

# Living with oil

Poverty, conflicts and corruption  
in Chad and Cameroon



**Group Chad / Groupe Tchad**

Human rights – Raw materials – Peace initiatives  
Droits de l'homme – Industries extractives – Promotion de la Paix

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# Living with oil – Poverty and governance in Chad and Cameroon

Dear readers,

Burning oil wells, children bathing in glimmering oil slicks in the Niger Delta. The explosion of BP's Deep Water Horizon oil platform in the Gulf of Mexico last year: These are synonyms for oil production and its impact on mankind and the environment. You will not find these spectacular images in the Doba oil region in the south of Chad. You rarely come across the odd person when driving your pickup along the roads in the oil-producing region. As you drive by, you see the half-built shells of still uncompleted schools and clinics. It is all very calm, quiet – too quiet.

It is ten o'clock in the morning and, in a village, you come across a group of young men beneath a tree. They are between 20 and 30 years old, farmers. They stare at you with bloodshot eyes. Most of the men are alcoholics. They have lost their land and have given up all hope. This is a stark contrast to the capital, N'Djaména: It is loud, hot, dusty and there are construction sites everywhere. A strong military presence. Vehicle spot checks. They are looking for weapons and rebels. The people are irritable and aggressive.

The nervousness in the city and the apathy in the countryside are two sides of the same coin: both are long-term consequences of the oil production. This issue seeks to shed light on the reasons behind this. We shall take the aims of oil production – including alleviating poverty and developing expertise and administrative ca-

pacities in the oil sector – as an opportunity to present the actual living conditions in short overviews.

The first part focuses on the development of poverty. The integrated rural production systems have been destroyed. The system of financial compensation further accelerated the breakdown of social structures. The health-care and educational situations will also be described briefly. In terms of the public sector and governance, we shed light on disclosure of payment flows between companies and governments and the use of oil revenues. What contribution is made by the oil revenues to help development? How is the international Extractive Industries Transparency Initiative viewed in the raw material sector in Cameroon? Last but not least, we assess the funding of fossil fuel extraction by the World Bank.

The articles make the current academic and civil society work available to a wider audience. For those who are interested, additional references are included in the texts. We would like to thank the authors for their contributions and we hope that this offers stimulating reading.

Please send suggestions and criticism to the coordinator of Group Chad (AG Tschad)  
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## Members of Group Chad



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## General overview on oil and gas extraction

*Regine Richter, urgewald*

Oil, gas and coal continue to be the major energy source worldwide. The huge demand for energy sources and their high prices lead the energy industry to consider ever more remote and sensitive environments for exploration. The environmental risks and impacts of the oil and gas extraction are tremendous.

Meanwhile the ecological risks of oil and gas exploration are huge:

- pollution of land, air and water through drilling platforms and oil and gas production facilities, flaring installations and refineries; contamination of the sea and coasts because of damaged oil tankers.
- serious oil spills, leakages, fires or explosions through ruptures of pipelines, due to earthquakes, other natural causes or sabotage;

Social impacts, too, are severe:

- pollution and infection diseases affect the health of local and indigenous communities, as well as their culture and livelihoods;
- oil and gas companies claiming land of local inhabitants, or polluting it severely deprive the inhabitants of their source of income;

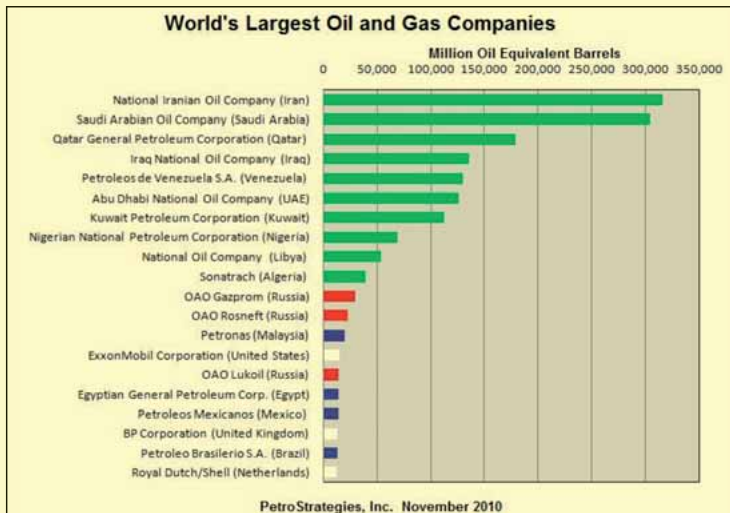
The term “supermajors” illustrates the six largest, non state-owned energy companies (BP, Chevron, ConocoPhillips, ExxonMobil, Royal Dutch Shell, and Total). In terms of financing, big oil companies are seen as safe investments. Therefore, they can relatively easy attract cheap funds from the capital markets. Yet supermajors are pretty small next to the industry’s true giants: the national oil companies (NOCs) owned or controlled by the governments of oil-rich countries, which manage over 90% of the world’s oil. Of the 20 biggest oil firms, in terms of reserves of oil and gas, 17 are NOCs.

More information on the impacts of the oil production can be found here: [www.boell.de/finanzersources/](http://www.boell.de/finanzersources/)

- oil and gas extraction and transportation often contribute to increased conflict, repression and abuse of human rights, especially where the extracting corporations collaborate with military or local militias;
- there is a growing consensus among economists that the disruptive economic effects of oil investment act to drastically reduce growth and undermine the non-oil economy, as well

as often leading to declining governance structures and a weakening of democracy (the so-called resource curse);

- At a regional level, oil is frequently associated with greater militarization and conflict – through disputes over the control and ownership of resources, through the use of revenues to purchase arms, and through the targeting of oil infrastructure by armed groups.



source: [http://www.petrostrategies.org/Links/worlds\\_largest\\_oil\\_and\\_gas\\_companies.htm](http://www.petrostrategies.org/Links/worlds_largest_oil_and_gas_companies.htm)

## The Chad-Cameroon oil and pipeline project

### A plea for political responsibility and cooperation with the affected population on an equal footing

*Claudia Frank*

Oil has been produced in the Doba Basin in southern Chad since 2003. The oil field is operated by the major oil companies Exxon Mobil, Petronas and ChevronTexaco, which pump the oil through a pipeline that runs to the Atlantic port of Kribi in Cameroon. They have formed a consortium for this purpose called ESSO.

The World Bank established a comprehensive legislative framework in response to social pressure to ensure that oil revenues are used to alleviate poverty and for development purposes: a law stipulates how the profits are to be distributed. However, in 2006 – three years after

the start of oil production – the Chadian government officially announced that it would no longer respect these regulations. The Oil Revenue Management Law was amended and the fund for future generations was summarily disbanded. The priority sectors defined previously (health, education, infrastructure, social services, rural development and water) were expanded to include the security sector, justice and administration. The fact that a simple decree from the President is enough to determine these priority sectors is a major problem. The Chadian society is excluded from taking any part in the decision-making.

### The myth that oil production is a blessing

*Auguste Djinodji, 95 years old,  
Village elder from the village of Maïkeri*

The villagers of Maïkeri are supposed to guard one of the first bore wells day and night, and keep it clean. They do that. The year is 1974. 20 years later, American ethnologist Helen Brown brings the dream of a better life – of paradise. She speaks in Ngambai, the language of Auguste Djinodji, and was commissioned by ESSO. The number of bore wells that need watching over has now increased. And Helen Brown recommends that the villagers also look after these wells also.

17 years later, in 2011, there is now oil everywhere. But above all there are threats. The young men can no longer go looking for a wife in the neighbouring villages. Strict security restrictions have been imposed. Nobody dares to leave the village after 5 pm.

“We’re like dead people whose arms and legs have been bound together and stowed in a coffin and lowered into a grave. At my age I’m old enough to be buried, but the children aren’t. Help them escape from here before the nightmare begins, because it’s not far off.”



Operators	ESSO consortium: ExxonMobil (40%), Petronas (35%) and ChevronTexaco (25%)
Oil Field	Doba Basin, southern Chad
Length of pipeline	1,070 km, of which 880 km are in Cameroon
Width of the pipeline corridor	15 m on either side of the pipeline
Export terminal	Kribi, Atlantic coast of Cameroon
Commencement of oil production	2003
Amount of oil extracted from 2003-2011	376 million barrels
Number of oil wells	Disputed. According to the operators there were 725 oil wells at the end of 2010. Local sources estimate that there are up to 1000 oil wells.
Total revenue	Unknown
Total revenue of Chad	6.3 billion dollars, ESSO Chad, 2010b:1

In Cameroon, there is still no national legislation that entitles the local residents living near the pipeline to support and funding for development measures.

The decisions of the World Bank and the ESSO consortium continue to play a central role in the development of the project.

The responsibility and tasks assumed by the World Bank in the public sector and the social responsibility shown by the group of companies – the ESSO consortium – have a decisive impact on the affected population. How does one evaluate the investments made by the two main players in the pipeline project?

### The World Bank

At the request of the US and German governments, the largest and second largest investors in the World Bank respectively, the institute's own Independent Evaluation Group (IEG) evaluated the project and published its results in November 2009. This report confirms that the

Assessment of the programme's performance in the IEG report	
Outcome	Unsatisfactory
Risks to Development Outcome	High
Bank Performance	Moderately unsatisfactory
Borrower Performance (Chad)	Unsatisfactory
Source: World Bank 2009:49.	

principal aim of the project – alleviating poverty – has not been achieved. What is even worse, the evaluation revealed that the project has contributed to a resurgence in violent conflicts, a continued decline in governance and increased corruption. The report concludes that oil production has also led to a decline in other fundamental economic areas.

The management of the bank believes that the failure of this development project is down to the lack of political will shown by the govern-

### Control mechanisms – without effect

Innovative national and international control mechanisms were established to manage oil revenues from the Chad-Cameroon project. Two external committees have monitored the environmental and social impacts as well as the overall development and governance aspects. The expertise of these advisors has enhanced the knowledge regarding the effects of the project decisively. Their reports documented the project's deficiencies (toxic waste, air pollution, additional land acquisition, health) over several years – however without consequences.

The Independent Advisory Group (IAG), which is responsible for the public sector, concluded its work on completion of the project evaluation. The website was closed down on June 30 2010. As commissioned by the International Finance Corporation (IFC), the private sector division of the World Bank, the work of the External Compliance Monitoring Group (ECMG) will continue until ESSO has repaid the loan in full ([www.ifc.org/ecmg](http://www.ifc.org/ecmg)).

ments in Chad and Cameroon. Also, Chad and Cameroon still do not have independent capacity to control the oil industry of their own accord.

However, how does the bank explain its fatal decision in 2000 to support the project? Who accepts political responsibility for this failure of the bank? How is the assessment of the evaluation report reflected in the bank's exposure in Cameroon and Chad? Those affected are still waiting for answers. The plain fact is that the already precarious situation of the vast majority of the population, whose livelihoods are based on agriculture and livestock breeding, has deteriorated further. It is the people in the poor rural communities in the oil-producing region and along the pipeline route who bear the brunt of the ecological impact and social division caused by the physical infrastructure of the project.

### The ESSO consortium

The ESSO consortium reports on the progress of the project every six months. The stated extraction volumes of 122,500 barrels a day in 2010 and the claimed 700 public information meetings that have taken place with 22,000 people (ESSO Chad 2010b:1) cannot be verified by an independent body.

The perceptions of the local situation by the ESSO consortium and the civil society in Chad differ fundamentally. In Chad, the local CPPL network strives to obtain detailed information on the planned compensation measures from ESSO to enable them to advise those affected in good time. In Cameroon, on the other hand, the dissatisfaction of the non-governmental organisations CED, RELUFA, FOCARFE and CARFAD with COTCO (Cameroon Oil Transport Company) led them to suspend cooperation with the joint platform on February 2 2010.

Contrary to the agreements, COTCO negotiated with the population while the platform was working in order to clarify controversial points without participation of the Cameroonian civil society. ESSO's annual report for 2010 states: "... COTCO announced the successful completion of the social statement process created to address outstanding claims from the project's main construction phase. The social statement

process was a collaboration between the members of a 'platform' that included representatives from the Cameroonian government, four NGOs [mentioned above] and COTCO..." [ESSO Chad 2010b:2]

Already during a trip to Chad and Cameroon by members of the German parliament in 2007, the President of ESSO Chad, Ron Royal, expressed his regrets that ESSO had described the pipeline as a development project (Members of Parliament Ute Koczy and Bärbel Kofler, trip to Chad and Cameroon, January 19-27 2007 (Horta et al., 2007:11). Nevertheless, the consortium has not changed its approach towards the local pop-



Street trader in Miandoum: the 'chinese' refinery was inaugurated on the 27th of June 2011. Until then, the crude oil was not treated in Chad and the fuel imported from Nigeria to be sold in the streets.



The promotion of small businesses is intended to accompany the measures for alleviating poverty. However, there are few success stories which have survived because they are sustainable. – After they lost their land, these farmers in Madana Nadpeur invested in cultivating vegetables. At first this was quite successful: carrots, parsley and cabbage were sold. ESSO was one of the main customers. However, only lettuce and tomatoes are successful at the moment.

ulation in terms of compensating and investing in the communities.

Those receiving compensation often report that they have received goods that do not meet their needs. There is no cooperation on an equal footing. Those affected have been reduced to mere supplicants.

### Conclusion – Political failure

The decisions that led to the World Bank's withdrawal from Chad on the one hand and to the amendment of the agreement between ESSO and the Chadian government on the other can be construed as focusing on individual interests instead of the development remit (World Bank) or the contribution of the private sector to development (ESSO).

Confronted with the announcement of an early repayment in 2008 by President Déby, the World Bank decided to accept this. The bank had underestimated the political context, including the armed rebellion in the east and the shift in the balance of power caused by the arrival of the China National Petroleum Corporation, and overestimated the private sector, whereby the ESSO consortium also prioritised its economic interests. The prospect of not being awarded any new licences or having to relinquish these to Chinese competitors prompted ESSO to agree to market part of the oil through the Chadian government. (ICG 2010:3/4) Securing access to the crude oil was subordinated to all other considerations.

## The destruction of the rural production systems – life in the isolated villages

*Djéralar Miankéol / Martin Petry*

Eleven years after the start of the construction work, the oil region has changed fundamentally. By the end of 2010, 725 oil wells with platforms made of compressed laterite blocks had been drilled (ESSO Chad 2010b:1), which is more than double the number originally planned. In addition there are pump stations, accommodation, offices, warehouses and a power plant that

produces electricity exclusively for the oil project. The region is criss-crossed with high-voltage cables and new tracks and roads. Every day, the people are confronted with new construction work. There are guards and security personnel everywhere, restricting the freedom of movement. Installations for the oil project have been built on a number of sacred sites.

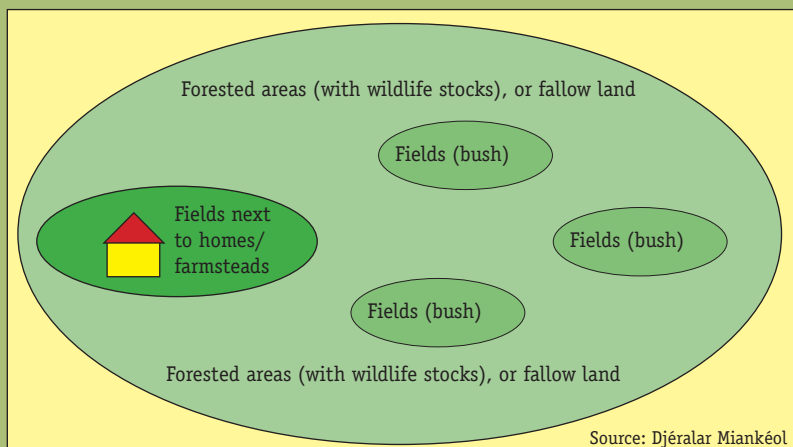


Komé oil installations cut through the landscape (left), EEPCI's ESSO Komé V site (right)

Aerial photos: GoogleEarth

## Integrated cultivation before the oil production

Before the oil project, livelihoods and cultivation were based on the integrated use of various ecological environments, whereby the bush forest and fallow land played just as important a role as the cultivated fields. Farming, livestock breeding, hunting and gathering provided a source of nutrition and income for the families. Vegetables and fruit grew in the fields surrounding the farmsteads. In the fields in the bush land (3 to 5 kilometres from the farmsteads), sorghum, cassava, beans, peanuts and sesame were cultivated. The fallow land ensured the fertility of the soil, whereby trees and bushes were cultivated in the bush land and in the fallow fields whose fruits, bark and seeds were important for food and health. The bush land and fallow fields also provided firewood and building materials and were used as pasture for goats, sheep and cattle. In particular, the production system ensured survival during times of crisis (droughts, civil war). There were also sacred sites in the bush land.



The integrated production system is based on the use of fallow, bush and wooded land in areas up to 10 km away combined with fields directly adjacent to the homes and farms, each of which has its own crops and cultivation periods. The fields close to the farmsteads contribute between 30 and 40% of the local communities' livelihoods while the fallow, bush and wooded lands provide the remaining 70 to 60% accordingly. The study 'Vivre avec le pétrole. Etude sur les conditions de vie des villages en zone pétrolière de Doba au Tchad', October 2010, can be downloaded at [http://peaceresources.net/files/docs/publications/Rapport\\_Etude\\_villages\\_final\\_101123.pdf](http://peaceresources.net/files/docs/publications/Rapport_Etude_villages_final_101123.pdf).

In Maikeri, the sacred site even had to be 'moved' twice, destroying symbols of their culture. Families who have lost most of their land can no longer farm in an integrated manner. The interaction between the different components has been disrupted. But it is only this interaction that enables them to produce sufficient food and revenue. When bush and fallow land is no longer available, the fields become over-cultivated. Fruits and firewood become scarce and livestock breeding is difficult because there is no pasture.

The land required by the oil project is considerably greater than originally calculated by ESSO. On one hand, families can no longer use many areas because they are hemmed in and are in-

accessible between the installations which comprise the oil project. On the other hand, land temporarily used by ESSO before it is rehabilitated and returned to the local population is in such a poor condition that it will be unsuitable for agricultural purposes for many years.

The people are caught in a trap. Their villages are isolated. Their method of farming in the local communities is not compatible with the industrial exploitation of the land by ESSO. Since the two systems cannot coexist, the stronger and more versatile one will take the place of the weaker one. The dream of development and prosperity propagated by ESSO, the World Bank and the Chadian government has become a nightmare for the affected population.

## New dynamics in the conflicts between peasants and pastoralists in the oil region

*Remadji Hoinathy / Martin Zint*

The oil project has exacerbated the land problem. Three different conflicts can be distinguished. Firstly, farmers are locked in disputes over land, in particular land subject to compensation. These conflicts exceed the scope of the mechanisms available for mutually agreed or arbitrated solutions. They often end in bloody confrontations, involving witchcraft and other occult practices.

Secondly, there is underlying tension between long-established communities and livestock breeders who were resettled at the end of the

1990s. As a result of the continual expansion of the oil production and the increasing shortage of land, these tensions often escalate into open conflict. These disputes are also exploited at an ethnic level.

The core conflict between the cantons, on the other hand, is concerned with drawing the boundaries between these administrative territories. ESSO's activities call into question the interests of the canton chiefs, who want to secure compensation and new infrastructure measures for their communities.

### Complementary subsistence economy by peasants and pastoralists

The times when a symbiosis existed are gone – when well-nourished cattle grazed on the harvested fields and simultaneously fertilised them for the next sowing. In the good old days, the farmers and cattle breeders exchanged milk and vegetables. These days there are too many cattle and not enough agricultural land. The disputes between the nomadic herders and settled farmers frequently end in injuries and even deaths.

The relations were never entirely free of conflict, as there was always a tendency to compete for scarce resources such as pasture and, in particular, water. However, during the last few decades, this coexistence has been disrupted, significantly and lastingly. The progressive desertification in the Sahel and the increasing agricultural production associated with population growth, including cotton for export, have exacerbated the struggle for increasingly scarce resources.

## Agricultural decline

*Remadji Hoinathy, Martin Luther University, Halle-Wittenberg*

The 'Dutch disease' is the name given to a syndrome that describes the impact of oil and gas revenues on an already developed economy. It describes a situation in which the oil sector dominates the economy and gradually sucks in production resources from other sectors. Corden (1984) describes the impact of this concentration as deindustrialisation. The sectors outside the oil industry, in particular the processing industries, shrink and their share of exports declines, since oil becomes the main export. In a country such as Chad, whose economy prior to the start of oil production (2003) consisted primarily of crop growing and livestock breed-

ing, agriculture is the principle victim of this petrolisation (Koutassila 1998:4). This therefore leads to a decline in agriculture ('deagriculturation', Sid Ahmed 1987:889). A study of the situation of farmers in the Béro Canton and other areas of the Doba oil region has shown that there are already clear signs of agricultural decline.

Remadji Hoinathy completed his doctorate on oil and social change in southern Chad at Martin Luther University, Halle/Wittenberg [hoinathy@yahoo.fr](mailto:hoinathy@yahoo.fr).

## Destruction of the social fabric – those receiving compensation are exposed to the risks and side-effects

*Djéralar Miankéol / Remadji Hoinathy / Martin Petry*

The oil storage facilities in Doba are situated in the third poorest region of Chad. After five years of oil production, 64.7% of the people in this region lived below the poverty line. The national poverty line has been determined to be € 0.6 per day (SNRP II 2008:18). The inhabitants principally live from farming. As a result of the compensation paid by ESSO for acquiring land and the wages paid to those people employed during the construction phase, the income of some inhabitants increased considerably for a short period of time.

Although the sums paid by no means reflect the losses suffered, they nevertheless represented a considerable amount of money for those affected. People with an annual income of € 300 suddenly found themselves owning between € 500 and € 5000. In these rural regions there are neither banks nor building so-

cieties, and virtually no way to invest this money sensibly. The poor school and training situation and the lack of markets for craft-based products make it even more difficult to start a new career. Some of those who received compensation were able to invest the money sensibly in breeding livestock. However, most of the compensation was spent on healthcare, clothing and social obligations, but also on alcohol and prostitution. Thus the money was not put to productive use to enable future-oriented and sustainable incomes outside of agriculture.

Resignation and inactivity are widespread. Given the vanishing and overused land, it is becoming increasingly difficult to earn a living from farming. Many people feel that they do not have a future. Everyone is waiting for their turn. A "wait and see" mentality has developed: waiting for individual compensation,

waiting for offers of temporary employment by subcontractors, waiting for the return of land and waiting for training in improved cultivation methods, i.e. waiting for crumbs from the oil business.

The uncontrolled influx of people looking for work from all parts of the country and the neighbouring countries represents a challenge to a previously homogenous rural environment for which the traditional rules that governed the fabric of society are not equipped. The new arrivals respect neither the rules and procedures for using land nor

individuals or groups to indiscriminately cut down forested areas or take over land with the intention of obtaining compensation payments.

A former village chief asks: "How can easily earned money become the basis for society

### Bride price

The unusual amount of currency in circulation has not left the social institutions untouched. For example, marriages have also been affected by the monetisation.

It has influenced the practices that seal the marriage, in particular the 'bride price'. The financial value has begun to take precedence over the symbolic value. Some of the *nouveaux riches* and the temporarily rich have been willing to pay very high sums.

This behaviour has now become the norm and even the poor are forced to pay sums that can amount to € 460 and even € 900. According to surveys conducted in the early, middle and late 1990s, bride prices between € 120 and € 220 were normal.

the local legislation. However, increasing and repeated disputes about vanishing natural resources (arable land, pasture and woods) and the financial resources which have suddenly become available also occur within the indigenous population.

These upheavals are reducing the importance of social institutions. The traditionally regulated solidarity within families and villages is eroding. Parental authority is no longer respected. Their offspring spend compensation money as and when they like. Alcohol abuse among youths and men has increased sharply. Domestic violence is also on the rise. Traditional chiefs charge illegal duties and systematically withhold 10% of the compensation paid to those affected. Others charge broker fees in return for procuring jobs or allowing

### Slums and prostitution

Another phenomenon produced by the project has been the uncontrolled influx of people from Chad and the sub-regions into the oil areas. The relationships between the indigenous population and the new arrivals have led to changes in behaviour. New villages such as Mud-a-dogne and Atan/Satan have suddenly appeared between the traditional villages and the camps for the oil workers. The bars and other cheap pubs, hostels and night-clubs have turned them into places of 'amusement', 'atmosphere' and 'Bayla'.

The terminology associated with these places says much about how they are judged by the local population. Mud-a-dogne literally means "the vagina will get you".

Those who know the local language are shocked by the crudeness of the expression. In the case of Atends/Atan/Satan, Atan is derived from 'attend' (wait), from the verb 'attendre'.

This is the answer that many people seeking work get when they queue everyday along the fence surrounding the camp, only to return home with the promise that something will eventually turn up and that they should wait.

In reference to the stranded people and prostitutes, the place is also known as Satan (the Devil).

when it is the fruit of a tree that was felled in the blink of an eye or a sacred place that was destroyed?" And he adds: "The compensation payments are only a flash in the pan and nothing in comparison with the horrendous and manifold losses and the disastrous social consequences caused by the oil project since it began."

The study 'Vivre avec le pétrole. Etude sur les conditions de vie des villages en zone pétrolière de Doba au Tchad', October 2010, can be downloaded at [http://peaceresources.net/files/docs/publications/Rapport\\_Etude\\_villages\\_final\\_101123.pdf](http://peaceresources.net/files/docs/publications/Rapport_Etude_villages_final_101123.pdf).

## HIV/AIDS: On the rise

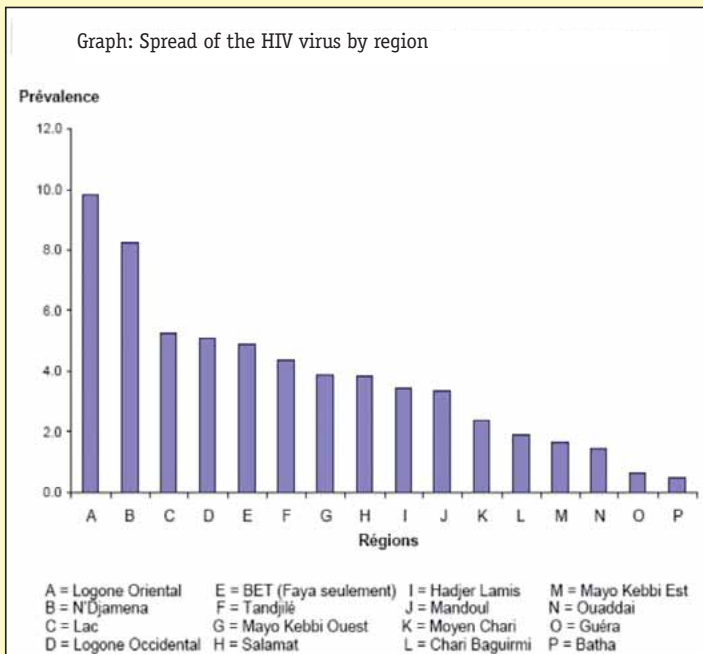
*Jelena Heyland*

The AIDS epidemic is also a sensitive issue in Chad. The low literacy rate – particularly among women, the general lack of knowledge about how HIV is transmitted, risky behaviour and poverty, the conflict and post conflict situations in the country and the lack of contraceptives and medical care form a complex overall situation. The oil production and its associated phenomena (labour migration, social contrasts) have impacted a society that was previously very isolated.

The HIV prevalence rate in Chad is currently 3.3%, with a considerable difference between the rural (2.3%) and urban areas (7%). Age and gender also have an influence. Women are more likely to become infected than men. In 1995, the Chadian government developed a National Health Strategy (\$ 41.5 million) and a National Strategic Plan for Controlling AIDS (\$ 24.6 million) in cooperation with external

donors. Training was provided for more than 40 local non-governmental organisations and local projects were set up for combating HIV/AIDS (World Bank 2011). 1,314 orphans in Moundou and N'Djamena started school. 49 foster families for these orphans took part in professional training (World Bank 2010). These figures contrast starkly with the needs. With a HIV/AIDS prevalence rate of 'just' 3.3%, the number of orphans infected with AIDS has grown from around 57,000 in 2006, and the number of AIDS deaths has grown steadily from 8,559 in 2001 to 13,907 in 2006 and 14,033 in 2007 [UNGASS 2008:]. The graph shows that the virus has spread most in the Logone Oriental oil production region. This area is also the poorest region in the country (see Chapter 5, Petry, Miankéol). Since jobs were announced at the beginning of the project, many men decided to seek work in the oil industry. They neglected their activities

in the villages, no longer tilled their fields or came to Doba from regions far away. However, this migration has caused the spread of the HIV/AIDS virus and other sexually transmitted diseases. This is because many are careless when it comes to using contraception and preventing the spread of the virus. In neighbouring Cameroon, the AIDS rate has also increased considerably in the villages near the pipeline. Women who live alone with their families in the villages – as AIDS widows or because of the labour migration of the men – frequently lose land or income.



Source: Country Progress Report UNGASS 2008, p. 17

They therefore often resort to prostitution as a means of survival, as confirmed by the medical personnel in the local health clinics. One of the most significant problems is caring for AIDS patients, as free antiretroviral drugs are extremely rare in rural regions. There are not enough qualified doctors. The ongoing national prevention project (2007 – 2011) strives to boost the national (from € 1.4 mill. to € 9 mill.) and international funds (€ 5.3 to € 6 mill.) for combating the virus significantly. 50% of AIDS orphans were to receive free external

care. In 2006, the actual percentage was 1%. Microloan programs to enable AIDS widows and women to earn an income are another key area. The situation will only improve in the long-term by decreasing poverty through income, health-care and access to education

Further information is available in 'The Chad-Cameroon Oil and Pipeline Project study: A Call for Accountability' [http://www.edf.org/documents/2134\\_Chad-Cameroon.pdf](http://www.edf.org/documents/2134_Chad-Cameroon.pdf).

## HIV / AIDS

*Anne Lartel, 51 years old, Maïkeri*

I was born in 1960. I have 6 children, 5 of whom are still alive. I have been married since 1983 and lived with my husband in Miladi since then.

I have AIDS. This was discovered in 2007, when I gave birth to my last child, who died shortly after it was born. We had our children tested and the doctors found that my daughter, Dénémba Kanatou, is also infected. She is now 9 years old, in 2007 she was 6. This means that I was infected with the AIDS virus before she was born in 2001.

I think my husband became infected between 2000 and 2001. From 2000 on, he worked for Cop Guard, a private security company. When his contract was terminated, my husband became a street vendor.

He always refused to have himself tested, even after I found out I was infected. We fought. He was often away. In the end, we divorced and I returned to the village where I was born. Once a month, I go to Bébédjia (25 m) for tests and to get medicine.

I can get by with the medicine. But I am always tired and can't really work. I don't feel rejected by the people, but I get the feeling they are afraid of me. I notice that people avoid me.

Things are worse for my daughter; she has trouble in school. She is in second class, and the other school children don't want to sit beside her.

It seems as though other parents asked the principal to expel my daughter. That is a pity. She does not want to go to school, I have to force her, as it is very important for her.



## Reduction of poverty by promoting primary school education

*Claudia Frank, Group Chad*

Chad is 163rd of 169 on the 2010 index for human development 2010 of the United Nations Development Program UNDP. Life expectancy is 49.2 years ([hdrstats.undp.org](http://hdrstats.undp.org)) and 80% of the population live below the poverty line of 1 dollar/day [US State Department, 2009], [BICC 2010:8].

The little data available points to a lack of development in southern Chad. 70.3% of the population there are poor – compared with 55% of the overall population living below the national poverty line (FCFA 144 570 or EUR 220 per annum). In the Logone Oriental region, which contains the Doba Basin, 91% of the population work in the primary sector (agriculture, fishery, forestry, hunting and animal breeding), 2.7% work in trade and 1.9% in the service sector. In spite of the fact that Chad has become

an oil exporting country, 68.6% of the population use oil lamps as a light source in their homes, and 88.5% use charcoal for cooking. Although 67.1% are illiterate, and 58.8% of these received no school education whatsoever, the school enrolment ratio in the oil-producing region is among the highest in the country (Logone Oriental 59.1%, Moyen Chari 57.7%, Logone Occidental 60.2%).

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### Investment in education - Too expensive!

*Denise Larhingam,  
Principal of the Miandoum Primary School*

300 children attend the six classes at our school. I am the only qualified teacher.

My village, Miandoum, was entitled to compensation as a community. We wanted to use the compensation to build a classroom. That was too expensive for ESSO. As an alternative, we suggested a small building, ploughs, cattle and wheelbarrows for our agricultural cooperative. That was out of the question too. They wanted us to order school equipment. We rejected this offer. In the end, the sub-prefect forced us to build a small building for a school principal. However, here, a principal cannot live alone in it.

ESSO promised to donate two containers. They sent one. It gets very hot in there. But if you don't have a horse, you have to make do with a donkey. As a result, the classrooms in our school are four straw huts, the principal's building and a container.



## Impact of compensation in Chad

# ESSO's compensation system is unfair and unsuitable

*Djéralar Miankéol / Martin Petry, Peace Resources Group*

ESSO's compensation system comprises three types: Individual compensation, community compensation and supplementary compensation for individuals or communities who are severely affected.

**Individual compensation** can be money, products or investments to compensate for the loss of plantations, trees, bushes and living space. Over € 20.9 million (ESSO Chad 2010b:2) in compensation was distributed. Compensation was paid in the presence of traditional chiefs, without independent observers. In most cases, the recipients are unsure of the basis on which the compensation is calculated. They are photographed and leave a thumb print on a document which most of them cannot read. The chiefs demand 10% of the total from everyone who receives compen-

sation. This process is illegal and has been criticised for years. ESSO and the authorities refuse to discuss this with the parties affected and the civil society.

**Community compensation** is intended to compensate for the loss of "investments" which are used or managed by a community. These include sacred sites, village forests, fishing ponds, school grounds. ESSO finances measures such as building classrooms, bore wells or a one kilometre track. There is no transparency regarding the amount calculated. The measures often do not meet the needs and wishes of the affected parties. The construction work is performed by a variety of international and Chadian companies. Most is of such poor quality that it does not fulfil its purpose. There is no way to object or complain.

**Supplementary compensation** is granted to individuals who have lost their livelihood almost entirely. According to ESSO, persons are entitled (éligible) to receive such compensation if a family has less than 1/3 ha per family member. 1/3 of a ha per family member is wholly insufficient to feed a family. Supplementary compensation comprises agricultural equipment and training in another profession. Many persons were given short training courses as carpenters, metalworkers, electricians, bicycle mechanics, radio technicians, tailors, tanners, millers – however, there is no market for these trades in the vicinity. Almost everyone who received this training is now attempting to lease land and lives in great poverty from the small yields. The families affected by the oil project are entitled to compensation, which replaces their loss and allows them to live at at least the same level.

## Land law

The development of modern land law in Chad is still in its infancy. According to traditional law, villagers have land use rights as long as they live in the village.

These rights are inherited, but cannot be sold. The constitution states that land, for which there is no registered land title, belongs to the state. As yet, private land and property ownership only exist in cities.

None of the parties affected in the oil region has a recognised land title. For this reason, ESSO only provides compensation for the investment made on the dispossessed land. Rates were calculated for the various arable crops, fruit trees or huts. The land itself was not valued and compensated. Therefore, the basis for their production was not replaced by the compensation. Fallow ground, a key element in the human production system, is not compensated at all, as there is no apparent investment there.

## Individual supplementary compensation

*Faustin Aleyou, Madana*

I am 47 years old, married and have nine children. ESSO took 1.5 ha of my land. Now I have just one ha. In 2005, I received € 1500 as compensation for the crops and trees on my fields. In 2009, I was told I was severely affected and was therefore entitled to further compensation.

I received an ox-cart and a plough which never worked, a manual peanut shelling machine, which I use, a wheelbarrow, which I rent in the nearby town for transport, six sickly sheep, two of which died immediately after I got them and four cows, one of which also died immediately.

A company built me a sheep pen, which is unsuitable for sheep, but which I use for storage. I received a crash course in improved agricultural techniques. The course was too short and I can hardly use the methods. Of the money I received, I had to pay € 150 to a neighbour who alleged that my hut was on his land. € 300 was the bride price for my second wife, whom I married after my first wife died. I had to pay a € 150 fine, as a trader and a police officer accused me of using forged money.

I bought another two head of cattle and corrugated iron for my house. Does all that replace a hectare which I could cultivate every year?



## Impact of compensation in Cameroon

*Honoré Ndoumbé, FOCARFE*

Like in Chad, the compensation received by the population for the losses due to the construction of the pipeline in Cameroon has had a limited impact. It led to many conflicts with the project organisers. There were differences of opinion regarding the evaluation of damages, the excessive (in public opinion) periods before payment of the damages, the quality of the products delivered, excessive invoices. The World Bank, which backed the project, demanded that the poverty of the persons affected was not to increase. Thus, the

lump sum compensation values reached totals which exceeded the national rates.

The money was released to the recipients without sufficient information, awareness or support services. That meant that the vast majority of the population did not use the unusually high sums of money in a sustainable manner. The compensation in the form of products promoted sustainable investments, however its positive effect was often reduced by poor quality, delays in provision or rejection of the infrastructure requested by the

population, and the implementation of other infrastructural measures, which were supposedly a better match for the level of funding granted to the various villages.

In the central province of Cameroon, the inhabitants of areas adjacent to the pipeline have replanted less than one third of the destroyed cocoa crop land, and only half of the land for their own needs. The lost arable land used to provide them with a reliable source of income. As a result of the decrease in the amount of arable land, the average income decreased approx. 20%.

The compensation was not re-invested in agriculture, which is the main industry sector in this region. Instead, the money was used to finance weddings, to build houses – roofs rather than entire houses – and for medical treatments. Those affected only improved their standard of living temporarily.

Now that those who live along the pipeline have had to face great financial losses and the employment opportunities have proved short-lived, it would appear logical that the government, like Chad, would demand a share of the oil income to finance various investment projects (building schools, health centres, roads, electrification of the areas through which the pipeline runs). Equally, the government should introduce a rural development program, which allows inhabitants to recultivate the destroyed land or to find other solutions, so that the advantages of the Chad-Cameroon pipeline project become clear for these population groups.

The Cameroonian organisation FOCARFE supports the local population around the pipeline in compensation cases, [focarfe@yahoo.com](mailto:focarfe@yahoo.com).

## Environmental damage – cause and effect

*Martin Petry*

For many, the compensation money has become a source of income without which they cannot live. As fallow land is not compensated, many families deforest fallow and bush land to obtain further compensation. The result is an ecological disaster. The rehabilitation and return of land by the ESSO consortium itself is another

urgent problem. To date, the farmers' experience has been that the yields from the rehabilitated land are very low.



According to soil scientist, Dr Bekayo, the pits formerly used for oil installations are filled with infertile cropping soil. They are not properly restored. No plants grow in it.

### Rehabilitation of land

*Dr. Bekayo, soil scientist, Miandoum*

"I studied in Witzenhausen, Germany and Nancy, France, but have now retired. I have read and analysed various documents from the oil project. As a soil scientist, I am particularly interested in the fertility of the soil. I repeatedly offered ESSO my consulting services, but they are not interested in using local expertise. ESSO's methods are entirely unsuitable for restoring the soil. They have the compacted laterite scraped from the pits and the drilling platforms and over two or three years, fill the acreage with spent and infertile cropping soil. Then they sow Mucuna, a legume which improves soil fertility, one season long. The land is then returned to its former users. Those who plant something harvest small crops in the first year, but as early as the second year, no plants grow. This soil cannot be rehabilitated in less than five years."



*Urbain Moyombaye, President of the local organisation ADICAM, 41 years old, Miandoum*

"We have been trying to cultivate this displaced soil for two years. Nothing grows in it. By the way, ESSO's employees have not returned since June 2008. They sowed the seeds then. We discussed this question with the responsible employees at ESSO. They do not accept that there is a problem. It's as though they restored the land for an advertising photo.

See this trench? ESSO first filled it with the soil for the laterite on the well platforms. ESSO now stores construction rubble in it, concrete and even sludge from the borehole. We have seen the farmers' cows die. They drank liquid sludge or contaminated water."

This displaced soil is contaminated with sludge from the borehole. Urbain Moyombaye explains that a number of cattle who drank from the trench during the rainy season have died.

## Fishery

*Valéry Nodém, RELUFA*

Fishermen in Cameroon also have problems. They not only fear for their livelihoods, they also worry about damage to the sea and the fishing villages if there is an oil leak. Their fears are justified, as there have already been two minor leaks at the offshore terminal in 2007 and

in April 2010. The fishermen also say that since the oil has been pumped into the large oil tankers using the pipeline, they have to sail much further out to sea to catch enough fish. Their fishing territory, the natural reef was cleared using explosives to make room for the pipeline.



Port in Kribi

source: <http://maximilian-kamerun.blogspot.com/2010/11/kribi.html>

# An innovation has not maximised its potential: The Chadian oil revenue management law

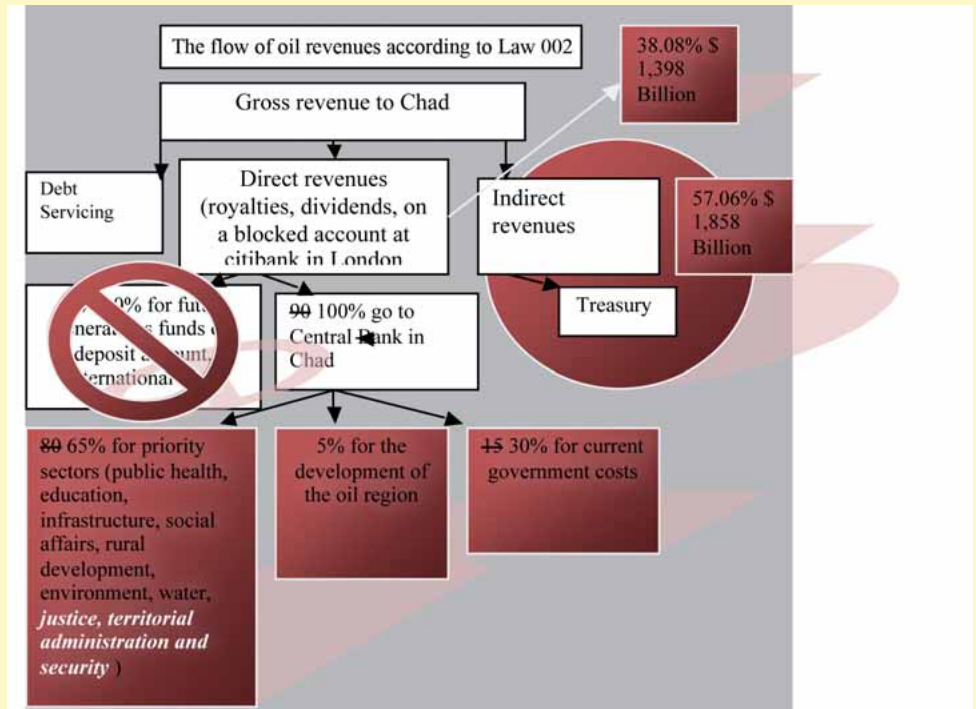
*Thérèse Mékombé, Association des Femmes Juristes du Tchad*

Legal regulations were passed on commencement of production of crude oil in Chad to ensure transparent administration of income from crude oil. They were intended to implement the agreements concluded in 1998 and 2004 for production of crude oil and the loan agreement between the World Bank and the government of Chad.

The passing of the law on the administration of crude oil income (001/1999), and the anticipated role of the supervisory committee (Collège de Contrôle et de Surveillance des Revenus Pétroliers), were initially welcomed by all sides. The Collège is an independent body with equal representation (government, parliament, civil society). In spite of this, the legal powers of the

Collège, and thus the creation of transparency in the use of the revenue from crude oil is severely limited, as the law and the subsequent provisions contain loopholes on one hand, while on the other, important stipulations are not implemented. These deficiencies persisted after the amendment to the law (002/2006). Currently, only the portion of the direct income which goes to the priority sectors (65%) is monitored, while the part earmarked for the government operating costs (30%) is paid directly to an account at the Central African Central Bank (BEAC).

Also, the Collège does not monitor the indirect revenues, which consist of taxes and contributions of the companies, and which now ex-



Graph: Revenue Management Law 001 (1999) and 002 (2006): Guesnet, Frank

ceed direct income significantly. The number of members in the supervisory committee (four members from the civil society and five from

**With the amendment to Law 001**, the basis for the work of the Collège (Edict 240) should have been adapted. Article 21 stipulates that both the direct and indirect revenue must be submitted.

Article 22 stipulates that the CCSRP supervise the flows of money, and receives the reports of the ES-SO consortium from the Ministry for Oil to allow it to do so.

It has access to the forecast figures and extrapolations, the statements of the international bank account and the audit report via the Ministry for Economics and Finance.

The Collège receives documentation on all account transactions of the distributor account.

Not all of these clauses are implemented, which reduces the powers of the supervisory committee, as relevant information is not available.

the government) is too low overall to guarantee effective monitoring. There is no monitoring of the quantity of crude oil exported and the overall revenue from the sales of crude oil, and as yet, there have been no audit reports by the Ministry for Finance with an overview of all accounts. The lack of regulations which permit the Collège or the committee commissioned to monitor the money earmarked exclusively for the oil producing region (5%) to sanction cases of inadequate transparency and governance is particularly troubling. Therefore, the recommendations of the supervisory committee are often ignored. At the beginning of 2011, the EITI process in Chad started well. The civil society was actively involved in drawing up the plan for action. However, it remains to be seen to what extent the flows of money are actually disclosed, and whether the work of the supervisory committees can benefit from this.

## 5 percent – A case of bad investments and corruption

*Djéralar Miankéol / Martin Petry*

After years of negotiations, the Chadian civil society has succeeded in taking measures to promote development in Chad using the income from crude oil. That includes the law on crude oil revenue management, which states that 5% of the direct income must benefit the population in the oil producing region.

The hopes of the people rested on this 5%. The amounts were published regularly by the supervisory committee CCSRP. The existing reports and statistics of the Ministry of Finance show that roughly 5% of the incomes ac-

tually went to the region. Between 2004 and 2008, this amounted to € 52 million. Unfortunately, the funds were managed and used in



One project implemented using the five percent of income earmarked for the crude oil region. Doba stadium, with a track a few metres longer than 400 m. There are no athletes in Doba.

such a way that they did not lead to any developments. The 5% was used to build presidential prestige projects such as an oversized stadium in Doba or a huge hospital for which there are no doctors. Inflated invoices, corrupt tender processes, poor-quality construction work – the entire scope of white-collar crime – meant that much of the funds went straight into somebody's pocket. Even the measures which could have contributed to development were so badly implemented that they do not last long and are not much help.

Microloans are distributed without rhyme or reason. In particular, those with the greatest needs have not benefitted. The majority of loans are not repaid; no self-supporting microloan institution has been established. The regional development plan developed with great effort by the population and the civil society is still ignored by government although it could be a basis for an intelligent use of the 5%. The funds

should actually be used by the local communities themselves for their development. However, there are still no communities or elected local councils. The President of Chad has delayed the implementation of this decentralisation process since 2001. The management committee (Komité 5%) used for the transition period – until the communities are established – is nominated and withdrawn by the president. The Logone Oriental region, where oil is produced, and which contributes greatly to the national revenue, is the third poorest region in Chad, according to the latest published National Poverty Strategy figures (SNRP 2008: 19).

The study on the use of the 5% revenue in Chad is available at “Utilisation des revenus pétroliers issus des 5 % alloués à la région productrice,” [http://www.erdoel-ts Chad.de/index.php?option=com\\_content&task=view&id=113&Itemid=34](http://www.erdoel-ts Chad.de/index.php?option=com_content&task=view&id=113&Itemid=34).

## Disclosure of payments in the oil sector: Are international multi-stakeholder initiatives effective?

*Heidi Feldt / Axel Müller, AGEH*

Now that the international transparency initiative EITI (**Extractive Industries Transparency Initiative**) has existed for almost ten years, it is time for an intermediate report on this initiative in the Central African Region. To what extent has EITI reached its goal, of boosting the raw material governance in particular and increasing the scope for action by the civil society?

The initiative is implemented in all countries in the region. The exception is Equatorial Guinea, which was excluded in 2007 due to a lack of political acceptance. Together with partners, Bread for the World, Misereor and the Global Policy Forum Europe have produced an initial report. The main results of the study are as follows:

- + EITI has facilitated public debates on crude oil and mining, raw material revenue and its use in the region for the first time. A taboo topic has been broken.
- + The civil society is represented in the EITI committees in all countries, it participates and can present its opinions within EITI.
- + As a result, non-government organisations are perceived as relevant players in the extraction industry to a greater extent in public.
- + While the non-government organisations involved in this transparency initiative are exposed to “gentle” pressure from the governments in most countries in the region, the

number of arrests, travel bans and other forms of open repression have decreased thanks to the intervention of the international EITI Board, the PWYP network and international organisations.

+ Various reports with flows of payments and revenues from the extraction sector have been published and made available to the public. These reports are generally viewed as significant progress.

- However the reports produced to date are low on useful information. For example, not all corporations participated in many reports, and the informal raw material sector was not included yet. The flows of payments in the reports also reveal major discrepancies between corporation payments and government revenues, which are not commented in the reports. Thus, the reports by the countries do not reflect the actual raw material revenues.

- In general, it was found that EITI has not yet initiated significant reforms of the extraction sector in Central African countries. Corruption is still a major problem.

Chad in particular, the most recent addition to EITI in the region, is in a critical phase: The country officially joined on August 20, 2007. However, it only began actually implementing the initiative slowly in early 2010. The Collège de Contrôle et de Surveillance des Ressources Pétrolières (CCSRP) is a complementary structure which can contribute to increasing transparency in the use of crude oil revenues (see Chap. by Thérèse Mékombé). In the past, the Collège in particular criticised the lack of cooperation with the Ministry of Finance with regard to the pipeline project.

By the end of 2011, the first report with official revenues from the crude oil sector is to be published. The quality the report is to have depends on the ability of the civil society to assert itself, but in particular on the acceptance by the government.

## EITI

In 2000, civil society organisations launched the "Publish What You Pay" (PWYP) campaign to oblige companies and governments to disclose their payments in relation to raw material mining and the production of oil and gas.

This is intended to increase the transparency of the flows of payments, decrease corruption and increase funds for combating poverty in raw material-rich but poor countries like Chad and Cameroon.

The Extractive Industries Transparency Initiative (EITI) picked up this idea and created a suitable framework.

Its aim in particular is the disclosure of revenue. Launched in 2002 by the British Government at the World Sustainable Development Summit in Johannesburg, EITI soon received an increasing level of political support.

The initiative is now supported by an unusually broad alliance of governments, civil society organisations, companies, investment funds and the World Bank and the International Monetary Fund. In particular in Africa, many countries have joined this initiative.

EITI is a positive start, but has not improved raw material governance and restricted corruption.

The countries in the region are only starting out and must combat corruption first and foremost, to ensure that the revenue from the crude oil, natural gas and mining sectors are really used to fight poverty, and the people can benefit from their wealth of raw materials. The studies showed that EITI's mandate of disclosing flows of money is not sufficient for this. The entire decision-making chain from the licensing process, contracts and payments of companies to the governments must be made transparent, to allow bribery and corruption to be targeted and combated.

The study "We talk about Petrol – Interim Assessment of the Extractive Industries Transparency Initiative (EITI) in the Central African Region" (Cameroon, Chad, Gabon, Equatorial Guinea, Central African Republic, Republic of Congo and the Democratic Republic of Congo) is available as a download at [www.erdoel-tschad.de](http://www.erdoel-tschad.de)

## Political conflict in a petro-state

*Lena Guesnet, Bonn International Center for Conversion*

Production of crude oil in Chad not only has negative effects on the population in the producing region. It also has farther reaching consequences at a national level. Economically-speaking, Chad is now a classic petro-state: The economic focuses unilaterally on oil production – other sectors are neglected.

80% of the national budget is financed via crude oil revenue. The financial management is also in a desolate state: 66% of expenditure is made outside the plans of the national budget passed. Chad is one of the most corrupt countries in the world. Instead of investing the development of the country and overcoming poverty, much of the income disappears in transactions where an elite circle close to the president enriches itself. However, this patronage is not restricted to an inner group of loyal followers: Thanks to the oil revenue, opponents of the government can also be bought.

The revenue from crude oil allows autocrat presidents to stabilise their power.

The president also uses the oil money for military rearmament. While military expenditure was 14 million dollars in 2000, before Chad began producing oil, roughly 315 million dollars were invested in the military sector in 2009. Five times the amount possible before oil production was spent on important weapons alone. In 2006, the expenditure on weapons accounted for 4.2% of the gross domestic product (GDP) of

Chad. To put this in perspective, US military expenditure accounts for 4.06% of the American GDP. The high military expenditure is rationalised with threats from insurgents.

The Déby regime is opposed by a number of rebel groups. They form alliances again and again, however they usually splinter due to internal disputes. However, in February 2008, an alliance of rebel groups succeeded in advancing to the capital city, N'Djaména, and even attacking the presidential palace.

However, it is not only armed groups who oppose Déby's leadership. There are also the political opposition and active civilians, who use peaceful means to fight for a democratisation of the country.

However, their scope for action is very limited: Only pro-Déby demonstrations are approved. Opposition politicians and civilian activists are threatened, locked away and even murdered. As a result, the elections which took place in 2011 cannot be viewed as fair and free.

Thus, income from the oil trade supports an autocratic ruler, who remains in power with military force and repression.

The BICC Letter 41 „We were promised development and all we got is misery“ – The Influence of Petroleum on Conflict Dynamics in Chad is available at [www.bicc.de](http://www.bicc.de) (Eng/Fr).

### Glossary

BEAC	Banque des Etats de l'Afrique Centrale	IAG	International Advisory Group
CCSRP	Collège de Contrôle et de Surveillance des Revenus Pétroliers	IBRD	International Bank for Reconstruction and Development
COTCO	Cameroon Oil Transportation Committee	IDA	International Development Association
ECMG	External Compliance Monitoring Group	IEG	Independent Evaluation Group
EEPCI	Esso Exploration and Production Chad, Inc.	IFC	International Finance Corporation
EIR	Extractive Industries Review	OFDA	Oil Fields Development Area
EMP	Environmental Management Plan	PSMC	Pipeline Steering and Monitoring Committee (Cameroon)
FEDEC	Foundation for Environment and Development in Cameroon	TOTCO	Tchad Oil Transportation Company
		WBG	World Bank Group

## High risk, high gain – the World Bank’s approach on the extractive industries

Korinna Horta, *urgewald*

The World Bank Group approved financing for the Chad-Cameroon project claiming that it represented “...an **unprecedented framework to transform oil wealth into direct benefits for the poor.**”

It made the decision by turning a blind eye to massive human rights abuses, the lack of rule of law and corruption and by refusing to listen to the warnings from civil society. This willful naiveté in taking a decision that affects an entire region for generations to come derives from an institutional culture geared towards meeting lending targets. Internal incentives are based on moving money quickly and not on achieving verifiable poverty reduction and sustainable development.

That is why the proposal from a powerful oil consortium led by Exxon Mobil to co-finance the project was hard to resist. The consortium insisted on participation by the World Bank as a pre-condition for its multi-billion dollar investment. This would provide political risk insurance in a highly volatile region and was critical to attracting financing from other public and private financial institutions.

At the time, the World Bank stated with pride that its support had catalyzed an investment by private oil companies which otherwise would not have taken place.

With a contribution of less than 3% of total project costs, the Bank enabled what is now estimated as a US\$ 6.5 billion investment, one of the largest ever made on the African continent. This sum is even bigger than the annual budget of 4–5 billion for the whole of sub-Saharan Africa, before the 2009 financial crisis.

Almost ten years after project approval, the Bank’s own Independent Evaluation Group (IEG) concluded that the investment had failed to reduce poverty and was associated with violent conflict, worsening governance and corruption. But earlier, the World Bank had been tireless in marketing the public-private partnership

with the oil companies as an effective tool to fight poverty and emphasized the unprecedented steps it had taken to ensure that oil funds would reach the poor. Given the political context, these were condemned to fail from the beginning.

Largely in response to the ongoing intense public scrutiny of the project, then World Bank president James Wolfenson commissioned the “**Extractive Industries Review, (EIR)**” to make the case for World Bank support for investments in oil, gas and mining as a contribution to reducing poverty and sustainable development.

The EIR study published in 2003 provided unexpected recommendations. It told the World Bank that it must carefully sequence its investments to ensure that conditions of good governance, including the quality of the rule of law and respect for human rights were in place **before** launching extractive industry investments. Did the World Bank learn the lessons from the EIR and the Chad-Cameroon experience? This is doubtful. The Bank continues its “High Risks – High Rewards” approach. Once again it willfully ignores that the risks are borne by the most vulnerable while the rewards are reaped by the powerful. As long as its institutional culture remains the same, change will be very slow to come.

A review of the programme performance assessment report of the Independent Evaluation Group (IEG): The World Bank Group and the Chad-Cameroon Oil & Pipeline Project ‘The logic was sound, but reality interfered’. The Independent Evaluation Group’s (IEG) Program Performance Assessment Report: Textbook Logic & Dismal Failure, by Korinna Horta is available at [http://www.erdoel-tschad.de/images/stories/materialien/IEG\\_eng\\_A4\\_LOW.pdf](http://www.erdoel-tschad.de/images/stories/materialien/IEG_eng_A4_LOW.pdf).

## **Demands**

### **Work with the local communities, not against them!**

Extractive Industries companies must ensure that the right of the affected population to free, prior and informed approval to production of raw materials on their land is guaranteed! Discussions with the affected persons must be held on an equal footing from the outset.

### **Provide for the social and ecological needs of the population with binding regulations!**

In its raw material partnerships, the German Government must stipulate clear obligations for raw material companies and for the host and home countries of the entrepreneurs. They must contain effective mechanisms for monitoring and for complaints by affected population groups. The obligations must include rules which permit life in dignity and the development in the production regions.

### **Prioritise human rights in foreign trade!**

The German Government should make an analysis of risks under human rights aspects in the assessment of applications for foreign trade aid.

### **Promote transparency – fight corruption!**

In the 10 years it has existed, the international Extractive Transparency Initiative (EITI) has achieved a lot. However a lot of work is required to increase its impact. The information and distribution of the national EITI reports must be improved. All companies in the crude oil and mining sector in a country must participate in the EITI process without exceptions. Data broken down by project and company is required to facilitate a minimum of traceability of payments. Banks, which play an important part in the raw material industry as lenders, should be incorporated in the work of EITI.

Corruption must be sanctioned. To date this is not part of EITI. The introduction of a premium standard could promote national processes to reduce corruption.

### **Ban conflict resources – in Berlin and in Brussels!**

The German Government and the EU should prevent imports of conflict resources which fuel conflicts in producing countries and support the Kimberley Process for diamonds and the Dodd Frank transparency law for companies.

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## Group Chad / Groupe Tchad

Human rights – Raw materials – Peace Initiatives  
Droits de l'homme – Industries extractives – Promotion de la Paix

Members of Group Chad include the German church relief organisation Misereor, the Diakonie Human Rights Team, Bread for the World and human rights and environmental organisations like Amnesty International, urgewald and EIRENE as well as the BICC Research Center (Bonn International Center for Conversion). Group Chad focuses on work in relation to Chad in the three areas of peace, human rights and raw materials.

The members of the Group Chad work with a great number of civil society actors in Chad and neighbouring countries. The former World Bank Chad-Cameroon oil and pipeline project has been a joint priority since 1994.

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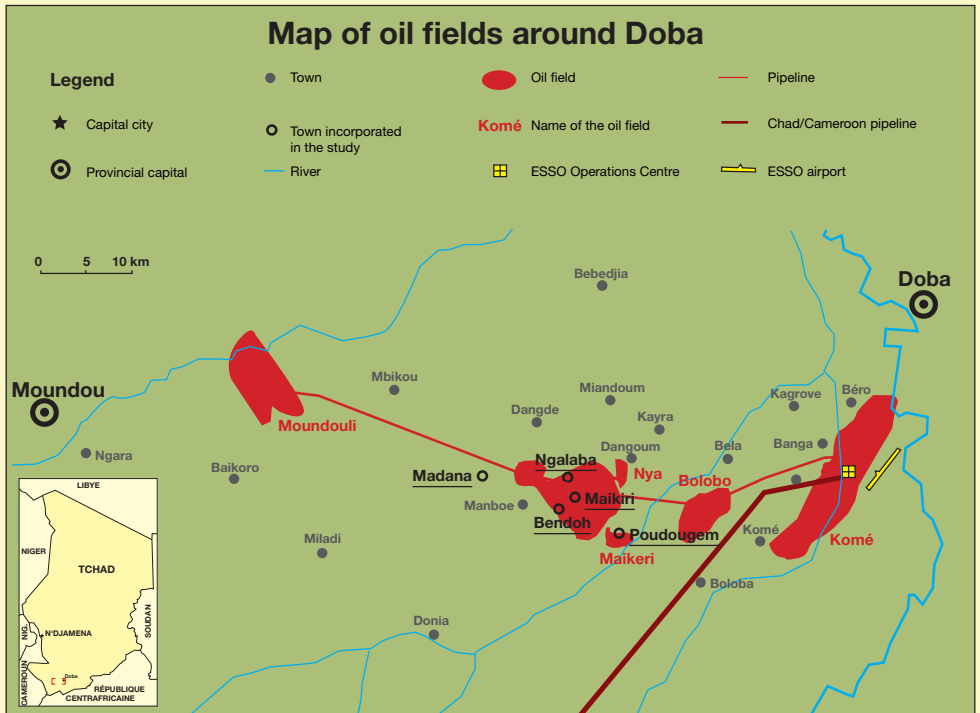
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