western Geco's current practices appear to be encouraging extortion, to the detriment of local populations;*
39. - *While waiting for additional funds to be freed up to continue the PSMCBP, the Government take adequate budgetary measures to enable the CTNSC and DPU on-site supervision teams to carry out their mandate in the next few months;*
40. - *The Government, the World Bank and the Consortium promptly finalize the document on the Doba EMP principles applicable to the production of all oil transited through the pipeline. The Government must then immediately put the document into effect in the proper legal form.*

### 1.3 Multiple Urgent Environmental Issues

#### 1.3.1 Soil Restoration and Restitution

41. EEPIC's soil restoration and restitution program is still lagging behind, with delays of up to several years for some of the sites, thereby depriving area residents of cultivable land. On June 29, 2005, Esso's management voluntarily recorded a level 2 non-compliance situation with the EMP in order to stigmatize this negative performance. These sites fall under several categories: borrow pits, wellpads, well access roads, the pipeline right-of-way, and the landing strip of the former Komé 2 airport.
42. Esso has agreed to hire and train two local companies to restore the borrow pits which are no longer being used in the Nya Moundouli zone before year end. The unused borrow pits in the OFDA should be restored in the process and returned to area residents by May 2006, i.e. before the next growing season.
43. Esso plans to restore and transfer by September 2006 the OFDA wellpads that are supposed to be reduced in size to 110 x 30 meters. It will start with the unused platforms as a first priority in order to return them by May 2006.
44. The process of officially returning the 30-meter pipeline right-of-way to area residents, which currently has restrictions on use, began with the signing of a discharge under the aegis of the CTNSC and would be concluded by mid-November.
45. The Komé 2 landing strip, which is currently under restoration, should be returned to area residents before January 2006.
46. The issue of restoring and returning land in accordance with the timeframe in the EMP is particularly sensitive now that oil activities are increasingly encroaching on the Doba oil field development area and spreading to new concessions (Nya and Moundouli).

47. Esso and the Government need to review the various scenarios for calculating individual and community compensation and compare them with the real-life situations of these populations who have lost the use of agricultural land for a longer time and/or over a larger area than anticipated.

### 1.3.2 Waste Management

48. The hazardous waste incinerator at Komé is still not working and several more weeks are needed to repair it. Meanwhile, waste is being stored at the site reserved for hazardous waste, which has sufficient capacity. Esso notes, however, that there is now less hazardous waste than during the construction phase.
49. The non-hazardous waste recycling program for local populations is being implemented in conjunction with the CTNSC. This is the case in particular for the waste wood that Esso donates directly to the villages that have formed management committees. In terms of other waste (plastics, scrap iron, tires, etc.), Esso is negotiating with a Chadian company in N'Djaména that has developed a technique to convert these materials into paving stones or other final products.
50. In terms of donating equipment imported duty-free, the procedure should be standardized henceforth at the level of the *Ministère des Finances* and the *Ministère du Pétrole*. An inter-ministerial committee will assess the equipment in question and authorize Esso to donate it to local governments or charitable organizations as the committee deems appropriate. This procedure has yet to be applied to an actual situation. Meanwhile, Esso has stopped burying vehicles and other re-usable equipment.

### 1.3.3 Dust

51. In spite of EEPCI's dust control program, which the CTNSC considers to be lacking, area residents are still concerned about the impact of dust on their health and on plant fertility. This issue will undoubtedly continue to be pertinent given that oil development has now spread beyond the three Doba fields to Nya and Moundouli and potentially to Doseo East if the exploration campaign is successful.
52. Esso is still waiting to launch the promised scientific study to shed light once and for all on the various assertions concerning this matter. The company needs to reach an agreement with the Government on a systemic response to this impact of oil activities, especially during the construction phase at the current sites and those to come.

#### X.3 The IAG recommends that:

53. - *Esso's program to restore land no longer needed for construction and production and to return it to area residents be given priority and be ongoing. The Group also recommends that Esso adhere to its announced timeframe in order to complete the process before the next growing season, especially for priority plots of land. Failing that, Esso should consider additional compensation measures for area residents;*
54. - *Esso step up efforts to launch the study on the impact of dust on the health of the population and on plant fertility, and that it reach an agreement with the Government concerning a systemic approach to controlling dust.*

## 1.4 Old, New and Evolving Socio-Economic Issues

### 1.4.1 Individual Compensation: Maximizing Training Benefits

55. When a person or household no longer has enough arable land to be economically viable due to the Project's land requirements, they are considered under the EMP to be eligible for resettlement. These people then have the choice of moving or participating in a different compensation program that pays them damages for the loss of their land. EEPCI offers two alternative choices. They may opt to receive training in improved agricultural techniques that would enable them to farm their remaining land more productively, or training in non-agricultural activities.
56. In 2002, Esso handed over the improved agricultural techniques training program to an NGO named ORT. However, the initial budget allocated to train 141 eligible candidates is no longer sufficient to handle the need to provide equivalent-quality training for all the eligible candidates (212 in 2005). During the IAG's visit, ORT was awaiting a response from EEPCI concerning its request for additional funding.
57. At the end of their training, Esso gives the farmers the necessary farming tools and a subsidy to help them put their new skills into practice. However, the lack of accessible micro-credits is a major impediment to the farmers' ability to continue their new activities, which require more investment than traditional farming. The IFC has agreed to grant loans to the next class of eligible trainees. They will first need to form groups in order to receive the loans. The downside of this measure, however, is that the non-eligible candidates who benefited from ORT's public training sessions in the villages will not qualify. Esso, ORT and the IFC need to envisage mechanisms that will allow the greatest number of people to capitalize on the training, since the objective of this program is to guarantee families affected by the Project a standard of living at least equivalent to their pre-Project standard.

### 1.4.2 Community Compensation: Ironing Out the Flaws and Examining New Cases

58. Since the departure of the implementing agency, GTZ, the flaws identified in several of the community compensation projects since May have still not been rectified. Esso is planning to identify a successor to GTZ and to provide the funding required to repair the infrastructures in question.
59. In addition, the infilling campaign in the OFDA, which will result in the Project occupying more land than anticipated in the EMP, raises the issue of the viability of the agricultural system. The ECMG (External Compliance Monitoring Group) and the IAG have already recommended a land occupation study, which would be a mechanism to monitor the impact of the Project on the population and a guide for any possible adjustments to the compensation plan. No response has been given to this recommendation, partly due to the lack of funds for the PSMCBP.
60. Esso and the Government must jointly study the environmental and social impact of this campaign and make a decision on whether compensation measures are needed. Esso has already begun to think internally about a possible plan to supplement community compensation in the zone, in addition to individual compensations.

### 1.4.3 Ways of Adapting Compensation to the New Fields

61. Based on studies conducted by Esso, the last IAG report mentioned that the population density in the Moundouli region was greater than that of the Doba Project zone and recommended that the compensation program under the Doba EMP be adapted to this new situation.
62. Esso is now proposing reviewing the basis of these studies and their conclusions. In that context, the IAG notes that the company would need to conduct more thorough socio-economic studies in the Moundouli zone in order to clarify the findings on population density and the occupation rate of agricultural land. This issue should be monitored.
63. Meanwhile, Esso maintains that the Doba EMP compensation and resettlement plan is complete and robust enough to cover the Moundouli situation. The only adjustment to the plan thus far is to expand the list of compensable species to include crops not grown in Doba zone.
64. The World Bank also seems to think that the Doba compensation plan is flexible enough to cover the Nya-Moundouli situation, but nevertheless notes the worrisome situation of many households that are unaffected by the Project still not having a viable level of farming activity. The Bank sees this as an issue to be tackled by the Chadian authorities.
65. The IAG is pleased to note that even though the issue is still unresolved, Esso and the World Bank are looking into taking land pressure in the Moundouli zone into account in the compensation plan. They should complete this study and work with the Government to prepare a comprehensive report on the situation and analyze the relevance of the parameters for calculating individual and community compensation. This analysis should take into account the minimum target objective of ensuring that the compensation contributes to the long-term viability of households. Based on the results of this analysis, the parties should be able to assess whether or not the Doba Project compensation plan needs to be amended in order to adapt it to the Nya-Moundouli situation or to other zones where the land occupation rate is different than the three Doba fields.

### 1.4.4 Social Closure: Annual Social Assessment – Building on Consensus

66. In advance of the social closure process, several tripartite working sessions between Esso, the CTNSC and the NGO *Groupe de Recherches Alternatives et de Monitoring du Projet Pétrole Tchad-Cameroun* (GRAMP-TC) have been held in N'Djaména since September 2005 to examine, point by point, every case of environmental and social non-compliance identified in GRAMP-TC's November 2004 report. For every theme discussed, a joint recommendation was made and recorded in writing. Once this process was complete, the parties were planning to conduct a joint site visit after the ICR workshops, in order to decide on the remaining cases that could not be resolved on the basis of documents alone.
67. The parties reached an agreement on a common understanding of the social closure process, to be monitored in the form of a regular, annual social assessment.
68. A major step was taken when ongoing dialogue on these issues was established among the CTNSC, GRAMP-TC (delegated by the other NGOs) and EECPI. The Group hopes that this dialogue can be extended to other Chadian NGOs involved in monitoring the Project and to

cover other topics. Improved cooperation among civil society, the CTNSC and EEPCI should better represent the interests of the populations affected by the Project.

#### **1.4.5 Business Opportunities: Facilitating Access to Contracts**

69. Esso continued the process it began in May of looking into ways of developing a program to help local economic operators better capitalize on the Project's business opportunities. This initiative is timely given that the Nya and Moundouli concessions have sparked an increase in the number of local contracts made available under the Project in recent months.
70. Esso would like to work with more local operators and help some of them win bids that until now were accessible only to foreign operators, such as contracts to build roads or wellpads. It is working closely with the Chamber of Commerce and the IFC in this respect.
71. Esso's business division is progressively updating the lists of local economic operators and sending them to its primary contractors. The company has also begun computerizing its contracting program. Moreover, now that the Moundou Chamber of Commerce has computerized its system thanks to IFC funding, information about available contracts is more accessible to operators in the region.
72. Esso should, therefore, step up the pace on opening the business office in Moundou that it promised a year ago. This office should be equipped to accept and route bids for Esso contracts from local companies, even when bids are to be opened in N'Djaména.

#### **1.4.6 Commercial Law Dispute: Sharing Information on the Taylors Affair**

73. With respect to the commercial law dispute involving Taylors International, the Chadian courts sentenced Esso in August 2005 to pay monies owed to the Chadian suppliers of the catering company. Esso has complied by paying Taylors' direct creditors. It is now up to these creditors to pay their own suppliers, who, for the most part, are economic operators from Moundou who do not seem to be informed of these developments.
74. Meanwhile, the lawsuit that Esso brought against Taylors is still being arbitrated in the United States.

#### **1.4.7 Labor Rights Dispute: Improving Communication on the TCC Affair**

75. Former employees of one of Esso's contractors, Tchad-Cameroun Constructors (TCC), which concluded its work on the Project at the end of 2004, have filed a suit seeking damages for an alleged failure to pay overtime. The initial ruling was in favor of the workers. This dispute has caused bitter tensions among TCC, EEPCI, the Government, labor unions and the former TCC employees.
76. However, it now appears that the parties have agreed to resolve the dispute through arbitration. Expectations are high in the country that a fair solution will be found within a reasonable amount of time under the guidance of mutually agreed upon arbitrator.

## X.4 The IAG recommends that:

77. - *Esso re-evaluate the budget allocated to ORT for the improved agricultural techniques training program, and adjust the amount based on the number of eligible candidates. Esso should also again consider the possibility of supporting the farmers who receive training by giving ORT a grant to start a micro-lending program;*
78. - *Esso commit to a firm and prompt timeframe for finalizing the community compensation program in areas where flaws have been identified. In the future, Esso should require its co-contractors to provide a security bond or guarantee to cover such situations even after the project manager's departure;*
79. - *Esso reconcile its goal to increase oil production through densification of the wells in the OFDA with the need to maintain a viable agricultural system in the area. In order to minimize impact on the land, the company could, for example, give preference to technologies that are less land-demanding. Ultimately, the Government will need to decide what additional community compensation measures might be necessary;*
80. - *The Government take steps to begin a study of land occupation in the OFDA, as recommended by the ECMG and the IAG;*
81. - *The Government, Esso and the World Bank ensure that the land occupation rate and the long-term viability of households affected by the NMP be taken into account in the parameters for calculating individual and community compensation. If need be, the Doba compensation plan should be adapted so as to be applicable to the Nya-Moundouli situation;*
82. - *Esso provide better information about the payments it made to Taylors International's direct creditors so that the creditors' suppliers can claim the money owed them;*
83. - *The Government play the role of facilitator between Esso and the former TCC employees while awaiting a final and equitable ruling in the TCC dispute, so as to ensure that all parties are informed about the proceedings and to defuse the social tensions that are exacerbated by the lack of information;*
84. - *Esso step up efforts to post information about available contracts on the computerized network at its Moundou business office and at the N'Djaména and Moundou Chambers of Commerce. Esso should also provide more decentralized locations for bid submission by local operators from the main urban centers of the oil zone, such as Moundou, Doba and Sarh.*

## 1.5 Relations with Local Authorities

### 1.5.1 Persistent Gaps in Understanding between Esso and Local Authorities

85. The IAG noted that relations between Esso and local government authorities (governors, prefects, sub-prefects) are not improving. Esso announced plans for several measures to correct the problem in November, but this is a one-time response to a problem that requires a holistic solution, given the need to establish neighborly relations over a period of at least 25 years.

### 1.5.2 Local Populations and Authorities: Extortion Banned but Still Persists

86. In response to the concerns expressed by the IAG in May upon noting that some local authorities are still levying a 10% tax on individual compensation, the *Ministère de l'Administration du Territoire* sent a team from the Inspector-General's office to the oil zone. The team's mission was to take stock of the situation concerning extortionist practices and to remind the local authorities of the 2001 presidential orders banning such practices.

87. At the time of the IAG's visit, the results of the inspection team's mission were not yet available.

X.5 The IAG recommends that:

88. - *Esso develop a protocol for consistent, normalized relations with government authorities in the oil region and that this protocol become routine at Esso's headquarters and site facilities;*

89. - *The Ministère de l'Administration du Territoire ensure that the Inspector-General's report is published quickly in order to shed light on the issue of the 10% taxes and provide an update on application of the recommendations in this report. Generally speaking, that the Government ensure that the 2001 presidential orders are applied so as to end these practices once and for all, including in the oil exploration zones.*

## 2 MANAGING OIL REVENUES

90. The IAG looked at implementation of the 2005 oil budget to date and conducted a preliminary analysis of the 2006 budget proposal that the *Ministère des Finances* was preparing at the time of its visit.

### 2.1 Oil Revenues: Assessment and Calculations Fall Short of Expectations

#### 2.1.1 2005 Oil Revenues Revised Downward

91. On August 31, 2005, the National Assembly approved the 2005 supplementary budget, which revised expenditures so as to avoid a year-end funding gap.

92. According to MINFIN's follow-up report, total income in this supplementary budget (ordinary and oil-related) fell from 332 to 291 billion CFA francs, with oil revenues, according to IMF figures, dropping from 125 to 109 billion CFA francs. The priority ministries' share of the oil revenues decreased from 93 to 84 billion CFA francs, not including joint inter-ministerial expenses and subsidies to the *Ministère du Pétrole*.

#### 2.1.2 Calculation Methods Not Yet Mastered

93. The *Ministère des Finances* still does not have the necessary tools for its departments to master oil revenue calculation and continues to rely on the figures sent by the *Ministère du Pétrole*. Consequently, the Budget Office and the Treasury are unable to independently monitor the oil-related accounts.

94. X.6 *The IAG again recommends that the Ministère des Finances obtain the resources it needs to better master oil revenue calculation, in terms of both estimates and verification of settlements and payments, and that the World Bank and the IMF promptly help it do so.*

## 2.2 Progress in Spending: To be firmed up

### 2.2.1 Inconsistent, Erratic Spending Performance by Priority Ministries

95. The Government expenditure circuit has not yet been fully computerized. The Budget Office still needs to be linked to the system so that it can closely monitor expenditures.
96. As of August 31, 2005, the CCSRP had recorded a 60% commitment rate for the oil revenues allocated to the priority sectors as opposed to barely 20% as of April 30. This figure is still low, given that these resources were used to pay part of the salaries at the *Ministère de l'Éducation Nationale* and the *Ministère de la Santé*, and given the frequent exemptions that the Prime Minister grants to certain priority ministries to use a sole source process.
97. Just as it did in May, the IAG noted inequalities in the priority ministries' ability to spend the revenues.
98. The *Ministère de l'Élevage* showed the best performance, with an increase in the percent of expenditures approved by the CCSRP from 0% to 93.6% between April 30 and August 31. These results are even more noteworthy given that all the ministry's procurement contracts were without sole source awards. However, its disbursement rate was one of the lowest.
99. The *Ministère des Mines et de l'Énergie* and the *Ministère de l'Agriculture* came in second with 87.4% and 81.6% commitment levels respectively. However, their performance must be seen in light of the fact that the former transferred 6 billion CFA francs in expenditure to the *Société Tchadienne d'Eau et d'Électricité* (STEE) and the latter transferred 5 billion in expenditure to *CotonTchad*.
100. The *Ministère de l'Action Sociale*, the *Ministère de l'Environnement et de l'Eau*, the *Ministère des Infrastructures* (formerly the *Ministère des Travaux Publics*) and the *Ministère de l'Enseignement Supérieur* logged commitment rates varying between 42% and 55%.
101. Subtracting out the salary expenditure from the oil revenues, the commitment rates at the *Ministère de la Santé* and the *Ministère de l'Éducation Nationale* dropped from approximately 59% to 40% and 20% respectively.
102. Finally, the *Ministère de l'Aménagement du Territoire, de l'Urbanisme et de l'Habitat* (MATUH) had committed 23% of its oil revenues as of August 31, according to CCSRP figures.
103. What is important beyond these figures at the expenditure level is the far more significant issue of the performance objectives to be reached through the allocation of additional resources to the various government sectors. In addition to the routine management of the oil funds, this essential aspect must be measurable in terms of economic and social progress in Chad from year to year.

104. The IAG observed in the field that the decentralized government authorities were not, for the most part, included in, or informed of current or future oil-funded projects in their region. This recurrent state of affairs, which has been noted for the past 4 years, clearly illustrates the noticeable lack of devolution, which does not bode well for the success of the next phase of decentralization.

### **2.2.2 Priority Ministries' Familiarity with Expenditure Procedures: Satisfactory But Could Do Better**

105. The priority ministries have made up for part of the delays in budget implementation noted in May. This has been thanks to their efforts to mobilize, to the exemptions granted by the Prime Minister and to better mastery of the procedures of the CCSRP, the *Organe de Contrôle des Marchés Publics* (Procurements Oversight Agency, or OCMP – formerly the DGMP) and MINFIN. The work of the *Directeurs des Affaires Administratives et Financières* (Administrative and Financial Affairs Directors, or DAAF) was also decisive.
106. However, further to a CCSRP report noting several problems, all the DAAF were replaced within the priority ministries. Thus, a second generation of DAAF must now be trained and familiarized with the needs and requirements of oil revenue management.
107. Several ministries, including Agriculture and the MATUH, reported delays in Treasury payments, which should not be the case since funds needed for expenditures out of the oil revenues are always available.
108. The *Ministère de l'Éducation* and the *Ministère de la Santé* are still experiencing problems spending their investment funds. However, this situation should improve since the decision has been made to place the construction of new infrastructures under the *Ministère des Infrastructures*.
109. In addition, the *Ministère de l'Enseignement Supérieur* reported that the lag between the academic year and the budget year was causing a problem of resources being available on time. Every quarter, the institutes and universities must submit proof to the CCSRP that the funds from the previous installment were spent in an appropriate manner before receiving new grants. This procedure leads to cash flow crunches at the beginning of the academic year that most often result in delays in paying student scholarships and other urgent expenses. This, in turn, leads to student strikes. Shifting to a half-yearly payment of installments, in February and August, for example, should allow these institutes and universities to adapt their reporting period and thus manage their cash flow more smoothly throughout the school year.
110. In addition, computerizing the scholarship and diploma registration system (particularly the *Office du baccalauréat*) is an urgent expenditure that the *Ministère de l'Éducation Nationale*, which now oversees higher education, needs to plan for immediately. This is needed in order to resolve the discrepancies between its files and those at the *Ministère de la Fonction Publique* and to eliminate some of the errors that cause payment of academic scholarships to be denied.

### **2.2.3 Honing Procedures for Spending the 5% Regional Funds**

111. The *Comité Provisoire de Gestion* (Temporary Management Committee, or CPG 5%) for the oil revenues paid to the oil region has gradually been taking shape since January. The Permanent

Secretariat (PS) was set up on October 3 in Doba and at the time of the IAG visit, the procedure manual that MINFIN (*Ministère des Finances*) had assigned to a consulting firm was expected to be approved during a workshop scheduled for October 13.

112. Without waiting for the PS to be in place, the CPG proceeded to identify and start several projects in Doba and Bébédjia using the 5% from 2005. This was to fulfill the executive branch's wishes to complete the "urgent measures" that had been previously scheduled, but abandoned under the PSMCBP. Consequently, these initial projects focus exclusively on Bébédjia and Doba, the two urban centers in the zone. The CCSRP approved execution of these projects, which the CPG has been awarding using a sole sourcing process. As of September 30, the CPG and the *Collège* had approved 3.6 billion CFA francs in expenditures out of a total of 6.4 billion in available funds from the 5%.
113. The IAG emphasizes the importance of using a participatory and transparent process to choose future projects funded out of the 5%. Projects should meet the needs of urban and rural populations and be in keeping with the guidelines and methodology in the Regional Development Plan (RDP). In addition, the CPG should take care not to duplicate the Government's efforts to oversee the infrastructures and should respect the additionality principle by which the oil-producing region receives 5% of the royalties in addition to its normal share in domestic programs.
114. The information fairs that the CPG has planned in the coming weeks to identify the needs of local populations and to explain how to prepare applications for projects funded out of the 5% will be very helpful.

X.7 The IAG recommends that:

115. - *The CCSRP and MINFIN work together to introduce more flexibility in the grant payment schedule for institutes of higher education and universities so that their needs are covered throughout the academic year without interruption, independently from the budget schedule;*
116. - *The Government's financial and spending agencies be ready to manage funds from the oil revenues based on performance criteria measured by indicators of social and economic progress;*
117. - *In the future, the CPG encourage local populations to participate in choosing projects funded out of the 5%; that it strike a balance between investments in urban and rural zones, using the RDP as a reference point; that it eliminate sole sourcing practices insofar as possible, and monitor the unit costs of projects; that it avoid duplicating investments already provided for under Government programs and honour the principle of additionality;*
118. - *The central Government and the CPG adopt a communications strategy to better inform the decentralized government agencies and local authorities and populations of how the oil funds are being spent across the country.*

## 2.3 Regulation and Oversight

### 2.3.1 Collège de Contrôle et de Surveillance des Ressources Pétrolières: Lessons from the First Report

119. In the context of its activities, the *Collège* continues to monitor management of the oil revenues in terms of MINFIN's spending commitments and Treasury payments.
120. It has also conducted several on-site inspections to monitor and verify priority ministry projects funded out of the oil revenues budgeted in 2004. In May 2005, it published a mission report presenting its findings, conclusions and recommendations. This report highlights a certain number of problems in the procedure for awarding contracts and in the design and follow-up of priority ministry projects. The report also notes failures to meet deadlines in executing projects and delivering equipment and supplies, flaws in the projects built by government contractors that the various ministries did not penalize, unaccounted for expenditures and cases of over-billing.
121. In addition, it seems that the *Collège*, MINFIN and the spending ministries do not have the same understanding of how to use market price lists to determine costs.
122. The *Collège* says that this report, which it submitted to the President, Prime Minister, Supreme Court and National Assembly two weeks before publication, was generally well received by its partners. Demonstrating an act of good governance, this report is an important step towards independent, efficient and transparent oversight of the use of oil revenues.
123. However, the *Collège's* one-sided approach was unanimously lamented by MINFIN and the priority ministries, which were not able to give their comments prior to publication of the report. This situation could be avoided in the future if the ministries in question are asked to scrupulously verify the facts, without negotiating on the content.
124. Since the *Collège* has submitted the report to the Supreme Court and the Government, they will now be responsible for applying its recommendations and its measures to penalize inappropriate procedures.

### 2.3.2 Procurements Oversight Agency (OCMP): COJO Completely Decentralized

125. All ministries now have a *Commission d'Ouverture et de Jugement des Offres* (Bid Opening and Assessment Committee, or COJO), enabling them to call for bids directly.
126. The ministries that the IAG met with all said they now have a good mastery of the OCMP procedures.

### 2.3.3 Ministère du Contrôle Général de l'État et de la Moralisation: An Innovation to Encourage

127. The IAG met for the second time with this ministry that was created to improve management of government finances and to change the behavior of Chadians, from the government to civil society, so as to instill a sense of respect for the good governance principles of transparency and non-impunity.

128. Eighteen months after its creation, it is too soon to judge the accomplishments of this ministry. However, given Chad's poor rating by Transparency International, the scope of this ministry's task seems even more far-reaching. The Government and its partners need to pay close attention to this agency whose official task is to restore good governance at all levels in the country. The ministry and the CCSRP will benefit from working together. The ministry can ensure that the *Collège's* findings are given adequate attention and that its recommendations receive follow-up. The *Collège* can learn from the ministry's procedures for ascertaining and verifying facts so that its findings are not contested.

X.8 The IAG recommends that:

129. - *In the future, the Collège take steps to verify the accuracy of information from the agencies it monitors before publishing its report. The report would then be based on confirmed facts and on the Collège's own analysis and conclusions based on its sovereign opinion;*
130. - *The Collège audit contracts awarded by the priority ministries through a sole sourcing process to determine whether the legal standards were upheld, since these exceptions must follow a strict set of rules;*
131. - *The Collège, MINFIN and the spending ministries adopt a common policy on interpreting market price lists, at the latest before the 2006 budget takes effect;*
132. - *The Government follow up on the Collège's main recommendations within a reasonable timeframe, making sure that all departments follow the same government expenditure control policy;*
133. - *The Government and its partners inject the resources needed to support the ministry in charge of establishing good governance so that it can effectively combat non-transparency, corruption and misappropriation of public funds.*

## 2.4 2006 Budget Proposal Delays

134. At the time of the IAG visit, MINFIN had not finalized the 2006 budget proposal or submitted it to the Council of Ministers. However, the Group was able to discuss the thrust of the budget with the ministry and perform a preliminary analysis, which should be considered as provisional only, given that budget discussions with MINFIN were still ongoing when the Group left the country.<sup>3</sup>
135. The Government's desire to amend Law 001 on oil revenue management and to see its proposed changes reflected in the 2006 budget bill is probably playing a major role in prolonging the budget conferences.
136. The parameters used for framing the macro-economic outlook are: 5% real growth rate of the non-oil related gross domestic product in 2006, 3% inflation rate, oil exports at 65 million barrels taking into account the drop in production beginning in 2005. With a Brent marker at US \$61/barrel, an average discount of US \$14/barrel, transportation costs at US \$9 and with an

---

<sup>3</sup> The 2006 budget proposal was passed by the Council of Ministers on November 10, 2005 and then sent to the National Assembly, which should vote on it soon.

exchange rate of US \$1 to 541 CFA francs, the oil royalties collected by the State would amount to approximately 167 billion CFA francs, of which 94 billion would go to the priority sectors.

137. The initial estimates called for a decrease in the priority ministries' share of revenues in the 2006 budget as opposed to 2005, thereby deviating from the additionality principle prescribed in Law 001.
138. Moreover, the priority ministries' personnel expenditures would no longer be funded out of the regular budget, but fully covered by the oil budget, except for the *Ministère de l'Éducation Nationale* and the *Ministère de la Santé*, which had already paid a portion of their 2005 salaries out of the oil revenues. In 2006, 50% of the salaries at these two ministries would come from oil revenues. Allocating these funds from the oil budget to pay personnel costs is likely to compromise the operating and capital expenditures that the priority ministries had planned for in their program budgets. Even now, some ministries are voicing concern over their difficulties sustaining multi-year projects launched in 2004 or 2005, such as infrastructures and projects at the MATUH. However, this is all still hypothetical until the official budget has been submitted.

X.9 The IAG recommends that:

139. - *The 2006 budget allocations to the priority ministries be in keeping with the National Poverty Reduction Strategy (NPRS) guidelines in terms of the nature of expenditures and the estimated budget allowances;*
140. - *The additionality principle in Law 001 be upheld;*
141. - *The CCSRP be involved early on in the process and be given the statutory period to analyze the budget proposal and provide a reasoned opinion pursuant to its mandate;*
142. - *The ministries make the necessary preparations to commit the 2006 funds as of January, or February at the latest.*

## 2.5 Amending Law 001

143. The Government announced its intention to amend Law 001/PR/99 of January 11, 1999 on oil revenue management. It notified its international financial partners, starting with the World Bank and the IMF, and informed the Chadians.
144. Although the Government wants to continue upholding the spirit of Law 001, it says it also wants to reduce the cash flow strains that the country is experiencing by amending some of the provisions governing the management of its oil revenues. It is proposing three adjustments, mainly: expanding the concept of priority sectors to other sectors (including Justice and Security), increasing the share of direct resources allocated to the Treasury in order to support the Administration's day-to-day operations, and using the Fund for Future Generations (FFG) now – a fund which is considered inappropriate in a context where the needs of the current

generation are not being met. The Government also says it wants to uphold the remaining provisions in Law 001, and proposes extending its scope to all oil fields<sup>4</sup>.

145. The World Bank, the IMF and civil society in general have reacted to the Government's proposals, first voicing their concerns about modifying this instrument of transparent management that is part of the baseline commitments for the Doba Project. The World Bank and the IMF are stressing the need for transparency and discipline in the management of Chad's public finances, as well as diagnosing the root cause of the cash flow problem, prior to amending the law. Civil society holds a similar view and is emphasizing the need to keep the FFG in place, given that the oil resources may eventually dry up.
146. The IAG met with the conference of the presiding officers of the Parliament, who underscored the government's funding problems, especially paying salary arrears, and the impact on the social climate. After having spoken out in favor of amending Law 001, albeit for different reasons, the conference later inquired about the consequences of the amendments.
147. At the time this report was being written, Chad was still discussing the subject with the World Bank and the IMF. Any breakdown in relations among the parties would be highly unfortunate for Chad, which still needs, and will continue to need, the support of its international financial partners to mobilize its debt load and provide new assistance, for the World Bank, which got involved in the Doba Project with a goal of making it into a model development project through the transparent management of the oil revenues, and for the citizens of Chad who will pay the price.
148. As an independent Panel, the IAG is closely monitoring the evolution of this situation.

X.10 The IAG recommends that:

149. - *The parties continue discussions with a view to finding a solution that will maintain the goal of Law 001, strengthen the bonds of trust among the parties and ensure more regular payment of the Government's obligatory expenses, especially salaries, pensions and scholarships, within the framework of a transparent budget implemented in a disciplined manner.*

### **3 MANAGING THE OIL SECTOR**

#### **3.1 Legal and Regulatory Instruments Still Lacking**

150. Little headway has been made on updating the legal and regulatory framework for managing the oil sector since May 2005.

---

<sup>4</sup> On November 8, 2005, the Council of Ministers passed several amendments to Law 001. In particular, these amendments expand the concept of priority sectors, increase the share of the oil funds allocated to administrative operations from 15 to 30%, repatriate the Fund for Future Generations to the Treasury account so that the money can be used immediately, and extend the law to all oil fields (editor's note: this includes the Nya and Moundouli fields). The National Assembly is expected to vote on this new law soon.

151. The 2005-2008 **oil sector policy letter** was submitted to the Council of Ministers on September 27, after comments from technicians at the *Ministère du Pétrole* had been integrated, and was pending approval as of when the IAG left the country.
152. As for the **Petroleum Code**, the *Ministère du Pétrole* took into account the World Bank's observations before submitting the code to its two consulting firms. It is waiting for their comments before submitting the code to the Council of Ministers.
153. The ***Plan National d'Intervention en cas de Déversements Accidentels d'Hydrocarbures*** (National Oil Spill Response Plan, or PNIDAH) has been pending approval by the Prime Minister for several months.
154. No progress has been made on drafting the **implementing decrees for Law 14/PR/98** on the environment.
155. The institutional future of the *Coordination Nationale* and the CTNSC is still partially tied to the respective mandates of the *Ministère du Pétrole*, the *Ministère de l'Environnement* (including a potential Environmental Protection Agency) and the *Société des Hydrocarbures du Tchad* (Chad Hydrocarbon Company), as defined in the oil sector policy letter and the Petroleum Code.

X.11 The IAG recommends that:

156. - *Once the Council of Ministers approves the 2005-2008 oil sector policy letter, Chad focus on bringing the Petroleum Code and the decrees establishing the bylaws of the Société des Hydrocarbures du Tchad into line with the policies set forth in this document;*
157. - *Prompt follow up be given to the IAG's repeated recommendation to approve the PNIDAH and to finalize the implementing decrees for the Law on the environment. In addition to being specific contractual obligations, these documents are essential legal and regulatory instruments that provide protection against the environmental risks linked to the growing oil industry in the country.*

### 3.2 Additional Capacity-Building Programs under Negotiation

158. **Petroleum Sector Management Capacity-Building Project:** After several months of uncertainty, the Council of Ministers approved a request in May for an additional grant to extend the PSMCBP until its essential objectives have been met. Negotiations between the World Bank and the Chadian team have been ongoing since then and were not yet concluded as of the IAG's visit. Before presenting the request to its board of directors, the WB is waiting for Chad to fulfill two conditions: reimbursement of 26 million CFA francs in ineligible expenditure out of the initial PSMCBP fund, and the finalization and approval of the 2005-2008 oil sector policy letter. The first condition was lifted during the Group's visit and the second was in the process of being resolved.
159. Nevertheless, the work of the CTNSC, the *Fonds d'Actions Concertées d'Initiatives Locales* (Local Initiatives Development Fund, or FACIL) and the DPU has been greatly disrupted since the beginning of the year when cash disbursements out of the PSMCBP stopped. The CTNSC's on-site supervision team and the FACIL have all but shut down. The situation is even more worrying in that the first disbursement of the supplementary grant will not be made until March

2006. Until then, Chad should supply the resources these structures need to operate, especially in the field, and meet the conditions required to resume disbursements out of the initial fund, which has a remaining balance of 300 million CFA francs.

160. **Action Plan to Modernize Management of Public Finances (PAMFIP):** On July 26, the High Inter-Ministerial Committee approved the PAMFIP, the successor project to the GEEP (Management of the Petroleum Economy Project). The objective of this program is to improve the government's performance while ensuring more efficient and transparent management of public finances, better communication and respect for commitments vis-à-vis international partners.
161. The action plan was crafted through a participatory process with all the agencies involved in the management of public finances and then approved by the Government in August. The Prime Minister must now approve the draft decrees establishing the coordinating agencies for this program.
162. A government strategy note on program implementation and finalization of the program budget incorporating the action plan for 2006-2008 will complete preparations for the PAMFIP.
163. The cost of implementing the Government's action plan is estimated at US \$20 million over 5 years. The cost will be shared by the Government and outside donors. The World Bank is expected to contribute up to US \$10 million through its program to support the modernization of public finances, including assistance with project preparation. The Bank is working closely with Chad to ensure that the IDA's (International Development Association) board of directors approves the funds to finance this program in January 2006. Other donors seem likely to contribute the remaining US \$10 million, but this is yet to be confirmed.

X.12 The IAG recommends that:

164. - *Chad and the WB learn from the two capacity-building projects that failed to meet their objectives and ensure that successor projects are based on focused and measurable goals that give priority to training;*
165. - *The Government quickly set up the coordinating body for the PAMFIP project.*

#### 4 DIVERSIFYING CHAD'S ECONOMY

166. The success of the Doba Project will be measured in several years by its impact on the country's development and improvement of public well-being. At a minimum, this requires that the priority ministries use the oil money to reduce poverty, while also focusing their efforts on the economy's productive sectors, starting with the two traditional sectors that are Chad's primary source of wealth – agriculture and herding.
167. Sustainable development also requires economic diversification. From this standpoint, the Government has a central role to play in supporting production sectors and establishing an environment favorable to investment and business development.

168. The IFC initiatives to improve the business climate should be encouraged. This international financial institution is working to strengthen the N'Djaména Chamber of Commerce, to organize a forum for public-private dialogue on the business environment in Chad and to standardize domestic regulations with those of OHADA (Organization for the Harmonization of Business Law in Africa). The IFC has also begun contemplating the usefulness of setting up a one-stop shop to facilitate the administrative procedures for starting a business. All these initiatives will be successful if the Government, the Chamber of Commerce and private operators work together closely on them.
169. Representatives of the Chamber of Commerce and private operators, who are aware that they were not able to fully capitalize on the Doba project's business opportunities during the construction phase, are stressing the need to build their capacities so as to more readily access the opportunities associated with developing the new oilfields and using the oil revenues, now that the Government has become a major customer endowed with available resources.
170. Reliable electricity throughout the entire capital and in Chad's other main cities is also an important condition for economic development and must remain one of the Government's priorities. The Komé topping plant currently under study could contribute to this stability and help expand the network.
171. In such a vast country (1,200,000 km<sup>2</sup>), quality telecommunication services would help promote communication among people, communities and authorities, until a more substantial transportation network emerges. In this respect, the fiber optics provided by the Project offer interesting possibilities.
172. The Regional Development Plan (RDP), an excellent instrument for development in the oil region which has finally been completed and approved after several mishaps, may now sink into oblivion simply because the final version of this report is not yet available because the consultant's invoices have not been paid. It is, however, not necessary to wait for an official version before starting to actively think about the resources needed to implement the Plan. The current hiatus may well demobilize the institutions and people who worked together constructively to define their future.
173. In addition, the IAG reiterates the importance of developing a long-term vision that will help Chad anticipate the growth of the oil sector and find ways to help oil production co-exist with the agricultural and herding sectors. The region's agricultural-herding potential must not be jeopardized as this is a source of subsistence for the majority of the country's population. For the time being, this can be accomplished by using the oil revenues to support agricultural research and training.
174. Finally, Chad should take advantage of the oil-related discussions and developments to prepare a 25-year prospective study as the IAG suggested in its last report.

X.13 The IAG recommends that:

175. - *The Ministère de l'Économie et du Plan, which will potentially oversee the RDP, begin planning measures now, together with representatives of the region's population, to transform the RDP proposals into action;*

176. - *At the same time, the Government specifically examine the future of the region in the context of the expanding scope of oil activities and the South's agricultural and herding sectors;*
177. - *In a broader context, the Government consider launching a "Chad 2030" perspective study that will enable it to define its future in a more participatory process.*

## 5 CHAD - CONCLUSION

178. Two main ideas emerge from this mission: Chad must continue to concentrate on resolving the urgent issues while simultaneously developing a long-term vision of development.
179. The pressing issues include:
180. • For the Government: the urgent need to make the oil activity monitoring agencies operational again, in particular the CTNSC, and to promulgate the long-awaited legal and regulatory framework. The *Ministère des Finances* needs to promptly acquire the means to learn and become skilled at oil revenue calculation.
181. • For Esso: the importance of launching operations to restore and return land to the local residents, to resolve any residual disputes, to set up a transparent and standardized system of posting business opportunities and to normalize, and even formalize its relations with local authorities.
182. • For the World Bank first and its partners second: the need to promptly resolve the issue of compliance with the Doba Project EMP principles for new oil projects that will use the Chad-Cameroon pipeline.
183. • For the Government, the World Bank and the IMF: the need to agree on the terms and conditions for pursuing a productive partnership around the Chadian experience of oil revenue management.
184. With respect to a long-term vision, MINFIN must allocate the oil revenues more efficiently and in a less empirical manner than it currently does, with a culture of results based on pertinent indicators.
185. Thus, starting in 2006, the Government should conduct a three-year assessment of oil revenue expenditure, taking stock of the performance objectives and the results obtained. It could also thereby learn the lessons from implementation of the first oil-era budgets with a view to continually optimizing the allocation of funds.
186. At the same time, the country's economy needs to be diversified, for example in agriculture, herding, transportation and telecommunications, in order to build a broader economic base that serves first as a compliment to, and then a substitute for, the oil income.
187. Finally, the rationalization of oil research and development versus the agricultural potential in the South calls for an integrated vision for the management of all these resources and a study on the potential cumulative impact, which will help Chad make formative decisions with full knowledge of the facts.

## CAMEROON – INTRODUCTION

188. The IAG mission in Cameroon followed the Implementation Completion Report workshops for the Chad-Cameroon Pipeline Project.
189. This mission was shorter than usual due to time constraints. However, the Group was able to meet in Yaoundé with its primary interlocutors.
190. With respect to its 2005 economic and financial situation, Cameroon has shown improved budget performance to date. Under the IMF's Staff Monitored Program since the beginning of the year, Cameroon has implemented fiscal adjustment measures and taken steps to improve the management of public finances. These measures enabled the country to achieve a 4% growth rate, curb inflation and reduce its foreign debt. At the time of the IAG visit, Cameroon was confident that it would sign with the IMF a new three-year agreement under the Poverty Reduction and Growth Facility (PRGF)<sup>5</sup>.
191. The crude transportation system is functioning well. As of October 3, the Komé-Kribi I terminal had logged its 128<sup>th</sup> lifting, representing over 119 million barrels exported since 2003. Cameroon collects transit fees of US \$0.41 per barrel, paid directly to the Treasury.
192. This tenth mission provided an opportunity to take stock of several issues, including: final resolution of compensation cases, management of the Project's ecological compensation, measures to protect health along the pipeline route, implementation of the Cameroon Petroleum Environment Capacity Enhancement Project (CAPECE), management of the pipeline route and temporary facilities, Project impact, and developments on the Lom-Pangar dam project.

## 6 COMPENSATION AND SOCIAL ASSESSMENT: JOINT ANALYSES AND ACTION

193. The IAG was pleased to see that in accordance with the agreement made during its last visit in June 2005, COTCO, the Pipeline Steering and Monitoring Committee (PSMC) and NGOs continued to work together closely on implementing the social closure process, which has since been replaced by the "**Social Assessment**." Every year, a Social Assessment will be completed by April 30 to deal with COTCO-related issues raised in the past year by residents affected by the Project. Within three months of the assessment, COTCO, the NGOs and the PSMC will review each of these cases, first on the basis of documentary evidence, and then, through joint on-site inspections, if necessary. A summary meeting and the drafting of a report signed by the three parties entitled "Social Assessment of April 30" will complete this annual process. The report will summarize the arguments and conclusions for each case and the measures that COTCO will take to correct the situations that so require.
194. COTCO, the NGOs and the PSMC have met several times since June in the context of this assessment to study the 413 claims submitted by the NGOs. At the time of the IAG's visit,

---

<sup>5</sup> On October 24, 2005, the IMF board of directors approved a three-year agreement with Cameroon as part of a new PRGF program valued at US\$ 26.8 million, as well as an additional US\$ 8.2 million under the HIPC initiative, which will cover the end of 2005 and a good part of 2006.

COTCO had reached an agreement with the NGO FOCARFE on classifying these cases into different categories: 16% of the cases fell under COTCO's responsibility and are pending resolution, 43% were not its responsibility and were considered to be closed, and finally, in 41% of the cases, the parties had not reached a consensus and needed to conduct site visits to clarify. A COTCO-PSMC-NGO meeting was scheduled for October 24 to confirm this classification. The parties were able to verify approximately ten cases during a first round of joint site visits on September 19 and 20.

195. Since the April 30, 2005 social assessment is the first of its kind, it reports on all the pending issues raised in previous years. Considering the backlog of cases, the parties have agreed to allow themselves at least 5 months to process them.
196. The IAG drew the attention of COTCO, the PSMC and the NGOs to the need to agree in advance on a methodology to handle litigious cases. For example, they can anticipate the difficulties in processing claims for damages that are no longer visible.
197. Concerning **individual and collective compensation**, COTCO handles the claims it receives directly, in addition to the cases processed in the context of the April 30, 2005 Social Assessment.
198. COTCO conducted an evaluation of all the contractors who have performed infrastructure construction work in connection with **regional compensation** projects and identified those who faced financial difficulties fulfilling their contracts. The company is planning to pay an additional year-end bonus to contractors who have completed their work in accordance with their agreement, in spite of the difficulties they faced.
199. With respect to **community compensation** related to the security perimeter around the Project facilities, COTCO is working to design a new compensation catalogue reflecting price changes since 2000. This new list will be used to support a public awareness campaign scheduled to begin in January and will enable area residents to choose their compensation. COTCO is planning to solicit the assistance of NGOs to implement the chosen projects.

X.14 The IAG recommends that:

200. - *All claims submitted to COTCO, either directly or through NGOs as part of the Social Assessment, be processed and given a well-supported response;*
201. - *COTCO, the PSMC and the NGOs agree on a methodology for processing even the most sensitive issues, based on a case typology that anticipates difficulties;*
202. - *The three parties agree on a timeframe for implementing corrective action.*

## 7 PROGRESS ON ECOLOGICAL COMPENSATION PROGRAMS IMPERATIVE

203. In the context of monitoring management of the Campo-Ma'an (CMNP) and Mbam and Djerem (MDNP) national parks, which were set aside as ecological compensation for the pipeline route, the IAG assessed the performance of the parties overseeing these parks: ministries, FEDEC

(Foundation for Environment and Development in Cameroon) and the executing agencies under contract with the Foundation.

## 7.1 Resolving Jurisdictional Disputes between MINEP and MINFOF

204. The responsibility for protected areas, especially the national parks, has still not been clarified between the Ministry of Environment and Protection of Nature (MINEP) and the Ministry of Forests and Fauna (MINFOF). Each one is citing different documents from the President of the Republic or the Prime Minister to claim jurisdiction.
205. This dispute appears to be having repercussions in the field, as evidenced by delays in decision-making and problems managing the national parks, as the park managers sometimes receive different instructions from the two ministries.
206. It is essential to clarify the responsibilities of the two ministries with respect to the protected areas. This affects how well the protected areas are managed, the Government's credibility vis-à-vis users and partners, and the ability to identify sources of funds needed to manage these areas, especially the national parks.

## 7.2 Fixing FEDEC's Internal Problems

207. In this context, FEDEC and its overseeing ministry have still not signed their Memorandum of Understanding. Yet, this document would help clarify the mandate of each party involved in managing the two parks: FEDEC, Ministry and the two executing agencies, the World Wildlife Fund (WWF) and Wildlife Conservation Society (WCS), as a foundation for positive collaboration.
208. Questions about FEDEC's operations are also being discussed internally. The process of reflecting on the Foundation's future, which began nearly a year ago, is still not complete. On the contrary, a certain institutional distortion is gradually setting in, which must be corrected in time. At the time of the Group's visit, the Board of Directors had not yet reached agreement on its future composition and was still trying to determine the respective roles of board members and of the Administrator. Filling board seats has become a pressing matter since one member left in January and has not been replaced, and a second member is scheduled to leave the board in December.
209. In addition to these issues of mandate and governance, is the problem of the financial impasse between FEDEC and WWF. This has resulted in delays in paying the ecoguards' salaries for five months and has significantly slowed efforts to fight poaching in the Campo-Ma'an Park.
210. With respect to the Indigenous Peoples Plan (IPP), which FEDEC is also responsible for implementing, the IAG did not have the opportunity to take stock of any progress made since June on the micro-projects coordinated by the Foundation's Community Development Facilitator. Little headway has been made since June on establishing a logical framework for the IPP, which should enable the Foundation to develop a more long-term intervention strategy in this sector. FEDEC was planning to sign a financing agreement with the IFC sometime in November to begin this project. In the medium term, this framework will guide the choice of the

next series of assistance projects for indigenous populations, whereas in the first phase, the Foundation itself selected the projects that were implemented in the past few years.

211. On the whole, the Foundation needs to develop its policy and strategy as well as improve its institutional cohesion and its relations with its partners. The incoming board will need to focus on these priorities.

### 7.3 WWF and WCS Awaiting Park Management Plans and Performance Reviews

212. With respect to managing **Campo-Ma'an National Park (CMNP)**, WWF has focused since January 2005 on finalizing the park management plan. The final version of the plan should incorporate the comments and observations of all interested parties before December 2005. Funds have been set aside out of the CAPECE to finalize and launch the plan and to develop a long-term management plan. FEDEC and the ministry in charge – either MINEP or MINFOF – will then need to find the necessary funding to implement the plan.
213. WWF's second priority is protecting the CMNP from poaching. However, the aforementioned financial problems prevented it from conducting all its anti-poaching activities during the second half of the year. FEDEC and WWF having reached an agreement in mid-October for the Foundation to release funds to pay the ecoguards' salaries and finance the team's operations until December, their activities should by now have resumed. Poaching has likely been on the rise in recent months, which means the ecoguards will need to step up efforts to combat these practices.
214. WWF has also continued activities in the third area of its work in the CMNP, namely assistance projects for communities living near the park, the development of revenue-generating and fishing activities and assistance in developing ecotourism in the region, with funding from the Dutch aid agency.
215. In the **Mbam and Djerem National Park (MDNP)**, WCS also prioritized preparation of a park management plan. The first draft was to be ready and made available for comment by the end of October. WCS is planning to finalize the document before the end of 2005. As with the CMNP, funding is an issue in terms of implementation of the MDNP management plan.
216. WCS continued its activities against commercial poaching in the park with financial support from FEDEC. It also identified sources of outside funding to help support research and environmental education.
217. FEDEC has not yet conducted the mid-term performance review of WWF and WCS's mandates announced for the third quarter of 2005. However, the Foundation indicated that it is planning to continue working with the two executing agencies and expects them to submit proposals for renewing their contracts in 2006 before its next board meeting on December 1.
218. Finally, MINEP assured the Group that even though the ecoguards are not government employees, they are receiving the same protection (insurance, etc.) as civil servants. Nevertheless, WWF and WCS are still worried about the precariousness of the guards' situation.

X.15 The IAG recommends that:

219. - *The Government clearly define MINEP and MINFOF's respective responsibilities for the protected areas and that it also identify the necessary financial resources required to protect the two national parks;*
220. - *Once identified, the ministry responsible for FEDEC's work promptly finalize the draft memorandum of understanding that the Foundation submitted to the former Ministry of Environment and Forests (MINEF) two and a half years ago;*
221. - *FEDEC plan to discuss and resolve the important issues affecting its future at its next board meeting on December 1. These include: revising its bylaws, identifying profiles of future board members, and defining the tasks of board members and the respective tasks of the Board and the Administrator. Once these issues are resolved, the Foundation should reconstitute its Board as quickly as possible;*
222. - *Insofar as conservation is its primary mandate, FEDEC prioritize the payment of the ecoguards' salaries at the two national parks in the event of a cash flow crisis;*
223. - *The ministry in charge, the executing agencies and FEDEC meet in order to clarify and eliminate any ambiguity over the status of the ecoguards (salaries, insurance, working conditions, etc.);*
224. - *FEDEC formally assess WWF and WCS's activities over the last 3 years and take stock of the lessons learned before renewing their contracts;*
225. - *WWF step up its anti-poaching campaigns in Campo-Ma'an in order to compensate for the recent shortcomings.*

## **8 HEALTH ALONG THE PIPELINE ROUTE: JOINT AIDS PREVENTION PROGRAMS**

226. The IAG discussed with the National AIDS Prevention Committee (CNLS), the PSMC and COTCO, the measures taken along the pipeline route to protect the health of area residents, in particular, HIV/AIDS prevention activities.
227. The CNLS is continuing to work with local NGOs in a community approach along the pipeline to stop the spread of malaria and HIV/AIDS through public awareness campaigns and encouraging screening.
228. After being grounded for two months, two mobile units funded under the CAPECE were finally deployed into the field by the Ministry of Health (MINSANTÉ), starting August 31, to conduct epidemiological surveys and provide information to the population about voluntary HIV/AIDS screening. One of the units is based in Yaoundé and the second travels around the pipeline zone. Nearly 3,000 people have already been tested in less than 2 months, even with the slowdown in activity due to the rainy season. This bodes well for gradually building a database of credible information that can be shared among the various players so that they can agree on preventive and curative measures.

229. The question now is how to sustain these activities once the CAPECE funds are exhausted. The National AIDS Prevention Program could take the reins, but COTCO could also contribute since it is one of the major players in the region. The company did, in fact, inform the Group that it regretted not having been asked to participate in this program, an oversight which the ministry attributed to a communication problem between the various players.
230. In terms of cooperation between COTCO and MINSANTÉ, COTCO says it is working closely with the 4 ministry Contact Points based in Yaoundé, the two pumping stations and the pressure-reducing station. COTCO organized an orientation session in September for the Contact Points in order to establish a common system for working and exchanging epidemiological information. Since then, two of the four doctors have been re-assigned to other positions. Orientation will need to be resumed with their replacements.
231. The project under CAPECE to develop a health map has made progress since June. MINSANTÉ is studying a draft version and the map is expected to be finalized by January 2006.
232. In general, several of the IAG's interlocutors have said that there is still room for improving cooperation among MINSANTÉ, the CNLS, the PSMC and COTCO, which if consolidated, could lead to better articulated and more efficient HIV/AIDS and other prevention strategies in the vulnerable pipeline zones.

X.16 The IAG recommends that:

233. - *Action be taken on IAG's repeated recommendation to MINSANTÉ, the CNLS, the PSMC and COTCO to develop a common HIV/AIDS prevention strategy along the pipeline route. The Ministry of Health could take the initiative to organize working sessions on this matter;*
234. - *The roles and responsibilities of all the parties involved be explained so as to provide the population with information about the available solutions, facilities and remedies.*

## **9 CAPACITY BUILDING: BENEFITS OF EXTENDING AND REACTIVATING THE CAPECE**

235. Given that the CAPECE was originally scheduled to end on December 31, 2005 and that the disbursement rate for the IDA loan was approximately 41% as of September 30, the Ministry of Economy and Finance submitted a request to the World Bank for a one-year extension of the program. The request was accompanied by an action plan prepared by the PSMC summarizing the project's remaining activities and a calendar for implementation by the end of 2006. The Bank has hinted that the request would be favorably received.
236. Among the projects that have made headway since June are the creation of a health map, as mentioned above. The social and environmental impact assessments of the Pipeline Project's temporary infrastructures and equipment to be transferred to the Republic of Cameroon have been completed.
237. However, the two vitally important projects related to strengthening the legal and regulatory framework for the environment have made almost no progress. They are the National Oil Spill Response Plan (NOSRP), whose implementation manual was not even in the drafting phase as

of the IAG's visit, and the legislation to implement framework Law no. 96/12 on environmental management, which has still not been finalized.

238. The remaining activities under CAPECE include a study on the long-term vision of environmental management in the oil sector, which will be an important tool for the Government to determine what institutional mechanism will allow for long-term Project monitoring, and a socio-economic assessment of the Chad-Cameroon pipeline, which will provide substance for an overall Project assessment.
239. Designing and implementing a training plan to strengthen the technical capacities of the ministries associated with the Project is also on the to-do list. This training plan is especially important given CAPECE's failure to meet all its institutional capacity-building objectives. At this stage of the project, it would be preferable to focus on continued development and ways to use skills already acquired with the Pipeline Project in order to form technical teams ready to intervene in future projects of this magnitude.

X.17 The IAG recommends that:

240. - *The PSMC take action to meet the implementation deadlines for the remaining CAPECE activities between now and the end of 2006, as submitted to the World Bank;*
241. - *Priority be given to establishing the legal and regulatory framework, preparing the NOSRP and finalizing the implementing decrees for the Environmental Law;*
242. - *The training under CAPECE clearly focus on capitalizing on acquired knowledge and on preparing for future projects.*

## **10 MANAGING THE PIPELINE ROUTE AND TEMPORARY INFRASTRUCTURES: BUDDING SUCCESS, PERSISTENT DELAYS**

243. The IAG assessed with COTCO and the PSMC the progress made since June on the pilot experiment in pipeline route surveillance and on the process to formalize land rights leading to the transfer of the Project's temporary sites and facilities to the Republic of Cameroon.
244. COTCO's EMP teams and the PSMC inspectors continue to jointly monitor surveillance and maintenance of the infrastructures, using a formal work protocol. The IAG made plans to hold a working session with these teams during its next visits.

### **10.1 Successful Pilot Experiment in Pipeline Surveillance**

245. The pilot experiment using area residents to monitor the northern part of the pipeline route has been up and running since May and is seen by COTCO as quite successful: erosion problems in the right-of-way zone can be quickly identified and corrected and no acts of vandalism around the facilities have been reported since the village patrol teams have been in place. In addition, the program is a source of employment for area residents. COTCO is considering the possibility of gradually expanding this program to full length of the right-of-way.

246. On the other hand, COTCO continues to report unauthorized use of the right-of-way, especially by vehicular traffic. It is trying to end this practice by using barriers and by working with the local authorities.

## 10.2 Transferring the Temporary Sites and Facilities

247. The issue of transferring the Project's temporary sites and facilities to the Government is progressing slowly. The draft decommissioning decrees for some of the sites located on private government property are awaiting approval from the Prime Minister. The environmental assessment expedited by the PSMC recommends reinforcing some of the infrastructures before they are transferred to ensure their long-term use. This is the case for three temporary bridges. For the other sites located on public property, a national review and assessment committee should conduct a site visit and prepare a decree to incorporate the land into private government property. A memorandum of understanding between the PSMC and COTCO on the transfer of these sites and infrastructures will be required. COTCO is worried that in the time it is taking to resolve this issue, some of the equipment has deteriorated to such an extent that the Cameroonians will no longer accept it. The PSMC points to the fact that land transfers require a set of formal procedures that cannot be skipped.

## 11 ACTIVE RESPONSES TO PROJECT'S IMPACT REQUIRED

### 11.1 Archeological Issues

248. In the context of implementing the archeological compensation program, the PSMC provided the Ministry of Culture (MINCULTURE) with the requirements for enrolling candidates in a Ph.D. program in archeology at the *Université Libre de Bruxelles* (ULB). The Ministry will need to send candidate applications to the ULB, which will select two students whose studies will be funded by a COTCO scholarship. MINCULTURE and COTCO are finalizing plans to publish the book on the Pipeline Project's archeological finds.

### 11.2 Artificial Reef off Kribi

249. COTCO has taken into account comments by the communities and the PSMC regarding the plan to lay an artificial reef off the coast of Kribi. COTCO and the PSMC were planning to hold a new round of meetings at the end of October to present the updated project to local authorities, the local communities and the fishermen. The schedule calls for the artificial reef to be built and laid off Ebomé by year-end.

### 11.3 Securing the Pedestrian Crossing on the Lom River Bridge

250. The project to secure the portion of the railway bridge over the Lom river where school children cross was scheduled to be discussed on October 12 at a consultation meeting between the PSMC and the appropriate technical ministries in order to clarify the terms of execution for the required work. COTCO indicated its willingness to contribute to the work.

## 12 LOM PANGAR DAM: MANAGING PROACTIVELY THE IMPACT OF THIS EXTRINSIC FACTOR

251. The environmental and social impact studies on the Lom Pangar dam project were due to be delivered on October 21. At the time of the Group's visit, the World Bank was preparing to comment on this series of studies. Some of the IAG's interlocutors have voiced concerns about the analysis of the various alternatives to the project, which they feel is superficial.
252. The MINEP reiterated that the approval process should not take more than 4 months according to the decree setting the terms for executing environmental impact studies. However, some NGOs are voicing concern that the deadlines in this decree are not long enough to allow for studies of this scale to be thoroughly analyzed before being approved.
253. Another major concern is the interaction between the dam project and the Chad-Cameroon Pipeline Project. For the first time on September 30, COTCO was officially approached by the Ministry of Energy and Water and asked to comment on the terms of reference of a "Feasibility Study on Protecting the Pipeline and Preparing an Anti-Pollution Plan." The PSMC was also asked to comment on the terms of reference of this study on the interaction between the two projects.

X.18 The IAG recommends that:

254. - *COTCO and the Cameroonian authorities continue their dialogue to jointly analyze the anticipated impact of the dam on the pipeline and to determine what protection measures will be required and who will be responsible;*
255. - *Based on the pipeline experience, Cameroon apply an equally high level of environmental and social standards to the preparation and any eventual construction of the proposed dam on the Lom Pangar, which will have considerable impact on area residents, forest resources and the Pipeline Project.*

## 13 CAMEROON - CONCLUSION

256. A major point of progress emerged from this mission – the beginning of a structured, tripartite dialogue among COTCO, the PSMC and the NGOs.
257. Having long called for the establishment of a platform for ongoing dialogue on the Pipeline Project, the IAG encourages this initiative, which has already been successful, but which must be managed carefully and with goodwill in order to bring lasting benefits.
258. The IAG is otherwise concerned about the internal problems that FEDEC is experiencing and hopes that the forthcoming meeting of its board of directors will be able to clarify the directions for the Foundation. Renewed priority could thus be placed on the protection and management of the two national parks set aside as part of the ecological compensation under the Pipeline Project and on the vulnerable indigenous populations.

259. The experience gained from the Pipeline Project should serve as a precedent to ensure that the studies and potential construction of a dam over the Lom Pangar comply with social and environmental standards at least as high as those for the Pipeline Project.

**WORKSHOPS ON THE IMPLEMENTATION COMPLETION REPORTS FOR THE CHAD-CAMEROON PETROLEUM DEVELOPMENT AND PIPELINE PROJECT**

260. The Governments and the World Bank held workshops on October 10 and 11 in N'Djaména and on October 13 and 14 in Yaoundé to contribute to the Chad-Cameroon Petroleum Development and Pipeline Project "Implementation Completion Report." Two reports will mark the closing date and the final disbursement on June 30, 2005 of the loans the World Bank granted to the two Governments to fund their share of the Project.
261. The objective of the Implementation Completion Report (ICR) is to justify use of the loans and the results obtained to the Board of Directors of the World Bank.
262. Given the specific nature of the Pipeline Project, the World Bank introduced a new step in the preparation of a report that is normally prepared in-house. In agreement with the two States, the Bank proposed holding these workshops so as to give all parties involved in implementation of the Project, especially civil society and the Consortium, the opportunity to contribute to the ICR.
263. The parties had asked the IAG to serve as the moderator for these workshops.
264. Approximately 190 people in Chad and 90 in Cameroon participated in the workshops, representing all parties involved in the Project – Government, civil society, economic operators, Consortium, experts and the World Bank. The main objective was to report on the Project's accomplishments and shortcomings and to gather the opinions of the various segments of society so as to take the experience gained and apply it to the production phase of the Project and all other large-scale projects in Chad, Cameroon or elsewhere.
265. The workshops included an opening session and plenary presentation, thematic sessions (five in Chad, three in Cameroon) and a plenary session reporting on and summarizing the Project.
266. The workshops allowed people to become better acquainted with the content of the Project, clarified a number of misunderstandings and allowed lively exchanges in an atmosphere of courtesy where everyone could speak freely.
267. In response to the concerns expressed, the World Bank stated that the "Implementation Completion Report" did not signal the end of its support for the Project and that it intended to continue overseeing the Project as needed.
268. The IAG, which had called for such an assessment to be conducted, noted along with other participants that this was an important step in the establishment of a structured dialogue among the Project's partners. Everyone expressed a desire to see this dialogue continue, a permanent platform created and this event repeated.
269. It was also clear to everyone that this exercise was only the assessment of an initial stage and that the final assessment of the Project will only be measured by the value of its lasting benefits for the populations.

270. At the end of the workshops, the *rappoteurs* noted that the discussions had been thorough and educational and they reported on the convergent recommendations formulated by each working group. These recommendations will be included in the workshop proceedings.

## 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.giq-iaq.org](http://www.giq-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](http://www.gic-iaq.org), and on the World Bank site, at [www.worldbank.org/afr/ccproj](http://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](mailto:secretariat@gic-iaq.org)

Web site: [www.gic-iaq.org](http://www.gic-iaq.org)

## Appendix 1

## Chronology of Meetings

## CHAD

**Sunday, September 25, 2005 – N'Djaména**

- IAG internal working session: preparation for meetings the following week

**Monday, September 26, 2005 – N'Djaména**

- *Coordination Nationale/CTNSC/DPU*
- CCSRP
- EEPCI

**Tuesday, September 27, 2005 – N'Djaména**

- *Ministère du Pétrole*
- *Ministère de l'Économie, du Plan et de la Coopération*
- Civil society: NGOs, human rights associations, labour unions
- IFC

**Wednesday, September 28, 2005 – Komé**

- Esso Chad EMP team
- CTNSC on-site supervision
- FACIL

**Thursday, September 29, 2005 – Moundou-Sarh***Team 1 – Moundou<sup>6</sup>*

- Governor of Western Logone
- CotonTchad
- CPPL
- Regional delegates
- Moundou Chamber of Commerce and Private operators

*Team 2 – Sarh*

- Governor of Moyen-Chari<sup>7</sup>
- Maimana village<sup>7</sup>
- Sogea-Satom camp in Sarh

**Friday, September 30, 2005***Team 1 – Moundouli field zone<sup>8</sup>*

- Moundouli 1 village
- Moundouli field: construction sites

*Team 2 – Doba*

- Governor of Eastern Logone's assistants, Deputy Prefect, Mayor of Doba
- Interim Management Committee for the 5%
- ORT

**Saturday, October 1<sup>st</sup>, 2005 – Komé**


---

<sup>6</sup> IAG accompanied by the CTSNC

<sup>7</sup> IAG accompanied by the CTSNC, Esso Chad EMP team and the RESAP-MC

<sup>8</sup> IAG accompanied by the CTNSC, the CPPL and Esso Chad EMP team

- IAG internal working session: preparation for the close-out meeting
- EEPCI and CTNSC: close-out meeting

**Sunday, October 2, 2005 – N'Djaména**

- IAG internal working session: preparation for meetings the following week

**Monday, October 3, 2005 – N'Djaména**

- *Ministre des Finances*
- Working session with *Ministère des Finances* technical services: *Directions du Budget, des Études et de la Prévision, des Affaires Administratives et Financières, des Finances Extérieures, des Douanes, du Trésor, Contrôle Financier, Cellule Économique, DAAF* of priority Ministries

**Tuesday, October 4, 2005 – N'Djaména**

- *Ministre d'État, ministre de l'Éducation Nationale, de la Jeunesse et des Sports*
- *Ministre de l'Agriculture*
- *Ministre de la Santé Publique*
- *Ministre de l'Aménagement du Territoire, de l'Urbanisme et de l'Habitat*
- *Ministre d'État, ministre des Infrastructures*
- *Société Générale Tchadienne de Banque*

**Wednesday, October 5, 2005 – N'Djaména**

- *Ministère de l'Éducation Nationale, de la Jeunesse et des Sports: Enseignement Supérieur, Recherche Scientifique et Formation Professionnelle*
- *Ministère de l'Environnement et de l'Eau*
- *Ministère de l'Élevage*
- Interim coordinating team for the PAMFIP
- World Bank

**Thursday, October 6, 2005 – N'Djaména**

- IMF
- OCMP
- *Ministère de l'Éducation Nationale, de la Jeunesse et des Sports: Enseignement de Base et Secondaire*
- N'Djaména Chamber of Commerce and Private operators
- IAG internal working session: preparation for the cross-checking session on October 7.

**Friday, October 7, 2005 – N'Djaména**

- EnCana
- *Ministre chargé du Contrôle Général de l'État et de la Moralisation*
- National Assembly
- Working session with the WB, the CN and EEPCI
- IAG internal working session: preparation for the debriefing session

**Saturday, October 8, 2005 – N'Djaména**

- Debriefing
- Donors
- IAG internal working session: work on the Chad mission report

**Sunday, October 9, 2005 – N'Djaména**

- IAG internal working session: preparation for the ICR Workshops and work on Chad mission report
- 

**Monday, October 10, 2005 – N'Djaména**

- Implementation Completion Report Workshop on the Chad-Cameroon Petroleum Development and Pipeline Project

- The Prime Minister

**Tuesday, October 11, 2005 – N'Djaména**

- Implementation Completion Report Workshop on the Chad-Cameroon Petroleum Development and Pipeline Project

**CAMEROON**

**Wednesday, October 12, 2005 – Yaoundé**

- N'Djaména – Yaoundé, travel by land
- IAG internal working session with PSMC and WB: preparation of the ICR Workshop

**Thursday, October 13, 2005 – Yaoundé**

- ICR Workshop on the Chad-Cameroon Pipeline Project

**Friday, October 14, 2005 – Yaoundé**

- ICR Workshop on the Chad-Cameroon Pipeline Project
- FEDEC, WWF, WCS

**Saturday, October 15, 2005 - Yaoundé**

- COTCO
- WB
- IAG internal working session: work on the mission report

**Sunday, October 16, 2005 – Yaoundé**

- IAG internal working session: work on the mission report

**Monday, October 17, 2005 – Yaoundé**

- NGOs
- PSMC
- Ministry of Environment and Protection of Nature
- CNLS

**Tuesday, October 18, 2005 – Yaoundé**

- Working session with COTCO, NGOs and the PSMC
- Yaoundé – Douala, travel by land

**Appendix 2****Acronyms and Abbreviations**

Bpd	Barrel per day
CAPECE	Cameroon Petroleum Environment Capacity Enhancement Project
CCSRP	<i>Collège de Contrôle et de Surveillance des Ressources Pétrolières</i> / Oil Resources Control and Monitoring Group
CMNP	Campo-Ma'an National Park
CN	<i>Coordination Nationale</i> / National Coordination
CNLS	<i>Comité National de Lutte contre le SIDA</i> / National AIDS Prevention Committee
COJO	<i>Commission d'Ouverture et de Jugement des Offres</i> / Bid Opening and Assessment Committee
COTCO	Cameroon Oil Transportation Company
CPG 5%	5% Temporary Management Committee
CPPL	<i>Commission Permanente Pétrole Locale</i> / Local Standing Committee on Oil
CTNSC	<i>Comité Technique National de Suivi et de Contrôle</i> / National Technical Committee for Monitoring and Control
DAAF	<i>Directeurs des Affaires Administratives et Financières</i> / Administrative and Financial Affairs Directors
DGMP	<i>Direction Générale des Marchés Publics</i> / Government Procurements Directorate - obsolete
DPU	Doba Petroleum Unit
ECMG	External Compliance Monitoring Group
EEPCI	Esso Exploration and Production Chad Inc.
EMP	Environmental Management Plan
FACIL	<i>Fonds d'Actions Concertées d'Initiatives Locales</i> / Local Initiatives Development Fund
FEDEC	Foundation for Environment and Development in Cameroon
FFG	Fund for Future Generations
GEEP	<i>Projet de Gestion de l'Économie à l'Ère Pétrolière</i> / Management of the Petroleum Economy Project
GRAMP-TC	<i>Groupe de Recherches Alternatives et de Monitoring du Projet Pétrole Tchad-Cameroun</i>
GTZ	<i>Gesellschaft für Technische Zusammenarbeit</i> (German cooperation)
HIPC	Highly Indebted Poor Countries
IAG	International Advisory Group
ICR	Implementation Completion Report
IDA	International Development Association
IFC	International Finance Corporation
IMF	International Monetary Fund

IPP	Indigenous Peoples Plan
MATUH	Ministère de l'Aménagement du Territoire, de l'Urbanisme et de l'Habitat (Chad)
MDNP	Mbam and Djerem National Park
MINCULTURE	Ministry of Culture (Cameroon)
MINEF	Ministry of Environment and Forests (Cameroon) – obsolete -
MINEP	Ministry of Environment and Protection of Nature (Cameroon)
MINFIN	<i>Ministère des Finances</i> / Ministry of Finance (Chad)
MINFOF	Ministry of Forests and Fauna (Cameroon)
MINSANTÉ	Ministry of Health (Cameroon)
NGO	Non-Governmental Organization
NMP	Nya Moundouli Project
NOSRP	National Oil Spill Response Plan (Cameroon)
OCMP	<i>Organe de Contrôle des Marchés Publics</i> / Procurements Oversight Agency
OFDA	Oil Field Development Area
OHADA	Organization for the Harmonization of Business Law in Africa
ORT	Organisation for Rehabilitation and Training - International
PAMFIP	Action Plan to Modernize Management of Public Finance
PNIDAH	<i>Plan National d'Intervention en cas de Déversements Accidentels d'Hydrocarbures</i> / National Oil Spill Response Plan (Chad)
PRGF	Poverty Reduction and Growth Facility
PS	Permanent Secretariat
PSMC	Pipeline Steering and Monitoring Committee
PSMCBP	Petroleum Sector Management Capacity-Building Project
RDP	Regional Development Plan
RESAP-MC	<i>Réseau de Suivi des Activités liées au Pétrole au Moyen Chari</i>
STEE	<i>Société Tchadienne d'Eau et d'Électricité</i>
TCC	Tchad-Cameroun Constructors
ULB	<i>Université Libre de Bruxelles</i>
WB	World Bank
WCS	Wildlife Conservation Society
WWF	World Wildlife Fund