

International Advisory Group
Chad-Cameroon Petroleum Development and Pipeline Project

REPORT OF VISIT
TO CAMEROON AND CHAD
OCTOBER 15 TO NOVEMBER 4, 2002

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International Advisory Group

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Contents**EXECUTIVE SUMMARY**

1.	<u>INTRODUCTION</u>	1
2.	<u>CAMEROON</u>	2
2.1	<u>Capacity building</u>	2
2.2	<u>Environment</u>	3
2.2.1	<u>Accidental oil spills</u>	3
2.2.2	<u>Water management</u>	4
2.2.3	<u>Environmental enhancement project: Mbam-Djerem and Campo-Ma'an parks</u>	4
2.2.4	<u>Lom River bridge</u>	5
2.3	<u>Communities</u>	6
2.3.1	<u>Individual, regional and community compensations</u>	6
2.3.2	<u>Indigenous Peoples Plan</u>	8
2.3.3	<u>Health</u>	9
2.3.4	<u>Documentation</u>	9
2.3.5	<u>Detailed report and action plans: Health, work, business</u>	10
2.4	<u>Environmental and social assessment, post-construction</u>	11
2.5	<u>Resource mobilisation</u>	11
2.6	<u>Governance</u>	12
2.6.1	<u>Structured, continual social dialogue</u>	12
2.6.2	<u>Transparency/accountability in Project call for tenders procedures</u>	12
3.	<u>CHAD</u>	13
3.1	<u>Construction phase</u>	13
3.1.1	<u>Monitoring</u>	13
3.1.2	<u>Communications</u>	13
3.1.3	<u>Points requiring immediate action</u>	15
3.1.4	<u>Fonds d'Actions Concertées d'Initiatives Locales</u>	17
3.1.5	<u>Spontaneous human settlements</u>	18
3.1.6	<u>Community compensations</u>	18
3.1.7	<u>Accidental oil spills</u>	19
3.1.8	<u>Water management</u>	20
3.1.9	<u>Projet d'Encadrement des Producteurs de Fruits et Légumes</u>	20
3.1.9	<u>Exploration</u>	21
3.2	<u>Operations phase</u>	22
3.2.1	<u>Economic and financial management of oil operations: State of readiness</u>	22
3.2.2	<u>Development of the oil region</u>	25
3.2.3	<u>Governance</u>	27
4.	<u>CONCLUSION</u>	32

Appendix 1: Chronology of Meetings

Appendix 2: Abbreviations and Acronyms

EXECUTIVE SUMMARY

The International Advisory Group (IAG) to the Chad-Cameroon Petroleum Development and Pipeline Project conducted its fourth working visit to Cameroon and Chad between October 15 and November 4, 2002, including specific enquiries in both countries between October 15 and 20.

With nine months to go before First Oil, the IAG sought to focus on two specific aspects of its mission: the proper completion of the construction phase and preparation for the operations phase. Two fundamental objectives continue to guide the IAG in this as in previous reports:

- That the Project reflect state of the art practice; and
- That it become a true development project, with benefits for the populations involved.

CAMEROON

By the end of 2003, economic activity related to construction of the pipeline and permanent facilities will be for all practical purposes complete. The visit concentrated on initiatives that absolutely must be completed between now and First Oil, on preparations for an eventual detailed assessment, and on measures necessary to ensure that the Project generates long-term benefits for local populations and for the country.

Capacity building

- The Cameroon Petroleum Environment Capacity Enhancement Project (CAPECE) continues to experience delays. Contracts are late in being finalized: some of the proposed subjects no longer seem relevant in their original form and will have to be reviewed and validated. Others remain essential: due diligence is required so that the work be done on time and action taken to provide meaningful results.

Environment

- Preparation of the Area-Specific Oil Spill Response Plans (ASOSRPs), which are the responsibility of COTCO, is proceeding on schedule. Drafting of the National Accidental Oil Spill Response Plan (PNLDAH), the responsibility of the Government, is proceeding more slowly: the Government should strive to have it completed by First Oil and validated by the end of 2003.
- COTCO has committed to ensure independent verification of its testing of surface and underground water as part of its on-going monitoring of construction impacts.
- The Foundation for Environment and Development in Cameroon (FEDEC) has selected and was about to sign partnership agreements in early December with two NGOs the Wildlife Conservation Society (WCS) and the World Wildlife Fund (WWF) with regard to environmental enhancements in the Mbam-Djerem and Campo Ma'an national parks.

FEDEC, WCS, WWF are invited to collaborate with the Ministry of the Environment and Forests in order to harmonise their actions with the emerging protected areas policy and the national environmental policy.

FEDEC should continue to seek other financial partners to expand its means of action and promote attainment of its strategic objectives.

- Several interlocutors raised the case of the Lom River bridge. In a rare instance of consensus, environmental NGOs, labour unions and the Government seek to retain the structure.

The World Bank (WB), already approached by the Government, has proposed to respect the terms of the Environmental Management Plan (EMP) citing environmental and time constraints.

Nevertheless, the IAG recommends that the three parties (Government, WB and COTCO) re-examine the possibility of retaining the Lom River bridge under more stringent conservation conditions and with greater assurance of adequate funding.

Communities

- There is an urgent need for COTCO to settle once and for all the outstanding contentious cases and complete the individual compensations process by year-end 2002.
- The regional and community compensations are progressing: the majority of villages have identified the projects for which they are eligible.

COTCO recently introduced a new program of regional compensation for the Bakola/Bagyeli villages, which, in accordance with their main concerns, will focus on housing improvements.

- To ensure that all matters related to the construction period are settled in clear, transparent fashion before work is completed on the pipeline, COTCO has developed a consulting and closure process with village authorities and will include participation of the Government and an independent observer.
- The initial steps to implement the Indigenous Peoples Plan by the FEDEC team have begun at last with the start of the national identity cards, education and health programs.

Where needed, FEDEC should seek new sources of funding to reach its objectives. It should also do some strategic thinking on measures necessary to prevent escalation of tensions between the Bantu and Bagyeli/Bakola.

- Cooperation between the Government and the Consortium for monitoring health issues and taking preventive health-education actions along the pipeline has only begun with the appointment of five government health inspectors, focal points on site.

This should facilitate identification and implementation of public health measures that will help consolidate the monitoring and improvement of citizens' state of health. Reallocation of CAPECE funds should be considered to support the operational phase of this program.

Post construction assessment

- The Government, with the support of the WB, should initiate and prepare a detailed report on the environment and social impacts of the construction phase, employment and business opportunities, and capacity development in public services and the private sector.
- Over the next five years, the Government should systematically monitor the status of environmental and social conditions along the pipeline and the well being of the communities.

Resource mobilization

- Although there is no specific allocation measure for the revenues Cameroon will derive from the pipeline, the requirement for transparency and accountability in revenue collection and the steering of expenditures toward the general objective of poverty reduction remains one of the essential goals of the Project. These revenues and those from the Highly Indebted Poor Countries (HIPC) initiative constitute a historic opportunity to improve the well being of the population. An opportunity not to be missed.

Governance

- The Government must find a place to anchor a permanent structure for dialogue that would make meaningful its expressed will to reinforce dialogue with civil society.
- Though the Consortium and its contractors have made considerable improvements to the call for tenders and work order procedures, certain markets, specifically the coverage of works and facilities, continue to be marked by misunderstanding amongst the parties. Authorities must exercise their responsibility to clarify circumstances of that transaction and provide adequate information to definitely remove suspicion.

CHAD

The Commissioning of the Chad oil exporting system, expected in July 2003, will mark a significant Project milestone and the last significant date before the first oil sales and revenues, expected in early 2004. The IAG therefore focussed on the status of means for proper management of the construction phase and on preparatory work for the management of the operations phase.

Construction phase

- **Monitoring.** The IAG noted a lack of effective monitoring of the Project by the responsible government agency. The Group ascribes the highest importance to the rapid conclusion and immediate implementation of an agreement between the Coordination Nationale Projet Doba (CNPD) and the Consortium, to free access to documents and secure sites by the Site Supervision team as prescribed in the EMP, and to implementing as soon as possible a thorough monitoring practice.

- **Communication.** Despite significant efforts to improve communications, notably by the CNPD, unnecessary tensions and frustrations are still present because of a lack of communication amongst some of the actors: between entrepreneurs and suppliers and ESSO contractors, between the *Institut de la Statistique* and ESSO, the Regional delegates and their national directors, the NGOs and the Consortium.

- **Dust.** Dust from construction activities in the Project zone remain a serious problem affecting the security, health and well being of the population.

ESSO must take immediate measures to alleviate the problem and phase-in permanent solutions as soon as conditions allow.

- **Housing.** Inflation is still on the rise in the Project zone with particular impact on housing.

ESSO must ensure that the TCC initiatives to house its workers materialize soon enough to meet the peak demand expected in early 2003.

- **FACIL.** The FACIL team is now nearly complete. Despite some progress, the review and implementation of projects under the grants and the income-generating activities programs are still slow. The WB must consider exceptional measures to speed procedures and advance this critical program.

- **Spontaneous settlements.** The future of the spontaneous villages of Atan, Komé 5 and Gadjibian continues to be a cause for concern. Living conditions remain critical, fire risks are serious, and poor sanitary conditions are threatening the health of neighbourhood residents as well as that of workers in the nearby bases-vie.

- **Community compensations.** The implementation of the Community Compensation Program (PCC) has now begun with the activities of the local NGOs recruited by GTZ. Villages have begun to identify the projects that they want. However, certain villages that had been approached by the GTZ teams are no longer eligible for PCC.

The basis for establishing the compensation must be fully understood by GTZ and its partners and clearly explained to ensure they are properly understood and accepted by the communities.

- **Accidental oil spills.** The ASOSRPs, which are the responsibility of TOTCO, have been prepared on schedule and approved by the Government. Public consultations will begin by year-end 2002, to be followed by review by lenders and final Government approval.

The Government must show due diligence in completing preparation of the PNLDHAH, ensure its proper dissemination to interested populations before First Oil, and complete the validation process by year-end 2003.

- **Water management.** ESSO has committed to ensure independent verification of its testing of surface and underground water as part of its on-going monitoring of construction impacts.

- **Projet d'Encadrement des Producteurs de Fruits et Légumes.** The PEPFL which supplies the ESSO and TCC field bases with fresh produce offers significant development opportunities for the Moundou area but is facing financial difficulties just as both demand and supply are increasing.

Interested parties should concert and find means to continue and expand the PEPFL and to provide producers with required training and support in order to ensure the availability of local quality produce for the Project and to support regional economic activities beyond the Project itself.

- **Exploration.** Given continued questions concerning exploration within and outside the Doba oil region, the IAG has received official confirmation that the Consortium is pursuing its exploration activities on the remaining portion of its permit H. Another Joint Venture is doing exploration work in the portions of the permit H relinquished by the Consortium. Government is invited to make that information public as well as the conditions attached to the permits.

Operations phase

Management of the economy

- At this watershed moment in its economic history, Chad offers a picture of contrasts: although the approach of the first fiscal benefits of oil production will mean greatly increased internal budgetary means, during the last few months of the transition the country's public finances will remain vulnerable to delays in mobilisation of external resources.

The lesson to be learned from this economic fragility in the so-called Oil Era is prudence: the Government must not divert its attention from productive industries that represent durable assets for the country, especially farming and livestock breeding. The difficulties currently being experienced by CotonTchad could lead to a perception of progressive disinterest of this sector in favour of the oil industry.

- Chad's state of readiness for the management of its oil revenues requires:
 - Understanding of the general economics of the oil revenue calculation model;
 - Assimilation and mastery of macroeconomic framework, and budget forecasting;
 - Preparation for mastery of correct revenue liquidation procedures and diligent consumption of credits;
 - Preparation by the Ministry of a plan and by the priority ministries of a long-term vision combined with timing of investment;
 - Implementation of an automated, integrated system for managing public expenditures.

To achieve all this will require training of officers responsible for budget management, recruiting officers and middle-level managers in the "priority" departments, acquiring and using the tools required for programming investments and the preparation of a schedule for bringing on stream the automated public expenditure management system.

Development of the oil region

- Two principal initiatives were to have enabled the region to assume its role as an oil-producing region: drafting of a Regional Development Plan (RDP), and a Government decentralisation policy. While the RDP was to have been developed in participatory fashion over 4 or 5 years preceding the first oil revenues, the process has not really started, nine

months before first oil. And elections in the communes and departments have been postponed to 2003.

A first priority is to ensure that elections are held at the commune level by the first quarter of 2003, so as to lay the foundation for democratic structures in the region.

The second priority is to proceed immediately with the launch of the regional planning process, taking care not to rely exclusively on the external technical advisor for the sake of rapidity. In the absence of a permanent mechanism within the RDP, it is vital to develop and make transparent an interim mechanism for allocating the 5% of revenues to the region.

Governance

- The IAG observed a desire to make measurable progress in the area of governance. The appropriate management and control structures are, by and large, in place, and missions are being clarified. What is lacking most of the time are the means for putting stated objectives into practice.

The Government should, with the support of the WB, examine what strategies it might be possible to implement over the short term to ensure that the control structures are able to fully assume their role.

CONCLUSION

In Cameroon, action is required to implement capacity building measures under CAPECE, and further communications efforts are required to ensure that construction is completed under the best possible social and environmental conditions. What has been learned and what has been gained in recent years must become permanent.

Oil revenues, like those from the HIPC initiative must contribute to the welfare of the entire population, especially those most vulnerable and those that are hosting the Project.

Chad faces enormous challenges of all kinds.

Even though all gaps will not be eliminated by June 2003, the Administration must continue to take strong initiatives to assume its responsibilities for the management of the revenues expected in early 2004 if the development potential created by the Project is to be realized. All material and intellectual resources must therefore be mobilised to ensure the best possible management of the construction phase, including, specifically, effective site surveillance, and for continued preparation for the production phase and the management and use of oil revenues.

1. INTRODUCTION

1. The International Advisory Group (IAG) to the Chad-Cameroon Petroleum Development and Pipeline Project conducted its fourth working visit to Cameroon and Chad from October 15 to November 4, 2002, including specific enquiries in both countries between October 15 and 20.
2. In Cameroon, the IAG visited four Bagyeli villages in the Kribi region: Nkouli Nguéri (Kour Mintoum), Fuh Giende (in Bilolo), Nkouli Giangou and Libangio (Bandeavouri), then proceeded to Douala and Yaoundé. In Chad, the Group visited Komé, Bébédjia, Moundou and N'Djaména. It renewed contact with the principal Project actors: Government, the Consortium, the World Bank, civil society, politicians, and economic operators. Debriefing sessions were held at the end of the visits in Cameroon and in Chad, providing opportunities for exchanges with the parties and a preliminary look at the findings and analyses of this latest visit. From October 15 to 21, the IAG was accompanied to most of its meetings in N'Djaména and Douala by Dr. Emil Salim and his colleagues, who are responsible for the Extractive Industries Review (EIR), sponsored by the President of the World Bank.
3. A chronology of meetings is provided in Appendix 1.
4. With nine months to go before First Oil, the IAG sought to focus on two specific aspects of its mission: the proper completion of the construction phase, mainly in Cameroon; and preparation for the operations phase in Cameroon as well as in Chad.
5. In both cases, this report's findings and recommendations have been grouped under two fundamental objectives that have guided the IAG since it began its mission:
 - That the Project reflect state of the art practice; and
 - That it become a true development project, with benefits for the populations involved.
6. The project is on track toward an on-stream date of July 2003, if it proves possible to transport oil from the Miandoum Field without processing, and if pumping stations 1 and 2, the pressure reduction station, the pipeline, the Komé 5 electrical generators, and the floating storage and offloading (FSO) facility are all commissioned in time. This advanced production scenario compared to the original work calendar could lead to an initial sale by November 2003. This will depend, however, on fulfilment of the preconditions listed above, which is not yet assured.
7. In view of the contrasting situations in Cameroon and Chad – in the former country, construction will be completed by year-end 2003, while in the latter, construction will continue, with drilling of wells and production – this report deals separately with our findings in the two countries. There is another change compared to previous reports: to properly emphasise the main points, the entire “Findings/Analyses/Conclusions/Recommendations” sequence is taken up for each topic in turn. Lastly, we have concentrated our analyses and recommendations regarding the principal challenges within the context stated above, even though this may result in the omission of some topics discussed during our meetings and field visits.

2. CAMEROON

8. By year-end 2003, economic activity related to construction of the pipeline and permanent facilities will be for all practical purposes complete as far as Cameroon is concerned. The time will have come to assess the impacts, both positive and negative, of the Project.
9. This latest IAG visit therefore concentrated on initiatives that absolutely must be completed between now and the July 2003 First Oil date, on preparations for an eventual detailed assessment, and on measures necessary to ensure that the Project generates long-term benefits for local populations and for the country.
10. Tasks during this visit involved verifying that the management systems in place are operating properly, that capacities and opportunities developed are properly serving all stakeholders, that environmental risks are under control, that socio-cultural harm is properly compensated, that social risks are being properly gauged and mitigated, that business opportunities are being maximized, and that everything is taking place in an atmosphere of joint action, dialogue and proper management of public affairs.
11. This section of the Report will deal in turn with capacity building, environment, communities and social aspects, post-facto environmental and social assessment, resource mobilization, and governance.

2.1 Capacity building

12. In spite of the exemption granted by the government of Cameroon allowing the Pipeline Steering and Monitoring Committee (PSMC) to proceed with contracting outside the standard administrative procedures, and the recruiting of a contract specialist, there are persistent delays in the implementation of the Cameroon Petroleum Environment Capacity Enhancement Project (CAPECE). These stem from processing delays within the PSMC and from the weight of some World Bank (WB) procedures – e.g., for the securing of certain notices of non-objection.
13. As part of the CAPECE, only two of 16 contracts have been signed and have entered their implementation phase (Élaboration des Textes Réglementaires, or “drafting of regulatory texts” and Formation aux Textes Juridiques, or “training in legal texts”), while two have been awarded and are in the process of being signed (Élaboration et Mise en Œuvre du Plan de Formation, or “training plan development and implementation,” and Étude des Zones à Risque, or “survey of at-risk areas”). Some of the others no longer seem relevant in their original form and will have to be reviewed and validated.
14. Certain other contracts remain just as important in spite of the delays. These include Follow-up of the Indigenous Peoples Plan; Follow-up of the Programme de Préservation du Patrimoine Culturel (cultural heritage preservation program); design, development and implementation of an information system for monitoring of environmental management; socio-economic surveys; and Development of the National Accidental Oil Spill Response Plan. Due diligence must be accorded these contracts so that the work be done on time and action taken to provide meaningful results.

15. *There is an urgent need to pinpoint the reasons for the delays and for the WB and the PSMC to reach an agreement on ways to speed up the performance of the main activities of the CAPECE within the required time frame.*
16. *At the same time, it is important that the remaining projects - especially those geared to the building of the pipeline and not undertaken at the opportune time - be reassessed and reoriented in terms of their subjects and targets.*
17. *The two joint PSMC/WB reviews should be finalised before the end of January 2003, and consequent actions should be completed before June 30, 2003.*

2.2 Environment

2.2.1 Accidental oil spills

18. The Area-Specific Oil Spill Response Plans (ASOSRPs), which are the responsibility of COTCO (Cameroon Oil Transportation Company), have been drafted according to the prescribed calendar and submitted to the Government for approval.
19. The procedure required by the Environmental Management Plan (EMP) calls for the holding of public consultations beginning at least 180 days before the pipeline comes on-stream. COTCO expects these consultations to begin by year-end 2002, ahead of the stated deadline.
20. These consultations are of the greatest significance for informing and raising awareness among local communities as to the risk of eventual oil spills and means of managing them.
21. Following these consultations, the modified plans will be submitted for approval by the lenders at least 90 days before the on-stream date and for ultimate Government approval.
22. According to information supplied, COTCO will be insured against third-party exposure for up to US\$100,000,000 per accidental spill event (such coverage would be necessary if an accident were to occur in a sensitive area such as a river crossing or an area with a high landslide risk). Similarly, the floating storage and offloading (FSO) facility will be insured for up to US\$500,000,000 per accident. Should it be necessary, courts of competent jurisdiction, under certain conditions, may also name the Consortium, as ultimate bearer of civil liability.
23. The agreements reached between the Consortium and the villages for maintenance of the right-of-way have created a link that could contribute to pipeline monitoring.
24. Drafting of the National Accidental Oil Spill Response Plan (known by its French abbreviation PNLDAH), which is the responsibility of the Government, is proceeding more slowly: it is not subject to the same time constraints as are the COTCO plans. It is, however, desirable that the national plan also be completed by June 30, 2003, with post-testing validation completed by year-end 2003.
25. *Given the importance that local populations be well informed on this topic, the Government should focus the necessary attention on approval of the regional plans and on the consultations to follow, before First Oil. The Government must also show due diligence in completing the*

drafting of the national plan, and ensure that it is properly disseminated to the communities concerned.

26. *Informing, awareness-raising and consultation with the local populations, accompanied by clarification of the risks incurred, must serve to dissipate unfounded fears and promote timely activation of the measures to be taken, legal and otherwise, in case of an oil spill. This type of training must be ongoing throughout the operations phase.*
27. *The Government must seek the active participation of civil society in these consultations so as to enhance reassurance of local populations.*
28. *Lastly, the Government must ensure the effectiveness and quality of the legal and financial apparatus set up to provide compensation that may be incurred by COTCO, the Consortium and the Operator.*

2.2.2 Water management

29. COTCO is periodically monitoring the impact of construction operations on surface and ground water at risk for contamination. Water samples are periodically analysed by an independent laboratory in the Netherlands. The results of the analyses are transmitted to the Government and made available for verification by interested parties.
30. In the wake of questions raised by the public as to the authenticity of these analyses and recommendations by the IAG that the results be submitted for independent third-party verification, COTCO has committed to taking the necessary measures to ensure such verification is conducted, in a practical and efficient manner.
31. *The IAG takes note of this decision by COTCO. The Government will have to monitor the follow-up that the Company intends to conduct to ensure complete transparency and accountability of its results.*

2.2.3 Environmental enhancement project: Mbam-Djerem and Campo-Ma'an parks

32. The activities of the Foundation for Environment and Development in Cameroon (FEDEC) with regard to environmental enhancements in the Mbam-Djerem and Campo-Ma'an national parks are finally under way, with two implementing organizations having been selected: the Wildlife Conservation Society (WCS, selected in June 2002) for Mbam-Djerem, and the World Wildlife Fund (WWF, selected in September 2002) for Campo-Ma'an.
33. The two non-governmental organisations (NGOs) have submitted their proposals to the Minister of the Environment and Forests (MINEF) for evaluation and notices of non-objection. Contracts with the FEDEC were expected to be signed in early December.
34. The context in which these developments have occurred is particular. Although the announcement of a national parks management policy, under the aegis of the MINEF, should have preceded the drafting of the site development plans for each park and the call for tenders to NGOs for management and research, the protected areas management policy is only now being developed by the MINEF; it should be available by December 2002. The Politique sectorielle forêt/environnement (PSFE, or forestry/environment joint sector policy), for its part, is being finalised.

35. Furthermore, where Campo-Ma'an Park is concerned, a number of initiatives – funded by the World Bank (GEF Biodiversity Project), the European Union (CIFOR) and the Netherlands (SNV and Tropenbos) – have already contributed to biodiversity conservation in the Park. However, current funding will run out between now and March 2003, while the Park Development Plan, initially expected by June 2002, will not be available until at least April 2003.
36. If the WCS and WWF interventions are to be effective, their operations will have to dovetail with the national policy currently under development, while capitalising as much as possible on the work already done.
37. It therefore appears important that the partnership agreements among the FEDEC, the WCS and the WWF acknowledge these vital steps of the action plan to be certified.
38. *Notwithstanding the difficulties in harmonizing timetables, it is important for the principal actors (FEDEC, WCS, WWF) to collaborate with the MINEF, and for their actions to dovetail with the Protected Areas Policy currently being prepared, as well as comply with existing environmental policy, especially as concerns participatory management.*
39. *The MINEF, for its part, should take steps to ensure implementation of a mechanism for coordinating the various natural resources conservation and management operations in the protected areas and the national parks, so as to maximize the results.*
40. *The FEDEC must ensure that the contracts it signs with its partners, and if necessary any addenda, specify the main objectives to be attained by the WCS and WWF and how it will measure achievement in the course of the three-year contracts.*
41. *The FEDEC should continue to seek other financial partners to expand its means of action and promote attainment of its strategic objectives.*

2.2.4 Lom River Bridge

42. Under the Environmental Management Plan (EMP), any site on which a temporary structure is built must be restored to its original state before the completion of work. This provision applies to facilities such as the pipe storage sites as well as four temporary bridges, including the Lom River bridge.
43. The case of the Lom River bridge raises a sensitive issue: the structure provides access to a forest preserve that is rich in fauna and flora. The Government has already sought the approval of the World Bank to retain this temporary structure, following many requests by the local population as well as by environmental NGOs, and has proposed measures to ensure the protection of the forest. The WB, however, has deemed it necessary to comply with the terms of the EMP so as not to create an additional environmental risk by encouraging access to the forest preserve, and considers that there is not enough time to implement the protective measures.
44. As for COTCO, it wishes to comply with its obligations. It is prepared to retain the bridge at the joint request of the Government and the WB, provided that it be exonerated of any eventual liability, and be compensated for at least part of its costs.

45. The IAG was made aware of this issue by the environmental NGOs and the labour unions, as well as by the Government: in a rare instance of consensus, all are demanding that the structure be retained.
46. The IAG has taken a forward-looking approach to this issue. Above and beyond the need to ensure protection of the forest preserve, there is potential, within the framework of the national Protected Areas Policy (expected to be available as of December 2002), for sustainable development of this area for research and eco-tourism, as part of initiatives to benefit the local populations. Indeed, the policy in question is expected to call for co-management of the protected areas by conservancy groups and the local populace, along with a judicious choice of commercial and conservancy activities. The richness of the forest and other areas surrounding the bridge is precisely one of the discoveries of the research undertaken as part of the Project.
47. Retention of the bridge following completion of work to secure the site, accompanied by a commitment from the community, the NGOs and the Government to guarantee surveillance and control of poaching and unchecked deforestation, would enable a type of development that would enrich the lives of the local populace while protecting the forest and its resources.
48. *The IAG recommends that the three parties (Government, WB and COTCO), in light of the studies conducted by the local environmental NGOs, re-examine the possibility of retaining the Lom River bridge under more stringent conservation conditions than those offered by the existing situation, and with greater assurance of adequate funding.*

2.3 Communities

2.3.1 Individual, regional and community compensations

2.3.1.1 Individual compensations

49. As the individual compensation process winds down, information received from the PSMC reveals that 27 beneficiaries have still not been compensated, and 15 claims related to the establishment of the right-of-way are under study by the claims management cell. In addition, during the visit, other contentious cases were reported to IAG by the NGOs and submitted to COTCO.
50. Regarding the cases of compensations in kind in which beneficiaries criticized the quality of goods and equipment provided, COTCO claims to have taken measures to replace materials when necessary, though we were unable to confirm that the situation has stabilised.
51. However, the NGOs report at least one persistent case of a planter of forest tree species whom the IAG had met, and who was still aggrieved in spite of his formal acquiescence.
52. COTCO has decided to address concerns related to these types of individual cases that do not meet the normal standards, in order to ensure their fair settlement.
53. *There is an urgent need for COTCO to settle once and for all the outstanding contentious cases and complete the individual compensations process by year-end 2002, including the specific cases, relying, if necessary, on expert testimony. The PSMC must become more actively involved in this process.*

2.3.1.2 Regional and community compensations

54. The regional and community compensations have been calculated based on a system of general criteria chosen by the oil company. The value of the vegetation cover destroyed or altered by the Project was extrapolated for the entire right-of-way. A total of US\$1.5 million will be paid out in regional compensations in Cameroon, broken down as follows: 60% to the villages, according to population; and 40% to the arrondissements (boroughs) according to the length of pipeline passing through each. An amount of US\$300,000 has been earmarked for the community compensations.
55. Almost all of the villages eligible for regional and community compensations have identified projects they wish to see implemented by COTCO. The majority of project requests are in the areas of education and water supply.
56. According to the schedule, deliveries of materials and equipment to communities were to have taken place before November 22, 2002. Implementation of the construction projects should begin by the end of June 2003.
57. When villages have identified projects whose costs exceed the budgets allocated (e.g., electrification), COTCO issues an attestation stating the amount it has available, which then serves as the basis for the final transaction.
58. Calculation of regional and community compensation amounts is a complicated process. It is essential that the process be transparent in order to be properly understood and to avoid frustrations.
59. *Villages that have requested electrification and are prepared to top up the amount made available by COTCO and thus make the projects feasible could usefully involve local NGOs to ensure that eventual commitments for the cost of connections and service payments are properly understood before any transactions are completed. There must also be assurance of a true collective benefit with guaranteed accessibility for the largest possible number of people, rather than a situation benefiting only those villagers who will have the means to pay their electricity bills. (PSMC-COTCO-NGOs)*
60. *Particular care will have to be taken with regard to the quality of goods and equipments delivered to the communities so as to avoid the same sort of dissatisfaction seen with the individual compensation process. (PSMC- COTCO-NGOs)*

2.3.1.3 Regional compensations for indigenous peoples

61. COTCO recently introduced a new program of regional compensation for the Bakola/Bagyeli villages within a 2 km radius of the pipeline, including compensation for loss of access to medicinal plants and a diminished game population. The program will be dedicated to housing improvements, in keeping with the major concern expressed by the Bakola/Bagyeli during the survey conducted by the Company's anthropologists between 1997 and 2001.
62. In response to the concerns voiced, COTCO has committed to suggesting several types of improved housing to the Bakola/Bagyeli and to organizing a consultative process to respond appropriately to the their needs.

63. The implementation of this compensation program should include all the necessary steps for mobilizing support and ensuring the program's success.
64. This process, which was not originally planned for, represents a significant amount of compensation for the Bakola/Bagyeli populations. Its implementation will have to take the following into account:
65. *In the absence of land entitlements, particular attention will have to be paid to the identification of lots occupied by the Bakola/Bagyeli in the area, and to the potential for conflict between them and the Bantu, to ensure that new construction benefits the right communities.*
66. *Family organisation will have to be taken into account to ensure that the largest possible number of people have direct access to the new dwellings as collective compensation.*
67. *To encourage proper understanding of the issue, things must not proceed too hastily; consultations should ensure optimum balance between the needs and wishes of the populations and the compensation offered. To this end, COTCO, in keeping with its commitments, should suggest several types of improved, environmentally sound dwellings before proceeding to select prototypes.*

2.3.1.4 Social closure

68. To ensure that all compensation cases (individual, community and regional) and any other matter related to the construction period are settled in clear, transparent fashion before work is completed on the pipeline, COTCO has developed a three-stage "consulting and closure" process with village authorities. This process, which will involve COTCO, the Government and an independent observer, should make it possible to close out the remaining contentious cases, which will be officially acknowledged in the form of a closing ceremony confirming their settlement.
69. *The IAG strongly encourages this initiative undertaken by COTCO. It offers a formula for final consultation with affected populations and village authorities to ensure closure of disputed matters in a manner understood by one and all. IAG underlines the importance of third party confirmation of the transparency of this process.*

2.3.2 Indigenous Peoples Plan

70. The initial steps to implement the Indigenous Peoples Plan (IPP) by the FEDEC team have begun at last, with the accession to office of the Community Development Facilitator (CDF) and two field facilitators. In accordance with the EMP, activities are aimed particularly at those Bakola/Bagyeli villages located within 2 km of the pipeline. FEDEC's intervention involves 27 villages with a total population of approximately 700. Of the four priority programs identified by FEDEC – Cartes nationales d'identité (CNIs, or national identity cards), education, health, and agriculture – the first three have begun, and the Bagyeli visited by the IAG during this latest visit were especially enthusiastic about the identity card program. FEDEC's current goal is to facilitate distribution of 200 cards by the end of the project.
71. *FEDEC should take steps to facilitate acquisition of identity cards for all adults in the villages in which it is active, by a participatory educational process that can facilitate dissemination.*

72. *Where needed, FEDEC should seek new sources of funding to reach these objectives and to position it well to take an overall interest in the presence and the various activities of the Bagyeli/Bakola throughout the Project zone, including in the vicinity of the national parks.*
73. *FEDEC should begin reflecting on measures necessary to prevent escalation of tensions between the Bantu and Bagyeli/Bakola, since the latter are the sole beneficiaries of FEDEC allowances.*

2.3.3 Health

74. Formal relations between the Government of Cameroon and the Consortium for monitoring health issues and taking preventive health-education actions along the pipeline have only become operational in the last few months. The majority of the pipeline construction has been completed without effective collaboration among the public health services and the sub-contractors' health structures for the management of community health, particularly in neighbouring communities in the most populous regions of the southern section of the Project.
75. Five government health inspectors took up their duties in June 2002, and are working with physicians on site. From now on, information transmitted by Project physicians to COTCO will also be forwarded to district physicians to ensure its timely transmittal to the Ministry of Health. These new human resources, structures and agreements are a major step that could lead to the constitution of a database of health statistics, to new roles for the government health officers working along the pipeline, and to the completion, during the post-construction phase, of certain of the activities that originally were to have been undertaken prior to or in conjunction with the construction work.
76. *Collaboration between COTCO and the Government must enable identification and implementation of public health measures that will help consolidate the monitoring and improvement of citizens' state of health. This includes, importantly, management of information with a view to getting a better overview of the situation in the field and taking actions in consequence.*
77. *With respect to its role within the Cameroon Petroleum Environment Capacity Enhancement Project (CAPECE), the Government should contemplate a reallocation of the funds destined for pre-construction to a post-construction campaign to treat cases of sexually transmitted diseases and prevent development of new sources of infection. This situation should be closely monitored in years to come.*
78. *The capacities of the Ministry of Health should be reinforced before the operations phase to make full and effective use of the resources available within CAPECE, the funds for Highly Indebted Poor Countries (HIPC) and the national budget.*

2.3.4 Documentation

79. The baseline studies used to prepare the 1997 Environmental Impact Studies and the 1999 Environmental Management Plan are scientific documents that should be made available to interested public parties, notably scholars and students. Such a step would, among other things, provide local populations with ready answers to some of their Project-related concerns, as well as be of assistance to the two countries in compiling high-quality, diversified information.

80. *Making the basic Project documentation available in this way is an important step that must be taken before year-end 2002. The IAG invites the parties involved to consult one another to identify premises for making relevant documentation available to local communities and scholars.*
81. *The Consortium would do well to keep its reading rooms regularly supplied with relevant documentation that is pedagogically adapted to the local population's needs.*

2.3.5 Detailed report and action plans: Health, labour, business

82. Construction is nearing completion in Cameroon, thus wrapping up a major phase of the Project. At this stage it is vital that a detailed report be drawn up, making a concrete assessment of the eco-environmental and social impacts recorded, the effective benefits gained in job creation and business opportunities, and capacity enhancement of the public service and other actors. The report will be an opportunity to describe constraints, assets and handicaps: to explain benefits gained, unintended effects and missed opportunities and to define those rules, procedures and practices for which reforms are desirable so that in the future, risks can be attenuated and a maximum of opportunities provided to local actors without neglecting quality and safety requirements.
83. The report must be followed up with specific action plans designed to ensure the implementation of all lessons learned from the outcomes of this project to ensure that future projects of a similar nature will be designed to achieve the best overall benefit.
84. This would ensure, in the area of health, better handling of crucial issues such as the baseline studies of the sites involved and integration of the State's and the Operator's health systems.
85. In the area of labour, the knowledge and expertise gained in various areas should be duly inventoried to enable any eventual re-mobilisation; competencies unavailable on site and entrusted to outside contractors could thus be pinpointed and the relevant required training provided in- country or abroad; in addition, complementary training could be provided to demobilised individuals at the end of work to enable them to reintegrate into the job market or move into self-employment situations.
86. Local economic operators whose involvement in the business opportunities stemming from the Project is limited or nonexistent would thereby understand how better to proceed in a similar context in the future, by taking advantage of programs aimed at enhancing their strategic, organisational, financial and operational capacities. All other concerns could also be addressed in the report, with corresponding action plans, and incorporating corrective measures and capacity-building actions designed to ensure significant advancement for each actor.
87. *The Government, with the support of the WB, should deploy mechanisms to initiate and duly complete a detailed report on the economic and social impacts and benefits of the Project construction phase.*
88. *Work should begin immediately to gather the constituent elements of this report so that it may be finalised by year-end 2003. The work could be endorsed by parliamentary debate and wide-ranging public consultation, culminating in measures to be taken for the future.*

2.4 Environmental and social assessment, post-construction

89. The Consortium has conducted environmental baseline studies and will continue, even after work is completed, to sample surface and ground water quality. In addition, the Government will maintain its monitoring program. This ongoing monitoring will enable comparison of the post-construction situation to initial conditions, at least in this domain. CAPECE will provide financial support for additional environmental studies in high-risk areas such as the coastal and mountain zones. The national Policy on Protected Areas, expected to be made public soon, will assist in the protection of biodiversity, especially in the national parks. These developments will make it possible to compare future conditions with those that prevailed before the Project.
90. Cameroon, however, does not have available similar baseline studies in the area of health, apart from various studies conducted between 1997 and 2001 of the Bagyeli/Bakola communities living in the Project zone, which describe sanitary conditions before the construction period.
91. The lack of more general data makes it more difficult to assess the local health impacts of construction. Current knowledge and proper post-construction follow-up will, however, serve as a basis for the establishment of updated health statistics.
92. *Over the next five years, the Government should systematically monitor the status of environmental conditions along the pipeline: water quality, re-vegetation and accelerated or controlled deforestation.*
93. *Similar monitoring should be conducted of local communities' social and welfare conditions: e.g., productive use of the right-of-way, improvements to living and health conditions. Specifically, an exhaustive evaluation and monitoring of sanitary conditions would enable the collection of statistical data vital to the management of public health. It would be worth comparing, with due scientific caution, the evolution of health conditions in villages near the pipeline to those in more remote areas not affected by the Project.*

2.5 Resource mobilisation

94. Although there is no specific allocation measure for the revenues Cameroon will derive from the pipeline, the requirement for transparency and accountability in resource collection and the steering of expenditures toward the general objective of poverty reduction remains one of the essential goals of the Project.
95. Cameroon also has available considerable resources, over a respectable time frame, via foreign debt savings drawn from the HIPC initiative. The excessively slow execution of operations financed through this initiative, however, leads one to wonder whether there is a sufficiently strong and transparent capacity for absorption without cumulative slippage delays from one year to the next. In spite of all this, the opportunity is too attractive to let pass, and the country can achieve the best possible results by quickly working through this laborious first stage. Historically, there has perhaps never been a more favourable opportunity to mobilise all of these additional resources toward meaningful enhancement of public welfare. The opportunity should be capitalised upon by the country via pertinent expenditures for effective poverty reduction and promotion of sustainable development.

2.6 Governance

2.6.1 Structured, continual social dialogue

96. Notable progress is being made with respect to communications. However, in its reports up to now the IAG has forcefully and repeatedly emphasized the need for more structured and deeper dialogue and collaboration on a regular basis. It must again insist that in this area, the same need is still being felt as the end of construction approaches. The goal of this dialogue is to provide all actors with the opportunity to discuss their points of interest with the partners, according to an agreed-upon schedule and on an as-needed basis. The various external visits, including those by the IAG, should not be the only occasions for bringing up problems and discussing them with interested parties – who, in the meantime, have become protagonists rather than partners. It would appear that the PSMC, within its current mandate, lacks the power to do this. The Project, however, cannot continue in a state of impasse with regard to this key issue.
97. *Short of modifying the PSMC's mandate in this area, the Government of Cameroon must immediately find an anchor for a permanent structure for dialogue that would make meaningful its will, expressed in the Poverty Reduction Strategy Paper, to reinforce dialogue with actors in civil society (entrepreneurs, labour unions, NGOs and human rights groups). If not, that expressed will may remain dead in the water, despite the fact that a unique opportunity exists for all actors, including the Government, to benefit for the remaining construction period and beyond.*

2.6.2 Transparency in Project tendering procedures

98. In the time since the IAG issued its first two reports, the Consortium and its contractors have made considerable improvements to the call for tenders and work order procedures, by more systematically respecting principles of prior announcement and advance determination of criteria for certification, prequalification and award. Certain markets, however, continue to be marked by misunderstanding and even mistrust amongst the parties involved. For instance, the insurance contract covering construction and facilities was awarded by COTCO in conditions that continue to be criticized within the profession, and in the absence of the appropriate communication.
99. *Since this insurance contract is expected to have significant impact upon the industry, the IAG believes it is important that the Cameroon authorities act to review the circumstances and legality of the transaction, the fairness and transparency of the selection process and, of course, the proper risk coverage through a reputed reinsurance firm. The Minister responsible for insurance should invoke existing national controls to effect that review.*

3. CHAD

100. July 2003 will mark a significant Project milestone for Chad with the commissioning of the Chad oil exporting system if the work continues to progress in accordance with the Consortium's calendar. By that time, most of the construction work will be completed, although drilling of production wells will continue for several more years. This is also the last significant milestone date before the first oil sales and revenues, expected in early 2004.
101. Therefore, this IAG visit focussed first of all on the status of methods for proper management of the construction phase between now and July 2003 and beyond, and on preparatory work for the management of the operations phase. Our report reflects this twofold concern, beginning by identifying certain points stemming from our assessment of the construction phase, including monitoring, and later focussing on strategic questions related to the operations phase: the status of revenue management preparations, regional development, and governance issues.

3.1 Construction phase

3.1.1 Monitoring

102. During its meeting with the Comité Technique National de Suivi et de Contrôle (CTNSC) Site Supervision team, the IAG noted a lack of effective monitoring of the Project by the government agency responsible.
103. This shortcoming seems to stem in part from difficulties encountered in making available certain documents and in gaining access to sites operated by ESSO and its principal contractors. It also results from the monitoring team's lack of experience and the absence of thorough methodologies and procedures, developed and negotiated upon by the parties to ensure effective monitoring while avoiding unnecessary work and site disturbance.
104. After being made aware of this situation, the parties agreed to meet and immediately implement a monitoring practice that be professional, methodical and thorough.
105. Monitoring is the exclusive purview of the Chad authorities. It is so by right and it is specified in the Environmental Management Plan (EMP). It constitutes the fundamental guarantee that the work will be carried out in compliance with the EMP.
106. *On this subject, the IAG ascribes the highest importance to the rapid conclusion and immediate implementation of an agreement between the Coordination Nationale Projet Doba (CNPD) and the Consortium, to free access to documents and secure sites by the Site Supervision team as prescribed in the EMP, and to implementing as soon as possible a thorough monitoring practice, calling on whatever technical training is necessary.*

3.1.2 Communications

107. Tensions and frustrations are still present, and unnecessarily so, because of the lack of communication amongst the actors. The Chad-based entrepreneurs and suppliers have only recently realized that their prices are sometimes much too high compared to those of their foreign competitors. The contractors have missed the opportunity to educate and assist the

Chad-based firms; occasionally they forget to notify unsuccessful bidders of the reasons they were not selected, and sometimes neglect even to announce that a selection has been made.

108. The Institut de la Statistique complains that it is unable to obtain statistics from ESSO on Project transactions that would help in determining the macro-economic aggregates necessary for the national statistics, and in ensuring proper measurement of the Project's impact on the local economy. ESSO, however, insists that it transmits all data to the Ministère du Pétrole (Ministry of Oil).
109. The regional delegates operating in the Project sector continue to complain about exclusion and even disconnection from their Directorate regarding the policy to follow. Some delegates have never visited any of the Project construction sites; they have no statistics available on financial benefits. Furthermore, the regional delegation of the Ministère du commerce, de l'industrie et de l'artisanat (Ministry of Trade, Industry and Crafts) does not possess either the list of contractors or the list of Project-related economic opportunities.
110. The local authorities, for their part, are indignant at the treatment they receive, being continually called upon "to fight fires " to ease tensions on work sites. They have not been kept informed of the progress of the Project nor made welcome on sites during peaceful times. Not enough consideration is given to their own lack of means and to recognition of their responsibilities.
111. The chairpersons of the parliamentary commissions would like access to Project documentation and, even better, the organisation of a site visit for all members of parliament.
112. The NGOs seem to be marginalizing themselves to establish an internal consensus on their conception of development, and because they feel they have no influence on the unfolding of the Project. Meanwhile, "the wheels keep turning," and the absence of the NGOs depriving the most disadvantaged of support and risking the loss of the few opportunities that the Project still holds for them.
113. Despite these persistent communication problems among the various actors, we must applaud the many initiatives put forward by the CNPD and ESSO to make information accessible to the largest possible number of people. The public awareness event held in October in N'Djaména was generally considered a success. The Caravane d'information (mobile "information caravan") visited the villages in the oil zone in early November. Furthermore, the CNPD has instituted a framework for consultation and dialogue over the past several months by organising periodic meetings with NGOs, monthly meetings with the Consortium, the CTNSC and the Direction du Pétrole (DP, the oil directorate), and twice-monthly meetings with the DP and CTNSC. A Cadre de Concertation Locale (CACOL, or framework for local dialogue) was set up under the direct authority of the CN in July 2002. It brings together Site Supervision, the head of the Doba Labour office, staff delegates, ESSO sub-contractors, representatives of local authorities and of FACIL, and the CPPL (Commission Permanente Pétrole Locale, or Local Standing Committee on Oil) representative. CACOL's role is to coordinate dialogue, information exchange, and local conflict and dispute resolution.
114. *The formal frameworks set up recently by the CNPD and ESSO for information and discussion of Project orientations and activities deserve to be encouraged.*

115. *Certain aspects of communications, however, still require reinforcement: Chad-based economic operators must always be notified of the reasons when they are not awarded contracts by ESSO or its sub-contractors.*
116. *The regional delegates' involvement in the Project must be rapidly encouraged via their respective directions nationales and the Site Supervision team. The Government should seriously consider involving delegates in the training sessions on management of oil resources.*
117. *There is need for an agreement between ESSO and the Institut de la Statistique to provide the information necessary for the compilation of nationwide databases. The Ministry of Oil must play a facilitator role in this area.*
118. *The NGOs should rejoin the dialogue, so that they may uphold the interests of the most seriously disadvantaged and those without voice, instead of staying in the margins of a process that, like it or not, is continually evolving. If the NGOs agree to become involved, their representation in CACOL should be extended to more than one member.*
119. *The measures already taken by the CNPD represent a significant initiative that should be consolidated, towards the type of structured, permanent framework for dialogue that the NGOs have been demanding and that the IAG has been recommending.*

3.1.3 Points requiring immediate action

3.1.3.1 Dust

120. During its travels in the Project zone, the IAG was able to observe the extreme adverse effects of roadway dust raised by passing motor vehicles, even as the rainy season has barely ended.
121. In certain areas the low-visibility conditions created by the dust are a potential source of accidents. The dust is therefore much more than a "nuisance": it constitutes a threat to the health and welfare of local communities.
122. The situation is worsened by the lack of effective control of vehicle driving speeds, which the IAG noted in areas outside the bases controlled by ESSO and its contractors.
123. While in Cameroon, effective control measures (e.g., speed bumps, asphaltting) have been implemented on roadways near villages, the controls and spraying conducted to date in Chad are obviously insufficient.
124. The Consortium is committed to permanently solving the problem by asphaltting, in the same conditions as in Cameroon, once the heaviest convoys have stopped to ensure the durability of the corrective measures.
125. *While waiting for durable solutions, immediate measures must be taken, at the instance of TOTCO:*
126. *Strict controls over the speed of convoys (which are preceded by a pace car for this purpose) and individual vehicles, including strict enforcement (with support from the constabulary, if need be) of a 30 km/h speed limit in villages and population centres.*

127. *Spraying of road surfaces in villages (and, if possible, beyond) in advance of long-distance convoys, particularly along the road from Komé to Moundou.*
128. *Spraying in villages in the Project zone to be done judiciously, considering the need to protect sources of water as well as to control dust.*
129. *Permanent solutions (speed bumps and asphaltting near villages and population centres) must be phased in as soon as conditions allow.*

3.1.3.2 Housing

130. Monitoring of inflation in the oil region reveals continuing price increases, which are having a particular impact on housing.
131. Tchad-Cameroun Constructors (TCC) has suspended its program whereby homes in neighbouring villages were rented for the purpose of housing its employees at its expense. The employees refused to move into the dwellings, which were made available to them at a late date when they were already accustomed to living a more urban life, such as in Bébédjia. Other initiatives are under way, though these have been affected by delays. TCC has begun a program to erect new brick dwellings, with the goal of training workers and villagers in this building technique. TCC is also proceeding with renovation of homes in Doba and Bébédjia so as to make them available to workers who will be recruited in the future.
132. Because of the delays affecting the housing issue, these various initiatives may be of no use to the bulk of workers present in the region during the peak work period.
133. *TOTCO must see to it that the various TCC initiatives are implemented as soon as possible so as to meet the demand for housing, which will reach a peak early in 2003. This support should ease the inflationary pressures on local populations.*

3.1.3.3 Project documentation

134. The environmental baseline studies conducted by Dames & Moore, SNC-Lavalin and Exxon Production Research, and used to prepare the 1997 Environmental Impact Studies and the 1999 Environmental Management Plan, are scientific documents that should be made available to interested public parties in Cameroon and in Chad, notably scholars and students. Such a step would, among other things, provide local populations with ready answers to some of their Project-related concerns, as well as be of assistance to the two countries in compiling high-quality, diversified information.
135. In response to this concern, Esso Exploration and Production Chad Inc. (EEPCI) and TOTCO, the WB and the Centre National d'Appui à la Recherche (CNAR, or national research support centre) have reached agreement regarding the upcoming filing of two series of documents, one dealing with physical and natural sciences, and the other on social sciences. Some baseline studies will be forwarded to N'Djaména (to the CNAR and potentially to the Centre d'Études et de Formation pour le Développement, CEFOD) and Moundou (Martin Luther King library).
136. *Making the basic Project documentation available in this way is an important step that must be taken before year-end 2002.*

137. *The Consortium would do well to keep its reading rooms regularly supplied with relevant documentation that is pedagogically adapted to the local population's needs.*

3.1.4 Fonds d'Actions Concertées d'Initiatives Locales

138. Staffing of the Fond d'Actions Concertées d'Initiatives Locales (FACIL) has continued since June 2002, and the technical team is now nearly complete, with only the head of revenue-generating activities left to be recruited. A call for tenders has been issued to fill the position.

139. The Manuel administratif et financier (administrative and financial guidebook) is now available.

140. Concerning the subsidy program, the social investments are under way, with 11 basic infrastructure initiatives currently being conducted. The FACIL also expects a number of classrooms to be in place by May 2003. In the area of capacity enhancement and local development, 1 initiative out of 25 has reached the signature stage: it involves support for the implementation and management of 9 savings and credit unions in the FACIL intervention zone. There has been some progress on the revenue-generating activities issue: the FACIL steering committee accepted the financial intermediaries' applications for certification on October 26, 2002.

141. Despite this progress, the credit awards that have already been selected are still subject to processing delays. The CNPD has asked the FACIL to show full diligence in order to speed selection of the financial intermediaries, who are declining to offer the chosen credit rates, and to whom an ultimatum was to have been issued on November 30, 2002.

142. The heaviness of World Bank procedures in cases when opinions are solicited from Washington continues to be a factor in delayed processing of applications submitted to the FACIL.

143. At another level, smooth operation of the FACIL seems to be being hampered by the unavailability of working capital, which is subject to delays on the transit via the CTNSC's bank account. The FACIL are frustrated by the fact that it is currently impossible to predict its cash flow, and therefore its ability to pay. This is preventing the FACIL from fulfilling commitments to local suppliers of labour and materials.

144. Relations between the technical cell and FACIL beneficiaries are being made difficult because of the delays in the processing of applications, while construction work on the Project continues, with impacts on the local population.

145. *The position of head of revenue-generating activities for the FACIL must be filled in the coming weeks.*

146. *The financial intermediaries must be mobilised by year-end 2002 so as to get the credit applications process moving again.*

147. *The WB must take exceptional measures to speed procedures and advance this Project, which has already experienced numerous delays, with local populations suffering the most as a result.*

148. *Communication between the FACIL technical cell and beneficiaries must be improved, so as to maintain the beneficiaries' trust in spite of the many delays in rendering the Fund's initiatives operational. Local communities must be informed, via clear and coherent messages, of the*

possibilities available through the FACIL, and assistance must be provided to them in preparing and submitting applications.

149. *The FACIL's working capital must be automatically conveyed by the WB, and the CNPD must make a request to the WB to this effect so as to modify the current system, which is too centralised.*

3.1.5 Spontaneous human settlements

150. The future of the spontaneous villages of Atan, Komé 5 and Gadjibian continues to be a cause for concern. Living conditions remain critical, fire risks are serious, and poor sanitary conditions are threatening the health of neighbourhood residents as well as that of workers in the nearby bases-vie.
151. The sanitary situation at Komé Atan has improved since June, thanks in part to government interventions (through the CTNSC) and to those of TOTCO and its contractors. For example, TCC is continuing waste removal, a school has been built with donations from a Komé Base employee association, and a wastewater drainage and removal system is being built under the auspices of TOTCO.
152. The CTNSC's Site Supervision team conducted a socio-demographic survey in the village in August 2002. The results of this study, together with results obtained by ESSO, will provide a progressive overview of the situation in the village, prior to establishing a program of actions adapted to the circumstances. The CTNSC has submitted its study to the Doba Prefecture to assist it in making an informed decision with regard to the eventual status of Komé Atan, which could be given permanent status or moved to a location near Komé village.
153. The CNPD is contemplating development of planning schemes for the locality of Komé village, which has become a sub-prefecture, and the spontaneous settlements at Komé Atan, Komé 5 and Gadjibian. To this end, a cadastral survey will be requested shortly from the Moundou authorities.
154. *The CNPD must draw up a schedule of steps to be taken next, in order to make a decision with regard to the future of the spontaneous settlements and to take concrete actions before June 2003 to ensure acceptable social and sanitary conditions over the long term for affected populations.*

3.1.6 Community compensations

155. The Programme de Compensations Communautaires (PCC, or Community Compensations Program) in Chad is aimed at villages, communities, townships, sub-prefectures and departments affected over the long term by Project work and facilities.
156. GTZ, which in April 2002 was awarded a one-year contract by ESSO to supervise the initial PCC implementation phase, has in turn recruited three local organisations to help work with citizens. These organisations have been given two main tasks: help communities to make a decision, before March 2003, regarding which infrastructure they wish to benefit from (participatory diagnosis); and provide them with training in self-management principles.

157. The GTZ sub-contractors were recruited in May and June 2002, at last marking the operationalisation of PCC activities.
158. GTZ and its partners began their work in July. The list of communities eligible for PCC compensation was reviewed and adjusted by ESSO in September, with some villages added to the initial list and others excluded. These changes are related to the issue of permanent occupation of land, which has evolved from the initially forecasts.
159. *The basic principle chosen by ESSO for establishing the types of community compensation and identifying the target communities, must be fully applied by GTZ and its partners, and explained to the local populace. GTZ and its partners must ensure that the communities have properly understood and accepted this type of compensation in principle, and that they make sufficiently informed decisions as to infrastructures between now and the end of March 2003.*
160. *The IAG was unable to obtain clarification from ESSO as to the measures it intends to take to inform villages that they are no longer eligible for compensations: obviously, this information will have to be imparted with all necessary prudence and transparency.*
161. *Particular attention will have to be paid to compensations at the township, sub-prefecture and departmental levels, to ensure that they reflect the needs and wishes of the populace, and serve all of the communities to which they are destined.*

3.1.7 Accidental oil spills

162. The area-specific oil-spill response plans, which are the responsibility of TOTCO, have been prepared according to schedule and approved by the Government of Chad.
163. The procedure stipulated in the Environmental Management Plan (EMP) specifies that public consultations must begin at least 180 days before the pipeline on-stream date. TOTCO expects these consultations to begin by year-end 2002, within the prescribed time frame.
164. These consultations are of the highest importance for informing and raising the awareness of citizens of the risks and the means for managing them.
165. Once modified after the consultation process, the plans will be submitted for approval by lenders at least 90 days before the on-stream date and for ultimate Government approval.
166. Preparation of the National Accidental Oil Spill Response Plan, which is the responsibility of the Government, is not at the same advanced stage, and is not subject to the same time constraints as the TOTCO plans. It would nonetheless be preferable that the national plan also be completed before June 30 and validated by year-end 2003.
167. *The Government must show due diligence in completing preparation of the National Accidental Oil Spill Response Plan, ensure its proper dissemination among concerned populations before First Oil, and complete the validation process by year-end 2003.*
168. *Public information, awareness-raising and consultation processes must not only specify potential risks, but also ease unjustified anxieties and promote the rapid activation of response*

measures and legal proceedings to be taken in case of a spill. This type of training will need to be followed throughout the entire operations phase.

3.1.8 Water management

169. As it has been doing in Cameroon, the Consortium is conducting periodic monitoring in Chad of the impact of construction work on surface and ground water at risk for contamination. Samples are periodically analysed by an independent laboratory in the Netherlands. The results of the analyses are transmitted to the Government and made available for verification by interested parties.
170. In the wake of questions raised by the public as to the authenticity of these analyses and recommendations by the IAG that the results be submitted for independent third-party verification, the Consortium has committed to taking the necessary measures to ensure such verification is conducted, in a practical and efficient manner.
171. *The IAG takes note of this decision by the Consortium. The Government should monitor the follow-up that the Consortium intends to conduct to ensure complete transparency and accountability of its results.*

3.1.9 Projet d'Encadrement des Producteurs de Fruits et Légumes

172. Under the Projet d'Encadrement des Producteurs de Fruits et Légumes (PEPFL, a project to provide supervision and assistance to local producers of fruits and vegetables) financed by the firm CIS (Catering International & Services), sub-contracted by TCC and ESSO, producers are being provided assistance and crops are being gathered to supply fruits and vegetables to the TCC and ESSO bases-vie. Production for the needs of CIS has exceeded 30 tonnes per month on average. However, the sharp increase in work activity expected by year-end 2003 could lead to a demand for produce evaluated at 100 tonnes per month for the period March to August 2003. Project needs will then decrease again, settling at an estimated average level of 20 tonnes per month during the operations phase.
173. Aside from being a source of fruits and vegetables for the Project, PEPFL is contributing to dynamism in the Moundou regional economy, as it is providing work for at least 1,000 producers and their employees, who have seen substantial increases in activity and profits in recent months. The producers have also received training in new work methods, and there are signs that a coalition of producers is taking shape. An education and training period will be necessary for structuring and for considering a cooperative approach to managing operations among the groups that eventually coalesce.
174. In spite of the development perspectives that the PEPFL provides, its survival is threatened by difficulties in finding guidelines for equitably distributed financial input among the partners. With both demand and production on the increase, CIS seems to lack the capacity to cover the supplementary PEPFL operational and production costs alone.
175. There is a need to mobilize supplementary efforts to supervise and organise groups of producers that will continue to supply the Project during the construction and operations phases. The supervision must be such that, once the PEPFL is discontinued at the close of the construction phase, the suppliers can continue to supply the Project of their own accord, and diversify outlets for their production.

176. The Union des Groupements Maraîchers of Moundou is concerned about the fact that Project sub-contractors are increasingly looking outside the region for produce, while the producers are demanding support for ongoing enhancement of the quality and quantity of their own production.
177. The success of the PEPFL within the Project will be an important example of non-oil related development in the region. It is important to ensure its continuity.
178. *There is an urgent need for a meeting between ESSO and its sub-contractors, who are interested in a guaranteed supply of quality locally grown fruits and vegetables, and the WB and the Government, who will want to ensure that this economic development initiative receives effective supervisory training and assistance to secure the continuation and extension of fruit and vegetable production in the sub-region.*
179. *The purpose of the meeting would be to free up the necessary logistical, human and financial resources and take measures to ensure that producers receive the necessary supervisory training and support.*
180. *The CTNSC and FACIL should also become actively involved in the search for a solution that would enable the continuation and extension of these revenues for producers. In the future the Project will no longer represent the largest market for locally grown produce; the changes taking place in Chad's urban centres, as well as changes in eating habits due to a growing consumer population, most notably, in N'Djaména, should create other prospective outlets for producers after the construction phase.*

3.1.10 Exploration

181. The issue of oil prospecting inside and outside the Doba Basin field continues to be a cause for concern, because of a lack of transparency and accountability in this area. In the report on its June 2002 visit to Chad, the IAG wrote:
182. *"On several occasions the IAG was informed of concerns regarding possible further exploration prospecting conducted by the Consortium outside the Doba Basin. ESSO responded categorically that the Consortium is conducting no exploratory operations outside the Doba Basin, the limits of its permit. This is confirmed by the CNPD. [...] The IAG has taken note of the assurances received from the Consortium that it is conducting no exploration beyond the Doba basin, for which it holds its permit.*
183. *"The Government and the WB must ensure that [these] limits [are] respected. Any exploration beyond the bounds of the current permit, whether by the Consortium or other parties, will have to comply with the social and environmental impact management regime governing the current project, and will remain subject to award of the appropriate permit."*
184. Given continued questions on this subject, the IAG received the following written information from the Consortium, the CNPD and the WB.
- Since 1989 the ExxonMobil-Chevron-Petronas Consortium has held an exploration permit, called Permit H, covering several thousand hectares in the southern, western and northern parts of Chad. The permit, valid for 15 years (through February 2004) includes a requirement for work to be done and for partial land withdrawal every five years.

- The Consortium is continuing exploration work in its remaining portion of Permit H that includes the Doba and Bessao basins as well as Lake Chad. In the Doba zone, the Consortium has discovered three new fields with production potential.
 - Another joint venture, made up of the Cliveden and EnCana corporations, is conducting exploration in the areas of the Permit H Concession abandoned by the Consortium.
 - Any oil that transits via the export system (i.e., the Consortium's pipeline) must be produced according to the social and environmental criteria prescribed in the current agreements with the World Bank Group for oil extracted from the Doba Basin fields.
185. This information would appear to clarify the situation. If this information is accurate, a few supplementary clarifications would be useful:
- Under the Chad petroleum code, what are the social and environmental requirements at the exploration stage? Are these conditions attached to the Permit H issued to Exxon and to the new Joint Venture?
 - Are these conditions rigorously applied and followed?
186. The lack of publicly available information from authorized sources, leads to lingering suspicion within society.
187. *The Government must openly acknowledge the existence of the various research (exploration) and concession (production) permits and the conditions attached to them. These documents are public in nature and their dissemination will enable the communication of accurate information and help focus potential debates on the genuine issues.*
188. *The Government must also make known the social and environmental conditions attached to the permits it has issued and how it ensures their respect.*

3.2 Operations phase

3.2.1 Economic and financial management of oil operations: State of readiness

3.2.1.1 Management of the economy and public finances

189. At this watershed moment in its economic history, Chad offers a picture of contrasts: although the approach of the first fiscal benefits of oil production will mean greatly increased internal budgetary means, during the last few months of the transition the country's public finances will remain vulnerable to delays in mobilisation of external resources.
190. This situation cannot fail to be worrisome, and may well result, right from the start, in serious imbalances between oil resources frozen in accounts dedicated specifically to priority expenditures on the one hand, and, on the other, funding needs that go unmet in expenditure sectors supported by the traditional internal resources and the external resources which remain indispensable.

191. *Consequently, particular care will have to be taken in approaching the breaking-in period for the management of the new system, given the constraints related to the prolonging of procedures that draw on external funds, and to the country's weak capacity; otherwise, the above-mentioned imbalances may seriously penalise local economic agents.*
192. The lesson to be learned from this economic fragility in the so-called Oil Era is prudence: the Government must not divert its attention from productive industries that represent durable assets for the country, especially farming and livestock breeding. The difficulties currently being experienced by CotonTchad and the slump affecting some 300,000 producers may, rightly or wrongly, lead to a perception of progressive disinterest in this sector in favour of the oil industry. The truth is that there is no reason for the two industries to be in competition: it is clearly in Chad's interest to use oil-derived resources to develop the country's agricultural sector.
193. *The Government, with support from the International Monetary Fund (IMF) and the WB, must, without delay, take the necessary measures to free up the necessary credits to refund the last cotton campaign and fund the next one.*

3.2.1.2 Oil revenue management

194. Chad's state of readiness for the management of its oil revenues can be measured by means of several equally important steps. It is therefore important for the country to be ready on all of these fronts: modelling of income calculations, budget assessment, fixing of fees, scheduling and use of credits, and automation and integration of the financial reporting system.

i. Understanding of the general economics of the oil revenue calculation model

195. Until recently, the confidential management of the oil portfolio did not allow for the sharing of information, even within the Direction du Pétrole, and all the more so with the other ministries, including the Ministry of Finance. That situation had to change as the operations phase approached. We have emphasized this requirement in our previous reports, and even recommended that 2002 be devoted to recruiting and training the human resources necessary for the proper management of this crucial step.
196. Administrative procedures have not made it possible to make a final choice as to the trainers, or to draw up a list of staff to be trained before the end of the first quarter. It was not until the last quarter of the year that all of these preparatory actions began to be clarified. There is now no room for further delays.
197. *On the question of training, the IAG earnestly recommends that the Government ensure training for the largest possible number of Chad-based experts, drawn from the economic and financial administrations as well as from the Chambre des comptes, the Institut de statistiques and the other control bodies.*

ii. Assimilation and mastery of macroeconomic framework, and budget forecasting

198. With crude oil prices in a period of instability, and given the fluctuations of their quotation currency, it is becoming necessary to possess confirmed mastery of budget forecast and adjustment techniques whenever they are needed, and whatever the level of execution of the budget. Counter-examples abound in Africa and worldwide of rapid, serious economic and

financial deterioration in oil-producing countries caught up in the turmoil and lacking the budgetary navigation instruments required in times of crisis.

199. *Specific training must be provided to the agents responsible for budgeting. A model must be defined and implemented for this purpose by the CNPD, with the participation of the IMF and the WB, based on worldwide best practices.*

iii. Preparation for mastery of correct revenue liquidation procedures and diligent consumption of credits

200. To properly apprehend the fees owed by the Consortium for oil production and ensure their proper management, the Ministry of Finance is considering creating a new structure specific to the Direction des Impôts (taxation department) and an oil revenue management structure within the Direction du Trésor (treasury department).

201. *These projects must materialise without delay so that they may be fully operational (selection/installation/equipment/testing) as soon as the initial operations begin to be carried out.*

202. On the expenditure side, a review of public spending in the priority ministries is under way, and will be continued so as to make available convincing statistics stemming from a diagnosis of multi-year results that provide information on the quantitative aspects as well as the qualitative elements of government operations. State agents entrusted with the management of credits and materials will be required in large numbers beginning in 2003; recruiting, agreed to with the IMF, will be needed to provide middle managers and officers.

203. If this is not done, the initial years of use of oil-derived resources will surely be marked by incredibly low rates of credit consumption within the priority ministries; consequently, funds will be frozen, and recycling them will pose a problem of accumulation that, over the long term, will prove irresolvable.

204. *The Government must see to the recruitment of officers and middle managers beginning in 2003 to ensure proper staffing in the priority ministries.*

iv. Preparation by the Ministry of a plan and by the priority ministries of a long-term vision combined with timing of investments

205. A long-term vision of the various sectors is indispensable to avoid the “seat-of-the-pants flying” syndrome, whereby the Government makes adjustments based on perceived urgencies.

206. Such a vision exists within certain ministries; in others it must be updated; in still others it remains to be undertaken or finalised.

207. The exercise will not be complete unless it results in multi-year scheduling of expenditures matched to explicit goals pursued by the Government, which must be distinguished from a “spending catalogue.”

208. *The ministry entrusted with the plan, as “principal contractor” of the exercise along with its various colleagues, must see to the timely availability of the essentials of these instruments before the initial investment credit allocations in 2004.*

v. Implementation of an automated, integrated system for managing public expenditures

209. The decision was made some time ago to rely on a turnkey system supplied by Burkina Faso. However, procedures for doing so seem to be taking a long time. This raises the spectre of missing the critical date, specially given the complexity of the tasks involved in setting up an integrated system, as well as the iterative nature of the testing, launch and familiarisation phases.
210. *The Ministry of Finance must establish a timetable for implementation so as to mobilise the energies of all actors and enable a proper assessment of the dates of availability and commissioning of the system.*

3.2.2 Development of the oil region**Context**

211. When the projects were approved in June 2000, the WB Administrators were given assurances that development of institutional capacities would proceed in tandem with the Oil Project and would be one of the conditions of the Project.
212. Two principal initiatives were to have enabled the region to assume its role as an oil-producing region: drafting of a Regional Development Plan (RDP), and a Government decentralisation policy.
213. Article 212 of the Chad constitution stipulates that management of the 5% of oil revenues allotted specifically to the region be entrusted to decentralised community institutions. The RDP must be one of the key instruments for managing these revenues, and this plan, in the words of the WB, was to have been developed in participatory fashion over 4 or 5 years preceding the first oil revenues.
214. Now, at nine months from the pipeline on-stream date, an organisational framework has been defined, but work in the field has yet to begin.

Institutions

215. **Decentralised communities.** According to the Government's original calendar, 2002 would have seen the election of authorities at the communal level, followed by departmental and regional elections. However, Legislative Assembly elections held in 2002 pushed back the majority of communal elections to 2003, including those to be held in the departmental chef-lieu.
216. The Government expects to hold elections in January or February 2003 in 29 pilot communes that are also chef-lieux. This will be followed later in 2003, if possible, by elections in 39 other communes. The departmental elections are planned for year-end 2003.
217. We can therefore expect that by the first quarter of 2003 the Doba commune will have an elected mayor and council, but it is unclear whether the communal and rural institutions as well as the new departmental and regional institutions will be in place before the first oil revenues.
218. **Regional Development Plan.** The plan, which was supposed to be ready before First Oil, is still not truly in progress. The Request for Proposals issued for recruiting of a consultant to provide

technical assistance for the drafting of the plan calls for this work to be conducted between January and April 2003. This is clearly insufficient for the preparation of a draft, let alone development of a true diagnosis and of a plan that is participatory; i.e., that originates with and reflect the goals of the population and its representatives, and that is fully discussed by them, as was explicitly stated when the Project began.

219. The government authorities and the WB now face a dilemma: they must fast-track to the extreme to make up the time lost, or facilitate - even at the price of delays - a more democratic development process for the RDP.
220. **Allocation of 5% of revenues to the region.** The communal elections may enable the setting up of democratic structures at the local level, but these will be insufficient for the allocation and management of the 5% of oil revenues that devolve specifically to the region: the criteria and mechanisms for doing so have not yet been developed. A transitional period will most probably have to be considered for management of these revenues until such time as all of the necessary decentralised structures, communes, departments and regions as well as the Senate are ready.

Development policies

221. Oil revenues are not an end in themselves, but must serve development of a country and region whose main vocation is still agro-pastoral – hence the importance of following appropriate development policies.
222. **Farming and grasslands development.** The conflict between farmers and livestock herders, which has been aggravated by climatic conditions in the North, must be settled once and for all. A draft bill on migratory herding has made the rounds, but there does not seem to be consensus, and the bill's contents must still be brought into line with the objectives of decentralisation.
223. **Energy.** Though located over oil deposits, the region will likely rely on wood charcoal energy sources for some time to come – an economic and social paradox, which holds the potential for serious social conflicts. The region needs a decentralised, sustainable energy development policy that will provide homes, businesses and industries with access to affordable energy sources that will promote welfare and development. The outlook for electrical energy seems encouraging: a number of projects, with bilateral and multilateral financing, are on the books. Institutional reforms to the Société Tchadienne d'Eau et d'Électricité (STEE, the national electrical and water company), however, are proceeding at a slow pace, and there is the constant threat of an electricity crisis.
224. Overall, the region must meet a significant challenge if it is to benefit constructively from the oil operations and associated revenues. The severe cumulative delays mean that the region is facing a dilemma: accelerate all required measures to the maximum, at the risk of losing the basic participation prescribed by the programs, or proceed in more deliberate fashion with a set of measures of varying scope, seeking to alleviate the most pressing concerns and yet not compromise the laying of solid foundations for the future. The IAG believes that the second approach is possible and, consequently, recommends the following measures.
225. *The first priority is to ensure that elections are held at the commune level by the first quarter of 2003, so as to lay the foundation for democratic structures in the region.*

226. *The second priority is to proceed immediately with the launch of the regional planning process, taking care not to rely exclusively on the external technical advisor in order to speed up the process. An initial local framework for dialogue, bringing together representatives of various settings and the local authorities, could constitute a core around which the process could be developed. The CNPD and the WB should jointly take the necessary measures to ensure the institution of this local structure, with which the selected technical advisor will work.*
227. *One of the first results to be expected from this core structure will be the publication, jointly with the technical advisor, of the steps of the process and its completion schedule, along with the means by which interested parties may get involved. This first step could be taken within the next three months.*
228. *In the absence of a permanent mechanism within the RDP, it is vital that the interim mechanism for allocating the 5% of revenues to the region be developed and rendered transparent. This preparatory work must be completed well before the first oil revenues, i.e., by mid-2003.*
229. *The Government must continue dialogue on the farmer-herder conflicts so as to fine-tune a draft bill that will result in a sustainable solution.*
230. *Without waiting for the decentralised structures to be put in place, the Government must lay the foundations for agro-pastoral and energy development policies for the region, so as to ensure the future welfare of its inhabitants.*

3.2.3 Governance

231. The IAG observed a desire to make measurable progress in the area of governance. The appropriate management and control structures are, by and large, in place, and missions are being clarified. What is lacking most of the time are the means for putting stated objectives into practice.
232. Our visit focussed on the capacity of the governance institutions and control structures, as their roles and responsibilities are crucial to the proper supervision of the Project. The IAG met with representatives of the legislature and the judiciary as well as representatives of control and security structures inherent to the State or created as part of the Project. The leaders we spoke with showed a strong will to exercise the responsibilities entrusted to them, but they are seriously deprived of means to do so.

3.2.3.1 The « *Ministères de Souveraineté* »

233. Two evils criticized by one and all constitute the Achilles' heel of good governance in Chad: impunity and insecurity. They represent challenges for the ministers responsible for justice and security.

Juridical services, jurisdictions, *Ordre des Avocats*

234. Inadequately housed, poorly equipped, insufficiently staffed in terms of both numbers and quality of personnel, and with gaps in their organisational structures – the jurisdictions are among the poor cousins of the Republic, ignored in development projects even though Justice is now eligible for HIPC funding. The Estates General on Justice, slated for January 2003, are certainly being held not a moment too soon, as they should enable a diagnosis of the sector,

identify the issues at stake, pinpoint challenges, and define orientations that will enable the judiciary to effectively fulfil its primordial role as part of a constitutional state.

235. Without prejudice to the outcomes of the Estates General, it is clear that strong measures must emerge from them and that the Government must give itself the means to make those measures credible so as to reinforce legal and juridical security and to combat impunity.
236. The Ordre des Avocats (professional order of lawyers) is a relatively recent (6 years old) institution in Chad, and administers a sparsely populated bar (some fifty lawyers, a third of whom are trainees). Lawyers in Chad regret not having been involved in either the drafting of the Project-related agreements and contracts or in the negotiations and discussions surrounding them. Some have been solicited by foreign lawyers regarding relevant national legislative provisions, but usually only for information purposes.
237. A lawyer fee schedule is apparently being developed, but still has not been adopted, leaving the way open to abuse and disputes.
238. The Ordre des Avocats acknowledges that a rise in crime and violence is accompanying the growth of N'Djaména, and the absence of basic infrastructures, such as electricity, in some neighbourhoods.
239. *Particular attention must be paid to the preparation of the Estates General on Justice so that they ensure wide-ranging, diverse participation; enable experts as well as representatives of society to identify societal needs; and culminate in effective programming of actions and means.*
240. *Implementation of the conclusions of the Estates General will require a plan of action and, most probably, considerably larger numbers of qualified human resources, office space and equipment, which will have to be implemented quickly.*
241. *The Ordre des Avocats, as a vital adjunct to the justice apparatus, requires assistance from the Government to:*
- *develop a fee schedule enabling access to the legal system for all and defining healthy standards of competition;*
 - *train specialists to deal with increases in and diversification of business;*
 - *upgrade information technology skills and access professional journals and other documentation; and*
 - *create links with bar associations in other countries; organise conferences, traineeships and ethics education with the help of overseas lawyers.*

Security services

242. Security in the oil zone is enforced by private guard services provided by ESSO and its contractors inside the camps and bases-vie. Outside, the gendarmeries have squadrons deployed in six cities. The army is also involved, with a command post at Doba. The police have placed a commissioner in Komé for the purpose of policing foreigners. The gendarmerie conducts patrols in the oil zone and arrests wrongdoers. Limited means and equipment mean

that the patrols are often on foot and occasionally on bicycles; arrested offenders are also taken to the station on foot, as fuel received from ESSO does not seem sufficient to cover daily needs.

243. In spite of this, tangible results are being recorded: two years have passed since the last incidents of roadside hold-ups in the oil zone; about a hundred criminals have been arrested and referred for hearing.
244. The police conduct periodic checks of foreigners, with the support of a commission that includes representatives of civil society, the army, and the gendarmerie. The commission is also responsible for facilitating the clarification of status for foreigners holding qualified employment but whose papers are not in order, or for escorting them to the border.
245. There is a definite sense of overall frustration among security officers, whose working conditions are difficult compared to those of the guards hired by the Consortium: low pay, lack of means of transport, lack of means to maintain their vehicles. The gendarmes providing escorts reiterate a sentiment of injustice regarding their pay as compared to that of their counterparts in Cameroon, who receive five times the daily amount.
246. On the other hand, the most common perception amongst the populace is an overall feeling of insecurity, which is sometimes attributed to the impunity with which some active security officers and demobilised soldiers behave.
247. *Given the complexity of demographic changes in the sub-region and the increasing incidence of criminal and violent acts, along with increasing wages and wage disparity, the ways and means needed to ensure the security of citizens and property will only become more complicated. The Government should, jointly with all interested parties, organise a meeting on security to study the most appropriate method and means of improving troop morale and ensuring the security of the public and of Project facilities.*
248. *At the national level, the security issues addressed by the National Good Governance Strategy must be properly dealt with, jointly with other partners in development*

3.2.3.2 Controlling bodies

National Assembly

249. In the National Assembly elected this past April 10 parties are represented; they include three Groupes Parlementaires and some twenty independents. This diversity, which is also echoed in the composition of the Bureau of the National Assembly, is a guarantee of transparency and accountability.
250. The Assembly has held five sessions since June 2002, including four special sessions. Five bills have been tabled following intense debate. The Bureau of the National Assembly, which includes politicians of all stripes, asserts that it is aware of the essential role that the people's representatives must play to control the executive with full independence. These members of the Assembly also state that their will to exercise their responsibilities fully has not been hindered.
251. Nonetheless, there are many difficulties. The Assembly lacks the required human resources. The Secrétariat National du Renforcement des Capacités (SENAREC, or national capacity

building secretariat) is doing what it can to ease the situation, but it has only 4 experts available to assist the 8 commissions along with the individual members. There is an almost complete lack of documentation. The Assembly lacks the proper premises, and currently sits in a building that was not designed for this purpose.

252. Despite the earnest desire of the people's representatives to assume their responsibility, they will not be able to truly exercise that responsibility without reinforcement of the human resources necessary for the drafting of legislative texts and budget documents, and their interpretation by commissions and individual members prior to being enacted.
253. *There is an urgent need to provide essential work tools – library, documentation, Internet – to complement the clear will of parliamentarians to fully assume their constitutional duties.*
254. *The CNPD should take steps to ensure that Assembly members are properly informed on the Project, and organise site visits for them.*

The Chambre des comptes

255. The newly established Chambre des comptes (chamber of accounts) wields exclusive power for the auditing of public expenditures. It is made up of five councillors, including a chairman. The Chambre relies, periodically and on a temporary basis, on six assistant officers from the Ministry of Finance. They possess the necessary prerogatives to perform all necessary checks, and have already played a role in the study of certain contract awards. They claim to have been under no pressure, and that the majority of their recommendations are followed by action. They are equipped to perform jurisdictional controls but would like expanded revenue control powers.
256. In the opinion of experts, the Chambre is doing a remarkable job in spite of its precarious staffing situation.
257. The five magistrates work in the same room; their six assistants have no room to work on the premises, and have no tables or computers when they work at the Chambre.
258. *Having set up these democratic control structures, the State must now give them the proper means to function effectively. The magistrates and their assistants are not equipped to handle the workload, which is increasing in volume and diversity; they require supplementary training on budgetary revenues, on models instituted for the monitoring of expenses, on oil revenues and on all issues relative to debt management.*
259. *There is also an urgent need for the assistants to be assigned permanently, and in larger numbers, so as to enable better organisation of the work and a certain continuity.*

The Direction générale des marchés publics

260. The legislation respecting government contracts is under review by the relevant ministries for the purpose of reaching a consensus. An office has been set up to conduct a study of the five biggest contracts awarded. The Direction des marchés saw approximately 50% of its personnel laid off following the review of contracts awarded in the health sector. With the current reforms, it will be necessary to replace the 15 people who have left by 24 others. An assessment has been made of equipment needs, including computers.

261. *The IAG noted that all services and programs that were experiencing delays pointed to the Direction des marchés, a body over which they have no influence. This organisation, which acts as a “transparency/accountability watchdog,” is in need of material means and, especially, human resources: the Government, with the support of the WB, should speed their provision.*

The Collège de Contrôle et de Surveillance des Ressources Pétrolières (CCSRP)

262. The Collège de contrôle is now in place and, at the request of the Head of State, its members have decided to begin their work despite shortcomings with respect to premises and equipment. The procedural manual currently being drafted must be based on a precise understanding of the mission and role of the CCSRP. A document written by two national consultants is due to be submitted shortly for review by an international expert. Traineeships and visits to oil-producing countries are being planned. Meetings are planned with the executive directorates of the priority ministries to examine how to dispose of the remainder of the bonus.
263. *In preparing the CCSRP procedural manual, particular attention must be paid to the limits of its responsibilities and the conditions under which its controls may be exercised. The pending issue with the Cellule Économique I must be resolved quickly so as to choose the specialist responsible for its production.*
264. *The CCSRP and its permanent secretariat should take part in the upcoming training sessions on revenue and expenditure management models as well as in any other necessary training.*

General conclusion regarding governance institutions and mechanisms

265. The IAG notes the progress made and the determination displayed by the people it met with to increase the effectiveness of the control structures operating at various levels. Everywhere, the main obstacle appears to be that of a paucity of means, at a time when there are increasing competitive requirements to implement means for revenue management and allocation of oil revenues to the priority sectors.
266. *The Government should, with the support of the WB, examine what strategies it might be possible to implement over the short term to ensure that the control structures are able to fully assume their role.*
267. *The informational shortcomings, on the other hand, can be more easily overcome: in particular, the members of the National Assembly are entitled to receive better information. Site visits should be organised for them without delay.*

4. CONCLUSION

268. In Cameroon, the economic activity related to the construction phase of the Project is nearing completion, and it will soon be time to prepare assessments of the positive and the negative.
269. The many capacity enhancement actions scheduled and confirmed as part of CAPECE must still be brought to fruition: this is a matter of credibility.
270. Further monitoring and communications efforts are required to ensure that construction is completed under the best possible social and environmental conditions.
271. The gains of recent years and the lessons learned must have a lasting effect: openness to dialogue, best environmental and social practices, and transparency and accountability of contract awards could, from now on, be the norm for any project undertaken in the country. These measures can now be applied to the current facilities in the energy sector, as well as to new projects in any key sectors of the Cameroon economy.
272. Oil revenues, in addition to the much larger monies drawn from ordinary revenues and HIPC aid, can thus contribute to the welfare of the entire Cameroon population, especially that of the most vulnerable populations and those hosting the Project.
273. Chad faces enormous challenges of all kinds.
274. The development potential raised by Project revenues expected to begin in 2004, if it is to be realized, requires considerable initiative on the part of the Administration to take control of the situation.
275. Considering the starting lag with respect to the technical Project, the upgrading of key sectors of the Administration – as well as of the private sector and civil society – has shown considerable progress in recent years that deserves to be underscored.
276. The lag has not been completely compensated for, however, and despite the best efforts and earnestness of all players, it will probably still not be made up by June 2003. In some cases, such as the site surveillance function, adjustments must be made immediately in order for essential functions to be effectively carried out.
277. All material and intellectual resources must therefore be mobilised to ensure the best possible management of the construction phase and continued preparations for the operations phase, the management and use of oil revenues. These revenues are not an end in themselves, but an instrument that must service the productive sectors of Chad's economy, and those sectors deemed "high priority": education, health, infrastructure and the environment.

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279. The IAG shared with interest in the reflections of Dr. Emil Salim and his colleagues with the Extractive Industries Review, sponsored by the World Bank.
280. The IAG also thanks the governments of Cameroon and Chad, the members of the Consortium and the World Bank for their welcome, their logistical support and their availability in contributing to the smooth running of our visit.
281. Several individuals and groups provided the IAG with written comments and suggestions that were germane to its discussions, and to them the Group extends its thanks.
282. The IAG welcomes written reactions and comments pursuant to its reports. In particular it encourages the institutions to which its recommendations are addressed to provide information on actions taken as follow-up prior to the Group's next visit. To facilitate transparency and access to information, the IAG will be pleased, upon request, to post on its web site, (at **www.gic-iag.org**) and in accordance with the site's user guidelines, the written comments received on its reports.
283. All reports of the IAG's working visits are available on its web site, at **www.gic-iag.org**, and on the World Bank web site, at **www.worldbank.org/afr/ccproj**.

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APPENDIX 1 CHRONOLOGY OF MEETINGS

Pre-mission to Chad

Tuesday, October 15 – N'Djaména*

- Coordination Nationale/CTNSC/Direction du Pétrole/World Bank/ESSO
- Cellule économique/Institut de la Statistique/Ministère de l'Économie et des Finances

Wednesday, October 16 – N'Djaména*

- NGOs and Human Rights Associations
- Directions générales des ministères de l'Intérieur, de la Sécurité, des Forces Armées, de la Justice et de la Décentralisation
- Order of Lawyers

Thursday, October 17 – N'Djaména

- National Assembly
- Chambre des Comptes and Direction des Marchés Publics
- CCSRP

Friday, October 18 – Moundou**

- In transit: N'Djaména – Moundou
- CPPL
- Moundou Chamber of Commerce
- Director of CotonTchad

Saturday, October 19 – Moundou – Douala

- In transit: Moundou – Douala

Pre-mission to Cameroon

Friday, October 18 – Douala

- COTCO
- FEDEC
- In transit: Douala – Kribi

Saturday, October 19 – Kribi***

- Visit of four Bagyeli villages: Nkouli Nguéri (Kour Mintoum), Fuh Giende (in Bilolo), Nkouli Giangou and Libangio (Bandeavouri)
- Visit of Bandeavouri Health center

Sunday, October 20 – Kribi***

- Conservator of Campo-Ma'an UTO
- Living Earth Foundation
- In transit: Kribi – Douala

Monday, October 21 – Douala*

- COTCO and contractors (Sogea-Satom, Willbross Spie-Capag, Doba Logistics, Tchad-Cameroun Constructors)
- Private sector: Agrocom, Connect, AES, Hydrac, Douala One, GMC
- Extractive Industries Review (EIR) debriefing

Tuesday, October 22 – Yaoundé

- In transit: Douala – Yaoundé
- World Bank
- PSMC
- FEDEC Board and WWF

Wednesday, October 23 – Yaoundé

- NGOs and Civil Society
- Minister of Environment and Forestry
- Minister of Employment, Labour and Social Foresight
- Diplomatic Corps
- Minister of Economic Affairs and Territorial Administration
- IAG private meeting

Thursday, October 24 – Yaoundé

- Center for International Forestry Research (CIFOR)
- Trade Unions
- The Prime Minister
- Minister of Public Health
- NGO Center for Environment and Development (CED)

Friday, October 25 – Yaoundé

- Working session with the World Bank, COTCO, PSMC
- IAG Private meeting
- Debriefing session: COTCO, WB, PSMC, FEDEC, Civil Society, Trade Unions

Saturday, October 26 – Komé

- In transit: Yaoundé - Komé
- Komé Base: Coordination Nationale/CTNSC/DP

Sunday, October 27 – Bébedjia-Komé**

- Sub-prefect of Bébedjia
- FACIL representatives
- FACIL beneficiaries
- Site supervision of the CTNSC
- Komé Atan
- Komé Base:
- TOTCO and contractors, and economic operators
- TOTCO socio-economic team

Monday, October 28 – Moundou **

- In transit: Komé - Moundou
- Prefect of Western Logone
- GTZ, ADICAM, ASDA and ADESTAL
- Financial intermediaries of FACIL
- Regional delegations
- JMN Consultant and CIS: PEPFL
- NGO ORT: Improved Agriculture Project

Tuesday, October 29 – Moundou-N'Djaména

- In transit: Moundou - Komé
- ESSO and sub-contractors (Pride Forasol, Schlumberger)
- Visit of the Komé Base économat with JMN Consultant
- In transit: Komé - N'Djaména
- World Bank and IMF

Wednesday, October 30 – N'Djaména

- TOTCO and TCC
- Directions générales de l'Administration du Territoire et de la Structuration des collectivités décentralisées
- Directions générales de l'élevage et de l'hydraulique
- Ministre du Plan, du Développement et de la Coopération
- Ministre de l'Agriculture
- NGO CELIAF

Thursday, October 31 – N'Djaména

- Ministre du Pétrole
- Ministre de la Santé Publique
- Ministre des Travaux Publics et Transports
- Ministre de l'Éducation Nationale
- Secrétariat National du Renforcement des Capacités
- Groupe de Recherches Alternatives et de Monitoring du Projet Pétrole
- Trade union : Confédération Syndicale du Tchad (CST)
- IAG Private meeting

Friday, November 1 – N'Djaména

- WB and Africare
- Diplomatic Corps and Donors
- IAG Private meeting
- Working session with the WB, CN and TOTCO

Saturday, November 2 – N'Djaména

- IAG Private meeting
- Bishop of N'Djaména
- Media representatives

Sunday, November 3 – N'Djaména

- IAG Private meeting

Monday, November 4 – N'Djaména

- IAG Private meeting
- The Prime Minister
- Debriefing session: WB, TOTCO, CN, CTNSC, DP, IMF, CCSRP, FACIL, Cellule économique, Civil Society

* IAG accompanied by representatives of the Extractive Industries Review

** IAG accompanied by the Site Supervision of the CTNSC

*** IAG accompanied by representatives of COTCO, FEDEC and the NGO Planet Survey

APPENDIX 2**ABBREVIATIONS AND ACRONYMS**

ADICAM	<i>Association pour la Défense des Intérêts du Canton de Miandoum, Association for the Defense of the Interests of Miandoum Township</i>
ASDA	<i>Association pour le Développement et l'Autosuffisance Alimentaire, Association for Development and Food Self-Sufficiency</i>
ASOSRP	Area Specific Oil Spill Response Plan
CACOL	<i>Cadre de Concertation Locale, Framework for Local Dialogue</i>
CAPECE	Cameroon Petroleum Environment Capacity Enhancement Project
CCSRP	<i>Collège de Contrôle et de Surveillance des Ressources Pétrolières, Oil Resources Control and Monitoring Group</i>
CDF	Community Development Facilitator
CIFOR	Centre for International Forestry Research
CIS	Catering International & Services
CNAR	<i>Centre National d'Appui à la Recherche, National Centre for Research Support</i>
CNI	<i>Carte Nationale d'Identité, National Identity Card</i>
CNPD	<i>Coordination Nationale Projet Doba, National Coordinator, Doba Project</i>
COTCO	Cameroon Oil Transportation Company
CPPL	<i>Commission Permanente Pétrole Locale, Local Standing Committee on Oil</i>
CST	<i>Confédération Syndicale du Tchad, Chad Confederation of Trade Unions</i>
CTNSC	Pipeline Steering and Monitoring Committee
DP	<i>Direction du Pétrole, Petroleum Directorate</i>
EEPCI	Esso Exploration and Production Chad Inc.
EIR	Extractive Industries Review
EMP	Environmental Management Plan
FACIL	<i>Fonds d'Actions Concertées d'Initiatives Locales, Joint Action for Local Initiatives Fund</i>
FEDEC	Foundation for Environment and Development in Cameroon
FSO	Floating Storage and Offloading Facility
GEF	Global Environment Facility
GTZ	<i>Gesellschaft für Technische Zusammenarbeit, German-government-sponsored cooperative development agency</i>
HIPC	Highly Indebted Poor Countries
HRA	Human Rights Association
IAG	International Advisory Group
IMF	International Monetary Fund

IPP	Indigenous Peoples Plan
MINEF	Cameroon: Ministry of the Environment and Forests
MPS	Chad: <i>Mouvement Patriotique du Salut</i> , Patriotic Movement for Health
NGGS	Chad: National Good Governance Strategy
NGO	Non-Governmental Organisation
PCC	<i>Programme de Compensations Communautaires</i> , Community Compensations Program
PEPFL	<i>Projet d'Encadrement des Producteurs de Fruits et Légumes</i> , Fruit and Vegetable Producers Supervision Project
PNLDAH	<i>Plan National de Lutte contre les Déversements Accidentels d'Hydrocarbures</i> , National Oil Spill Response Plan
PSMC	Pipeline Steering and Monitoring Committee
RDP	Regional Development Plan
SENAREC	<i>Secrétariat National du Renforcement des Capacités</i> , National Capacity Building Secretariat
SNV	Netherlands Development Organisation
STEE	<i>Société Tchadienne d'Eau et d'Électricité</i> , Chad Electrical and Water Company
TCC	Tchad-Cameroun Constructors
TOTCO	Tchad Oil Transportation Company
UGM	<i>Union des Groupements Maraîchers</i> , Coalition of Farm Produce Groups
UTO	<i>Unité Technique Opérationnelle</i> , Operational Technical Unit
WB	World Bank
WCS	Wildlife Conservation Society
WWF	World Wildlife Fund