4. Chad–Cameroon: International Bank for Reconstruction and Development/International Finance Corporation—Petroleum Development and Pipeline

OVERALL PROJECT DATA

Stage: Approved, along with capacity building projects. World Bank environmental assessment category A. IBRD Project I.D.: TDPE44305. IFC Project I.D.: 4338. Project first entered: March 1997. Entry last updated: August 2001.

DESCRIPTION OF OVERALL PROJECT

This project is a cluster of projects summarized in the following short entries. The longer description, drawn in part from the entry in the 1999 USAID report and in part from action in 2000, is merely a summary of a complex series of reviews, meetings, and memorandums that continue as the relevant agencies of various governments and the World Bank follow through on commitments made in the approval process. Further information is available from USAID, the U.S. Treasury Department, and several NGOs—including Environmental Defense and the Center for International Environmental Law.

The core of the project is a $3.7 billion pipeline from Chad to Cameroon's Atlantic coast and a port facility to load oil onto tankers. In January 2000, in response to the acknowledged need to increase the capacity of both countries' governments to regulate such operations and to manage the revenue from them, the bank added capacity-building projects. ~~that were not subject to full environmental assessments.~~(misleading; implies that they should have been subject to full EAS when in fact full EAS not required). (Need to delete following since USAID opinion as to whether EA circulated should have had these elements (not required according to WB guidelines) and also since same text appears already in USAID's Comments (in Mid-2001 section:) ~~The EA circulated for the pipeline was from the oil consortium, rather than one produced or formally refined and adopted by the governments, as required under normal World Bank operations. The latter could have addressed clearly and officially many questions, especially about a) financing and legal and institutional responsibility for oil spills and b) establishment and management of parks set aside to conserve biodiversity reduced by the direct and indirect impact of the project. There also were questions about the funding adequacy of the indigenous peoples plan, the governance capacity of both governments, the cumulative impact of the project on the poor and displaced peoples (particularly pygmy minorities), and the details about an international advisory group (such as its budget, its powers, and its relationship to other aspects of project oversight).~~

The project will provide support to the Chad and Cameroon governments in implementing the Chad–Cameroon pipeline, especially with respect to environmental issues and development of domestic oil resources. It involves developing Chad's oilfields and constructing a petroleum export pipeline from the south of Chad to the Atlantic coast of Cameroon and related marine installations. The objectives of the project are

- To promote the economic growth of Chad and Cameroon through the private sector–led development of Chad's substantial petroleum reserves and their export through Cameroon
- To strengthen Chad's management of petroleum revenues through a technical assistance component
- To strengthen Chad and Cameroon's capacity to monitor the consortium's activities and the environmental safeguards in place

The project involves

- Developing 300 production wells in Chad's Doba oilfields
- Constructing a 30-inch, 1,050-km buried pipeline (170 km in Chad, 880 km in Cameroon) from Chad's oilfields to Cameroon's Atlantic coast, and related pumping stations, ancillary facilities, and infrastructure
- Installing marine export terminal facilities in Cameroon (a moored floating storage and offloading vessel) and associated marine pipelines and related facilities

The following are the elements included in this cluster of projects:

4-a. Cameroon—Environment/Governance

SUBPROJECT DATA

(R) Petroleum Environment Capacity Enhancement (formerly Environment Oil Technical Assistance); (Cr. 3372–CM): approved 6 June 2000 by the executive directors. Environmental assessment category C. PID: CMPE48204. US$5.77 million (IDA). Consulting services to be determined. Implementing agency to be determined.

DESCRIPTION OF SUBPROJECT

The project will provide support to the government of Cameroon in implementing the environment mitigation plan for the Chad–Cameroon pipeline.

4-b. Cameroon—Power/Pipeline

SUBPROJECT DATA

(R) Petroleum Development and Pipeline (Ln. 7020–CM): Approved 6 June 2000 by the executive directors. Environmental assessment category A. PID: CMPE51059. US$55 million (IBRD). Consulting services to be determined. Implementing agency to be determined.

DESCRIPTION OF SUBPROJECT

The project involves a) constructing a petroleum export pipeline from the south of Chad to the Atlantic coast of Cameroon and related marine installations and b) developing Chad's oilfields.

4-c. Chad—Power/Pipeline

SUBPROJECT DATA

(R) Petroleum Development and Pipeline (Ln. 4558–CD): Approved 6 June 2000 by the executive directors. Environmental assessment category A. The final environmental assessment is available from the World Bank's Infoshop. PID: TDPE44305. US$35 million (IBRD). Consulting services to be determined. Project Services Manager, Esso Exploration and Production Chad, Inc., 800 Gessner, Suite 400, Houston, Texas, USA 77024, fax: (1–713) 973–5230; Ministry of Mines, Energy, and Petroleum, BP 816, N'Djamena, Chad, tel: (235) 51–21–88, fax: (235) 51–25–65, 51–30–43; Société nationale d'hydrocarbures, BP 955, Yaoundé, Cameroon, tel: (237) 20–19–10, fax: (237) 20–46–51.

DESCRIPTION OF SUBPROJECT

The project will support a) constructing a pipeline to the coast of Cameroon, b) developing the Doba oilfields, and c) transporting oil from Chad to the coast of Cameroon.

4-d. Chad—Power/Governance

SUBPROJECT DATA

(R) Petroleum Sector Management Capacity-Building (formerly Petroleum Technical Assistance/Oil Sector); (Cr. 3373–CD): Approved 6 June 2000 by the executive directors. Environmental assessment category B. PID: TDPE48202. US$24 million (IBRD/IDA). Consulting services to be determined. Ministry of Mines, Energy, Hydraulics, and Petroleum, N'Djamena, Chad.

4-e. Chad—Management of the Petroleum Economy Project

SUBPROJECT DATA

Original unit: AFC07. Last updated: 27August 27 2001. Project status: active.

Sector: public sector management. Subsector: other public sector management. Environmental category C. Bank team lead: Huybens Elisabeth. Project ID: P062840. Main Loan/Credit #: 33160. Approval Date: 27 January 2000. Closing Date: 30 June 2005. IBRD commitment: 0. IDA commitment: $17.5 million. IBRD+IDA Comm.: $17.5 million. Grant Amount: 0. Total Project Cost: $17.5 million. Product line: IBRD/IDA. Lending Instrument: specific investment loan. Borrower: government of Chad. Implementing Agency: Cellule Économique—Presidency of the Republic.

DESCRIPTION OF SUBPROJECT

This subproject was approved in January 2000, several months ahead of the other components it supports. The project development objective is to help Chad deploy oil revenue efficiently and transparently to reduce poverty. The proposed project accompanies the proposed IBRD participation in the Chad–Cameroon Petroleum Pipeline Project and an IDA technical assistance project to strengthen the management of the petroleum sector and environmental management. It also complements IDA operations supporting expenditure programs in the priority poverty reduction sectors. The project would build capacity in Chad to help integrate sector programs within a viable consolidated budget and public expenditure framework, manage macroeconomic distortions induced by oil exports, provide the analytical underpinning for the allocation of public resources to poverty reduction, implement the mechanisms mandated by law for the control and oversight of oil revenues, associate the civil society to policy formulation, and inform it on the outcomes of public resource use.

The project would have five components: 1) strengthening of public financial management, by upgrading and rationalizing the budget cycle, including the macroeconomic and public expenditure framework, budgetary programming, revenue mobilization, expenditure circuits, debt and cash flow management, the internal control and audit systems, and financial reporting; 2) production of a poverty database and reporting system and participatory articulation of a strategy for poverty reduction; 3) support to civil service reform, including implementation of reform in key economic administrations; 4) implementation of oversight and control capacities in the Auditor General's Office and the Committee for Oversight and Control of Petroleum Revenue and information of the civil society on the implementation of the petroleum revenue management strategy; and 5) monitoring of economic reform.

4-f. IFC—Petroleum Development and Pipeline Project

SUBPROJECT DATA

Loans in the amount of $100 million in A-loans and up to $300 million in B-loans to the Chad Oil Transportation Company, S.A. (Project appraisal document, 13 April 2000, WB/IFC Report No. 19343 AFR).

The pipeline contribution was changed by April 2000 from the early 1999 figures: Projected IBRD funding: $90 million. Projected IFC funding: $250 million of projected total cost: $3.5 billion. By April 2000 they had become IBRD loans of $39.5 million to Chad, $53.4 million to Cameroon, and IFC loans of $100 million in A-loans and up to $300 million in B-loans to Chad and Cameroon Oil Transportation Companies.

Private sector sponsors: Exxon–Mobil International, Petronas, and Chevron. (Royal Dutch Shell and Elf Aquitaine withdrew.) Exxon's local affiliate was to be the operator of the project—as of April 2000 the operators were the Chad and Cameroon Oil Transportation Companies.

DESCRIPTION OF SUBPROJECT

The following is derived from the IFC's July 2001 description of the overall project.

The project is to develop the oilfields at Doba in southern Chad (at a cost of US$1.5 billion) and construct a 1,070-kilometer pipeline to offshore oil-loading facilities on Cameroon's Atlantic coast ($2.2 billion). The sponsors are Exxon–Mobil of the United States (the operator, with 40 percent of the private equity), Petronas of Malaysia (35 percent), and Chevron of the United States (25 percent). The project could result in nearly $2 billion in revenues for Chad (averaging $80 million per year) and $500 million for Cameroon (averaging $20 million per year) over the 25-year production period.

Rationale. This project could transform the economy of Chad. At the moment, the country is so poor that it cannot afford the minimum public services necessary for a decent life. By 2004, the pipeline could increase government revenues by 45–50 percent a year and allow it to use those resources for important investments in health, education, environment, infrastructure, and rural development—all necessary to reduce poverty.

Status. On 6 June 2000 the Board of Directors of IBRD, IDA (the World Bank's lending arm for the poorest countries), and IFC approved lending for the Chad–Cameroon Petroleum Development and Pipeline Project and two related capacity-building projects, one project each in Chad and Cameroon for petroleum, environmental, and social aspects associated with petroleum development and export. The board approved an IDA credit for revenue management in Chad in January 2000.

Physical implementation of the project has started. Mobilization of the first contractors for the infrastructure works. The oil-filled facilities began in September 2000.

Project description and financing. The Petroleum Development Project involves a) developing Chad's Doba oilfields, b) constructing a buried pipeline (1,070 km in length, 76 cm in diameter) from Doba to Cameroon's Atlantic coast near Kribi, related pumping stations, ancillary facilities, and infrastructure, and c) installing an offshore moored floating storage, offloading vessel 11 km out to sea, associated marine pipelines, and related facilities.

Construction will take three years. Oil could begin to be exported by the end of 2003. Chad and Cameroon are likely to benefit from oil revenues over the 25-year production period, in amounts totaling more than US$1.8 billion (in royalties, dividends, and taxes) for Chad and more than $500 million (in transit fees, dividends, and taxes) for Cameroon.

Total project costs are estimated at about US$3.7 billion, with $1.5 billion for development of the oilfields in Chad (field facilities) and $2.2 billion for the pipeline and marine facilities (the export system). The project's private sponsors (led by Exxon–Mobil, the operator, Petronas, and Chevron) are financing about $3 billion or 81 percent of the project costs from their own resources, including 100 percent of the field facilities. About $600 million in debt financing for the export system has been obtained by the sponsors from export credit agencies and commercial banks. The World Bank Group is providing $92.9 million in IBRD loans ($39.5 million to Chad and $53.4 million to Cameroon, amounting to about 3 percent of project costs) for financing the two governments' minority holdings in the joint-venture pipeline companies (TOTCO in Chad and COTCO in Cameroon). The World Bank's private sector affiliate, the IFC, is providing an A-loan of $100 million ($85.5 million to COTCO and $14.5 million to TOTCO), about 2.7 percent of the total debt, and has mobilized another $100 million (for COTCO and TOTCO) in commercial lending under a B-loan umbrella. Additional borrowing for the export system has been obtained from U.S. and French export credit agencies. The European Investment Bank is providing $41.5 million to finance Chad's and Cameroon's equity in the two joint-venture oil companies, TOTCO and COTCO ($15 million and $25.5 million, respectively).

USAID'S COMMENTS

We will first summarize the improvements achieved through the intervention of the USG and others. We will then review the process that led to those improvements and some of the questions or issues that remain.

Summary of Reviews and Improvements Achieved By the Time of the Board Vote

USG internal review of this project was the most extensive interagency process ever run by the USG for an MDB project. This included perhaps a dozen different meetings, with World Bank staff, NGOs and several agencies. These were accompanied by an extensive volume of informal communications by USG agencies, both internally and with outside groups.

The project contains an array of safeguard measures, some of which are unprecedented for World Bank operations. Over the years leading up to the World Bank Board approval, significant improvements were made to the project at U.S. urging. For example, a revenue management plan intended to provide both transparency and accountability in the handling of oil revenues was introduced in Chad. The government and Parliament approved the structure of this plan under the Revenue Management Law. Under the plan, oil revenues will be directed to a series of sub-accounts including commercially managed off-shore escrow accounts, a "Future Generations" savings account, and special commercial bank accounts. Also, a portion will go directly to the budget for general government budgetary purposes. Eighty percent of the direct revenues will be earmarked for priority social investments such as health and education; five percent will go directly to the oil-producing region. An oversight committee, nearly half comprised of civil society/NGO representatives in addition to a member of the Supreme Court and two Parliamentarians, will have authority to authorize disbursements of oil revenues from the commercial banks to the general government budget.

Significant improvements were also made, again with U.S. active engagement, with respect to environmental issues. The World Bank rejected the original Environmental Management Plan (EMP) as inadequate and, as noted earlier, worked with the project sponsors to reroute significant parts of the pipeline to avoid certain sensitive wildlife habitats and resettlement of indigenous communities. In addition, two new national parks in Cameroon were designated as "offsets" to compensate for losses of special wildlife habitat that will occur.

Provisions for monitoring the Environmental Management Plan were improved by providing that the normal monitoring by the private sponsors and governments will be supplemented by external consultants and experts. The Bank also agreed to an independent high level international advisory group, which the U.S. and other shareholders had sought.

The Bank included conditions or "covenants" in its loan and project agreements that could lead to suspension of disbursements and accelerated repayment of World Bank loans if the Chadian revenue management plan and/or elements of the EMP are not developed or implemented.

Thus, at the time of the Board vote, the project had substantially improved, both conceptually and with respect to specific design elements. To the majority of agencies, the overall structure of the project appeared sound.

USAID'S COMMENTS (BEFORE 2000)

This is said to be the largest construction project in sub-Saharan Africa. The project is mentioned in the World Bank's country program strategies for Chad and Cameroon.

Local environmental NGOs have shared with USAID their concerns regarding the three alternative pipeline routes and how they would affect sensitive ecosystems. These NGOs indicated their sense of inadequate public consultation in conjunction with the environmental impact assessment (EIA) because the document was not readily available within Cameroon. While clearing for construction preparation had begun south of Kribi, the EIA could be read only inside a certain office where photocopying was not possible.

The U.S. executive director's office hosted a January 1999 briefing by bank staff for interested U.S. government agencies. Bank staff announced that they would produce the framework for a "unified environmental and social assessment" that will eventually include all assessment and related documents (Note: To say more than framework is misleading and implies that the Bank did not fulfill its promise. The EIA was never promised to be a compilation of completed assessments in each of these areas/plans; Bank policy has provisions for their implementation over time and says nothing about the need to include an "assessment" of the individual plan itself in the EIA):

- Environmental assessments for Chad and Cameroon received November 1997
- Environmental mitigation plan for Chad—November 1997
- Environmental mitigation plan for Cameroon—February 1998
- Chad compensation/resettlement plan—February 1998
- Cameroon compensation plan—September 1998
- Chad and Cameroon environmental mitigation plans (including technical specification
- Chad compensation/resettlement plan
- Cameroon compensation plan
- Chad rural development plan
- Community health outreach program
- Oil-spill response plan
- Decommissioning plan
- Indigenous peoples plan in Cameroon
- Environmental offset program in Cameroon

Bank staff were hoping for a July 1999 board date. But this was ultimately delayed a year owing, in part, to the withdrawal of a major project partner and, in part, to a 120-day requirement for public review of the environmental assessment before the board vote. Until the unified environmental assessment document and supporting material are on file at the World Bank, the U.S. government does not begin to count the 120-day period required by both the Pelosi Amendment and by World Bank policy. According to staff, preliminary disclosure and consultation with local peoples would happen before the official transfer of the final project documents. *Revisions to many of the aforementioned documents were made after review by the World Bank, the executive directors' offices, the Chad and Cameroon governments, in-country public review, and international NGOs.*

Progress was made on the pipeline rerouting issue. A meeting was held with the government of Cameroon, the consortium, and bank staff, during which rerouting was discussed extensively. The pipeline will avoid, in part, some sensitive areas that were of concern: The Mbere Rift Valley near Chad has been avoided (the pipeline will follow the ridge); most of the Deng Deng forest was to be avoided (the pipeline will now follow a railroad through central Cameroon); environmental offset areas were still pending as new sites for protection have yet to be chosen by the government of Cameroon. The proposed trust fund would underwrite costs for the management of the new protected areas. The pipeline must go through coastal forests to get to the shore.

By April 1999 some resettlement in Chad had occurred. There were no plans for resettlement in Cameroon—only compensation for lost land. In early 1999 there was still no indigenous peoples plan for the project, nor had the associated trust fund plan been established. The bank was consulting with the Global Environmental Facility on how to manage the trust fund.

A new revenue management law was passed in Chad, though it is unclear to what degree this law will affect the project. In 1999, USAID noted that the World Bank's leverage to push for equitable revenue sharing on the Chad side is limited, but the bank said that it would include language in the loan agreement stipulating that Chad's failure to comply with requirements will negatively affect future bank funding for the country. Questions continue to surround the security situation and the role of the military in Chad. Other issues were discussed at the bank staff briefing, including additional oil production areas in Chad and their possible connection to the project, project design capacity, the regional development plan, and the policy letter approved by Chad's parliament.

USAID'S COMMENTS (IN MID-2001)

While the opportunities from this project are great, so are the risks. This is a large and complex project and Chad and Cameroon have poor underlying policy environments. Both countries have severe governance problems and limited capacity. More generally, the history of oil development projects in Africa is poor. Like Angola and Nigeria, this area is rife with strife though it has not yet seen its richest natural resources tapped. The central question is whether the countries are ready to ensure that those resources contribute to development and not to a cycle of degradation and conflict.

In January 2000, in response to the acknowledged need to increase the capacity of both countries' governments to regulate such operations and to manage the revenue from them, the bank added capacity-building projects. ~~that were not subject to full environmental assessments~~ (Note: the implication here, again, is that full EAs are required for capacity building projects when, according to WB policy guidelines, they are not). The EA that had been circulated for the pipeline project itself was from the oil consortium as required under normal World Bank operations, rather than being produced or formally refined and adopted by the governments as borrowers~~, as required under normal World Bank operations~~ (Note: the way the sentence is structured, appears to be saying that WB operations require the EA to be produced by borrower when in fact it is typical for these to be produced by the developer). In USAID's view, a~~A~~ fuller ~~or combined~~ EA could have addressed more clearly and officially many questions, especially about a) financing and legal and institutional responsibility for oil spills and b) establishment and management of parks set aside to conserve biodiversity reduced by the direct and indirect impact of the project. There also were questions about the funding adequacy of the indigenous peoples plan, the governance capacity of both governments, the cumulative impact of the project on the poor and displaced peoples (particularly pygmy minorities), and the details about an international advisory group (such as its budget, its powers, and its relationship to other aspects of project oversight). USAID noted these concerns in meetings and memoranda.

This cluster of loans was considered in interagency meetings and bank briefings throughout the first six months of 2000. After requesting and receiving copies of the loan agreements between the consortium and the governments (which were said to be the type of documents never circulated before USAID requested them), the Agency felt they contained unresolved legal questions that could potentially lead to environmental problems. For example, though the capacity-building projects were aimed in part at building the capacity to regulate oil development, it was unclear what environmental laws and specific standards and controls would be in place and enforceable by the consortium and the governments (which were also members of the consortium).

The effect of the project on the indigenous Bakola (whom some refer to as pygmy) people was and remains another issue of concern. It is addressed in the Indigenous Peoples plan, but the adequacy of the consultation and the plan itself is uncertain. This is attributable, in part, to unclear land titles and competition for the use of declining forest resources. Others warned that these problems and others, such as the risk of disease, would be made worse by the in-migration of thousands of job-seekers.

Other basic risks also may make the project vulnerable. For example, USAID pointed out that the project still relies on a single-hulled holding ship, feeding oil to single-hulled tankers, instead of double-hulled tankers. Oil-spill risks can be reduced with planning and adequate investment and training, but the extent of that was not determined by the bank in the detail USAID sought at the time of the vote. The specific legal and technical requirements for spill response, management and funding for parks created to offset the harm done by the pipeline to natural areas, and other issues were unclear and scheduled to be clarified ~~only long~~ (implies "after" approval should not be the case) after the loans were approved.

As noted above, the Chad–Cameroon pipeline project was improved by the time it was approved in mid-2000, but in USAID's view (need to be clear) it had then and still seems to have many shortcomings. For example, the project, at the time of Board vote, had no controls for likely exotic invasive species infestation through the dumping of ballast water as tankers take on oil. USAID asked the National Council on Invasive Species to address the question during interagency consideration of the loans. The NCIS pointed out in a memo sent to USAID and the U.S. Treasury Department that

> [F]or several years, it has been U.S. government policy to reduce the risks associated with introductions of organisms via ballast water. Failure to take cognizance of this issue in the pending project would be inconsistent with this policy.

In interagency meetings and in a meeting with Exxon, USAID raised the question of how the invasive species issue would be addressed. As of mid-2001, USAID still had not received copies of the final agreement for the project cluster as approved by the board and was not sure of many details of what would be required concerning the invasive species issues and some other issues raised before the board vote.

Concerning the loan to help Cameroon regulate oil's environmental effects, USAID asked if agreements predating the capacity loans and their improvements would limit the ability of the governments to further regulate oil production and revenue. The response (Who was this response from? Not sure we have commitment from WB or government on this, although you may have better information.) was that the revenue and environmental mitigation plan/environmental assessment controls would apply to new oil (from wells beyond the 300 cited) flowing through this pipeline. The wording of the above Environment/Governance loan to Cameroon in particular was vague as to the timing and application of oil production regulations. The loan does not call for new regulations to control this project and there is a question as to the extent to which any new regulations will be able to control the project or liability arising from it given the various agreements and conditions of different dates.

Draft loan agreements as well as the existing contracts or "conventions" between the governments and the consortium made available to agencies before the Board vote, in the opinion of USAID ~~and some others~~ (delete, or be specific as to which agencies thought this; don't recall this being a major issue; if want to highlight, suggest be specific as to who had concern), raised nearly as many questions as they resolved and appeared to be at best unclear as to which environmental and resource protection elements controlled which actions. USAID recommended in interagency meetings that in addition to the authority of the bank to trigger macro-level measures, that in order to ensure environmental and indigenous peoples' protections, that the bank require the anti-corruption measures that the General Accounting Office had recommended in its April 2000 report on World Bank management controls to fight corruption (GAO/NSIAD-00-73) be put in place. USAID also recommended that the loans require early establishment and funding of enforcement systems that would respond to local complaints or allegations of violations of either Bank policy, corporate covenants, or local law with specific remedies in cases where the complaints were found to be justified.

USAID ~~Despite~~ ~~discouraging~~ continued to remain concerned about ~~reports on continued~~ governance problems at the time of the pipeline loan and it was our understanding that Cameroon had not yet agreed to take part in the bank's full anticorruption and governance program. (Already highlighted in this CCP section of the report that governance is major concern; use of word "discouraging" and "continued" implies that something new or different occurred to change our view that general governance problem acknowledged was made even worse when this was not the case.)

In accordance with ~~USAID also noted that~~ the bank's International Waterways policy that requires informed consent, ~~from~~ nearby Equatorial Guinea ~~appeared not to have been not followed. There was some evidence that the government of Equatorial Guinea~~ had been informed. ~~, but USAID saw no evidence of its having given its prior informed consent in return to the proposed action. Consent under the international waterways policy is not mandatory when the risk of harm is low, but it is mandatory when the risk is greater. In a major oil-~~

~~loading port, the risk of some harm from "routine" spills is high.~~ **(Note: this is not correct. Equ. Guinea had been informed.)**

As of January 2001, the IBRD documents and commercial loan documents were not yet final but expected by May 2001. It is unclear how these may affect the environmental and social performance of the bank loan conditions.

USAID also noted that the bank's project appraisal document rated the project's overall risk as "significant" and that historically there have been concerns of corruption in the countries involved. In light of such concerns, USAID opposed the project as presented, recommending that the package be revised to address these concerns, reviewed as a coordinated whole through the EA process, and timed to develop confirmed management capacity first, followed by oil development.

When the board approved the projects, some of these measures were addressed. As of mid-2001, however, as noted above, USAID had still not received requested copies of the final decisions of the board nor particular details such as invasive species prevention measures. That particular matter may not be clarified until the area-specific oil-spill plans are published, despite the fact that invasive species and oil spills are separate concerns.

Issues Arising After Board Consideration

In the first few months following Board approval of this project, there were developments that required faster implementation of the Government of Chad's Revenue Management Oversight Plan.

On April 25, 2000, the Government of Chad received a $25 million signing bonus from Chevron and Petronas, the two new members to the oil company consortium, as a form of compensation for the tax relief that the two previous members of the consortium (Shell and Elf) had negotiated. The tax relief package previously negotiated by Shell and Elf was based on their substantial investments in oil exploration; the $25 million payment to the government of Chad allows Chevron and Petronas to benefit from that same negotiated package without having made the same investments.

The bonus payment technically falls outside the scope of the legal covenants or agreements between the World Bank and the government of Chad.   Nonetheless, in mid-May, Chadian President Deby committed to the IMF and World Bank to use the bonus money in accordance with the Revenue Management Law.

In September 2000, reports confirmed that the bonus was being spent outside mechanisms planned for under the Revenue Management Law. Although the spending of the bonus outside the Revenue Management Law structure did not constitute a breach of the legal agreement or the covenant with the World Bank, it did violate President Deby's commitment.

In response to this breach of commitment, the World Bank raised the issue in a number of high level meetings between the Bank and the government of Chad. In a joint IMF/World Bank letter dated October 13, the institutions suggested that the government of Chad take the following actions:

- freeze the remainder of the bonus until the Oversight Committee is put in place and a commitment is made to spend the rest of the bonus on priority sectors;
- issue a public report on the spending of the oil bonus to the appropriate institutions, including the Chadian Parliament and the Oversight Committee;
- fully disclose to the World Bank and IMF all existing government accounts and commit to providing monthly information on their balances;
- commit to not approve and execute any government spending outside the official monthly treasury cash plan.

After a delay in Chad's HIPC decision point, all of these conditions were finally met.

Issues Requiring Continued Monitoring

Given the inherent risks to this project, the unprecedented nature of the project improvements, and the safeguard measures that were put in place, the USG continues to remain engaged. We have continued the inter-agency review process for monitoring the early implementation of the project. Agencies have been particularly focused on ensuring the following gets done:

- Area-specific oil spill response plans should be completed and released to the public six months prior to oil shipment.
- The World Bank and private sponsors need to report on further detailed development of the general oil spill response plan.
- Invasive species control measures must be proposed~~, revised in light of public comment~~ and put in place.
- The World Bank and private sponsors need to assess and report on the adequacy of the funding and management of the off-set parks.
- The World Bank and private sponsors need to assess the need for any possible additional work on the Indigenous People's Plan and then to rectify any uncovered deficiencies.
- The Revenue Management Oversight Committee's authority may need to be strengthened.
- There must be public release of the audits of off-shore escrow accounts holding the oil revenue.
- World Bank-supported public expenditure reviews need to be regularly updated and available to the public.
- Project monitoring reports must be regularly updated and made available to the public.

- Dissemination of project information to local Chadians and Cameroonians needs to assured.
- The Bank must clarify the form and frequency of the International Advisory Group (IAG)'s communication and interaction with the Board and public and on the nature of the IAG's operational relationship with the World Bank.
- ~~Together we m~~Must ensure the adequacy of funds available for the World Bank's supervision and monitoring of this project.

The bank's *Interim Fuel for Thought* report declared the Chad–Cameroon project to be a model example of a project under its third objective "To promote environmentally sustainable development of energy resources."

~~The first six-month interagency review indicated that 60 percent of the $25 million bonus had been spent "outside of established budget procedures" and that governance was weakening, civil conflict and risk of famine were increasing, and parliamentary elections appeared to have been postponed.~~ (Already mention the bonus and not appropriate to give assessment in this report on developments with civil conflict and famine; would need to clear with State.)

A fundamental question in USAID's assessment remains: To what extent will the presence of the bank and its capacity-building loans enable affected people to protect themselves from environmental risk or to remedy environmental harms that result either from violations of bank policy or other standards that apply to the pipeline and oil production? USAID believes that the capacity-building loans should be used to build such remedies.

On March 22, 2001 the Inspection Panel of the Bank received a Request for Inspection alleging actions in regard to the pipeline and Chad management capacity loans that the Panel initially found could constitute violations of several of the Bank's policies and procedures. On September 12, 2001 the Inspection panel recommended an inspection to resolve differences between the Bank management and the complainant. It was to be approved, and the inspection, or investigation begun in full, if there were no objection by the Board by October 1, 2001.