

International Advisory Group
Chad-Cameroon Petroleum Development and Pipeline Project

REPORT OF MISSION
TO CAMEROON AND CHAD
NOVEMBER 14–25, 2001

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NB: This text is a translation from the original French text. In case of discrepancies, the French text prevails.

1. INTRODUCTION

The International Advisory Group (IAG) conducted its second working visit to Chad and Cameroon from November 14 to 25, 2001.

The report of the Group's first working visit had been filed with the Governments of Chad and Cameroon and with the President of the World Bank Group on September 28, 2001, and published the same day on the World Bank's web site, on a page devoted to the project. It is understandable that the short time span between publication date and our visit did not allow the various players involved to follow up on every one of our recommendations.

The main goals of this visit were to follow-up on our recommendations, assess progress made on key matters, collect more in-depth information, and develop an active on-site advisory framework to strengthen our working relations and trust with stakeholders, and to promote dialogue among them.

As can be seen from the chronology of meetings in the Appendix, the IAG renewed contact with the key stakeholders in the project—governments, politicians, the Consortium, civil society, and religious institutions—and inaugurated, this time in Chad, a new form of dialogue and facilitation by concluding its visits with debriefing sessions, to help advance the process of communication and discussion of persistent controversial points and misunderstandings.

This work was conducted without losing sight of the key provisions stemming from the conclusions of our initial working visit, which are summarised as follows:

Based on the evident finding of a widely discrepant state of preparation among the Consortium on the one hand, and administration and civil society on the other, as well as equally discrepant implementation timetables, to focus on capacity building in Chad and Cameroon so that the governments eventually be in a position to:

- identify, assess and manage environmental and social risks;
 - pave the way for, promote and stimulate sustainable regional development in the project zone; and
 - plan, program and manage oil revenues on a national scale;
- all within a reinforced context of good governance.

In keeping with the mission objectives and ongoing priorities, this report presents our findings and analyses before going on to state our conclusions and recommendations.

2. FINDINGS AND ANALYSES

In each of the two countries, starting with Chad where this mission began, the IAG sought to gauge progress in relation to the issues identified and the challenges met during its first visit, attempting to reflect essentially:

- Progress made;
- Persistent problems;
- Situations that are deteriorating;
- New problems being noted; and
- Challenges for the future.

Let us first note that our various interlocutors all welcomed the first report of the IAG positively and acknowledged that it clearly reflected the key issues and accurately reported the various points of view put forward. One of the concerned parties, however, held the opinion that the report did not sufficiently reflect efforts already made. Other interested parties were preoccupied with the fate of the recommendations. A fruitful dialogue emerged around all these aspects and the necessary explanations were provided.

IN CHAD

Progress made

- Providing political impetus: the President of the Republic was quick to react to the IAG's request to look into accusations made against certain local authorities regarding irregular drawings on the proceeds of individual compensations. An investigation was promptly ordered and conducted and, on the basis of the official documentation provided to us, the necessary directives were issued with a view to ending this practice. The Government and the administrative chain of command are to monitor the effective enforcement of these directives in the field.
- In the same vein, the President of the Republic demonstrated the political will to follow up the IAG's recommendations with diligence, as did, subsequently, the Prime Minister, who held governmental coordination meetings in the days following the production of the first report. Better still, it was decided in principle to hold regular sessions with the participation of economic, social and environmental stakeholders.

If this arrangement can be sustained on a regular basis, it will be a much-needed complement to the administrative coordination entrusted to the "Comité Technique National de Suivi et de Contrôle" (CTNSC).

- In July, the CTNSC was facing operational problems involving office space and materiel. This organizational goal has now been reached as far as the essential endowments are concerned. It remains to meet the challenge of rendering the Committee technically operational in order to meet its crucial objectives.

- The World Bank and International Finance Corporation (IFC), have reinforced their on-site team with the arrival of a resident representative and specialists in private-sector assistance in the process of being assigned. In addition, the International Monetary Fund (IMF) has installed a new resident representative.
- Regarding the Consortium: work site observations reveal that training of qualified workers at Komé is progressing at a faster pace than expected and has enabled some curtailing of recruitment of overseas skilled labour. Within the drilling team—and in the near future, probably within production—a technology transfer is taking place that, in addition to creating specialised jobs in the region, opens the door to the creation of Chad-based capabilities potentially exportable to oil fields in Africa and elsewhere.
- The External Compliance Monitoring Group (ECMG) is conducting its mandated quarterly reviews, and is making its reports public. As far as we have been able to verify, its findings—including all findings regarding technical issues, which to date fall into the “minor” or “medium” categories (levels 1 and 2)—are being acted upon diligently by the Consortium.
- During our last visit, communications on all aspects of the project and for all stakeholders emerged as the project’s Achilles heel. It must be acknowledged that there have since been some initial efforts at deploying a communication plan along with some assignment of specialists to the project team.
- Another cause for concern was the fairly widespread perception, in both urban and rural areas, of a feeling of insecurity. This time around, personal security problems were mentioned less often in the region affected by the project. While this geographically specific respite will of course require consolidation to lend credence to any appraisal of a more durable situation, it did appear significant enough to be worthy of mention, even though the conflicts between farmers and herders seem to persist.
- Security is germane to the overall project context. No less important to the local action framework, however, is the process of decentralisation. Decentralisation is a principle of local good governance enshrined in the Constitution of Chad, but timing of implementation remained indeterminate. More recently, the authorities have made progress in the drafting of the supporting legislation and have unveiled a more visible calendar: local elections will be held during the second half of 2002 and into 2003, and will culminate with the installation of the Senate—the local communities’ house of representatives—by the middle of 2003.
- Lastly, the medium- and long-term national programming framework is gradually being put into place. In addition to the sectoral programming already agreed upon (e.g. health) or in the finalisation stages (e.g. education, infrastructure, local development, agriculture, private sector) two major global programs are well on the way toward being launched:
 - The Stratégie Nationale de Lutte contre la Pauvreté (National Strategy for Fighting Poverty), which has been the subject of consultations, is being piloted by a diversified steering committee; a major step in its evolution is expected to be taken at meetings in Washington in December;
 - The Stratégie Nationale de Bonne Gouvernance (National Strategy for Good Governance), for which a government plan exists, will be discussed and validated at the national level before being submitted for appraisal by the Development Partnership.

It remains understood that the timeframe for these programs’ various maturation phases leaves precious little room for absorbing any new delays that may arise.

Persistent problems

They are many, and we could not expect things to be any different, given the structural nature of some of the dysfunctions described in the previous report. For this reason we shall mention only some of them—six, to be precise—whose persistence is a clear threat to the fulfillment of the fundamental project objectives.

- At the time of this report: the Collège de Contrôle et de Surveillance des Revenus Pétroliers (CCSRP) still has no available budget; nor has a working doctrine yet been agreed upon. We had expressed the opinion that this should be done before the end of 2001. With that deadline having for all intents and purposes passed, it remains to be ensured that these objectives are fulfilled very early in 2002, failing which the political will of the authorities could be called into question, and the advantage of this body as a model lost prematurely.
- The project that is attracting the strongest expectations of the populations in the oil region is FACIL, whose two components, “micro-credit” and “local socioeconomic investments,” are still awaiting start-up. This extended lethargy is leading to profound frustration and discontent that are beginning to find expression in verbal violence. This situation must become a priority focus, with the keys being rapid visibility and, especially, rapid accessibility of the opportunities promised to the local populations. Indeed, this project was originally conceived as a pilot project for local capacity building and social development, in advance of the national program that is expected to be approved in 2002. Because of the combined effect of the administration’s slow reaction as well as the inertia and lack of flexibility displayed by the competent authorities at the World Bank, there is a great danger that the initial results of FACIL will come too late to have any positive impact on the national program before it sees the day, and may compromise the program’s very existence. This is an issue of the gravest concern to us.
- More generally, we note a lack of progress on all issues relating to capacity building, concerning:
 - The government, which has the mission of overseeing the smooth operation of the project during the construction phase, but sees its personnel eroding, instead of expanding, especially within the ministries responsible for oil and the environment. It should be preparing the operations phase with human resources of sufficient quantity and quality, but the needs assessment and the programming of recruitment and training will not be effective in 2002—neither within the ministries responsible for the short- and medium-term planning and management of development, nor in those responsible for the priority sectors of education, health, agriculture and infrastructure. When the time comes for assessment, any delay or deferral in mobilizing these indispensable human resources within the agreed-upon time frame risks to weigh heavily.
 - Chadian entrepreneurs, whose disquiet and frustration persist in the wake of missed markets and lost opportunities. While we acknowledge the efforts already made by the Consortium, the poor results should lead to more focussed attention in awarding its markets and those of its subcontractors. As for the companies, they must be in a position to benefit from energetic measures aimed at building their capacities.
 - Civil society, whose actions reveal weaknesses to be corrected in order to permit effective participation in the project process. This is the case for the NGOs and HRAs, as concerns their capacity to develop further the appeals they want to make and promote. It

could soon be the case for community associations as well; in this regard, the government must settle the issue of EPOZOP through formal dispensation and a properly argued conclusion.

- The unions, which have no resources of their own, drawn from membership dues deducted at source; also the Press, whose precariousness as an enterprise calls for capacity-building actions in the key project areas. The significant contributions of these stakeholders to the dynamism of society and the effectiveness of the State constitute a plea for concrete progress in these areas.
- Administrative coordination and monitoring work is still not optimal within the CTNSP, which must become the privileged interface among all stakeholders, and coordinate the administrative services whose coherence of position and diligence of action and reaction they oversee. With the problems of supply basically settled, this is the priority on which the CTNSP must focus: it must give itself a plan of action that is constantly updated, and take a proactive approach in managing the work before it.
- Regional planning is still at a standstill despite hesitant progress in preparing the process. The process, in fact, is far from being clearly defined. The space necessary for grassroots input, from local communities, NGOs and HRAs, is not defined. The conditions essential to the success of any regional planning process (clear strategy objectives, well-defined priorities, flexibility of execution enabling adjustments to field realities) have not been specified. It is thus important not to begin the definition of a process by an external consulting body without the necessary connections having first been established with the grassroots. There is no need to wait for the later stages of decentralisation to engage the process, but local elected officials will eventually ratify and adapt measures developed during the period of plan development.
- The price increase phenomenon noted in July has persisted, and appears more acute in the areas of food and housing. In the middle classes and in certain underprivileged classes, this has led to a persistent feeling of being forced out of the market by newcomers with stronger purchasing power. This is also noted for students and local inhabitants. In the field, State services must play a more active role in collecting local statistical data and find a way to coordinate their actions better with those of the Operator. In another area, supply-side programs such as the construction of social housing for Consortium employees, must be activated to meet additional demand, both provisional and ongoing.
- The accessibility of project documentation to all interested parties remains inequitable. The Consortium is making documents available to university researchers, but local NGOs are complaining that not all of the basic documentation on environmental issues is accessible to them. Certain requests for information made by the IAG to the World Bank remain unanswered. In addition, the IAG has yet to receive the information it requested on the conditions under which GTZ was selected by the Consortium for the performance of community compensations.

Situations that are deteriorating

The IAG identified four factors for which the situation has, in its opinion, degraded since the last visit. These factors all have to do with the social climate and with working conditions.

- The transfer of personnel from the civil service and public utilities to the Operator and its co-contracting parties is increasing, and cannot be compensated for, even partially. The personnel involved are engineers, professors and instructors attracted by the vast gap in

wages. This phenomenon may be temporary or more lasting, depending on the level of job insecurity. Since, however, it is likely to recur along with any further major investments, it is worthy of assessment, accompanied by measures aimed at preventing or limiting this personnel mobility, which has the effect of destabilizing an already weakened public sector.

- The labour disputes linked to problems of food, transportation and the length and number of working days, seem to have been settled. The absence of structured, independent labour unions, however, may yet lead to wildcat shutdowns. Given the increasing work on the construction sites, labor disputes will likely become more frequent even though they have not yet degenerated, thanks to the dialogue that has emerged among the parties, with the assistance of the local authorities. In this regard, a system should be put in place to monitor the social situation on work sites and in workers' surroundings, and thus enable proactive management of disputes at the earliest sign of trouble.
- The Operator has begun to establish relations of contact and communication with the provincial and departmental authorities. At the basic levels of territorial administration, however, several complaints are being heard regarding the absence of any true dialogue with the Consortium, which ignores the authorities and fails to inform them of its actions before encountering problems. The Operator has taken stock of this problem and it should be possible to smooth out this misunderstanding in fairly short order. But there are others. More formal dialogue on the project, bringing together the local authorities, civil society and the Consortium, would make it possible to address the many local causes for concern inherent in a project of this scale: e.g. the departure of instructors and students, dust pollution and perceived deterioration of roadways, price increases, and the creation of markets for local entrepreneurs.
- While there appears to have been progress on the question of security within the project zone, in N'Djaména we noted among our various interlocutors, a perceived deterioration in personal security. Of course, the most spectacular occurrences tend to shape perceptions. Some sources, however, link this setback to the end of the post-election period and the reassignment to other duties of personnel previously trained to ensure urban security. This matter is worthy of particular attention.

New problems noted

These are risks, more or less foreseeable from the start, which emerged during our visit as major concerns among our interlocutors.

- One of the key issues in this regard involves the reported closings of several classes, especially community schools, because of teacher defections and students abandoning classes, all attracted to the incomparable gains to be drawn from oil-related jobs, even temporary ones. A thorough study conducted by the Consortium provides statistical evidence that attenuates the perceived degree of occurrence ascribed by rumor. But these events do occur, and, if nothing is done to curtail them, they could have serious consequences.
- Another phenomenon, which is no less important and may well take on worrisome proportions, is prostitution among young female minors. Adult prostitution already poses a control and surveillance problem for official services. Prostitution involving minors, practiced most often in an occasional manner, present even greater risks in terms of public health, and must be countered via awareness-raising campaigns among these vulnerable targets as well as among all persons in their social environment.

- Our attention was directed to the problem of local public service officers affected by non-payment of wages over the past few months. The reason for this state of affairs would appear to be related to problems of centralization of the treasury drawn from income taxes paid locally. This same problem has been mentioned to us in other zones, which leads us to speculate that the cause is probably to be found in a more global strain in the State treasury during the second half of 2001. This resurgence of a problem that had disappeared must be targeted and resolved during 2002.
- The absence of collective agreements governing work in sectors affected by the project is a deficiency to correct, and is among the probable causes of the labour disputes. Since the project has a life span of 25 to 30 years, it is important that a stable labour-relations plan, based on duly negotiated agreements, be put in place.
- The Sidigui project has progressed since July 2001. The Government has commissioned a study of the various technical feasibility, financial viability and social accessibility plans. This project is clearly a complement to the Doba project in that it is meant to enhance the security of Chad's petroleum and natural gas supply as well as improve its supply of electricity. The wholesale price per kWh must be the main determinant in the selection of an option—without losing sight, of course, of the environmental and social requirements listed in our previous report.

IN CAMEROON

Progress made

- Administrative coordination is much improved. The Pipeline Steering and Monitoring Committee (CPSP) is now fully operational: senior executives are in place; action plans have been drawn up and are beginning to be implemented; a special commission for markets has been set up for the project; and monitoring of construction is now in progress in the field.

Tangible results can therefore be expected in terms of speed of execution and streamlining of procedures, and also in terms of more in-depth follow-up.

- In the area of communication, the CPSP and the Consortium have engaged additional resources and developed action plans with multiple components. COTCO has begun organizing site visits for civil society and Press organisations. These efforts at openness, although they have not brought a resolution of all misunderstandings and genuine issues, do point to a willingness to engage in concrete dialogue, and they will be renewed.
- In mid-November FEDEC received its "Décret d'Utilité Publique" which confers upon it all of the attributes and privileges required for normal operations.
- We observed the beginnings of a reaction to the critical question of oil spill management: a consultant has been recruited to prepare plans for both countries and to shed the necessary light on this topic of concern, around which lively public controversy continues unabated. The response to accidental leaks on the ground and at sea must also be subjected to agreement in keeping with best international practices, accompanied by proper preparation of all stakeholders for exercising their respective responsibilities.

- The clear priority ascribed by the Consortium to safety on work sites and roadways has led to very encouraging results, attested to by the low number of cases of accidents recorded in these locations. Besides affording greater protection of persons and property, this policy of prudence and precaution—which is generally well enforced—minimizes lost time from accidents.
- Improvements in economic spin-offs benefiting small businesses were noted; in particular, truck owners, who have benefited from near-exclusive subcontracting by COTCO's co-contracting parties. By and large, the latter have respected the principles of openness and accountability built into the contract awarding procedures—with one exception, which seems to have been exacerbated by communication problems. In certain cases, there has even been liberal application of the selection criteria, so as to maximise benefits to local subcontractors.

Persistent problems

- Despite the undeniable progress noted in the intensity of efforts at communication, some objectives have yet to be attained. For example, partners as prominent as parliamentarians have reported a lack of information and even involvement. On another topic, NGOs seek communications formats that may be contradictory and lead to a plurality of information.
- FEDEC still lacks an action plan, which is supposed to enable the effective start-up of its activities benefiting the National Parks of Campo-Ma'an and Mbam et Djerem, jointly with the Ministry of Environment, and those benefiting the Bakola populations, under the aegis of the Indigenous Peoples Plan (IPP).
- The process of preparing regional compensations is still not complete, and will not be completed in 2001. The objective remains to determine these compensations as quickly as possible and to begin their execution at the same time as pipeline construction in the communities involved.
- There has been no significant progress with the Cameroon Petroleum Environment Capacity Enhancement Project (CAPECE). The lack of progress in setting up the capacity-building programs, both individual and institutional, thus remains a cause for concern, here and in Chad.
- Although the preparation of oil spill management plans is under way now that a consultant has been hired, protection of the pipeline against accidents or acts of sabotage, as well as protection of other areas on land and at sea, are oft-recurring concerns. Protection for the fishing industry against the effects of a spill at sea, for example, has not been on the agenda.
- The social climate on work sites remains a touchy issue, and the reasons are at once subjective and objective. On the one hand, the susceptibilities, assumptions and objections that are common to all temporary-work communities tend to feed an undercurrent of incomprehension which subsides every time a reconciliation agreement is reached, yet remains potentially active. On the other, the relative obsolescence of the collective agreements, not updated and long surpassed on many points in social practice, is a hindrance to the search for consensual dispute-settlement mechanisms.
- The business community continues to express its dissatisfaction and to reiterate its impression of being insufficiently informed, in spite of the progress noted above. From our point of view, and in light of our exchanges with COTCO's co-contracting parties, local

businesses need a commitment and an explicit willingness to promote their effective access to contracts in the major markets. This effort, which must be made with no compromise as to quality, is not universal and must be re-stated. COTCO must involve itself as a facilitator. In all cases, the Consortium has, at the very least, the duty of seeing to the rigorous application of established procedures and of ensuring that others observe them as well.

Situations that are deteriorating

- Relations between COTCO and certain business milieus, in particular that of local insurance, are still tainted by misunderstanding. Our feeling is that, before contemplating any closure on this issue, COTCO must lend an attentive ear to the grievances of the insurance companies, which do not appear to have been selected in a perfectly transparent procedure.
- The basic local authorities along the pipeline have the impression that they are being pushed aside as the project progresses, and that they are not always receiving the relevant information. The efforts already made at higher levels need to be extended to encompass the involvement of all local administrative bodies.

New problems noted

- With the November onset of work to install the pipeline, the need for work site monitoring is putting pressure on the personnel of the ministries involved, in particular the Ministry of Mining, Water and Energy (MINMEE) and the Ministry of Environment and Forests (MINEF). There is now an urgent need to help these ministries curb the erosion of their staffs and equip them with the necessary human resources to confront the potential risks involved in this huge project.

CHALLENGES FOR THE FUTURE IN CHAD AND CAMEROON

The IAG's mission is not only to monitor challenges but also to help predict them, insofar as is possible. Significant challenges will emerge between now and 2004, the transition point between the current construction phase and the operations phase of the project.

- The first challenge is to adequately prepare the economic and resource management capacities of governments and of the economic and social stakeholders for 2004, when the oil comes on stream.

This is especially true in Chad, where these additional revenues represent a substantial increase in state budgets and where a legal framework has been created to manage them.

The goal is precisely to acquire the capability to properly carry out the collection of revenues and ensure their financial management and their use, and also to have in place, at both the regional and national levels, persons and bodies that will manage the priority sectors of the economy slated to benefit most from those revenues: education, health, infrastructure and agriculture.

Although Cameroon has not enacted petroleum revenue management legislation similar to that of Chad, the tax benefits of the pipeline, added to those that will come from the debt reduction program, definitely represent an opportunity for the Cameroonian government to systematically and transparently devote resources to the priority welfare-generating

sectors—education, health and infrastructure—particularly in the regions affected by the project.

- The second challenge involves preparing the State to derive maximum profit from future operations that will develop over the years in the oil sector: legal framework, social and environmental management framework (regulations and personnel in place), and the capability of individuals and businesses alike to take advantage of economic spin-offs to a greater degree than has been possible during this first project.
- The reconversion and re-absorption of workers let go at the end of the construction phase is an expected problem, but one that must be addressed if proper social re-integration is to be achieved.

As can be seen, these challenges depend on the existence of persons and institutions that possess the necessary capabilities to handle these situations, hence the primary importance of the institutional development projects. The World Bank is seriously called to account in this regard: its incapacity to supply the required assistance to institutions in a timely manner, especially in Chad, could compromise the most important factor in the economic and social success of the project.

In addition to these strategic challenges, others are of a more operational nature.

- The retention of materiel, equipment and services from the project infrastructure represents, for the populations close to the project, an opportunity for the maintenance and perhaps even the enhancement of their quality of life, so long as the appropriate arrangements are made. There is also an opportunity to capitalise on the technical training with which a good number of the construction workers will have been provided.
- Lastly, a major challenge of policy coherence in Chad: how to ensure that the populations living in the shadow of such immense quantities of exported energy can also reap the benefits of oil and electricity.

3. CONCLUSIONS AND RECOMMENDATIONS

The IAG draws its conclusions and makes its recommendations based on the findings and observations of the preceding section, articulated around the main foci of interest stated in its previous report. The goal is to ensure continuity in the follow-up of the problems noted, and to take stock of the direction of their evolution.

IN BOTH COUNTRIES

In summarizing our findings, a few major ideas emerge from the overall project that provide evidence of persisting problems in spite of the progress described above.

First of all, the “two-speed” problem cannot be disguised. What was at first a handicap is developing into a constraint, indeed a given: to the States’ lack of readiness at the start of the process, we must now add the cumbersome nature of procedures and the slow pace of actions by the governments and the World Bank as project execution progresses. The commercial project is moving forward while the institutions are limping along: this places a dangerous handicap on the hopes of achieving a true development project.

True, progress has been made in terms of organization. But it has mostly been in the form of preparatory actions upstream from the final implementation objectives that are the responsibility of the governments and the World Bank. A demonstrated will to act is now required.

The governments of Chad and Cameroon and the World Bank must adopt an explicit timetable for making up the delays incurred with respect to their own objectives, to rapidly attain the minimum objectives to be met between now and the end of the initial phase.

This timetable should account for the initial objectives, the means to achieve them, and the level of results expected on a quarterly basis.

Secondly, the fear had been expressed that the Consortium would give in to the temptation of creating an enclave cut off from its natural environment. The Consortium’s managers have assured us that nothing of the sort would take place. We have noticed genuine efforts on their part to achieve local immersion of TOTCO and COTCO via an appraisal of the socio-economic context that extends beyond mere financial performance analyses. There is still much work to be done, however, as we have shown above.

TOTCO and COTCO must continue the efforts already begun, to respect and ensure that their contracting parties respect the stated economic and social development dimension of the project, by adopting a “good corporate citizen” approach and attitude toward the economies and societies of both countries.

Lastly, the lack of effective communication among all stakeholders was one of our major concerns. We have noted and encouraged significant progress in this area: these efforts must continue throughout the lifespan of the project.

The governments of Chad and Cameroon, the World Bank and the Consortium must consolidate the efforts at better communication that are under way through a diversification

of concepts (more frequent reliance on debates, on news reports about businesses, more emphasis on life in the affected areas) and by widening participation in dialogue (local authorities, parliamentarians, citizens).

IN CHAD

Capacity building

Capacity building should be the natural driving force of the project from the perspective of the objectives assigned to the State. The delay in this area is worrisome, and leads to the following recommendations.

- *It is vital that the CTNSC rapidly achieve smooth operational status, be in a position to ensure efficient coordination at all levels, and quickly accelerate to the higher speed expected of it (Government of Chad - GCh).*
- *It is vital that the CCRSP complete its installation, equip itself with a procedural manual, and draw up its work schedule for 2002. The issue of its compensation plan must be settled (GCh).*
- *There is a pressing need to launch, effectively and without additional delay, the "micro-credit" component of the operations of FACIL, and progressively improve visibility for its "investments" component (WB and GCh).*
- *There is a pressing need for a multiyear staffing schedule in key sectors. These sectors are those involved in planning, scheduling, management and application of resources drawn from oil: Planning, Finances, Education, Health, Agriculture, Infrastructures (GCh, WB in relation to IMF).*
- *There is a need to rapidly establish a permanent, overall framework for dialogue and discussion among all parties with a stake in the project to ensure the proper addressing and resolution of the main problems identified. Participants would include the CTNSP (as leader), the Consortium, the World Bank, NGOs, HRAs, the business community, and unions (GCh).*

Good governance

Good governance is a work in progress. In comparison with the recent past, there has been significant progress, but some links remain to be strengthened, while others are still missing and must be forged. From this perspective, the future National Good Governance Programme will be called upon to steer the country in a new direction. In the meantime, certain issues are deserving of particular follow-up.

- *The government will verify the enforcement of the presidential directive demanding an end to the collection of a deduction on compensations (GCh).*
- *With the process of implementing the local collectivities now under way, it is important to ensure its smooth operation and the future implementation of elected bodies with full visibility of the later phases (GCh).*

- *The security of persons and property remains a concern on the part of local populations and therefore must remain a permanent objective of the Government subject to all the required attention in both urban and rural areas (GCh).*
- *The request for accreditation of EPOZOP must be acted upon and given a detailed response (GCh).*
- *The State should help the unions gain access to their own resources, drawn from direct deductions at source (i.e. from unionised workers' wages). The State can also help with the negotiation of appropriate collective agreements in oil-related industry segments (GCh).*

Environmental impacts

At the time this report was drafted, the IAG had not familiarised itself with the most recent report of the ECMG, completed following the latter's September visit. Overall, it can be said that the stakeholders acknowledge the seriousness of the problems discussed, that complementary studies following up on the Environmental Impact Study are either in progress or slated to be conducted, and that the Consortium is well apprised of the need to justify technical solutions. What remains is to build an atmosphere of trust between the Consortium and the NGOs, the better to seek a common ground of agreement as to the terms in which the issues pose themselves and to clarify, and properly justify, those topics on which there is agreement, and those on which there is disagreement.

- *A more formal framework for concerted action than the one existing at present is needed to discuss and reach agreement on the issues of flaring, reinjection, water and air quality, accidental releases of hydrocarbons, and waterway crossings, which all remain points of contention and require precise explanations (CTNSC, Consortium, NGOs).*
- *High environmental standards must be retained for the Sidigui project and, in the spirit of this current project, efforts must be made to ensure that spin-offs benefit the populations in terms of availability and access to energy and electricity (GCh).*
- *Reflecting a spirit of continuity and progress, there should be discussions on the maintenance and enforcement of environmental and social standards that will have been acquired during execution of this project.*

Social impacts

By and large, social dangers are already present, while minimisation programs have yet to be implemented. This demands a response.

- *The price increases demand, on the part of the government, more active involvement in the gathering and processing of local statistical data (in which the local NGOs are able to collaborate) (GCh) and, on the part of the Consortium, implementation of the social housing program for its employees (Consortium).*
- *In addition to dynamic management by the Consortium, labour dispute prevention requires the presence of independent and financially self-sufficient unions, a bilateral mechanism (employer-unions) and an institutional framework supported by the proper collective agreements (GCh, Consortium, unions).*
- *The problem of certain teachers, instructors and students deserting classes bears close examination with a view to taking appropriate corrective action. Ensuring greater security*

of compensation paid to teachers, and even improvement in their compensation, along with stabilizing and formalizing schools and community teachers, must become one of the priority uses of oil revenues (GCh).

- *The State must also see to the enforcement of legislation protecting minors, and to the prevention of prostitution involving minors. The improvement of conditions in schools is one element of a prevention strategy (GCh).*
- *The State seeks to settle the problem of late payment of wages in a sustainable manner.*
- *As recommended in our previous report, it is time that the Consortium began settling community compensations in zones where major work is getting under way (Consortium).*
- *Lastly, to ensure the sustainability of investments in infrastructures and services that can continue to be of benefit to the community, discussions should begin on what conditions and means need to be present to maintain these achievements (local authorities, Consortium, WB, NGOs).*

Developmental planning—Petroleum revenue management

The December 2003 deadline is approaching. The 2002 budget currently being voted does not account for the recruiting of the additional skilled resources that will be required by then. Thus there is barely a full year (2003) left until oil revenues begin to be generated.

Outside of this aspect, further measures need to be taken:

- *Set up, starting in 2002, the two major national program frameworks: the National Poverty Reduction Strategy and the National Good Governance Strategy (GCh and WB).*
- *Develop a broad-paced participatory process for regional planning, and adopt a rolling program that will make it possible to take into account the priorities of future local authorities (GCh, local authorities, civil society).*

IN CAMEROON

The preceding analysis shows that some good progress has been made in Cameroon in the following areas: implementation of coordination staff, on-site monitoring, and communications.

In addition, we feel that the environmental risks are being diligently addressed by the Consortium under the supervision of the government and by the periodic ECMG reviews. It remains, however, to demonstrate to the satisfaction of populations and other concerned parties, that the proper technical solutions are being proposed and that they effectively minimise the risks. It must also be demonstrated that all arrangements will be in place should circumstances demand it.

As we have noted, however, some situations are still deserving of attention.

Capacity building

As we have abundantly stressed in this report, delays in the implementation of capacity-building mechanisms are among those whose consequences for the future are the most serious.

- *The institutional development programs, the most important of which is the Cameroon Petroleum Environment Capacity Enhancement Project (CAPECE), must be started up without further delay. (GCam, WB)*
- *To ensure optimum participation of the economic operators in the project's benefits, the Consortium must see to the rigorous application of the procedures it has put in place in its own markets and those of its sub-contracting parties, and see to their rigorous application by others (Consortium).*

Good governance

We have noted the progress made in the area of governmental coordination; in our opinion, the main current problem having a direct impact on the project is the search for an appropriate, modern framework for managing labour relations.

- *The obsolescence of the collective agreements is a source of friction and conflicts. Systematic work to modernise these agreements in key project sectors is a must. The results of such work will likely come too late to have a direct impact during the construction phase, but they will help create a climate of relative social stability over the medium and long terms (GCam, unions, management).*

Environmental impacts

The key actions to be set in motion immediately concern the management of the new national parks and the settling of environmental security issues still surrounding the pipeline and its ocean terminus:

- *FEDEC must, jointly with the MINEF, prepare the management plans that are within its purview and start up the national park management activities.*
- *Technical solutions to problems that continue to be cause for concern, especially accidental spills and waterway crossings, must be finalised according to best international practices.(Consortium)*
- *It is vital that these questions be settled by allowing all interested parties to study them and by seeking a common understanding of the challenges and, hopefully, agreement on the measures employed to address them (Consortium, local authorities, NGOs).*

Social impacts

Price increases are not yet as significant as they are in Chad. In addition, the social conflicts appear to be settling down. Social support and indemnification programs, however, are lagging behind to a greater degree.

- *FEDEC, seconded by interested parties, must give priority to the rapid and concrete definition of implementation of the Bakola intervention program. The action plan for the*

two national parks remains to be defined. Priority attention must be paid to this issue by FEDEC, jointly with the MINEF (FEDEC, MINEF, Bakola).

- *The community compensation program must be started up such that these compensations can be settled before the start of major construction work in the communities involved (Consortium).*

4. NEXT STEPS

In January 2002 the IAG will conduct an internal assessment of its Work Plan and of the actions it has taken since it began operations. As stipulated in the Work Plan, the two working visits for 2002 will take place from April 7 to 20 and from October 21 to November 2. In the meantime, the IAG may organise visits by smaller teams to deal with points that have been identified as serious and requiring urgent elucidation.

The IAG now has its own web site at www.gic-iag.org; it includes links to the sites of key interested parties.

Acknowledgements

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

We thank the governments of Cameroon and Chad for their hospitality and their availability, and for facilitating the mission; the Consortium members, COTCO, TOTCO, ESSO, the NGOs, HRAs, trade unions, political elite and religious authorities for the information provided and for the services and logistical made available to us; and lastly, World Bank personnel in Cameroon and Chad, for their efficient organisation, which allowed us to make the most of our visit.

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APPENDIX 1

CHRONOLOGY OF MEETINGS

Wednesday November 14—N'Djaména

- National Coordination: CTNSC, DP
- Collège de contrôle et de surveillance des revenus pétroliers (CCSRP)
- World Bank and IMF

Thursday November 15—N'Djaména

- NGOs & HRAs
- National Coordination (cont.)
- Majority political parties (allied with the MPS)
- Opposition parties

Friday November 16—N'Djaména

- Esso Chad
- Management
- Unions: CLTT, SET, UST
- Archbishop

Saturday November 17

N'Djaména

- Chairman of the Conseil Supérieur des Affaires Islamiques
- The Press
- Diplomatic representatives and lenders

Doba region

- Esso—Komé
- Deputy, prefect, Doba
 - Tribunal chairman, Doba
 - Mayoress of Doba
- NGOs and civil society, Bébedjia
- Subprefect, Bébedjia

Sunday November 18

Doba region

- Esso and subcontractors: Schlumberger, Pride
 - Tour of construction and drilling sites
 - Visit to FACIL consultant (DDE)
- Prefect of Moundou

Monday November 19

Moundou

- Cotontchad
- NGOs

N'Djaména

- Minister of Finance
- General Manager of the Cellule économique
- Minister for Decentralisation

Tuesday November 20—N'Djaména

Three debriefing sessions before departing Chad, attended by National Coordination and World Bank representatives:

- TOTCO, NGOs, HRAs, unions
- Chamber of Commerce, management, TOTCO
- Public institutions: CCRSP, WB, FMI

Wednesday November 21—Yaoundé

- Flight from N'Djaména to Yaoundé
- CPSP
- Minister of the Environment and Forests (MINEF)
- Diplomatic representatives and lenders
- Minister of Mining, Water and Energy (MINMEE)

Thursday November 22—Yaoundé

- FEDEC
- President of the National Assembly and members of parliament
- CPSP (cont.)
- The Prime Minister

Friday November 23—Yaoundé—Douala

- Yaoundé: NGOs
- Trip from Yaoundé to Douala
- Douala: COTCO
- Chamber of Commerce and economic operators

Saturday November 24—Douala

- COTCO and subcontractors:
 - Chad-Cameroon Constructors
 - Wilbros-Spie
 - SDV-Doba Logistics
 - SOGEA-SATOM

Sunday November 25—Douala

Internal work: drafting of Report

ANNEXE 2**Acronymes**

ADH	Action Dignité Humaine
BM	Banque mondiale
WB	World Bank
CAPECE	Cameroun : Projet de renforcement des capacités de gestion de l'environnement dans le secteur pétrolier (<i>Cameroon Petroleum Environment Capacity Enhancement Project</i>)
CCSRP	Collège de Contrôle et de Surveillance des Revenus Pétroliers
COTCO	Cameroon Oil Transportation Company S.A.
CPSP	Cameroun : Comité de Pilotage et de Suivi des Pipelines (<i>The Pipeline Steering and Monitoring Committee</i>)
CTNSC	Comité Technique National de Suivi et de Contrôle
ECMG	External Compliance Monitoring Group
EPOZOP	Entente des Populations de la Zone Pétrolière (<i>Alliance of Populations in the Oil Extraction Area</i>)
FACIL	Fonds d'Action Concerté d'Initiative Locale
FEDEC	Foundation for Environment and Development in Cameroon
IAG	International Advisory Group
IFC	International Finance Corporation
IMF	International Monetary Fund
GT	Gouvernement du Tchad
IPP	Indigenous Peoples Plan
MINEF	Cameroun : Ministère de l'Environnement et des Forêts
MINMEE	Cameroun : Ministère des Mines, Eau et Énergie
NGO	Non Governmental Organisation
SFI	Société de Financement International
TOTCO	Tchad Oil Transportation Company S.A.