

The Inspection Panel

Report and Recommendation on Request for Inspection

Chad:

Petroleum Development and Pipeline Project (Loan No. 4558-CD); Management of the Petroleum Economy Project (Credit No. 3316-CD); Petroleum Sector Management Capacity-Building Project (Credit No. 3373-CD)

1. On March 22, 2001, the Inspection Panel (the “Panel”) received a Request for Inspection (the “Request”) related to the above-referenced Projects (hereinafter referred to as the Projects). (Annex 1). On April 11, 2001 the Panel notified the representative of the Requesters, the Executive Directors and the Bank President of the registration of the Request.¹ On June 7, 2001, in the light of the electoral and post-electoral process in Chad, the Panel proposed to the Executive Directors to delay the issuance of this eligibility report for a period of about ninety days. On June 19, 2001 the Executive Directors recorded their approval to such proposal, allowing the Panel to delay this report until September 17, 2001.

A. FINANCIAL ARRANGEMENTS

2. The Request makes reference to issues related to three closely related Bank-supported Projects in Chad.² These Projects and related financial arrangements are:³

(a) The Petroleum Development and Pipeline Project (hereinafter referred to as the “Pipeline Project” or the “Project”), approved on June 6, 2000, is financed by both the International Bank for Reconstruction and Development (IBRD) under a loan in an amount equal to US\$39.5 million,⁴ and the International Finance Corporation (IFC) under a loan in

¹ See The Inspection Panel, *Operating Procedures* (August 1994), at § 17.

² This Report covers only allegations pertaining to the International Bank for Reconstruction and Development (IBRD) and the International Development Association (IDA). For the purposes of this Report, IBRD and IDA are collectively referred to as “the Bank”.

³ All legal documents entered into by the Bank for the three Projects related to the Request have been declared effective. Also, a “Project Appraisal Document” or “PAD” has been prepared for each of the three related projects.

⁴ IBRD Loan Number 4558-CD. The relevant Loan Agreement was signed on March 29, 2001.

the amount of US\$100 million. The IFC loan is expected to mobilize up to US\$100 million in commercial bank lending. The Pipeline Project has also substantial financial participation from three private sector petroleum companies (also called the “Consortium”);⁵

(b) The Management of the Petroleum Economy Project (hereinafter referred to as the “Petroleum Economy Project”), approved on January 27, 2000 and financed by the International Development Association (IDA) under a credit in an amount equivalent to SDR 12,600,000 (about US\$17.5 million);⁶ and

(c) The Petroleum Sector Management Capacity-Building Project (the “Capacity Building Project”), Approved on January 6, 2000 and financed by IDA under a credit in an amount equivalent to SDR 17,400,000 (about US\$23.7 million).⁷

B. THE PROJECTS

3. The overall development of oil fields in Chad’s Doba Basin and its subsequent transportation through Cameroon, involves the construction of infrastructure and the provision of capacity-building assistance in two countries: Chad and Cameroon.⁸ However, since the Request was submitted on behalf of individuals living in Chad, this Report focuses exclusively on the portions of the Projects located or to be carried out in Chad.
4. Schedule 2 to the Loan Agreement for the Pipeline Project (IBRD Loan Number 4558- CD), states that the “*objective of the Project is to assist in the development and export through Cameroon of the petroleum reserves of the Doba Basin Oil Fields⁹ in an environmentally and socially sound manner and thereby, inter alia, increase the Borrower’s resources and expenditures for poverty alleviation.*” The Project description in Schedule 2 to the Loan Agreement includes three components that may be summarized as follows: (a) construction of the “Field System,” which is essentially the development of the Doba Basin oil fields ; (b)

⁵ Total Project costs are estimated to be US\$3.7 billion. The revised financing plan included in page 7 of the “Chad/Cameroon Petroleum Development and Pipeline Project – Semi-Annual Report to the Executive Directors” dated January 31, 2001 (SecM2001-0081), presents the following distribution (in %): (a) Private Sponsors’ Equity (Exxon 40% - Petronas 35% - Chevron 25%): 80.7%; (b) US EXIM – and COFACE supported loans: 10.7%; (c) IFC A-Loan: 2.7%; (d) IFC B-Loan: 2.7%; (e) IBRD financed Cameroon equity: 1.2%; (f) IBRD financed Chad equity: 0.9%; (g) European Investment Bank (EIB) financed Cameroon equity: 0.7%; and (h) EIB financed Chad equity: 0.4%.

⁶ IDA Credit Number 3316-CD. The relevant Credit Agreement was signed on March 20, 2000.

⁷ IDA Credit Number 3373-CD. The relevant Credit Agreement was signed on July 7, 2000.

⁸ Financial arrangements are similar for Cameroon. As part of the overall framework, Cameroon has agreed to carry out a Bank-supported environmental project (Petroleum Environment Capacity Enhancement (CAPECE) Project - IDA Credit Number 3372-CM). The relevant Credit Agreement was signed on July 14, 2000.

⁹ Section 1.01 (y) of the same Loan Agreement defines Doba Basin Oil Fields as the “Komé, Bolobo and Miandoum oil fields in the southern part” of Chad.

- construction of about 170 km buried pipeline and 1 pumping station and other ancillary facilities and infrastructure in Chad; and (c) construction of about 880 km buried pipeline, 2 pumping stations, other ancillary facilities and infrastructure in Cameroon (components (b) and (c) are also called the “Export System”).
5. The Pipeline Project Appraisal Document (the “Pipeline PAD”) states that component (a) of the Project is to be carried out by Esso Chad (also called “Project Manager” and “System Operator”¹⁰), and that two joint-venture companies, TOTCO¹¹ and COTCO,¹² formed by the Consortium and the Governments of Chad and Cameroon would be responsible for components (b) and (c) in their respective countries.
 6. Regarding governance and resource allocation in Chad, the Pipeline Project requires the implementation of a Petroleum Revenue Management Program (the Program) which is described extensively in Annex 11 of the Pipeline PAD.¹³ Supported by specific legislation, this Program, according to the Pipeline PAD, is essentially a framework for the allocation of authorized expenditures of the prospective oil revenues, with the main priority being activities aimed at reducing poverty.
 7. An international advisory group (the “IAG”) was appointed by Bank Management on February 21, 2001 to “*advise the World Bank Group and the Governments of Chad and Cameroon with respect to its observations about overall progress in implementation of the Projects and in achievement of their social, environmental, and poverty alleviation objectives, as well as with the broader goals of poverty alleviation and sustainable development in Chad and Cameroon.*”¹⁴
 8. The other two Projects that, together, form the overall package of assistance for the development of oil fields in southern Chad and offer institutional support for the implementation of the Pipeline Project, may be briefly described as follows:
 - (a) The Petroleum Economy Project: According to the project’s Credit Agreement, the “*objective of the Project is to assist the Borrower in building capacity to implement its petroleum revenue management strategy to enable it to effectively absorb and allocate expected oil revenue, and thus pursue the poverty-reduction objective of petroleum resources development.*” This Project is divided into five components: public financial management, poverty database and strategy, human resources development, oversight and control, and monitoring economic

¹⁰ Project Appraisal Document, Report No. 19343 AFR, p. 13 at § 4.

¹¹ Tchad Oil Transportation Company S.A.

¹² Cameroon Oil Transportation Company S.A.

¹³ The Petroleum Revenue Management Program is also supported by the Capacity Building Project (Credit 3373-CD).

¹⁴ “Chad-Cameroon Pipeline and Related Projects – International Advisory Group – Terms of Reference,” at § 5.

reform. The Project aims to assist Chad in improving its management of its public revenues and expenditures, particularly in view of the expected availability of greatly increased revenues resulting from the implementation of the Pipeline Project.

(b) The Capacity Building Project: Schedule 2 to the project's Credit Agreement states that the "*objectives of the Project are to strengthen the capacity of the Borrower to: (i) better manage the development of petroleum resources in an environmentally and socially sound manner; and (ii) increase the use of petroleum resources generated from the Chad Export Project [the Pipeline Project].*" According to the relevant PAD, this Project is primarily a technical assistance project designed to reinforce Chad's institutional framework vis-à-vis the Pipeline Project, in the following areas: (i) management and monitoring of social and environmental impacts; and (ii) strengthening the Government's capacity to manage the petroleum sector.¹⁵

C. THE REQUEST

9. The Request was submitted by Mr. Ngarlejy Yorongar, acting for himself and on behalf of a number of residents of the Cantons of Miandoum, Komé, Béro, Mbikou, Bébédjia and Béboni in the southern region of Chad. Mr. Yorongar has submitted copies of authorization of representation signed by more than 100 individuals. They have requested that their names be made available only to the Panel members, but otherwise remain confidential. The documents attached to the Request also identify another group of over 150 individuals who may have or may have had their rights and interests affected by the referenced Bank-supported Projects.¹⁶
10. Mr. Yorongar informed the Panel that the Request for Inspection was originally submitted to the Bank's office in N'Djamena in December 2000. Bank Management does not acknowledge ever having received the Request. As indicated in paragraph 1 of this Report, the Panel received the Request on March 22, 2001.
11. The allegations contained in the Request relate to seven broad areas of concern to the Requesters: environment, involuntary resettlement and compensation, indigenous peoples, cultural property, use of oil revenues, governance and human rights.

¹⁵ PAD, Report No.19342-CD, at p. 6.

¹⁶ During its recent field visit to the Project areas, the Panel received a number of additional individual authorizations appointing Mr. Yorongar as their representative for the purposes of the Request. This brings the total number of Requesters to 296.

12. The Request generally claims that people living in the area of the Pipeline Project and their environment have suffered or are likely to suffer harm as a result of failures and omissions in the design, appraisal, and supervision by the Bank of the Projects. It states that:

“We consider that our rights and interest have been, or are likely to be, directly harmed as a result of the Bank’s action. This causes, or is likely to cause, the following types of damage, among others: pollution and degradation of the environment, expropriation without compensation, lack of respect for our usages and customs, nature, etc., violation of our human rights, bad governance reflected in the recent misappropriation of a premium of US\$25 million (CFAF 19 billion) and its use for the purchase of weapons with which to massacre us (see related documents), etc.

We hold the Bank accountable for what it has done and/or omitted to do in this case. If the Bank had taken our observations into account, we would not be in the present mess.”¹⁷

13. In addition to the above general claims, paragraph 4 of the Request presents the following more specific allegations:

(a) Lack of compliance with OD 4.30 on Involuntary Resettlement, including: (i) allegations of fraud in the compensation process; (ii) disregard for the expropriation legislation; (ii) lack of adequate sharing by the local population of the prospective benefit of oil exploration (i.e., “*small quota assigned to the production zone bears little or no relation to the magnitude of the needs of [the] region and the size of its population.*”); and (iii) Project’s compensation and indemnification plan does not include medicinal plants.

(b) Lack of “environmental attention” to the “oil production zone.”

(c) Negative effects of probable pollution of surface water that will lead to pollution of water tables, rivers, marshes, and watercourses down to Lake Chad.

(d) Due to lack of safety measures and an environmental impact assessment, potential ruptures in the feeder lines and other pipelines will cause damage not only to Chad but also to neighboring States.

(e) Proper consultation with and disclosure of information to the local communities did not take place. Neither for the purposes of

¹⁷ Request, at paragraphs 5 and 6.

compliance with OD 4.20 (Indigenous Peoples) nor during the environmental impact assessment process.

(f) Non-compliance with Bank policy on Cultural Property.

(g) Non-compliance with [Bank] “*directives*” on human rights and governance.

14. Furthermore, there are a number of specific claims regarding lack of, or inadequate, compensation for alleged harm or potential harm (e.g., loss of property, infrastructure, crops, cattle and medicinal plants) as a result of the Project.
15. Finally, the Request claims that Bank monitoring and supervision policies and procedures have been violated and that their innumerable attempts to bring the problems associated with the Projects before Bank Management has not produced any satisfactory results.
16. The Requesters’ allegations could constitute violations of, *inter alia*, the following Bank Policies and Procedures:

OD 4.01 on Environmental Assessment

OP/BP 4.04 on Natural Habitats

OP 4.09 on Pest Management

OD 4.15 on Poverty Reduction

OD 4.20 on Indigenous Peoples

OD 4.30 on Involuntary Resettlement

OP 4.36 on Forestry

BP 17.50 on Disclosure of Operational Information

OP 10.04 on Economic Evaluation of Investment Operations

OD 10.70 on Project Monitoring and Evaluation

OPN 11.03 on Management of Cultural Property in Bank-Financed Project

OD 13.05 on Project Supervision

D. THE MANAGEMENT RESPONSE

17. On May 10, 2001, the Panel received Management’s Response to the Request (the “Response”). (Annex 2).
18. Management provides an explanation of the overall project framework (involving two sovereign countries, multiple government agencies and the private sector), and of the role of the Bank Group in the preparation and supervision of the

- Pipeline Project and the associated Petroleum Economy and Capacity Building Projects.
19. Management stresses the economic importance of the Pipeline Project to the region and, in particular, to Chad. It illustrates this importance by stating that *“the Project could yield US\$2 billion in revenues for Chad over the 25-year production period.”*¹⁸
 20. Management further explains that the *Bank Group’s involvement in the Project is predicated on: (i) the unique opportunity it presents for Chad in particular to generate additional revenues to combat poverty; and (ii) the need to implement the Project in a socially and environmentally sound manner. It also provides a unique opportunity for the Bank Group to play a significant role in reducing poverty in one of Africa’s poorest regions. The Bank Group approach has been essential in integrating a range of relevant challenges into Project preparation, including social and environmental issues, and governance issues within the mandate of the Bank.”*¹⁹
 21. In its Response, Management maintains that the Bank has complied with its operational policies and procedures *“in the context of the Project”* with regard to the environmental, social, cultural, and procedural matters raised in the Request. Management submits that the Bank has taken the necessary measures to ensure that people in the Project area have not been directly and adversely affected as a result of Project design and its implementation to date. Nor does Management believe that the Requesters will be adversely affected by the implementation of the Project in the future, noting that systems are in place to ensure that their views and concerns are adequately identified and addressed.²⁰
 22. Management rejects the allegations contained in the Request for Inspection. Regarding the environmental concerns presented in the Request, the Response explains that the Consortium, in collaboration with the Government of Chad prepared the environmental documentation required for the Project. The Response indicates that the environmental and social documentation prepared in connection with the Projects includes multi-volume Environmental Assessments and Environmental Management Plans.
 23. In the Response, Management maintains that all applicable Bank policies and procedures with regard to involuntary resettlement and compensation were respected and that involuntary resettlement and compensation issues were fully addressed as part of the Environmental Management Plan. Management asserts that the Project was designed to minimize impacts on the affected population and,

¹⁸ Management Response to the Request for Inspection dated May 10, 2001 (hereinafter “Management Response” or “Response”), at § 17.

¹⁹ Id., at § 12.

²⁰ Id., at § 23.

when that was not possible to achieve, “*full and adequate compensation for the individuals and groups affected is being implemented in accordance with the relevant policies and laws.*”²¹

24. On indigenous peoples, while asserting that OD 4.20 (Indigenous Peoples) “*is not applicable to the affected people in the Project area*”²², Management states that an effort was made to ensure that “*the customs of local people*”²³ and their cultural property are respected.
25. Management contends that consultation was an integral part of project design and implementation. Management also illustrates several instances where consultation took place during the preparation of the environmental management plan.
26. On compliance with the Bank’s disclosure of information procedure (BP 17.50), Management asserts that all relevant project documents were made available to the local population, including the preparation of specially-tailored materials (e.g., CD-ROMs, graphic materials, etc.), and the development and operation of several *websites*.
27. Concerning human rights and governance issues in Chad, Management argues that the Bank’s Articles of Agreement “*require the Bank to focus on economic considerations and not on political or other non-economic influences as the basis for its decisions. In evaluating the economic aspects of any project, human rights issues may be relevant to the Bank’s work if they may have a significant direct economic effect on the project. Having carefully considered all aspects of this issue, Management’s conclusion is that the Project can achieve its developmental objectives. The Project in many aspects has been instrumental in creating a space for dialogue for certain groups of Chadian citizens to exercise their rights.*”²⁴ Management adds that the Project’s institutional structure allows for human rights groups to voice their concerns.
28. In Response to the Requesters’ concerns about governance, Management states that “*improving governance is one of the central objectives of the Bank’s Country Assistance Strategy to Chad.*”²⁵ Management also emphasizes the importance of the Petroleum Management Program supported by the Bank and implemented by the Government, heralding its laudable poverty alleviation objectives and accountability mechanisms.

²¹ Id., [Executive Summary] at § 11, and further elaborated in paragraphs 86 through 90 of the Response.

²² Id., at § 137.

²³ Ibid.

²⁴ Id., at § 151.

²⁵ Id., [Executive Summary] at § 15.

29. Management disagrees with the Requesters that it has violated OP 10.04 on Economic Evaluation of Investment Operations claiming that “[t]he economic analysis confirmed that the economic returns to Chad would be significant.”²⁶
30. As to the Bank policy on poverty reduction (OD 4.15), Management maintains that it is in full compliance with such policy, noting that “[t]he Country Assistance Strategy for Chad aims to implement many of the elements cited in OD 4.15. Also, the projects cited in this Request are aimed specifically and explicitly at poverty reduction, based on sound analytical work and technical expertise; have strong supervision plans (Capacity Building Project); and pay attention to beneficiary outcomes (EMP and Capacity Building Project) and poverty impact (Petroleum Economy Project).”²⁷
31. Bank Management denies any violation of Bank policies and procedures concerning monitoring and supervision of the Projects, highlighting the existence of external monitoring mechanisms, as well as the amount of Bank resources allocated for Project supervision.²⁸
32. Finally, Management maintains that it has attempted to be as responsive as possible to the Requesters, specifying a number of meetings it had with Mr. Yorongar as well as other measures it undertook to clarify public concerns with this Project, prior to the submission of the Request.

E. ELIGIBILITY

33. For purposes of determining the eligibility of the Request and the Requesters, the Panel reviewed the Request for Inspection and Management Response and visited N’Djamena and the relevant Project areas, including Komé Base, Doba, Bébédjia, Bero (I & II), Miandoum and Moundou. Before and after the visit to Chad, the Panel consulted with the Executive Director and Alternate Executive Director representing Chad and their staff.
34. During the field visit, Panel Members Edward S. Ayensu (Leader) and Maartje Van Putten met with Requesters and with a number of non-governmental

²⁶ Id., at 121.

²⁷ Id., § 140.

²⁸ Paragraph 131 of the Response outlines “seven layers” of Project supervision: (i) the project operator (EEPCI – Esso Export and Production Chad, Inc.) monitors compliance of the EMP by its own sub-contractors and its own compliance; (ii) the External Compliance Monitoring Group – ECMG monitors compliance with the EMP; (iii) Bank Group’s direct monitoring of the implementation of the EMP; (iv) implementation monitoring by the Government of Chad; (v) an international advisory panel of environmental and social experts advises the Government of Chad; (vi) an international advisory group (IAG) advises the Bank and the Governments of Chad and Cameroon on impacts on poverty reduction and on the implementation of the Project; and (vii) the input and assessment provided by civil society and NGOs.

- organizations in Chad, as well as with local officials and individuals living in and around the relevant Project areas.²⁹ These discussions confirmed that the Requesters generally supported the Pipeline Project within the context of their Request.
35. The Panel met with Bank Management and staff at Headquarters and in N'Djamena and exchanged views with Chadian Government and Project officials in N'Djamena and in the relevant Project areas.³⁰
36. Paragraph 9 of the 1999 Clarifications mentions certain “*technical eligibility criteria*” that must be met by a Request for Inspection, and the Panel concludes as follows:
- (a) The Panel is satisfied that the affected party consists of two or more persons with common interests or concerns and who are in the borrower's territory.
 - (b) The Request does assert in substance that a serious violation by the Bank of its operational policies and procedures has or is likely to have a material adverse effect on the Requesters.
 - (c) The Request does assert that its subject matter has been brought to Management’s attention and that, in the Requesters’ view, Management has failed to respond adequately to it, thus demonstrating that it has followed or is taking steps to follow the Bank's policies and procedures.
 - (d) The matter is not related to procurement.
 - (e) The related Loan and Credits have not been closed or substantially disbursed.
 - (f) The Panel has not previously made a recommendation on the subject matter.
37. The Panel’s visit confirmed that the Requesters are eligible and that the representative of the Requesters was authorized to represent them.

F. CONCLUSION

38. The Request and Response contain conflicting assertions and interpretations about the issues, the facts, compliance with Bank policies and procedures and possible harm. The Panel is neither able to address these conflicting statements in the period available to it to prepare and submit this report on eligibility to the Board,

²⁹ The Panel Members were assisted by Assistant Executive Secretary, Mr. Alberto Ninio.

³⁰ The Panel wishes to express its appreciation to the Executive Director and Alternate Executive Director representing Chad and their staff for their assistance. It also wishes to thank the Government officials who gave freely of their time in N'Djamena and in the Project areas, the Requesters, the representatives of NGOs and other local people who met with the Panel. It also wishes to thank the staff of Esso Exploration and Production Chad, Inc. and the World Bank Office in N'Djamena for their time and for providing logistical support during the field visit.

nor is allowed to do so pursuant to the 1999 Clarifications of the Resolution.³¹
The Panel can only address these issues during the course of an investigation.

G. RECOMMENDATION

39. In the light of the foregoing, the Panel recommends an investigation into the matters alleged in the Request.

Attachments

³¹ According to the “Conclusions of the Board’s Second Review of the Inspection Panel” dated April 20, 1999, when the Panel makes a field visit to establish eligibility it “*will not report on the Bank’s failure to comply with its policies and procedures or its resulting material adverse effect...*” See ¶ 7.

ANNEX 1
REQUEST FOR INSPECTION

PURPOSE: CLAIM BY PERSONS ADVERSELY AFFECTED BY OIL FIELD DEVELOPMENT IN THE DOBA BASIN WHO RESIDE IN THE CANTONS OF MIANDOUM, KOMÉ, MBIKOU, BÉBÉDJIA, AND BÉBONI (SUB-PREFECTURE OF BÉBÉDJIA), PRESENTED BY DEPUTY NGARLEJY YORONGAR, ASSISTED BY ATTORNEY ZASSINO, A MEMBER OF THE BAR IN N'DJAMENA, AND HIS PARTNERS, FOR THE ATTENTION OF THE INSPECTION PANEL OF THE WORLD BANK.

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Washington, DC 20433
USA

I, Ngarlejy YORONGAR, Deputy to the National Assembly of the Republic of Chad, elected from the Bébédjia district (Eastern Logone), telephone (000235) 51 91 12 841 44 63,

- Acting as a resident of the district of Bébédjia,
- In my capacity as representative of the entire country (Article 116 of the Constitution of the Republic of Chad), and
- On behalf of the persons listed in (Appendixes 1 and 2) as having given their proxies, who are adversely affected by development of the Doba oil reserves and who live in the vicinity of three oil fields in the cantons of Miandoum, Komé, Béro, Mbikou, Bébédjia, and Béboni, in the sub-prefecture of Bébédjia, an area in which 300 sampling wells have been drilled by the Consortium as indicated on the map presented as Appendix 3,

Assisted by a team of lawyers, states the following:

1. The Bank is financing the design, appraisal, and/or execution of a project for the development of three oil fields in Chad-Cameroon. The project calls for exploitation of 300 sampling wells drilled by the Consortium as part of the development of three oil fields (Komé, Miandoum, and Bolobo) in the Doba region.

An export pipeline more than 1,100 km long with a production capacity of 250 million barrels per day will be built by the Consortium (Exxon, Chevron, and Petronas) through the sub-prefectures of Bébédjia, Goré, Bessao, and Baibokoum (Eastern Logone) to the terminal of Kribi (Cameroon). The total cost is estimated at US\$3.5 billion.

In this scheme, the 300 oil wells will be connected to three pumping stations, also named Komé, Miandoum, and Bolobo, via a complex of pipelines and feeder lines, the dramatic consequences of such an operation being predictable.

2. We understand that the Bank has adopted the following policies and procedures:

- Directive 4.30, on environmental impact assessments;
- OD 4.20, on indigenous peoples (notification of native inhabitants and their representatives);
- OPN 11.03, on management of cultural property (OD 4.50);
- OP 17.50, on disclosure of operational information;
- OD 4.30, on involuntary resettlement (the problem of involuntary displacement and resettlement of individuals adversely affected by laying of pipelines);
- OD 4.04, on natural habitats (respect for the native peoples, their culture, usages and customs, sacred places, burial grounds, etc.);
- OP 17.57, on public consultation;

- OD 4.01, on assessment of environmental impact (study of the environmental impact on the production zone, respect for human rights, proper governance, and just and equitable compensation for persons adversely affected by pipeline routes);
- OP 10.04, on economic evaluation of investment operations;
- OD 13.05, on project supervision;
- OP 4.36, on forestry;
- OP 4.09, on pest management;
- OPN 11.03, on management of cultural property in Bank-financed projects (to be issued as OD 4.50 [sic], “Cultural Property”);
- OD 10.70, on project monitoring and evaluation, etc.

3. Our rights and interests will be guaranteed if there is full respect for the directives, rules, conditionalities, recommendations, resolutions, and observations of the World Bank, etc.

Among other rights and interests are the rights to life, to a healthy environment, to fair and equitable compensation, to resettlement not far from our native soil, to work, to respect for our customs and our burial places, to nature, to land ownership recognized by the laws in force, to social well-being, to public consultation, to access to project-related information and the resources of the Fund for Joint Action on Local Initiatives (FACIL), to compassionate treatment, to consultation and coordination with our village associations and our representatives, to representation on the entity responsible for monitoring and surveillance of petroleum resources, etc.

4. The Bank has not followed its own rules and procedures, as indicated by the following acts. We allege that the World Bank participates in, indeed even encourages, violations of its own policies and procedures by the Consortium and the Government, as evidence of which we list certain carefully selected facts:

- It has ridden roughshod over legislation governing expropriation and the uprooting [of communities]; the laughably small quota assigned to the production zone bears little or no relation to the magnitude of the needs of this region and the size of its population. (A barrel of oil for a barrel of Chadian blood!)
- The compensation and indemnification plan fails to take account of [the loss of] medicinal plants. Directive 4.30, which deals with environmental impact assessments, ignores the 300 sampling wells drilled all over the oil production zone (OD 4.01). As far as the environmental impact assessment is concerned, the World Bank, the Government, and the Consortium have focused all their attention on the Chad-Cameroon pipeline. Consider the plight of the Ogoni people of Nigeria: the problems they have been left to face are those created by pipelines that link oil wells to pumping stations. It is at this level, and only this level, that the human, material, and environmental damage has been least bearable. Since the World Bank, the Government, and the Consortium refuse to carry out an environmental impact assessment at this level, the danger is inevitable. Because the danger exists all along the entire 1,100-km route of the Chad-Cameroon pipeline, the environmental impact assessment is unsatisfactory. So far neither the Consortium nor the Government has said a word about how they intend to pump oil from 300 wells through the three pumping stations in Komé, Miandoum, and Bolobo (sub-prefecture of Bébédjia). No environmental impact assessment; no compensation plan. The geological map shows that petroleum in the Doba basin is found from the border of Cameroon to the borders of the Central African Republic and Sudan. It crosses seven

prefectures in the southern part of Chad, namely Eastern Logone, Western Logone, Tandjilé, Mayo-Kebbi, Moyen-Chari, Chari-Baguirmi, and Salamat, home to more than 4.5 million of the country's total population of 6 million. This is precisely the region that feeds Chad and the frontier populations of the neighboring countries. The breadbasket of Chad, this zone is the most densely populated, etc. The slightest pollution of surface water sources will inevitably lead to pollution of water tables, rivers, marshes, and watercourses down to Lake Chad. The same is true of the Sédigui, Bongor, Kyabé, and Salamat oil deposits. However, this lack of transparency regarding the environmental impact of the 300 oil sampling wells drilled by the Consortium, which are to be connected to the three pumping stations of Miandoum, Komé, and Bolobo, and also regarding the Sédigui (Kanem-Lac) production region, does not conceal the great ecological danger posed by the exploitation of Chadian oil. But then, again, why have the World Bank, the Consortium, and the Chadian authorities not answered these fundamental questions? As you are aware, the Doba basin oil production zone extends over seven prefectures (Eastern Logone, Western Logone, Tandjilé, Mayo-Kebbi, Moyen-Chari, Chari-Baguirmi, and Salamat), inhabited by more than 4.5 million of Chad's total population of 6 million. This is an area of heavy rainfall, where the gallery forest is flooded six months of the year, where population density is high, and where farming is highly developed (it is the breadbasket of Chad), etc. If there are breaks in the feeder lines and other pipelines from the oil wells because of a lack of safety measures and an environmental impact assessment, imagine how much damage will be caused. Each well needs at least 10 feeder lines to carry the crude to the pumping stations or terminal. In the sub-prefecture of Bébédjia and its environs alone, for example, the Consortium has drilled 300 wells. If you multiply these 300 wells by 10 feeder lines for each one, you will have 3,000 feeder lines in this district. Are the 80,000 to 100,000 people inhabiting this district to be displaced or not? And where are they to be resettled? A pipeline expert who belongs to an environmental protection group writes in the journal *L'Autre Afrique*, No. 31, that along the Chad-Cameroon pipeline "*the capacity for detecting seepage with even the most sophisticated systems will still not prevent the escape of 10,000 liters of petroleum per day, undetected.*" If we multiply the 300 pipelines leading from the 300 wells to the three pumping stations (Miandoum, Komé, and Bolobo) by 10,000 liters per day, we get three million liters of seepage of crude oil every day in this production region. In other words, its surface waters (consisting of flood waters and the waters of its rivers), polluted by three million liters of oil a day for six months, will empty into the Logone, the Pendé, the Nyan, the Mandoul, the Tandjilé, the Mayo-Kebbi, and the Chiari. These rivers, now polluted in their turn, will continue flowing into Lake Chad. As a result, not only Chad but also its neighboring States – Nigeria, Cameroon, Niger, etc. – will be contaminated.

- OD 4.20, on notification of native inhabitants and their representatives, was never complied with. Neither was OPN 11.03 (OD 4.50 [sic]), which deals with cultural property. The property referred to in this directive is not included in the categories eligible for compensation, although in the production region the property belongs to specific families who rent it, or make it available free of charge to third parties who farm it or use it to pasture livestock. Moreover, for some time now, the Chadian authorities, with the complicity of Consortium officials, have practiced a settlement policy favoring cattle farmers, whom they arm so they can occupy indigenous lands.

- OP 17.50, on disclosure of operational information, has generated no more than a haphazard, uni-directional release of information, for the sole purpose of deceiving both the World Bank and international public opinion.
- Directive OD 4.30, on problems of involuntary displacement and resettlement of people who are adversely affected by projects, has not been complied with yet.
- Directive OD 4.04, on respect for native peoples, their nature, usages and customs, sacred sites, burial places, etc. has been completely ignored.
- Directive OP 17.57, on public consultation, has been honored only with a crude image (see film on the Chad-Cameroon Development Project: *View and Voice*, of May 25, 1999, by Winner and Associates, Los Angeles). The requirement for participation by grass-roots NGOs in projects financed by the World Bank has not been met; the only NGOs consulted were, for the most part, either created for the purpose in hand or commanded no allegiance in the production region. The obligation to take into account the observations of the people affected by the project when preparing and carrying out the environmental impact assessment was never met, etc.
- Directives on assessment of environmental impact specific to the zone affected by a project, in this case the production zone, where the 300 oil sampling wells have been drilled (see ESSO maps).
- Directives on respect for human rights have been ignored since 1990, the year when Mr. Idriss Déby took power in Chad (see CD-ROM with evidence of the massive violations of human rights in the production zone).
- Directives on proper governance have been put aside indefinitely, as evidenced by: the IGET International affair; trafficking in counterfeit currency, drugs, and dummy invoices; misappropriation of foreign aid, including that provided by Taiwan; purchase of weapons with money obtained from oil production in Chad).
- Directives on compensation of persons adversely affected by pipeline routes have been treated as nothing more than an excuse for fraud (e.g., the dealing in compensation lists, among them Mr. Gabriel Ndodjingar's in the canton of Komé), etc.
- Yet other directives have not been complied with: OPN 11.03, on management of cultural property (OD 4.50 [sic]); OP 17.50, on disclosure of operational information; OD 4.30, on involuntary resettlement (the problem of involuntary displacement and resettlement of persons adversely affected by pipeline routes); OD 4.04, on native habitats (respect for native peoples, their nature, usages and customs, sacred sites, burial places, etc.); OP 17.57, on public consultation; OD 4.01, on environmental impact assessment (specifically, an environmental impact study on the production zone), respect for human rights, proper governance, fair and equitable compensation for persons adversely affected by pipeline routes; OP 10.04, on economic evaluation of investment operations; OD 13.05, on project supervision; OP 4.36, on forestry; OP 4.09, on pest management; OP 11.03, on management of cultural property in projects funded by the World Bank, which is to be issued as OD 4.50 [sic], "Cultural Property"; and OD10.70, on project monitoring and evaluation, etc.

5. We consider that our rights and interest have been, or are likely to be, directly harmed as a result of the Bank's action. This causes, or is likely to cause, the following types of damage, among others: pollution and degradation of the environment, expropriation without compensation, lack of respect for our usages and customs, nature, etc., violation of our human rights, bad governance reflected in the recent misappropriation of a premium of US\$2.5 million (CFAF 19 billion) and its use for the purchase of weapons with which to massacre us (see related documents), etc.

6. We hold the Bank accountable for what it has done and/or omitted to do in this case. If the Bank had taken our observations into account, we would not be in the present mess.

7. We have submitted evidence in our regular correspondence addressed to the President of the World Bank himself and various Bank departments to draw their special attention to the problems described above (see examples of related correspondence and documentation).

Furthermore, Deputy Ngarlejy YORONGAR, our constitutionally elected representative, took part in the following activities in 1999:

- Seminars organized by the World Bank in Paris, chaired by Mr. Jean-Louis Sarbib, Vice President of the World Bank for Africa, and by Mr. Patrice Dufour, the Representative of the World Bank in Paris.
- The meeting between World Bank President James D. Wolfensohn and NGO and media representatives in Paris. During this meeting, Mr. Wolfensohn invited Deputy Ngarlejy YORONGAR to visit the Bank's headquarters in Washington to discuss the case. However, there has been no follow-up on this invitation to date.
- The teleconference, organized at the instigation of Deputy YORONGAR, with the seven World Bank directors in charge of the Chad petroleum matter, among them Mr. Serge Michailof, at that time the Country Director for Chad.
- Meetings in N'Djaména with successive World Bank missions, whose different leaders included the Country Director for Chad and the Director General [sic] of the World Bank.
- Seminars in Donia in January 1998 and Bébédjia in April 1999, with the participation of representatives of the World Bank, the Government, and the Consortium (see Resolutions, Recommendations, and Declaration), etc.

Except for vague responses from aides to World Bank President James D. Wolfensohn, all memoranda, letters, observations, and evidence presented in the course of these seminars and meetings were ignored. Instead, the World Bank concentrated on using its reputation and influence to ensure the project went ahead, to the detriment of the local communities affected and of Chad itself (see related letter from Mr. Jean-Louis Sarbib).

8. We have received a number of evasive replies from Messrs. Serge Michailof and Jacques ??? Calderisi, who were in charge of operations for the World Bank, but we are not satisfied with them. Besides being vague and evasive, they have not only produced no follow-up action but have failed to influence the behavior on the ground of either the Government of Chad or the Consortium (see samples of the replies received).

9. We have taken the following steps to resolve the problem:

Since the World Bank, the Government, and the Consortium have failed to recognize the validity of our position, we have decided to appeal to the Inspection Panel so that justice will be done by halting oil field development works in the Doba basin until all World Bank directives and policies are put into effect and scrupulously respected by those responsible.

Bébédjia, December 15, 2000

On behalf of all persons adversely affected by oil field development at Doba and Sédigui, by virtue of my mandate to represent the entire nation (Article 116 of the Constitution of the Republic of Chad),

Ngarlejy YORONGAR (Signed)

For my constituents whose names appear on the attached list,

Deputy Ngarlejy YORONGAR (Signed)

ANNEX 2

MANAGEMENT RESPONSE

**BANK MANAGEMENT RESPONSE TO
REQUEST FOR INSPECTION PANEL REVIEW OF THE
CHAD-CAMEROON PETROLEUM DEVELOPMENT AND PIPELINE PROJECT,
CHAD PETROLEUM SECTOR MANAGEMENT CAPACITY BUILDING PROJECT,
AND CHAD MANAGEMENT OF THE PETROLEUM ECONOMY PROJECT**

Management has reviewed the Request for Inspection of the Chad-Cameroon Petroleum Development and Pipeline Project, the Chad Petroleum Sector Management Capacity Building Project and the Chad Management of the Petroleum Economy Project received by the Inspection Panel on March 22, 2001 and registered on April 11, 2001. Management has prepared the following response.

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CURRENCY EQUIVALENTS

Currency Unit = CFA Franc (CFAF)

US\$1 = 730 CFAF

ABBREVIATIONS AND ACRONYMS

ACCORD	Association for Cooperation and Development Research
AFDI	French Association of International Development
API	American Petroleum Institute
ASOSRP	Area Specific Oil Spill Response Plan
ASSAILD	Association of Support to Local Development Initiatives
ASTM	American Society for Testing and Materials
bbf	Barrel
BEAC	Bank of Central African States
BELACD	Bureau for Studies and Liaison for Charitable and Development Activities
BP	Bank Policy
CAR	Central African Republic
CILONG	Information and Liaison Center for NGOs
CIRAD	Center for International Cooperation on Agronomic Research for Development
CTNSC	National Technical Committee for Monitoring and Evaluation of the Pipeline Project
COLONG	Local NGO Coordination
COTCO	Cameroon Oil Transportation Company, S.A.
EA	Environmental Assessment
EAS	Environmental Alignment Sheet
ECMG	External Compliance Monitoring Group
EEPCI	Esso Export and Production Chad, Inc.
EMP	Environmental Management Plan
EMR	Environmental Management Requirement
FACIL	<i>Fonds d'Action Concerté d'Initiative Locale</i> - Local Initiatives Social Fund
GIS	Geographic Information System
GOSRP	General Oil Spill Response Plan
HIPC	Highly Indebted Poor Country
HIV/AIDS	Human Immunodeficiency Virus/Acquired Immune Deficiency Syndrome
IAG	International Advisory Group
IBRD	International Bank for Reconstruction and Development
IDA	International Development Association
IFC	International Finance Corporation
IGET	IGET Consulting Company
IMF	International Monetary Fund
INADES	African Institute for Economic and Social Development
IPN	Inspection Panel Number
MIS	Management Information System
MW	Megawatt

NGO	Non-Governmental Organization
OD	Operational Directive
OP	Operational Policy
OPN	Operational Policy Note
PAD	Project Appraisal Document
PRGF	Poverty Reduction and Growth Facility (of the IMF)
PROCC	Petroleum Revenue Oversight and Control Committee
PRSP	Poverty Reduction Strategy Paper
TOTCO	Tchad Oil Transportation Company, S.A.
UN	United Nations
UNDP	United Nations Development Programme
VITA	Volunteers in Technical Assistance
WHO	World Health Organization
WWF	World Wide Fund for Nature

EXECUTIVE SUMMARY

1. On April 11, 2001 the Inspection Panel registered a Request for Inspection, IPN Request RQ 01/1, concerning the IBRD-financed Chad-Cameroon Petroleum Development and Pipeline Project (the “Pipeline Project,” also the “Project”), the IDA-financed Chad Petroleum Sector Management Capacity Building Project, and the IDA-financed Chad Management of the Petroleum Economy Project.³²

2. The Requestors touch upon a broad range of issues concerning the local impacts of the Project, as well as the broader impacts of oil development in Chad. These include (but are not limited to):

- Environmental degradation;
- Resettlement and compensation;
- Consultation;
- Use of oil revenues; and
- Human rights.

3. The Request contains twenty-six specific allegations of non-compliance pertaining to the applicable policies and procedures of IBRD and IDA (hereafter referred to as the “Bank”) on Environmental Assessment, Natural Habitats, Pest Management, Indigenous Peoples, Involuntary Resettlement, Forestry, Economic Evaluation of Investment Operations, Cultural Property, Disclosure of Operational Information, and Project Supervision.

4. The Requestors allege that the Bank’s failure to comply with the above-mentioned policies and procedures has resulted and will result in direct and adverse impacts such as: (i) pollution and degradation of the environment; (ii) expropriation of land and other assets without proper compensation; (iii) lack of respect for indigenous customs and for the Requestors’ environment; (iv) lack of respect for the Requestors’ human rights; and (v) poor governance illustrated by the misuse of the US\$25 million petroleum bonus paid by two Consortium members to the Government of Chad.

5. The Chad Petroleum Production and Export Project is the single largest private sector investment in Sub-Saharan Africa. It is expected to cost about US\$3.7 billion, of which about 4 percent is funded by the Bank Group. The private sponsors, ExxonMobil, Petronas and Chevron, form a consortium that will develop the three oil fields of Kome,

³² The IFC is also participating in the financing of the Pipeline Project, alongside the Bank loan and IDA credits. The Bank Group financing was processed concurrently by each of the participating institutions, and IFC staff worked closely with Bank staff on this Project, especially in the environmental and social area. The term “Bank Group” is used in this response where it is necessary to provide a factual description of the environmental and social work carried out by the Bank and IFC staff working on the Project. It should be noted that this response, however, deals with claims against the Bank only, and that the Inspection Panel’s jurisdiction does not extend to claims against IFC.

Miandoum, and Bolobo in the region of Doba, southern Chad. The Project will also comprise the construction of a 1,070-kilometer pipeline from the Doba oil fields to offshore oil-loading facilities in Cameroon. Based on the appraisal assumptions and proven and probable petroleum reserves of 917 million barrels, the Project could yield about US\$2 billion in revenues for Chad over the 25-year production period.

6. The Bank Group's involvement in the Project is predicated on: (i) the unique opportunity it presents for Chad in particular to generate additional revenues to combat poverty; and (ii) the need to implement the Project in a socially and environmentally sound manner. It also provides a unique opportunity for the Bank and IFC to play a significant role in reducing poverty in one of Africa's poorest countries.

7. The Project preparation process, which took several years, was undertaken by an interdisciplinary team of specialists from the Bank and IFC working under the direction of Senior Management. Extensive Bank review of environmental and social aspects of the Project was conducted, with the participation of specialists drawn Bank-wide. This review led to significant changes in Project design. In addition, public debate around the Project, its rationale, its impacts, and its significance for the development of Chad, involved a broad spectrum of civil society actors in Chad and abroad. This debate provided and continues to provide insights and inputs to improve further on Project design and to identify issues during implementation.

8. Management hereby responds to the Request on the subject of its compliance with the operational policies and procedures applicable to the matters raised in the Request. In Management's view, the Bank has complied with its operational policies and procedures in the context of the Project with regard to the environmental, social, cultural, and procedural matters raised in the Request. Management submits that the Bank has taken the necessary measures to ensure that people in the Project area have not been directly and adversely affected as a result of Project design and its implementation to date. Nor does Management believe that the Requestors will be adversely affected by the implementation of the Project in the future, as systems are in place to ensure that their views and concerns are adequately identified and addressed as necessary, and extensive monitoring arrangements and supervision activities will provide a channel for addressing implementation issues.

9. **Claims raised with regard to environmental matters** concern the adequacy of the Project's environmental assessment (Project EA), potential impacts from oil spills, project design and location, drilling of oil wells and oil field development, consultation, forestry, natural habitats and pest management.

10. With regard to these claims Management believes that all the policies, guidelines and procedures pertaining to the environmental matters raised by the Request were and continue to be followed:

- The Project was designed to minimize environmental impacts through an extensive Project EA;

- The Project's design was significantly altered and improved by inputs from Bank Group staff (new technologies, international standards, environmental assessment, planning and mitigation, consultation) and through an intensive consultation process with affected populations; and
- An extensive Environmental Management Plan will further avoid and mitigate impacts during implementation. This Plan includes a dynamic feedback mechanism based on monitoring of environmental impacts and consultation with affected populations during implementation.

11. **With regard to matters concerning resettlement and compensation**, claims are that national legislation was not respected and that medicinal trees were not adequately compensated for; worries were expressed about the extent of resettlement and the non-application of ODs pertaining to cultural property, respect of local people and public consultation. Management believes that all the policies, guidelines and procedures pertaining to the matters raised by the Request with regard to involuntary resettlement, including compensation, were and continue to be followed:

- The Project is designed to minimize impacts on affected populations, including with regard to resettlement;
- Mitigation of any remaining impacts, including full and adequate compensation for the individuals and groups affected is being implemented in accordance with the relevant laws and policies;
- Consultation is an integral part of the resettlement and compensation process and there is an adequate grievance process;
- Medicinal trees will be valued through a consultative process and will be compensated for when valuation is complete; and
- The Project EA is designed to avoid impacts on cultural property and flexible feedback mechanisms are in place to re-route works away from sacred groves and gravesites during implementation.

12. **With regard to monitoring and evaluation and supervision**, claims are that these policies are not being respected. Management believes that this is not the case:

- A dynamic process of monitoring, evaluation and feedback was put in place. Additional support for monitoring and evaluation under the Project is being provided by external groups such as the External Compliance Monitoring Group and the International Advisory Group;
- Adequate supervision time and resources have been allocated. Supervision includes frequent field visits by a qualified team that meets with all parties to the Project, including affected populations;
- Considerable resources will continue to be allocated to examination and validation by the Bank of the implementation of the EMP.

13. The Requestors allege that the Bank's failure to comply with the policies and procedures cited above has resulted and will result in direct and adverse impacts on them. Many of the impacts cited by the Requestors, such as pollution and degradation of the Requestors' environment, expropriation without proper compensation, lack of respect for local people, their environment, usages and customs, are addressed under the twenty-six specific claims on Environment, Resettlement, Indigenous People, Natural Habitats, etc.

14. In addition, the Requestors allege that **their rights and interests have been or are likely to be harmed by the Bank's failure to apply its policies on governance.** They cite the recent misappropriation of a bonus of US\$25 million (CFAF 19 billion) and its use for the purchase of weapons as an example.

15. With regard to this claim, Management underlines that improving governance is one of the central objectives of the Bank's Country Assistance Strategy to Chad. Management emphasizes that the US\$25 million petroleum bonus was not subject to any agreement concluded between the Government of Chad and the Bank. Nevertheless, in line with its overall policy of supporting the improvement of public financial management and governance in Chad, the Bank, together with the IMF, took strong measures to ensure that unspent funds from the petroleum bonus (approximately 40 percent) were budgeted, targeted to priority sectors for poverty reduction, and overseen by the Petroleum Revenue Oversight and Control Committee; and that an audit of spent funds would be carried out.

16. Finally the Requestors allege that their **human rights are violated as a result of the Bank's failure to apply its policies.** Management does not believe that this is the case. The Bank is concerned by human rights in Chad as elsewhere, but its mandate does not extend to political human rights. The Project has afforded affected people and the population of Chad at large a forum and the opportunity to debate issues of public concern around the project. It has also resulted in the representation of members of civil society on the Petroleum Revenue Oversight and Control Committee. In Management's opinion, the Project preparation process has contributed to opening and furthering the dialogue between Government and civil society in Chad broadly speaking and has served as a precursor to an increasingly participatory approach to public management, as illustrated by the Poverty Reduction Strategy process in Chad. Management is open to collaboration with specialized agencies whose mandate explicitly includes human rights, where complementary activities can be identified.

17. In conclusion, Management believes that the Bank has made considerable efforts to apply its policies and procedures and to concretely pursue its mission statement in the context of this Project and does not agree that, as a result, the Requestors' rights or interests have been, or will be, directly and adversely affected. Management remains committed to a process of regular consultation and disclosure to assure the environmental and social soundness of the Project during its implementation phase. Management intends to pursue the improvement of governance and the alleviation of poverty in Chad through this Project and other instruments of the Bank's Country Program for Chad.

1. INTRODUCTION

1. On April 11, 2001 the Inspection Panel registered a Request for Inspection, IPN Request RQ 01/1 (hereafter referred to as “the Request”), concerning the IBRD-financed Chad-Cameroon Petroleum Development and Pipeline Project (the “Pipeline Project,” also the “Project”), the IDA-financed Chad Petroleum Sector Management Capacity Building Project (the “Capacity Building Project”), and the IDA-financed Chad Management of the Petroleum Economy Project (the “Petroleum Economy Project”).³³

THE REQUEST

2. The Request for Inspection Panel review is submitted by Mr. Ngarlejy Yorongar (the “Requestor”) who is also acting on behalf of 120 residents (the “Requestors”) of the Cantons of Miandoum, Kome, Bero, Mbikou, Bebedjia and Beboni (all in the Sub-Prefecture of Bebedjia), Republic of Chad (see Map 1).

3. Attached to the Request are:

- (i) A letter to the Requestor from the private sector operator of the Project dated September 30, 1997 providing information on several aspects of the Project;
- (ii) A letter to the Requestor from the private sector operator dated May 30, 2000 communicating copies of signed receipts for structures provided to resettled persons;
- (iii) A fax to the Requestor from Bank staff dated May 21, 1999, communicating and translating detailed information concerning the compensation received by a specific individual;
- (iv) A letter to Mr. James D. Wolfensohn from the Requestor dated 30 November, 1999 in response to a statement made by Mr. Wolfensohn concerning the Project and reported on October 1, 1999 by the Chadian Press Agency;
- (v) A copy of Chad’s Law number 14/PR/98 defining General Principles of Environmental Protection; and
- (vi) A document dated June 8, 2000 written by the Requestor entitled “One barrel of Chadian oil for one barrel of blood, pollution, corruption, drug trafficking, etc.” addressed to Mr. James D. Wolfensohn and to the Prime Minister of Chad.

³³ The IFC is also participating in the financing of the Pipeline Project, alongside the Bank loan and IDA credits. The Bank Group financing was processed concurrently by each of the participating institutions, and IFC staff worked closely with Bank staff on this Project, especially in the environmental and social area. The term “Bank Group” is used in this response where it is necessary to provide a factual description of the environmental and social work carried out by the Bank and IFC staff working on the Project. It should be noted that this response, however, deals with claims against the Bank only, and that the Inspection Panel’s jurisdiction does not extend to claims against IFC.

No further materials were received by Management in support of the Request.

4. The Request alleges that the Bank has not complied with the following policies and procedures:

- OD 4.01 on Environmental Assessment;
- OP/BP 4.04 on Natural Habitats;
- OP 4.09 on Pest Management;
- OD 4.20 on Indigenous Peoples;
- OD 4.30 on Involuntary Resettlement;
- OP 4.36 on Forestry;
- OP 10.04 on Economic Evaluation of Investment Operations;
- OPN 11.03 on Cultural Property;
- BP 17.50 on Disclosure of Operational Information; and
- OP 13.05 on Project Supervision.

5. Although the Request does not explicitly mention OD 4.15 on Poverty Reduction, issues related to compliance with this policy are addressed in Section VI of this Response. Paragraphs 138 to 146 describe the Bank's approach, responsibilities and activities with regard to petroleum revenue management and governance in Chad, the purpose of which is to assist Chad to target the bulk of direct oil revenues from the Project to expenditures in priority sectors for poverty alleviation.

6. The Request further alleges that the Bank's failure to comply with the above-mentioned policies and procedures has resulted and will result in direct and adverse impacts on the Requestors such as: (i) pollution and degradation of the environment; (ii) expropriation of land and other assets without proper compensation; (iii) lack of respect for indigenous customs and for the Requestors' environment; (iv) lack of respect of the Requestors' human rights; and (v) poor governance illustrated by the misuse of US\$25 million of oil revenues which were allegedly used to buy weapons to massacre the Requestors.

7. Twenty-six specific allegations of non-compliance pertaining to the policies and procedures listed in paragraph 4, as well as the five more general claims of adverse impact described in paragraph 6, are contained in the Request.

8. This response will address these concerns by responding directly to each specific claim of non-compliance raised by the Requestors (Section V of this response), discussing claims of adverse impact (Section VI of this response), and describing the Bank's responsiveness to the Requestors (Section VII of this response). In light of the provisions of paragraph 12 of the Resolution

establishing the Inspection Panel³⁴ and of the fact that all allegations presented in the Request concern impacts in Chad only, the present response focuses exclusively on the Project's preparation, appraisal and implementation in Chad. Potential impacts in other countries are addressed only where raised explicitly in the Request.

PROJECT BACKGROUND

PROJECT OBJECTIVES AND DESCRIPTION

9. Chad is one of the world's poorest countries, with an estimated 80 percent of its population of 7.5 million living with less than one dollar a day. The depth and pervasiveness of poverty is striking, and only a small fraction of the population escapes its consequences: poor nutrition and health, high child and adult mortality, and limited access to basic amenities, educational opportunities and social protection. Chad's rugged environment is also a major constraint to development, and a challenge for sustainable future growth. Making a dent in poverty over the next years is the overriding objective for the country and its partners.

10. Oil development provides a major opportunity for Chad to break free from a poverty trap of enormous needs and very limited resources, to diversify its economy, and to increase its fiscal revenues. If well-managed, additional revenues from oil can translate into significant poverty alleviation, through greater availability of resources for priority sectors, improved infrastructure and wider delivery of better public and social services. Estimates suggest that incomes could grow twice as fast, for about a generation, than under a non-oil scenario, leading in all likelihood to a very significant improvement in welfare indicators. The Bank's Country Assistance Strategy aims to help Chad prepare to make the best development use of its oil resources, and avoid the pitfalls encountered by many other countries in the exploitation of natural resources.

11. The Chad Petroleum Production and Export Project is the single largest private sector investment in Sub-Saharan Africa. It is expected to cost about US\$3.7 billion, of which about 4 percent are funded by the Bank Group. The private sponsors, ExxonMobil 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) who form a consortium (the "Consortium"), will develop the three oil fields of Kome, Miandoum, and Bolobo (the "Field System") in the region of Doba, southern Chad (see Map 1). The Project will also comprise the construction of a 1,070 kilometer pipeline from the Doba oil fields to Cameroon's Atlantic coast at Kribi, three related pumping stations, ancillary facilities, infrastructure improvements, and installation of off-shore oil-loading facilities (the "Export System").

³⁴ "The affected party must demonstrate that its rights or interests have been or are likely to be directly affected by an action or omission of the Bank as a result of failure of the Bank to follow its operational policies and procedures with respect to the design, appraisal, and/or implementation of a project financed by the Bank (including situations where the Bank is alleged to have failed in its follow-up on the Borrower's obligations under loan agreements with respect to such policies and procedures) provided in all cases that such failure has had, or threatens to have a material adverse effect." Resolution establishing the Inspection Panel, para. 12.

12. The World Bank Group (IFC and the Bank, hereafter “the Bank Group”) was originally approached to participate in the Project in 1992. The Bank Group’s involvement in the Project is predicated on: (i) the unique opportunity it presents for Chad in particular to generate additional revenues to combat poverty; and (ii) the need to implement the Project in a socially and environmentally sound manner. It also provides a unique opportunity for the Bank Group to play a significant role in reducing poverty in one of Africa’s poorest regions. The Bank Group approach has been essential in integrating a range of relevant challenges into Project preparation, including social and environmental issues, and governance issues within the mandate of the Bank.

13. The Project was prepared by the Consortium and the Governments of Chad and Cameroon, with the help of the Bank Group, from 1993 to 1999. The Project was appraised by the Bank in late June and early July 1999 and negotiated by the Bank from February to April 2000.³⁵ An IBRD loan of US\$39.5 million to the Republic of Chad that will finance part of the equity of the Government of Chad in the Tchad Oil Transportation Company, S.A. (TOTCO) and the Cameroon Oil Transportation Company, S.A. (COTCO),³⁶ was approved by the Bank’s Board on June 6, 2000. An IFC A Loan of US\$100 million that is expected to mobilize up to US\$100 million in commercial bank lending to fund a portion of the project costs of the Export System was approved by IFC’s Board on June 6, 2000³⁷. The Project is accompanied in Chad by: (i) the IDA-financed Management of the Petroleum Economy Project (US\$17.5 million approved on January 27, 2000) which aims to build Chad’s capacity to manage oil revenues and to use them efficiently for poverty reduction; and (ii) the IDA-financed Petroleum Sector Management Capacity Building Project (US\$23.7 million approved on June 6, 2000) which aims to assist the Government in carrying out its responsibilities under the Pipeline Project EA and to establish an effective framework for further sound private sector investment in the petroleum sector.

14. As stated in the Project Appraisal Document (PAD), in Chad the outputs of the Pipeline Project are expected to be: (i) substantial fiscal revenues from the export of crude oil from the three oil fields to be developed (Kome, Miandoum and Bolobo); (ii) the existence and operation of a Petroleum Revenue Management Program; (iii) the development of the three oil fields and construction and operation of the Export System by a private operator; and (iv) the environmentally and socially sound development of oil fields and construction and operation of the pipeline.³⁸ To achieve these goals, a Petroleum Revenue Management Program was developed for oil revenues accruing to Chad from the Project. A comprehensive and detailed environmental assessment was carried out and environmental management plans drawn up.

15. A special purpose company, Esso Export and Production Chad, Inc. (EEPCI), a wholly owned subsidiary of ExxonMobil, was established to develop the Field System. The Consortium and the Governments of Chad and Cameroon have established TOTCO and COTCO, two joint-venture

³⁵ IFC’s detailed negotiations commenced in September 1997. Parallel loan negotiations, appraisal and field visit have taken place since then.

³⁶ IBRD funds will be disbursed against invoices for civil works on land pipeline installations. Chad Loan Agreement, Petroleum Development and Pipeline Project, Schedule 1.

³⁷ IFC’s management has determined that the Project complies with the applicable IFC environmental and social safeguard policies.

³⁸ Pipeline Project, PAD, Annex 1, pp. 43-44.

companies to own and operate, respectively, the Chad and Cameroon portions of the Export System. The Government of Chad also owns a portion of COTCO.³⁹ EEPCI is the Project's manager and operator, responsible for overall coordination of the Project, including with TOTCO and COTCO, the two Governments, the Bank, IFC, and other lenders.

16. The Consortium and the Governments share the responsibility of implementing the Pipeline Project. In Chad, the Environmental Management Plan (EMP) will be implemented by EEPCI and TOTCO, in collaboration with the Government of Chad. EEPCI and TOTCO will take primary responsibility for ensuring that contractors, workers and work sites comply with EMP provisions. The compensation, resettlement, oil spill contingency and decommissioning plans will be implemented by EEPCI and TOTCO in collaboration with the Government. EEPCI, TOTCO, and the Government of Chad will also monitor and evaluate the EMP's implementation in Chad. In addition, the Government of Chad is responsible for implementing the Capacity Building and Petroleum Economy Projects with the support of the Bank.

Background on Petroleum Revenue Management

17. Revenues from the Project accrue to the Government of Chad in the form of royalties, taxes, and dividends from its shareholdings in TOTCO and COTCO. Based on the appraisal assumptions of crude oil prices (Brent) of US\$15.25/bbl and proven and probable petroleum reserves of 917 million barrels, the Project could yield about US\$2 billion in revenues for Chad over the 25-year production period.

18. The Bank Group's rationale for supporting the Pipeline Project is based on: (i) the conviction that the Project affords Chad a unique opportunity to generate additional Government revenues to reduce poverty; and (ii) the Government of Chad's commitment to allocating these revenues to poverty reduction activities and achieving a concrete impact. In this context, a core issue addressed during Project preparation was the design of and agreement upon a Petroleum Revenue Management Program for Chad, which would ensure transparent management of oil revenues and the allocation of the bulk of revenues to priority sectors for poverty reduction.

19. The Government of Chad, working closely with the Bank, has articulated a Strategy for the Management of the Petroleum Economy which seeks to reduce poverty by isolating petroleum revenues and targeting their use to the priority poverty sectors in the context of sectoral programs. This Strategy is supported by the Petroleum Economy Project.⁴⁰ Chad has adopted a Petroleum Revenue Management Law⁴¹ which targets the bulk of oil revenues from the fields to be developed under the Project for incremental poverty alleviation activities in a transparent manner, under the supervision of a Petroleum Revenue Oversight and Control Committee (PROCC) composed of Government and civil society representatives.⁴²

³⁹ See Pipeline Project PAD, Annex 12, for a description of corporate relationships.

⁴⁰ Pipeline Project, PAD, Annex 11, p. 111.

⁴¹ See Annex C for the Petroleum Revenue Management Law adopted by Chadian Parliament on December 30, 1998.

⁴² See Annex C, Petroleum Revenue Management Law.

20. A Petroleum Revenue Management Program (the Program) also has been agreed between the Bank and Chad and incorporated into the Chad Loan Agreement for the Project. This Program expands upon the provisions of the Petroleum Revenue Management Law. The overall objective of the Program is to set aside the petroleum revenues received by the Borrower under the Project and target their use to priority poverty sectors in the context of the Borrower's overall sectoral programs and global government expenditure patterns, in a manner consistent with sound macroeconomic management. Petroleum revenues to be spent on priority sectors are to conform to sectoral expenditure programs to be agreed to on an annual basis with the Bank.

21. The provisions of the Program:

- Stipulate that the Borrower shall not amend or waive the Petroleum Revenue Management Law so as to materially and adversely affect the implementation of the Program;
- Set out the flow of funds generated by the Project;
- Stipulate the use of funds generated by the Project and the modalities by which they will be spent; and
- Set out record keeping and auditing requirements for petroleum accounts.

22. Improving governance has been an important issue in the Bank's dialogue with Chad. The Petroleum Economy Project in particular, and other Bank-financed operations are in place and aim to improve public financial management for all revenues by: (i) carrying out public expenditure reviews; (ii) conducting surveys to trace public expenditures down to primary schools and health centers; (iii) developing a medium term framework for public expenditure; (iv) simplifying the expenditure circuit; and (v) reforming procurement practices. Support is also provided to further develop sectoral strategies in health, education, rural development and infrastructure that will concretely benefit the poor. Finally, the Government is preparing a Governance Strategy with the participation of civil society, a process that lends itself to discussion of a range of governance issues.

OVERVIEW OF MANAGEMENT CONCLUSIONS

23. Pursuant to paragraph 18 of the Resolution establishing the Inspection Panel, Management hereby responds to the Request on the subject of its compliance with the operational policies and procedures applicable to the matters raised in the Request. In Management's view, the Bank has complied with its operational policies and procedures in the context of the Project with regard to the environmental, social, cultural, and procedural matters raised in the Request. Management submits that the Bank has taken the necessary measures to ensure that people in the Project area have not been directly and adversely affected as a result of Project design and its implementation to date. Nor does Management believe that the Requestors will be adversely affected by the implementation of the Project in the future, as systems are in place to ensure that their views and concerns are adequately identified and addressed. Extensive monitoring arrangements and supervision activities will provide a channel for addressing any future implementation issues.

ALLEGED VIOLATIONS OF THE BANK'S POLICIES AND PROCEDURES

CLAIMS RELATED TO ENVIRONMENTAL ISSUES

Background Information on the Project's Environmental Assessment Process

24. All Bank-financed projects classified as Category A require the completion of an EA under OD 4.01. The Pipeline Project was classified as a Category A project. Consequently, in accordance with the provisions of this OD, and in collaboration with the Government of Chad, the Consortium has prepared an environmental assessment and environmental management plans for the Project. In 1997, a Draft Environmental Assessment (the 1997 Draft EA) was prepared and made publicly available in the Infoshop in October 1997. In May 1999, an EMP was finalized and made publicly available in June 1999. Together the 1997 Draft EA and the EMP constitute the Project EA. The accompanying Capacity Building Project was classified as a Category B project and the Petroleum Economy Project as a Category C project.

25. Draft environmental documentation was developed by the Consortium, in collaboration with the Government of Chad, through a program of scientific studies and public consultations that began in 1993. A Geographic Information System (GIS) map-based database was produced to aid in environmental assessment of Project alternatives.⁴³ The data for the GIS and other Project analyses were based on field studies, published research data, satellite imagery, and high-resolution aerial photographic mapping produced by the Consortium. Public consultations included meetings with numerous in-country non-governmental organizations (NGOs) as well as nearly 200 village meetings held in the context of a Human Environment Survey.

26. These materials led to the preparation of the 1997 Draft EA⁴⁴ and its accompanying plans and studies, which included: (i) appendices describing the Human Environment and Health Surveys and providing preliminary information on oil spill response planning, as well as a series of reference documents describing biophysical and socioeconomic surveys; and (ii) a Compensation and Resettlement Plan for Chad and a Compensation Plan for Cameroon. The documents covered both the production of crude oil in the Doba Basin in Chad and the transportation of this crude from the Doba Basin in Chad to the coast in Cameroon. All of the above documents were distributed for public review and comment in Chad and at the Infoshop in the third quarter of 1997.

27. Upon examining the released 1997 Draft EA and following IFC's appraisal mission in January 1998, Bank Group staff concluded that the initial design of the Project, the scope of the environmental assessment, and the provided environmental documentation did not fully meet Bank requirements. Over sixty areas of deficiency were found. For instance, the routing of the proposed pipeline in Cameroon was not satisfactory, the impact assessments for infrastructure upgrades in

⁴³ Dames and Moore, February 1995, Route Selection Report, Environmental and Socioeconomic Services, Exxon Chad Doba Development Project.

⁴⁴ Dames and Moore, October 1997, Chad Export Project Environmental Assessment, Chad Portion; Dames and Moore, October 1997, Chad Export Project Environmental Assessment, Cameroon Portion; Dames and Moore, November 1997, Chad Export Project Environmental Management Plan, Chad Portion; and Dames and Moore, November 1997, Chad Export Project Environmental Management Plan, Cameroon Portion.

support of the Project were inadequate, induced impacts in Chad were not adequately addressed, and the 1997 Draft EA was deemed to be too general. In addition, a vivid public debate led by international and local NGOs concerning the environmental and social issues pertaining to the Project provided inputs for the analysis of this documentation. On the basis of extensive Bank Group staff comments, discussions, and field visits, the Consortium undertook considerable additional work and made key revisions to the EA.

28. Key revisions included: (i) more detailed alternatives analysis of pipeline routing resulting in major changes in alignment in three areas (the Mbere Rift Valley and the Deng Deng and Atlantic littoral forests in Cameroon); (ii) EAs for infrastructure upgrades; and (iii) specific responsibilities for the implementation of the EMP. Other improvements included the collection of additional biodiversity data; an Induced Access Management Plan and a Decommissioning Plan for infrastructure facilities; an AIDS prevention component to the Project; provisions to strengthen social infrastructure in the producing region; and a commitment to elaborate a Regional Development Plan for this region. One of the Bank Group's further findings was that the consultation process undertaken prior to 1997 needed to be strengthened. Extensive additional consultation was undertaken during the public review period of 1997 to 1999 (see the Process of Public Consultation, paragraphs 40-55).

29. The environmental documentation which incorporated these changes and improvements became the EMP. The Project EA, comprising the 1997 Draft EA and the EMP, was found to be in compliance with all applicable safeguard policies of the Bank in May 1999. The updated, expanded and finalized Project EA covered the Field System and the Export System. In accordance with Bank procedures, Bank appraisal did not take place until the Bank had received the satisfactory Project EA and placed it in the Infoshop on June 25, 1999. The Project EA was made available in Chad on the same day.

30. The Project EA was produced by the Consortium in collaboration with the two host Governments, the Republic of Chad and the Republic of Cameroon (See Annex B for a complete list of the documentation, which includes the documents related to the full Project EA). It describes the joint investigations, analysis, environmental assessments and environmental management commitments of the Consortium and of each of the host countries and is summarized in Figure 1 below.

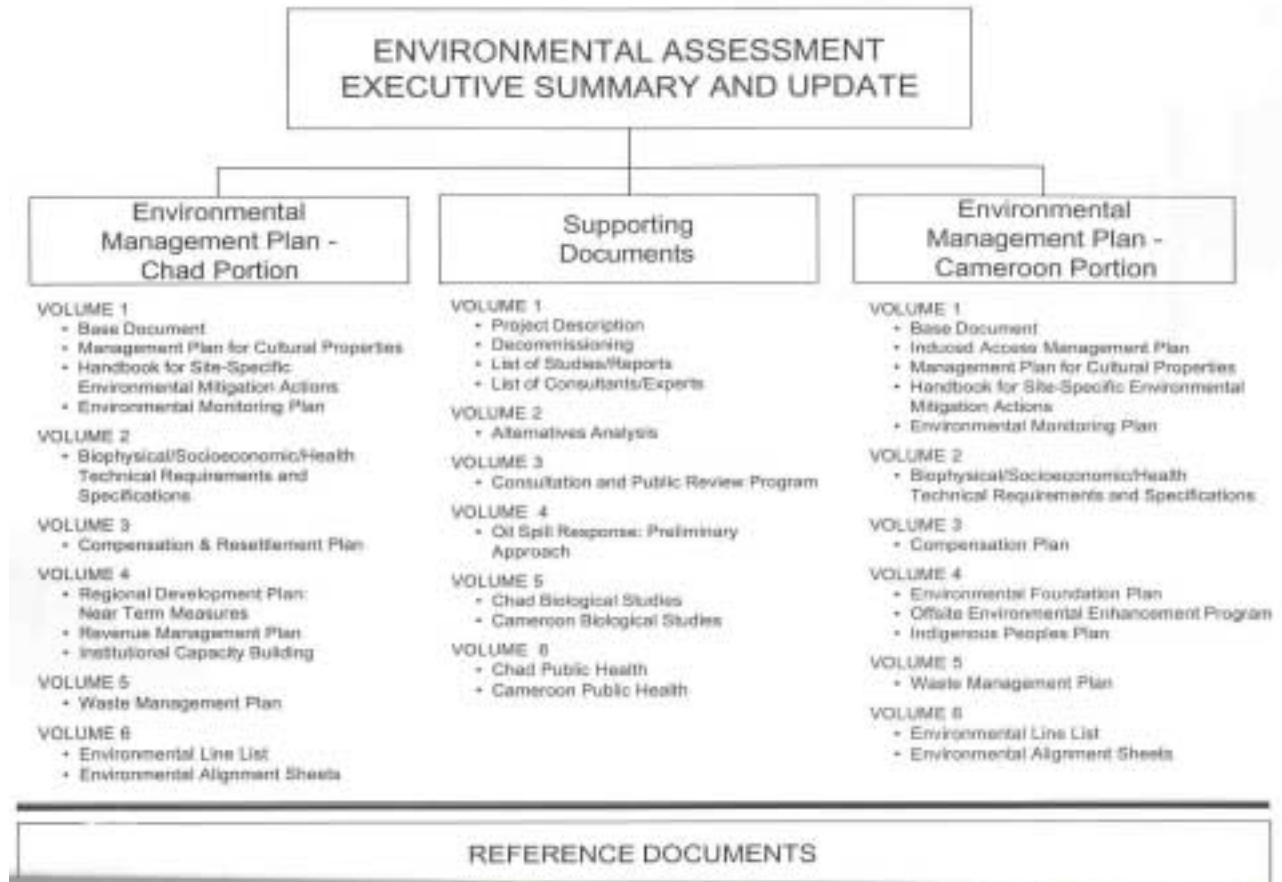


Figure 1. Structure of EA and Supporting Documents

31. In addition, in September 1999, the “Chad Export Project: General Oil Spill Response Plan” (GOSRP) was completed, reviewed by Bank Group staff, and found to be in compliance with applicable safeguard policies. It was released to the public and in country through the same channels as the Project EA. It expanded upon the Chad Export Project Supporting Documents, Volume 4, Oil Spill Response, Preliminary Approach, which was deemed sufficient for the purposes of appraisal. The production of the GOSRP was a condition of Board presentation of the Project and constitutes the twentieth Volume of the Project EA of which it is an integral part.

Objective of Project EMPs

32. In the context of the Project EA, it is the objective of the EMP for Chad to describe measures and actions that will be implemented by EEPICI, TOTCO, and Chad during the design, construction

and operation of the Field System and the Export System to eliminate, offset, or reduce key identified biophysical, socioeconomic, and health issues/impacts to acceptable levels. Details on the mechanics of the EMP are presented in Volume 1 of the EMP for Chad.

33. For Chad, the “Handbook for Site-Specific Environmental Mitigation Actions” accompanies the Environment Alignment Sheets (EASs) and Environmental Line List for the TOTCO Transportation System’s pipeline and the Project’s oil field development area facilities.⁴⁵ The pipeline route is shown on twenty-six EASs and the oil field area on twelve EASs. These EASs will be used in the field to locate sensitive and special interest habitats, as well as the locations at which specific Environmental Management Requirements (EMRs) will be implemented. Aerial photographs and satellite imagery at 1:30,000 and 1:50,000 scale, respectively, were analyzed and interpreted. The information was enlarged to 1:10,000 scale (1:20,000 scale for the oil field development area) and presented on the EASs.

34. The EMRs are designed to reduce construction and operation related impacts. In addition, other resources of interest, such as vegetation/land use classifications, are shown. The EMRs are generally consistent with the Project’s biophysical, socioeconomic, health and technical requirements and specifications in the EMP.⁴⁶ In some situations, primarily in areas with sensitive species habitats, the EMRs may modify these general requirements and specifications based on site-specific information. The categories of resources and EMRs portrayed on the EASs are:

- Vegetation/Land use classifications;
- Vegetation and wildlife resources;
- Vegetation and wildlife protection measures;
- Monitoring surveys and seasonal restrictions;
- Fisheries protection measures;
- Erosion and sediment control measures; and
- Soil handling and special area reclamation.

35. The Handbook, EASs and Environmental Line List have been developed based on information gathered to date from numerous resource surveys, a detailed TOTCO Transportation System Centerline Survey, and the Project EA. “These documents will be updated and expanded to include specific erosion and sediment control measures once detailed construction planning is completed. New information and processes also may result in changes to EMRs, and thus require revisions to the EASs, Environmental Line List and Handbook.”⁴⁷ For example, during pre-

⁴⁵ EMP, Chad Portion, Volume 6; similar provisions are in place for Cameroon.

⁴⁶ EMP, Chad Portion, Volume 2; similar provisions are in place for Cameroon.

⁴⁷ EMP, Chad Portion, Volume 1, Appendix D.

construction surveys and construction monitoring the EMRs for sensitive habitats may be revised based on consultations with local villagers.⁴⁸

36. The Handbook, EASs and Environmental Line List are the base implementation documentation of the EMP. They are complemented by the Management Plan for Cultural Properties and the Environmental Monitoring Plans.⁴⁹ The Project technical specifications,⁵⁰ the Compensation and Resettlement Plan,⁵¹ etc. constitute the remainder of the EMP. Consultations are a key component of the EMP implementation process.⁵²

Execution of the EMP

37. Successful execution of the EMP requires that the individual actions presented be appropriately undertaken by the responsible Project participants. As indicated above in paragraph 11, the Project is organized into two systems: the Field System (EEPCI's responsibility) and the Export System (TOTCO's responsibility). However, EEPCI's EMP manager (who is also the TOTCO EMP manager) is ultimately responsible for EMP execution for both systems.⁵³

38. The Project is being implemented by the Consortium through six major contractors: Doba Logistics (Project Logistics); Sogea/Satom (Cameroon Infrastructure); David Terrassement (Chad Infrastructure); Corris (Telecommunications); Kellogg Bouygues Cegelec (KBC) (Field System); and Wilbros and Spied-Capax (Export System). Each of these contractors must prepare EMPs for its specific work; these are to be derived from the Project's EMP. Each of the EMPs prepared by the contractors must be reviewed and approved by the EEPCI and TOTCO's EMP managers and by ExxonMobil in the United States prior to the start of work by the subcontractor. Each activity during Project construction and operation, such as road construction or upgrading for instance, is undertaken on the basis of an environmental and socioeconomic study, including local consultation, to ensure that the activity complies with the contractor's EMP and the broader Project EMP. These studies are to be reviewed by EMP monitors hired by each contractor to ensure EMP compliance, and by EEPCI and TOTCO EMP monitoring staff.

39. In addition to the above, the Bank Group has its own supervision/monitoring program. Bank Group supervision is complemented by an External Compliance Monitoring Group (ECMG) and the International Advisory Group (IAG).

Process of Public Consultation

40. Consultation is an integral part of the Project's design and implementation process, as is described below. In fact, the broad consultation process for the Project was unprecedented in Chad and opened the way for increased civil society participation in public debates over broad policy

⁴⁸ EMP, Chad Portion, Volume 1, Appendix D, p. D-9.

⁴⁹ EMPs, Chad portion and Cameroon portion, Volume 1.

⁵⁰ EMP, Chad portion and Cameroon portion, Volume 2.

⁵¹ EMP, Chad portion and Cameroon portion, Volume 3.

⁵² EMP, Chad portion and Cameroon portion, Volume 1, Management Plan for Cultural Properties.

⁵³ In Cameroon, the objectives of the EMP are identical and COTCO plays a role in Cameroon similar to the one TOTCO does in Chad.

issues such as Petroleum Revenue Management, governance, and social and environmental issues. This participation is today consolidated in the context of the PRSP process and in the formal representation of civil society in several official bodies, such as the Steering Committee for the ongoing PRSP and the PROCC. The consultation process has known three phases, which are described below. Disclosed documentation was provided in French throughout the consultation process. However, village meetings took place in the local language and appropriate materials were used for non-readers and people of low literacy.

41. *Phase 1 - 1993–1997: Initiation of Dialogue.* This is the period of initial contact with the population aimed at sensitizing the population on the nature and impacts of oil production and exportation. During this phase, EEPCI was carrying out its seismic surveys and paying compensation for crop damage. The period is characterized by difficult conditions in the Project due to armed rebellion in the area and mistrust between the population and the Government. Project-related consultations were undertaken in a context of insecurity and Project teams were escorted into the villages by armed gendarmes to ensure their safety.

42. Despite these difficult conditions, EEPCI field staff maintained uninterrupted contact with communities who were likely to be affected by the Project, carrying out a market survey to update the official compensation framework, sensitizing the communities on Project design and potential impacts, and paying compensation for crop damage. In mid-1995, consultations with local populations were launched. Public information meetings were conducted in the Project area. These were followed by Human Environmental Surveys carried out by social staff of EEPCI in the Cantons of the Requestors in 1995 and 1996 among others (Miandoum, Bero, Kome, Bebedjia, Mbikou, Mbaissaye, Beboni, and Doba).

43. Consultations were conducted through the administration of individual questionnaires and/or focus group discussions in those villages potentially affected by oil field and pipeline development. Meetings included elders, women, youth, socially active and religious groups; open-forum discussions were held and conducted in local languages. In parallel, consultations with local NGO groups continued throughout 1995 and 1997.⁵⁴ A list of these meetings is provided in Annex G.

44. The Bank Group's social and environmental teams started field visits in 1996, which were largely unescorted, to assess: (i) potential impacts of the Project; and (ii) the nature and impact of public consultation. The primary activities evaluated were the market survey, which would serve as a basis to determine compensation rates, and the establishment of baseline data for the Project. The Bank Group suggested key improvements in the data collection and consultation process. These improvements were introduced during Phase II.

45. It is difficult to ascertain whether or to what extent the conditions under which these early consultations were held (there were tensions between populations and Government in the Project

⁵⁴ These meetings included locally active NGOs such as BELACD (a Catholic NGO), INADES formation (an NGO focusing on grass-roots training and capacity building) and ACCORD (a local community-based NGO) as well as internationally active NGOs such as World Vision, World Wide Fund for Nature (WWF), Volunteers in Technical Assistance (VITA) and national and regional NGO coordination bodies such as CILONG and COLONG (respectively local and national umbrella organizations for NGOs in Chad).

area due to prior civil strife) had an impact on the quality of the information provided to the participants and on the participation of local people at that time. Over time, however, the atmosphere in the Project area grew less tense because of improving political stability, especially after 1998, and the local consultation process evolved.

46. *Phase II – 1997–1999: Consolidation Phase.* The 1997 Draft EA was released in October and discussions were carried out between the Bank Group, the Consortium and the Government on Project impacts and mitigation planning. This phase of the consultation process witnessed greater involvement of national and international NGOs as characterized by wide-ranging seminars organized by civil society and broad revisions of the 1997 Draft EA.

47. Bank Group reviews of the 1997 Draft EA suggested over sixty areas for further revision in the design of the pipeline routing, compensation policy framework, and the broad ground rules for civil society engagement; many of these suggestions benefited from civil society inputs. The Bank Group social specialists spent at least 173 person-days in the field during this period to verify and validate the findings in the 1997 Draft EA reports and plans.

48. After the 1997 Draft EA was publicly disclosed, the consultation process improved both as a result of the availability of the environmental documentation and of the subsiding tensions in the Project area. Also, as a result of Bank comments on the 1997 Draft EA, the consultation process was reviewed and strengthened. An extensive public information and consultation campaign was launched during the summer of 1997, which included a Public Information Campaign in two rounds:

- From November 1997 to May 1998, meetings were held in fifty-one villages in the nine Cantons where the oil fields and pipeline would be located. These Cantons include those where the Requestors reside except the Canton of Beboni (where no oil fields are located and which is not traversed by the pipeline) in the Sub-Prefecture of Bebedjia. Questions and answers were documented and the meetings videotaped. Video presentations were shown on compensation, safety, business opportunities, employment, and technical aspects of the Project. Project documents were distributed to each village. A follow-up visit was held in sixteen of the fifty-one villages visited, from July to November 1998.
- In September and November 1998 a second round of village meetings was held in twelve locations covering forty-eight villages. These meetings focused on compensation and survey issues. Maps and brochures were distributed. In 1998 and 1999, specialized consultation sessions were held focusing on directly affected people as stipulated in the EMP. For instance, consultations were carried out with people affected by resettlement or relocation, with land users eligible for individual compensation in cash and in-kind, and with resettlers to evaluate their status and decide on actions.⁵⁵

49. In addition, consultations included discussions with all regional and national stakeholders and benefited from the increased involvement of Chadian authorities responsible for Project

⁵⁵ For an analysis of Resettlement and Compensation, see the Chad Compensation and Resettlement Plan Implementation Report, Focus International, June 1999. Additional information on resettlement can be found in EEPCI's Resettlement Phase I Report, May 2000.

management. A broad public seminar was organized in January 1998 in Dounia by CILONG, and was attended by village chiefs and other representatives of the local population, local NGOs, local and national government officials, religious authorities, the Consortium, and the Bank. Starting in November 1998 a series of meetings were held with Chadian NGOs in various locations including Moundou and Doba. Issues of primary importance at these meetings included consultation and compensation.

50. Workshops were also held abroad with international NGOs, in the Netherlands and in Germany in April 1998. In December 1998, at a Project meeting on environmental issues in Yaounde attended by Project managers for the Governments of Chad and Cameroon and by the Consortium, Bank staff noted the improvements made to the consultation process.

51. *Phase III - Broadening, Deepening and Upscaling the Consultation Process.* Upon dissemination of additional environmental and social documentation in early March 1999, a new round of consultation was launched. During meetings in N'Djamena topics of discussion were consultation, compensation, NGO involvement, and the Regional Development Plan for the producing region.

52. When the full Project EA (including the 1999 EMP) was released in June 1999, its documents were displayed in twenty-one locations in different parts of Chad, in particular in the Project impact area. These documents were presented in thirteen-volume sets comprising the Overview volume or Volume 1, the six volumes on Chad, and six volumes of supporting documentation. All documents placed in the public reading rooms were in French. The technical documentation was not made available in local languages, however, EEPCI's social science team is fluent in the predominant local language, which was used in village information campaigns and consultations concerning this documentation. Graphic materials appropriate for non-readers and people with low literacy were also used. CD-ROMs and sets of documentation were distributed to groups and NGOs for dissemination. Documents were also disclosed to the public at large on the Consortium's web site and through the Bank's Infoshop, and the public was invited to submit its comments to the Consortium and the Bank.

53. A broad public seminar was held in Bebedjia in April 1999 to review the Compensation and Resettlement Plan. Representatives of twenty NGOs, human rights associations, trade organizations, the Government of Chad, EEPCI and the Bank participated in the seminar. This consultation and public review program resulted in further improvements to the Resettlement and Compensation Plan, such as a new valuation of compensation for mango trees, and to the consultation process prior to Bank appraisal. By the time the Project was appraised by the Bank, starting in June 1999, the consultation process was assessed as meeting Bank requirements.

54. Since then, consultations have continued with affected populations in the field and with a broader range of stakeholders through various meetings and discussions held by the Consortium, the Bank, and the Government, in particular through regular field visits of its National Technical

Committee for Monitoring and Evaluation of the Pipeline Project (CTNSC).⁵⁶ Village information campaigns concerning the design and implementation of the Fonds d'Action Concerté d'Initiative Locale (FACIL), a local initiatives social fund, were carried out in the nine Cantons of the Project area by the FACIL Steering Committee (composed of representatives of the Government and of civil society), to inform local people about FACIL. Participatory seminars were held in 1999 and 2000 to gather inputs for FACIL's implementation manual. Detailed information concerning FACIL and local participation in its management can be found in the documentation for the Capacity Building Project. The implementation manual for FACIL is also available. In September 2000, consultative meetings were held by Bank staff with civil society in Chad during which inputs were solicited concerning the roles of the ECMG and the IAG.

1. 55. A concrete output of the consultation process is the rapid growth in civil society organizations. There has also been a shift of focus from narrowly defined impact mitigation to the broader issue of regional development. Civil society organizations are involved in the definition and future operation of the FACIL and in the elaboration of the Regional Development Plan. Finally, civil society broadly speaking has played an active role in discussing petroleum revenue management as a whole. In August 2000, civil society representation on the PROCC was increased to four out of nine seats by amendment to the Petroleum Revenue Management Law (the original law allocated two out of nine seats to civil society). NGOs, human rights organizations, religious groups, and trade unions each hold one seat on the Committee.

Specific Claims and Responses

Claim #1

“Directive 4.30 which deals with environmental impact assessments ignores the 300 sampling wells drilled all over the oil production zone (OD 4.01). As far as the environmental impact assessment is concerned, the World Bank, the Government and the Consortium have focused all their attention on the Chad-Cameroon pipeline.”

Response to Claim #1

56. It appears the Requestors intend to refer to OD 4.01 on Environmental Assessment, rather than OD 4.30 on Involuntary Resettlement (for further discussion of Involuntary Resettlement see Claims #13 and #14 below). OD 4.01 requires that projects proposed for Bank financing and classified as Category A be subject to environmental assessment and states that “the EA covers project-specific and other environmental impacts in the area of influence of a project.”⁵⁷ Management would like to indicate that the Project EA, which is in the public domain, dealt with both the environmental impacts of the pipeline (Export System) and of the oil production activities (Field System).

⁵⁶ This Committee is composed of representatives of concerned line Ministries such as the Ministries of Environment, Health, Rural Development, Transport, and Mines and Energy, and is assisted by an Executive Secretariat funded by the Capacity Building Project.

⁵⁷ OD 4.01, Introduction.

57. Although the Bank Group does not finance the Field System, the Project EA defines the Project and its zone of influence to include both the Field System and the Export System, as defined in the PAD,⁵⁸ and evaluates both. The 1997 Draft EA examined design alternatives for the Field System and its biological studies included the area covered by the Field System.⁵⁹ In addition, the EMP⁶⁰ covers the Field System, meeting OD 4.01 requirements. For instance, it details the environmental mitigation and monitoring provisions for the Field System.⁶¹ This documentation also includes the respective monitoring responsibilities of the Consortium and the Government of Chad.

58. Finally, the GOSRP, released to the public in September 1999,⁶² details oil spill response strategies including those for the Field System. Prior to the first extraction of oil, six Area Specific Oil Spill Response Plans (ASOSRPs) will be put in place. The ASOSRPs will be finalized after completion of detailed design of the Field System and in a timely fashion prior to oil production, in order to utilize state of the art equipment and response capacity. One of these ASOSRPs will pertain to the Field System.⁶³ These arrangements are in compliance with the applicable safeguard policies of the Bank.

Claim #2

“Consider the plight of the Ogoni people of Nigeria:⁶⁴ the problems they have been left to face are those created by pipelines that link oil wells to pumping stations. It is at this level, and only this level, that the human, material and environmental damage has been least bearable. Since the World Bank, the Government, and the Consortium refuse to carry out an environmental impact assessment at this level, the danger is inevitable. Because the danger exists all along the entire 1,100 kilometer route of the Chad-Cameroon pipeline, the environmental impact assessment is unsatisfactory.”

Response to Claim #2

59. Management assumes that this is a reference to the environmental assessment to be undertaken by the Borrower in accordance with the provisions of OD 4.01. OD 4.01 states that “...the purpose of EA is to improve decision-making and to ensure that the project options under consideration are environmentally sound and sustainable. All environmental consequences should be recognized early in the project cycle and taken into account in project selection, siting, planning, and design. EAs identify ways of improving projects environmentally, by preventing, minimizing,

⁵⁸ As defined in the Pipeline Project, PAD, p.10.

⁵⁹ Project EA, Supporting Documents, Volume 2 and Volume 5.

⁶⁰ Chad Export Project, Environmental Management Plan — Supporting Documents, Volumes 1 to 6, May 1999.

⁶¹ EMP, Supporting Documents, Volume 1, Chapter 2, “Biophysical Topics,” pp. 1 to 30.

⁶² Chad Export Project, General Oil Spill Response Plan, September 1999.

⁶³ Chad Export Project, General Oil Spill Response Plan, September 1999, Table 1-1, p. 1-2.

⁶⁴ Many differences are to be noted between the conditions in Ogoniland, where the people of Nigeria referred to in the Request live, and those in Chad; see Annex E for comparison.

mitigating, or compensating for adverse impacts.”⁶⁵ Management notes that the Project EA for the Pipeline Project addresses all these issues.

60. The no-project alternative was examined and ultimately rejected in the 1997 Draft EA. The Bank Group reviewed this analysis and concurred with its findings. The 1997 Draft EA examined alternative routings for the proposed pipeline and alternative locations for the marine terminal, with a view to minimizing the potential impacts of the Project from oil leaks and spills. It also investigated alternative development configurations for the Field System. The EMP for the Project includes significant mitigation for the remaining oil spill risks including for the Field System, as detailed below. Upon review of this documentation, Bank staff concluded that Project design and mitigation provisions complied with the requirements of OD 4.01.

61. The capacity of the Export System is 250,000 barrels a day (the Request cites 250 million barrels a day). The Project’s design meets international industry standards, including World Bank environmental, health and safety guidelines for onshore oil and gas development (including corrosion prevention and leak detection), and guidelines developed by the American Petroleum Institute (API) and the American Society for Testing and Materials (ASTM).⁶⁶ These standards and guidelines aim to minimize the risk of leaks and spills (feeder lines are made of non-corrosive fiberglass, the lines are buried, etc.) as is reflected in the 1997 Draft EA. In addition, the Project provides for continuous monitoring of the entire system and rapid response in the event of an oil leak or spill. Preliminary oil spill response planning is foreseen as described in the environmental documentation.⁶⁷ Prior to Board presentation, the Consortium also prepared a GOSRP that has been made available for public review and comment. The Bank has received numerous questions, predominantly from environmental NGOs, concerning the timely implementation of ASOSRPs and the capacity of the Government of Chad to play its role in these plans. The Bank has answered these queries and indicated that more detailed ASOSRPs, which will operationalize the GOSRP across all sections of the Project, including the Field System, will be put in place prior to start-up of pipeline operations. They will be complemented by a national oil spill response plan to be developed under the Capacity Building Project.⁶⁸

62. One of the concerns raised by local people and others during the consultation process was the potential impact of the Project on water resources.⁶⁹ The fourth concern in order of importance, representing 9 percent of views in the analysis of the overall consultation process for the Project, “expressed concern about potential environmental impacts, mainly oil pollution, leaks and spills.”⁷⁰ The concern of groundwater pollution was considered during the preliminary design process and was assessed in the 1997 Draft EA.⁷¹ The Project EA includes a Comprehensive Ground Water Quality

⁶⁵ OD 4.01, para. 1.

⁶⁶ Chad Export Project, EA, Executive Summary and Update, May 1999, pp. 3-2, 7-3 to 7-5.

⁶⁷ Chad Export Project, Supporting Documents, Volume 4, Oil Spill Response Preliminary Approach.

⁶⁸ Pipeline Project, PAD, Annex 14, p. 149.

⁶⁹ Dames and Moore, 1997, Chapter 9, p. 9-2.

⁷⁰ Pipeline Project, PAD, Annex 14, p. 154, para. 71.

⁷¹ Dames and Moore, 1997, Section 7.3.1.5 “Aquatic Impacts,” pp. 7-21 to 7-23, and Chad Export Project, EA, Executive Summary and Update, May 1999, Chapter 9, p. 9-28.

Monitoring Program, which will be in place before oil production starts. In the view of Management the Project EA is satisfactory and complies with the requirements of OD 4.01.

Claim #3

“So far, neither the Consortium nor the Government has said a word about how they intend to pump oil from 300 wells through the three pumping stations in Kome, Miandoum, and Bolobo (Sub-Prefecture of Bebedjia).”

Response to Claim #3

63. OD 4.01 requirements stipulate that the environmental assessment must provide a description of the proposed project. The Project EA specifically describes the proposed Project including development of the three oil fields. It provides specific details on the Field System, including how oil will be produced and delivered under the Project to the three pumping stations.⁷² The EMP details the alternatives considered and the selected design.⁷³ A summary of this process is presented in the first chapter of the EMP.⁷⁴

64. At this time, there are fifteen capped exploration wells in the oil fields. These wells were drilled to delimit the oil reservoir. Approximately 300 wells will be drilled within the Field System over an area of approximately 185 square kilometers. Drilling has not yet commenced. It is expected to start by November 2001 and to continue for approximately three years. Figure 2 is illustrative of how oil will be delivered. Small diameter pipelines (flowlines) within the oil field will transport produced fluids from each well to a gathering station (field “pumping stations” in the Request) located in each of three oil fields. Since the oil field has little gas, a 120 MW power plant, which is also covered in the EA, will provide electricity for in-well pumps to bring oil to the surface. The gathering stations will connect to a production pipeline (a pipeline that transports all of the production from one or more oil field(s)) leading to the Central Treatment Facility, where produced fluids are processed before being transferred to the Export System. For a discussion of oil spill risks in the Field System, see Claims #2 and #5.

⁷² Dames and Moore, 1997, Chapter 3.

⁷³ Chad Export Project, EA, Executive Summary and Update, May 1999, Chapter 3, “Oil Field Area,” p. 3-3 to 3-4 and Chapter 5, “Scale of Oil Development Alternatives” and “Oil Field Design Alternatives,” pp. 5-4 to 5-8.

⁷⁴ EMP, Chad Portion, Volume 1, Chapter 1, May 1999.

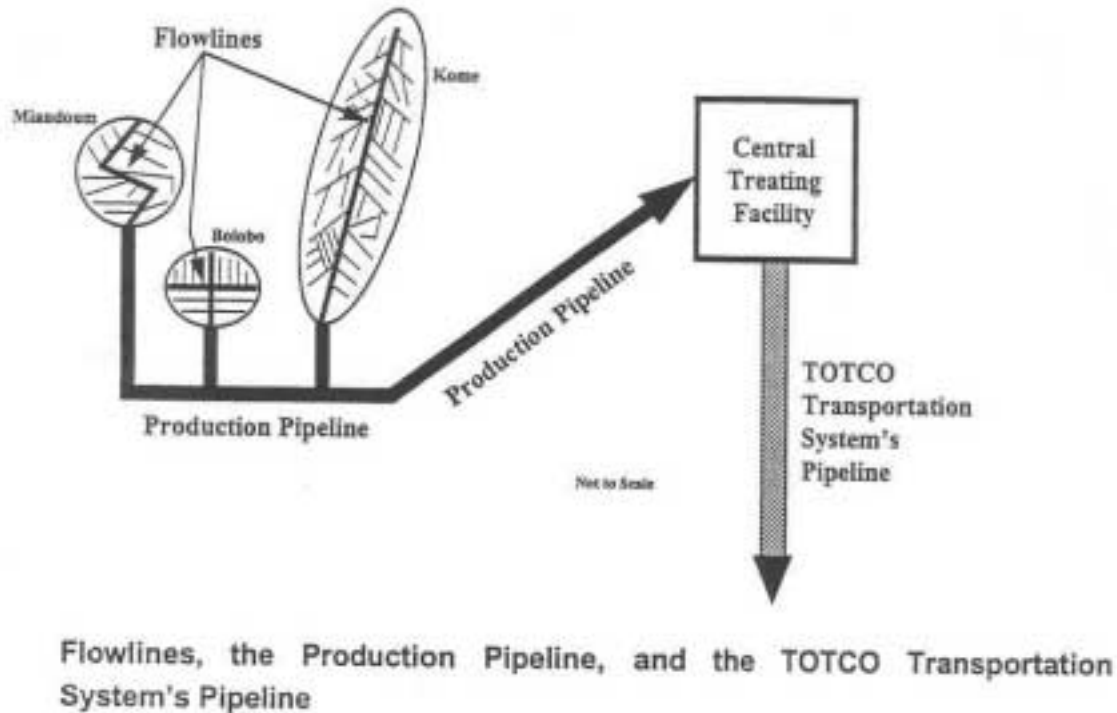


Figure 2.

Claim #4

“The geological map shows that petroleum in the Doba basin is found from the border of Cameroon to the borders of the Central African Republic and Sudan. It crosses seven prefectures in the Southern part of Chad, namely Eastern Logone, Western Logone, Tandjile, Mayo-Kebi, Monyen-Chari, Chari-Baguirmi, and Salamat, home to more than 4.5 million of the country’s total population of 6 million. This is precisely the region that feeds Chad and the frontier populations of the neighboring countries. The breadbasket of Chad, this zone is the most densely populated... This is an area of heavy rainfall, where the gallery forest is flooded six months of the year, where population density is high, and where farming is highly developed... If there are breaks in the feeder lines and other pipelines from the oil wells because of a lack of safety measures and an environmental impact assessment, imagine how much damage will be caused.”

Response to Claim #4

65. The 1997 Draft EA states: “The specific locations for each of the major field components (i.e., gathering stations, Operations Center, field flowlines, utility corridors, airfields, etc.) were selected and [will be] configured in a cost-effective manner that optimizes technical efficiencies while considering potential impacts to the local human, biological, and physical environments.

Specifically, the individual field facilities (with the exception of the well sites, whose exact locations have not yet been determined) have been sited to avoid, to the extent feasible, the following:

- Existing living space and areas of dense population;
- Water resources, including existing wetlands and drainages in the field areas;
- Known transhumant movement corridors;
- Areas of vegetation with high conservation value (including gallery forest); and
- Active agricultural areas.

In addition, acceptable balances have been sought between protecting areas of higher conservation value, areas of fallow agricultural land that provide a variety of resources for the local population, and actively worked agricultural land. As a result of these considerations, the overall field development facilities design and configuration was developed as described in Section 3.0.”⁷⁵

66. In addition to locating flowlines and production pipelines to avoid, where possible, water courses, mitigation includes, among other measures, the burial of flowlines and production pipelines to safeguard against third party damage and the use of fiberglass flowlines in the Field System for lines less than or equal to 203 millimeters (8 inches) in diameter to avoid corrosion.⁷⁶ Besides the design provisions, in the event of an oil spill, an area specific oil spill response plan for the Field System will be in place (for a discussion of oil spills see Claims #2 and #5).

⁷⁵ Dames and Moore, 1997, p. 4-10.

⁷⁶ EMP, Chad Portion, May 1999, Volume 1, “Biophysical Topic #4, Surface Water and Groundwater Protection: pp. 7-10.

Claim #5

“In the Sub-Prefecture of Bebedjia and its environs alone, for example, the Consortium has drilled [will drill] 300 wells. If you multiply these 300 wells by 10 feeder lines for each one, you will have 3,000 feeder lines in this district... A pipeline expert who belongs to an environmental protection group writes in the journal *L’Autre Afrique*, Nr. 31, that along the Chad Cameroon pipeline ‘*the capacity for detecting seepage with even the most sophisticated systems will still not prevent the escape of 10 000 liters per day, undetected.*’ If we multiply the 300 pipelines leading from the 300 wells by 10,000 liters per day, we get three million liters of seepage of crude oil every day in this production region. In other words, its surface waters (consisting of flood waters and the waters of its rivers), polluted by three million liters of oil a day for six months, will empty into the Logone, the Pende, the Nyan, the Chari, the Mandoul, the Tandjile, the Mayo-Kebbi and the Chari. These rivers, now polluted in their turn, will continue flowing into Lake Chad. As a result, not only Chad but also its neighboring States – Nigeria, Cameroon, Niger, etc. — will be contaminated.”

Response to Claim #5

67. OD 4.01 requires that the environmental assessment include “the set of measures to be taken during implementation and operation to eliminate, offset, or reduce adverse environmental impacts to acceptable levels...[and] the actions needed to implement them”⁷⁷ specifically with regard to oil spill risk minimization, managing, monitoring, and eventual remediation.

68. At this time, there are fifteen capped exploration wells in the oil fields. These wells were drilled to delimit the oil reservoir. Approximately 300 wells will be drilled within the Field System over an area of approximately 185 square kilometers. Drilling has not yet commenced. It is expected to start by November 2001 and to continue for approximately three years. The specific location of the wells within the three oil fields in the Doba Basin cannot be finalized in advance due to the nature of oil exploration activities; wells are drilled in sequence and their location determined progressively. Early production results will provide better definition of the producing reservoirs and there may be modifications to the final number of new wells to be drilled. Each producing well will be connected through a single, buried, fiberglass feeder line, (rather than the ten feeder lines per well referred to in the Request), to the field manifold (gathering station). From the manifold, production from several wells will be combined in a production pipeline to the Central Treatment Facility.

69. As with the Export System, the Field System will be developed and operated from the perspective that prevention is the best possible “response” to an oil spill. Hazop (hazardous operations) assessments and risk assessments have been performed during the Project design phase. During operations, further risk assessments will be performed at a minimum every five years as per industry practice. The facilities, including oil field facilities, have been designed to conform to international standards including Bank environmental, health and safety guidelines for onshore oil

⁷⁷ OD 4.01, Annex C, Environmental Mitigation or Environmental Management Plan, para.1.

and gas development (including corrosion prevention and leak detection), and guidelines developed by the API and the ASTM.⁷⁸

70. Given the design of the feeder lines and the production pipelines, the most likely spills, based upon risk analysis, would be limited to amounts in the order of 10 to 25 barrels from a single feeder line or 1600 to 4000 liters.⁷⁹ The ASOSRP for the Field System will include immediate shut-off protection and containment and cleaning provisions of a spill.

71. In the event of an oil spill in the Field System, a spill response plan will guide the emergency effort. This response plan (ASOSRP for the Field System) will conform to applicable international standards and codes as well as the Project's Operations Integrity Management System's standards and guidelines.⁸⁰ The GOSRP describes typical response actions for spills. A hypothetical spill into the Nya River from the Field System is included in the GOSRP to illustrate the Project's planned response to such an event.

72. The Request mentions that Lake Chad could be polluted as a result of an oil spill. The Project is designed (including physical design of the pipeline, strategic placement of block valves, monitoring and response systems) so as not to cause appreciable harm to Lake Chad. This risk was also seriously considered and taken into account under OP 7.50. In January 1998, with the consent of the Government of Chad, the Bank notified the Central African Republic (CAR), Niger and Nigeria seeking their no-objection to the Project. CAR and Niger endorsed the Project proceeding. As Nigeria did not respond to repeated requests within the six-month period allocated for non-objection, Bank staff, in conformity with the provisions of BP 7.50, sought approval from Management to proceed with the Project.⁸¹ All the Lake Chad riparians are members of the Commission for the Lake Chad Basin, headquartered in N'Djamena, which provides an existing vehicle to address potential impacts on Lake Chad. Chad also informed the Commission of the proposed Project as recommended by OP 7.50.

Claim #6

“The obligation of taking the local population’s views into account in preparing and implementing the EA was never respected.”

Response to Claim #6

73. OD 4.01 states that “the Bank expects the borrower to take the views of affected groups and local NGOs fully into account in project design and implementation, and in particular in the preparation of EAs. This process is important in order to understand both the nature and extent of any social or environmental impact and the acceptability of proposed mitigatory measures,

⁷⁸ Chad Export Project, EA, Executive Summary and Update, May 1999, pp. 3-2, 7-3 to 7-5.

⁷⁹ Chad Export Project, General Oil Spill Response Plan, September, 1999, pp. Appendix B, B1 to B26, for example.

⁸⁰ Chad Export Project, General Oil Spill Response Plan, September 1999; and Chad Export Project, EA, Executive Summary and Update, May 1999, pp. 4-2 to 4-3.

⁸¹ BP 750, paras. 4 and 5; OP 7.50, para. 4.

particularly to affected groups... Consultations...are a valuable way to improve decision-making, obtain feedback on the EA process and draft report, and to increase community cooperation in implementing the recommendations of the EA.”⁸² A summary of the consultation process for the Project is set out below. For the pipeline as a whole over seventy changes to the alignment were made as a result of consultations.⁸³ The adaptive environmental design process (described below) required by the Bank satisfies the OD 4.01 requirement that affected parties be consulted throughout the process.

74. In accordance with the relevant Bank safeguard policies, the Project has employed an adaptive design process to meet one of the primary goals of the Project’s environmental management effort—developing optimum design for the Project by utilizing the latest input from extensive environmental studies and public consultation. The adaptive design centers around an information feedback mechanism that provides Project planners with an ongoing flow of up-to-date information throughout the design process. The Project’s environmental assessment and public consultation teams have been in continuous contact with the planners and engineers designing the Project. As a result of this feedback mechanism, the Project design has adopted many improvements over the six-year period since environmental studies and public consultation first began in 1993, ultimately bringing the design to its present stage. This adaptive design process is still in progress and it has been incorporated into the Environmental Management Plan for the Project so that it can be utilized over the anticipated 25-year life of the Project.⁸⁴

75. The consultation process has also led to concrete modifications. For instance, the proposed valuation for mango trees in the context of the compensation process was challenged and, following studies in 1999, valuation for these trees was reviewed. In addition to the consultation process carried out by the Consortium, the Bank Country Office has been active in soliciting civil society participation and inputs, including from NGOs. For a summary of the consultation process, see the Process of Public Consultation above. Full information on the consultation process is provided in Volume 3 of the supporting documentation of the EA.⁸⁵

76. Consultation is an integral part of the compensation and resettlement process which is ongoing. EEPIC continues to apply the process as described in the Project EA in this context. In addition, several meetings with local NGOs and visits to the field by Bank Group staff have taken place since project approval and broad based consultations with affected populations as well as a seminar involving Government, the Consortium, local populations and other stakeholders and the Bank are scheduled to be held in the coming months. The Capacity Building Project supports the conduct of consultations at least twice a year.

⁸² OD 4.01, para. 19.

⁸³ Chad Export Project, EA, Supporting Documents, Volume 3, p. 5-1.

⁸⁴ Chad Export Project, EA, Executive Summary and Update, May 1999, p. 4-3.

⁸⁵ Project EA, Chad Portion, Supporting Documentation, Volume 3.

Claim #7

“Yet other directives have not been complied with: ... OP 4.36, on forestry...”

Response to Claim #7

77. The provisions of OP 4.36 are addressed by the Project EA and forestry issues were thoroughly examined and assessed during Project preparation in 1998 and 1999, through technical work and repeated field visits by specialized Bank Group staff, who also surveyed the majority of the length of the pipeline route and oil field area by low-level overflights in fixed wing aircraft, by vehicle and on foot. The Policy applies to the use of sustainable forestry practices and does not allow the Bank to support logging in primary moist tropical forest. Detailed field surveys conducted as part of the EA process indicate that there is no primary moist tropical forest in Chad.⁸⁶ The Project will not finance any commercial logging in moist tropical forest nor will it purchase logging equipment for use in moist tropical forest. For a discussion of riverine gallery forest that does exist in Chad see below the response to Claim #8.

Claim #8

“Yet other directives have not been complied with...OD 4.04, on native habitats...”

Response to Claim #8

78. The provisions of OP 4.04 pertaining to “Natural Habitats” are addressed by the Project EA. Natural habitats are defined as “land and water areas where (i) the ecosystems’ biological communities are formed largely by native plant and animal species, and (ii) human activity has not essentially modified the area’s primary ecological functions.”⁸⁷ In other words, the term does not apply to farmland or grazing land. The Bank does not support projects involving the significant conversion of natural habitats.⁸⁸ In projects affecting natural habitats, adequate design and mitigation measures are required.

79. Vegetation in the Field System and the Chad portion of the Export System is almost exclusively wooded savanna. Most of this has been grazed heavily or cultivated for cotton, sorghum, etc. Therefore it does not meet the criteria for a “natural habitat.” Along riverbanks and in damp watercourses, higher soil moisture and fertility support a more luxuriant vegetation. These gallery forest strips are usually narrow, except in some flood plains and constitute a natural habitat. Gallery forest exists along the Nya and Loule rivers within the Field System and along the Export System in Chad at the Lim and Mbere Rivers, but they are under heavy pressure from farming activity.

80. Preliminary Project design minimized impacts to natural habitats and all final locations for river crossings will be selected during detailed design to avoid or minimize the clearing of gallery

⁸⁶ Chad Export Project, EA, Executive Summary and Update, May 1999, p. 4-10.

⁸⁷ OP 4.04, Annex A.

⁸⁸ Defined as the elimination or severe diminution of the integrity of a critical or other natural habitat caused by a major, long-term change in land or water use.

forest. If each of the four river crossings is conservatively assumed to result in the clearing of 1,200 square meters (0.12 hectares) of riverine vegetation, such a scenario would result in the temporary clearance of a total of 0.6 hectares of riverine vegetation, of which 0.3 hectares would subsequently be allowed to regrow (the maximum potential loss of 0.3 hectares represents 0.06 percent of the closed [gallery] forest area of Chad). Also large trees would not be removed, further preserving the integrity of the gallery forest.⁸⁹

Claim #9

“Yet other directives have not been complied with: ... OP 4.09, on pest management...”

Response to Claim #9

81. OP 4.09 states that “In assisting borrowers to manage pests that affect either agriculture or public health, the Bank supports a strategy that promotes the use of biological or environmental control methods and reduces reliance on synthetic chemical pesticides. In Bank-financed projects, the borrower addresses pest management issues in the context of the project’s environmental assessment.”⁹⁰

82. The Project does not intend to finance pesticides for public use. We understand that land clearance for construction of the pipeline will not involve use of herbicides, and that herbicides will not be required for pipeline maintenance. The only anticipated use of pesticides is that of insecticides under the Consortium’s corporate health plan to protect employees from contracting malaria or other prevalent vector-borne diseases. These pesticides will mainly be used for treatment of clothing, indoor application, and limited outdoor treatment in and around the premises of work camps for staff working on the construction of the pipeline. This concerns temporary use within the scope of EEPCI’s health plan for employees. Pesticide use at a larger more structural scope is not foreseen.

83. The main pesticide proposed for treatment of clothes and bednets (permethrin) is commonly used for impregnation of bednets under WHO guided malaria control programs in Africa. The pesticide used for indoor treatment contains an active component (deltamethrin) that is also commonly used for impregnation of bednets. The health plan also includes simple environmental measures to reduce mosquito pressure, for instance by filling puddles in tire tracks to reduce breeding possibilities.

84. Because pesticide use is of limited scope and only concerns personal protection of the work force against vector-borne diseases for the duration that the workforce is in the field, it is felt that it would not be appropriate to apply the Bank’s safeguard policy to the Consortium’s health plan for workers. The Consortium’s health plan, however, does involve limited outdoor use of pesticides for treatment of the premises and surroundings. Although we understand that this concerns temporary and marginal use, the Bank will monitor the use of pesticides as part of regular Project supervision.

⁸⁹ Dames and Moore, 1997, Section 7.3.1.2 and Section 8.3.1.

⁹⁰ OP 4.09, para. 1.

CLAIMS RELATED TO EXPROPRIATION, INVOLUNTARY RESETTLEMENT, COMPENSATION, INFORMATION, CONSULTATION AND DISCLOSURE

85. There are four policies and directives covered under this section: (i) Operational Directive 4.30 on Involuntary Resettlement; (ii) Operational Directive 4.20 on Indigenous Peoples; (iii) Operational Policy Note 11.03 on Cultural Property; and (iv) Bank Procedure 17.50 on Disclosure of Operational Information.

Claims pertaining to Operational Directive 4.30 – Involuntary Resettlement

86. The central tenet of this policy is that involuntary resettlement should be conceived and executed as a development program, with resettlers provided sufficient investment resources and opportunities to share in project benefits. Displaced persons should be: (i) compensated for their losses at full replacement cost prior to the actual move; (ii) assisted with the move and supported during the transition period in the resettlement site; and (iii) assisted in their efforts to improve their former living standards, income earning capacity, and production levels, or at least to restore them.

Claim #10

“Legislation governing expropriation and uprooting (of communities)” has not been complied with.

Response to Claim #10

87. The claim is not specific about the way in which Chadian legislation has not been respected. However, it is the policy of EEPCI and TOTCO to adhere to Chadian law in all matters, including land acquisition. The key reference documents are the Consortium Convention and the Petroleum Code.⁹¹ Bank Group field missions, to the best of their ability, have verified that EEPCI and TOTCO have followed these national legal provisions and no issues related to breaches of Chadian legislation have been raised. Nevertheless, social and environmental Bank Group staff will follow up on this issue during the next supervision visit scheduled for late May 2001.

88. Volume 3 of the EMP specifies Chadian requirements and the manner in which EEPCI and TOTCO will meet them. None of the land compensated or to be compensated under the Project is held under a private property regime, i.e. titled land. All land is administered under customary law regimes and treated at the administrative level as National Lands. The customary law regime creates only user rights, which are fully recognized in the context of the Project EA. EEPCI and TOTCO have followed required expropriation procedures under Chadian Law. This procedure requires fair and adequate compensation of all affected parties, as attested by a receipt of compensation before issuance of a “*declaration de l’utilité publique*” (declaration of expropriation). In accordance with Chadian Law, compensation was and will be paid prior to the “*declaration de l’utilité publique*.”

⁹¹ Details of the Consortium’s legal obligations under Chadian Law are provided in Section 4, Volume 3, of the Project EA, Chad Portion.

For a discussion of the compensation issues see Claims #11, #13 and #14, and for a list of compensated individuals see Annex H.

Claim #11

“The compensation and indemnification plan fails to take into account (the loss of) medicinal trees.”

Response to Claim #11

89. For Chad, the compensation plan is divided into two categories: (i) individual entitlements to project-affected persons; and (ii) group compensation for loss of communal assets.⁹² The majority of medicinal trees fall under the second category, although some trees are on plots used by individuals. The EMP stipulates that wild productive trees belong to the community when they occur in the “true” bush as opposed to a fallow field. With reference to permanent loss of communal land, the Compensation and Resettlement Plan states that “Project land needs will impact community bush resources and decrease the communal land pool. Bush is a vital economic resource for the community because it provides useful wild trees and bushes, food and medicinal resources, construction materials, and a reservoir of potential farmland.”⁹³ Therefore, trees that occur in the “true” bush will be compensated for under the umbrella of village or community compensation.

90. In the context of individual compensation, some affected persons were dissatisfied with the valuation of three wild fruit trees, the *Nyere*, *Karite* and *Tamarine*. The Bebedjia seminar of April 1999 raised the issue of the inadequacy of compensation for these trees, most of which are to be found on communal lands. Further valuation studies are scheduled to be carried out in the coming year to resolve this issue both for individually and collectively owned wild trees. Individual compensation is to be paid for wild trees “owned” by individuals. The valuation studies are likely to draw upon consultations related to community compensation, which are to take place over the next two years in affected communities. This time will allow the communities to be consulted, and to collectively plan for the management and maintenance of common purpose infrastructure to be chosen by the community (such compensation could include wells, schools, community social centers, village warehouses, etc.). The Bank Group’s supervision team and field staff will monitor and, on occasion, participate in the consultation process.

⁹² Project EA, Chad Portion, Volume 3, Chad Compensation and Resettlement Plan, May 1999, Individual Compensation Chapter 6, Community Compensation Chapter 7.

⁹³ Project EA, Chad Portion, Volume 3, Chad Compensation and Resettlement Plan, May 1999, Community Compensation Chapter 7, p. 7-1.

Claim #12

“... laughably small quota assigned to the production zone bears little or no relation to the magnitude of the needs of this region and the size of its population.”

Response to Claim #12

91. Although not specifically related to resettlement (OD 4.30), the wider issue of benefits for the population of the oil production area is addressed by the Project. A Regional Development Plan⁹⁴ addresses issues related to in-migration, health and public hygiene and sanitation services, energy, water supply, and food and housing in the initial years of the oil field development. In addition the FACIL has been put in place under the Capacity Building Project to support local groups with development projects. Finally, over the life of the oil field project, some 25-odd years, 5 percent of royalties from oil revenues have been earmarked for development in the production region as per the provisions of the Petroleum Revenue Management Law and the Petroleum Revenue Management Program. This is in addition to the contribution of oil revenues to national development programs in which the inhabitants of the oil-producing region will share (see additional details on this Claim under Section VII below, paragraphs 147 to 149).

Claim/Question #13

“Are the 80,000 – 100,000 people inhabiting this district (Sub-Prefecture of Bebedjia and its environs) to be displaced or not? And where are they to be resettled?”

Response to Claim #13

92. The vast majority of residents in and around the oil field areas will not be displaced and will not need to be resettled, given the large surface of the oil field, its low population density and the high degree of flexibility in siting well pads. Surveys of the oil fields indicate that resettlement could affect up to 80 households in the Cantons of Kome, Miandoum and Bero, less than 500 people or less than 2 percent of the total population of these Cantons, which was estimated at 29,100 people in 1993.⁹⁵ In response to Bank Group advice, the Consortium has made budgetary allocations to resettle a high case scenario of 150 households. In addition, those who are affected by temporary disturbance to their cropland will be compensated as per the Compensation and Resettlement Plan and will be able to resume normal farming activities after one cropping season.

93. Typically, precise locations of production wells are not known at the onset of oil field development. In the case of this Project, the plan calls for the drilling of 300-odd wells over a period of about three years. Early production results provide better definition of the producing subsurface reservoirs. Modifications are made, not only to the number of wells, but also to their locations as field development progresses. EEPCI expects to begin exploration and development activity in November 2001. The timing of resettlement and land compensation will be synchronized with the oil

⁹⁴ Project EA, Chad Portion, Volume 4.

⁹⁵ Project EA, Volume 4, p. H-10.

field development plan, in full compliance with the provisions of the Compensation and Resettlement Plan. Among other things, the Plan is designed to accommodate the farming cycle and economic strategies of affected households. Details of the land acquisition procedure are given in response to Claim #14 below.

94. Bank policy requires that involuntary resettlement be avoided or minimized where feasible, exploring all viable alternative project designs. This policy was adhered to in the preparation of the Compensation and Resettlement Plan. The oil field area is occupied by people practicing extensive rain-fed agriculture and living in scattered settlements. Surveys show that the siting of well pads and routing of associated access roads and flowlines can be carried out with minimal impacts on people's dwellings and fields. There is a high degree of flexibility in siting well pads because of ample available space and flexibility of modern drilling technology. There will be no resettlement needed in connection with the construction of the Export System (pipeline) in Chad.

95. At the time of writing, thirty-nine households have been affected by land acquisition for advanced oil field infrastructure (airstrip, operations base, etc.). Some twenty-six of these thirty-nine households, affected either by economic or physical displacement, have opted for resettlement.⁹⁶ The twenty-six households account for 185 persons, when all dependents are counted. These households have chosen to move back to their villages of origin at Dildo and Bero II. Most of them still have homes in these villages and had only relocated to their fieldhouses during the agricultural season. Nonetheless, since these fieldhouses will be lost to the Project, EEPCI will replace them with better quality structures, including corrugated iron roofing in the location of their choice. The delivery of replacement housing was contracted out to local NGOs. The replacement houses for the twenty-six households have been completed.

Claim #14

“Directives on compensation of persons adversely affected by pipeline routes have been treated as nothing more than an excuse for fraud (e.g. dealings in compensation lists, among them Mr. Gabriel Ndodjingar’s in the Canton of Kome) etc. Directive OD 4.30 on problems of involuntary displacement and resettlement of people who are adversely affected by projects has not been complied with yet.”

Response to Claim #14

96. The Project established a 12-step land acquisition procedure, which was rigorously followed to maximize transparency and avoid fraud:⁹⁷

- Public consultation;
- Initial survey to identify land needs;

⁹⁶ The Phase I Resettlement Report, EEPCI, N’Djamena, May 2000, p. 5.

⁹⁷ Staff Report, July 14, 2000.

- Identification of land use;
- Identification of all resources affected and potential households to be resettled;
- Verification/ratification of proprietorship of impacted assets;
- Mutual agreement on the valuation of assets between EEPCI and beneficiary;
- Consultation with households eligible for resettlement to discuss the menu of options;
- Identification of possible resettlement sites with the beneficiaries;
- Consultation to review in-kind compensation with the beneficiaries;
- Cash compensation payments;
- Post-payment survey of beneficiaries of cash compensation and explanation of grievance procedures; and
- In-kind compensation payments.

97. There are two categories of project affected people. The first category comprises those who are affected by land acquisition and require compensation, but cannot be considered as economically displaced and eligible for resettlement (Compensation Cases). The second category comprises those who will be physically or economically displaced by the Project. The latter are eligible for involuntary resettlement (Resettlement Cases; the current status of resettlement is discussed under Claim #13 above).

98. *Compensation Cases.* Compensation for land acquisition for the Export System in Chad has been completed; acquisition for infrastructure upgrades (mainly roads) is now underway. Phase I compensation for advanced infrastructure and pipeline right-of-way, in the Sub-Prefecture of Bebedjia, has only affected villages in the Cantons of Kome, Bero and Miandoum. The Phase I Compensation Report⁹⁸ shows that 618 land acquisitions, belonging to 588 project affected persons, have been compensated. These acquisitions account for a surface area of 828 hectares of land. Of the 828 hectares, 561 hectares (68 percent) was assessed to be unoccupied territory (*la brousse*) and will be the subject of group compensation. The group compensation concerns sixty-six villages affected by the Project. The breakdown of the Project impacts per village for Phase I is as follows: (i) ten villages impacted by production installations; (ii) seven villages by infrastructure development; and (iii) fifty-five villages affected by the pipeline. Although this gives a total figure of seventy-two villages, some of the villages are affected by more than a single activity, hence the total number of sixty-six villages. All compensated individuals were notified, consulted, and their compensation choices (cash or in-kind) were documented. Receipts were signed for all compensation paid and a grievance process was in place for affected people to voice their concerns. This process will continue in a consultative manner and will be thoroughly documented as compensation proceeds.

⁹⁸ Phase I, Compensation Report, Esso Chad, N'Djamena, June 1999, pp. 10-11.

99. The list of all villages where cash or in-kind compensation was paid is presented in Annex F. A total of 248 million CFAF (approximately US\$350,000) has been paid out as compensation, 22 percent (54 million CFAF, or approximately US\$78,000) of which was paid in-kind. The 472 articles distributed as part of in-kind compensation are: 160 ploughs, 64 carts, 178 bicycles, 51 rickshaws, 14 sewing machines, 4 portable mills and 1 shelling machine. Even where cash compensation was paid out, a post-payment survey of 120 beneficiaries shows that: 85 percent bought cattle for ploughing their fields or other material goods to facilitate agricultural production; another 10 percent invested their cash in commerce; 4 percent invested in transport; and 1 percent invested in animal husbandry.

100. To ensure that compensation was paid at replacement cost, a detailed market survey was undertaken from January 1996–April 1997. A follow-up validation study was carried out in 1998 by staff of the CIRAD-CA Research Institute and of Focus International, to verify the findings of the initial market survey carried out by EEPCI. Their findings concerning the valuation of mango trees and of the three wild fruit trees mentioned above were challenged by civil society at the Consultation Seminar held in Bebedjia during March 1999. As a result, supplemental valuation studies were undertaken for the valuation of mango trees. These studies found that the value of producing mango trees, depending on their age, was significantly higher than the value attributed to them in earlier studies. A discussion was engaged on the basis of these findings with affected populations and NGOs. As a result, the compensation was revised, valuing producing mango trees according to their age. A producing tree of over 6 years of age is being compensated at CFAF 500,000 (about US\$700). The same consultative procedure is anticipated to take place for the three wild fruit trees mentioned in the Request. The current status of resettlement is discussed under Claim #13 above.

101. As a result of significant input from Bank Group staff, the EMP contains a thorough and rigorous procedure for resettlement which is currently being implemented. Substantial effort has been and is being made to gather and integrate the views and opinions of affected people into the Compensation and Resettlement Plan; their inputs have also served to determine the siting of Project footprints. EEPCI maintains a cadre of qualified environmental, social and operational staff who work daily in contact with the affected local population. Compensation, resettlement in new housing, and issues related to restoration and improvement of income streams are key elements in their work. In addition, the Government is hiring environmental and social staff who will reside in the Project area and will monitor the EMP's implementation, including compensation and resettlement.

Claims pertaining to Operational Directive 4.20 – Indigenous Peoples

Claim #15

“OD 4.20 on Notification of native inhabitants and their representatives was never complied with.”

Response to Claim #15

102. OD 4.20 applies to “social groups with a social and cultural identity distinct from the dominant society that makes them vulnerable to being disadvantaged in the development process... the objective at the center of this directive is to ensure that indigenous peoples do not suffer adverse

effects during the development process... and that they receive culturally compatible social and economic benefits.”⁹⁹

103. OD 4.20 applies to groups of people who qualify as indigenous by virtue of possessing specific characteristics as set forth in paragraph 5 of OD 4.20. The population of the Project area shares the same sedentary agricultural economy. These agriculturalists interact economically with nomadic herders who move seasonally in and out of the Project area with their cattle. Management considered, in depth, the applicability of OD 4.20 on Indigenous Peoples to the Project. After careful analysis of the OD’s requirements in relation to this Project, supported by field work conducted by social scientists with the requisite qualifications, expertise and Project-related experience, Management concluded that the ethnic groups who will be affected by the Project are not covered by the provisions of OD 4.20, and that therefore this OD does not apply. Nevertheless, consistent with good project planning practice, substantive steps were taken to review and mitigate potential impacts to ethnic communities. Effective instruments are available under the Project to provide social safeguards and development benefits to the region’s population: the Compensation and Resettlement Plan, social sector investments and the Regional Development Plan.

104. Notification of the affected population was undertaken extensively, in the context of the consultation process, including in the Cantons of the Requestors. First, as part of the overall process for consultation mandated for the preparation of the Environmental Assessment. Second, as part of the information sharing and Project sensitization activities sponsored by EEPCI. Third, as part of the market surveys to update Government valuation data sheets. Fourth, as part of the seismic surveys and exploration drilling. Finally to establish entitlements and values for compensation and resettlement, at the individual and the group level. For a description of the consultation process, see Process of Public Consultation above. A precise log of public meetings and consultations by date, type and location is given in Volume 3, Table 4-1, pp. 1-12 of the EMP and is also provided in Annex G.

105. Since the outset, Bank Group staff have been fully aware of the critical importance of consultation in the planning and implementation of the Project. In 1998 and 1999 before Board Presentation, Bank Group social and environmental experts spent over 170 staff-days in country meeting with local people and working with EEPCI, TOTCO and their consultants, the Government of Chad and local stakeholders. Several specialized missions were undertaken which focused primarily on provision of information to potentially affected people and consultation as related to compensation, resettlement and community development issues. Since Board approval of the Project, Bank Group social and environmental staff spent ninety staff-days on supervision of Project implementation. In addition to regular staff supervision, the ECMG has been engaged to reinforce environmental and social compliance during implementation, with quarterly monitoring visits, and has spent fifty person-days in the field to date.

⁹⁹ Operational Directive 4.20, paras. 3 and 6.

Claim #16

“Directive OD 4.04 on the respect of native peoples, their nature, usages and customs, sacred sites, burial places, etc. has been completely ignored.”

Response to Claim #16

106. The EMP, especially the consultation process, Compensation and Resettlement Plan, and procedures for management of construction, pays particular attention to customs, sacred sites, and burial places of the affected population. This is discussed further in Claims #18 through #20 below.

107. The Requestors appear to have misinterpreted Operational Policy 4.04, mentioned in the claim, which refers to natural habitats. Natural habitats are defined as “land and water where (i) the ecosystems’ biological communities are formed largely by native plant and animal species, and (ii) human activity has not essentially modified the area’s primary ecological functions.” This policy does not apply to lands that have been transformed by human activity such as farming and grazing.

Claim #17

“Moreover, for some time now, the Chadian authorities, with the complicity of Consortium officials, have practiced a settlement policy (*de colonisation*) favoring cattle farmers (*éleveurs*), whom they arm so they can occupy indigenous lands.”

Response to Claim #17

108. Bank Group environmental and social staff have spent at least ninety staff-days on site verification field trips since Project approval in June 2000. On no occasion during such visits was the issue of a Government-sponsored settlement policy, or collusion by the Consortium, ever raised by the communities.

Claims pertaining to OPN 11.03 – Cultural Property

109. The term “cultural property” includes sites having archaeological, paleontological, historical, religious, and unique natural values. Cultural property, therefore, encompasses both remains left by previous human inhabitants (e.g. middens, shrines, and battlegrounds) and unique natural environmental features such as canyons and waterfalls. The Bank normally declines to finance projects that will significantly damage non-replicable cultural property, and will assist only those projects that are sited or designed so as to prevent such damage.

Claim #18

“OPN 11.03 (OD 4.50), which deals with cultural property, was not complied with.”

Response to Claim #18

110. To ensure compliance with the cultural property policy (OPN 11.03, there is no OD 4.50), the Project EA paid particular attention to sacred sites, graves, and other elements of cultural property. A key principle of the policy is to avoid damage wherever possible, and only to undertake mitigating action or compensation where damage is inevitable. Where consultation with local people led to identification of sacred sites, graves, or zones of potential archaeological interest, the pipeline route was adjusted to avoid loss of cultural property; this applied particularly to graveyards and important initiation sites in southern Chad. A list of the modifications to the pipeline route made on the basis of socioeconomic findings until May 1999 can be found in Volume 3 of the Supporting Documents of the Project EA.¹⁰⁰ The EMP also contains detailed provisions for the management of chance archaeological finds that might be discovered during the construction of the pipeline. The Consortium hired an archaeologist to review existing literature and secondary sources to identify possible prehistoric sites along the right-of-way and to develop procedures for avoiding or, if necessary, mitigating and/or compensating for any damage eventually done to such sites in construction activity. A reconnaissance survey was carried out on the ground and identified zones of high potential to hold sites of archaeological significance. A Handbook on Archaeological Sites in the Chad Project Development Area was developed for Project environmental staff in the field.

111. The EMP stipulates that affected communities are consulted before any works take place. Precautions with regard to cultural property continue to be implemented through this system for consultation, for example in connection with staking the right-of-way for road improvements. For instance, during the Bank Group’s Supervision Mission of February 2001, the issue of a road upgrade encroaching on a graveyard was raised. After on site verification, the mission found that the implementing contractor had adjusted the right-of-way plan to avoid the graveyard. However, EEPCI, whose responsibility it is to relay this information, had neglected to inform the affected community. This was corrected. Bank Group staff advised EEPCI to improve communication and organization and will continue to follow EEPCI’s communication with affected populations.

¹⁰⁰ Project EA, Chad Portion, Supporting Documents, Volume 3, pp. 5-1 and 5-2.

Claim #19

The property referred to in this directive (OPN 11.03) is not included in the categories eligible for compensation, although in the production region the property belongs to specific families who rent it, make it available free of charge to third parties who farm it or use it to pasture livestock.

Response to Claim #19

112. The Bank's policy on cultural property does not pertain to local land tenure systems or customary arrangements for land allocation. Issues relating to land acquisition under eminent domain principles have been discussed under Claim #14 above.

Claim #20

“lack of respect for our usages and customs, nature, etc.”

Response to Claim #20

113. Considerable attention was paid to local customs by avoiding any impacts on graves, sacred sites, and initiation sites (see Claim #18). Furthermore, ACCORD, a local NGO, was hired to deliver replacement houses. ACCORD ensured that local sensitivities were taken into account in the design and that appropriate building materials were used in the construction of these structures. In fact, apart from the corrugated iron roofs, which are quite common in the locality, all building materials were sourced locally and local labor was employed. The key objective was to avoid gross disparities in housing quality (between resettlers and their neighbors) and to maintain social cohesion in the Project area.

Claims pertaining to BP 17.50 – Disclosure of Operational Information**Claim #21**

“OP 17.57 on disclosure of operational information has generated no more than a haphazard, uni-directional release of information, for the sole purpose of deceiving both the World Bank and international public opinion.”

Response to Claim #21

114. Management assumes that this is a reference to BP 17.50. OP 17.57 does not exist. In addition to the consultation process described above (paragraphs 40 to 55), the Consortium implemented a countrywide and global disclosure strategy. As they became available in late 1997 and in May 1999, relevant Environmental Assessment documents and Environmental Management Plans were displayed in twenty-one locations in different parts of Chad, in particular in the Project area. These documents were presented in thirteen-volume sets comprising the Overview volume or

Volume 1, the six volumes on Chad, and six volumes of supporting documentation. All documents were in French and placed in twenty-one public reading rooms. This technical documentation was not made available in local languages. However, the chief social scientist for EEPIC and her team are fluent in the predominant local language, which was used in village information campaigns and consultations concerning this documentation. Graphic materials appropriate for non-readers and people with low literacy were also used. CD-ROMs and sets of documentation were distributed to groups and NGOs for dissemination.

115. Documents were also disclosed to the public at large on the Consortium's web site and through the Bank's Infoshop and Project web site established in September 1997, and the public was invited to submit its comments to the Consortium and the Bank. In fact a very substantial volume of two-way correspondence (over 20,000 items in 1999 alone) was generated by these documents.

Claim #22

“Directive OP 17.57 on public consultation, has been honored only with a crude image (see film on Chad-Cameroon development project: View and Voice, of May 25, 1999, by Winner and Associates, Los Angeles). The requirement for participation by grass-roots NGOs in projects financed by the World Bank has not been met; the only NGOs consulted were, for the most part, either created for the purpose in hand or commanded no allegiance in the region. The obligation to take into account the observations of the people affected by the project when preparing and carrying out the environment impact assessment was never met, etc.”

Response to Claim #22

116. Management assumes that this is a reference to BP 17.50 on Disclosure of Operational Information as there is no OP 17.57. Also, guidelines on consultation are contained in OD 4.01 on Environmental Assessment. Consultation is an integral part of the Project's design and implementation process, as is described below. In fact, the broad consultation process for the Project was unprecedented in Chad and opened the way for increased civil society participation in public debates concerning broad policy issues such as Petroleum Revenue Management, governance, and social and environmental issues. This participation is today consolidated in the context of the PRSP process and in the formal representation of civil society in several official bodies, such as the Steering Committee for the ongoing PRSP and the PROCC.

117. During Project preparation, the broad range of interlocutors included many NGOs who were active in the region and had been for several years, predating Bank involvement in the Project. Among others, meetings were held with AFDI, ASDEC, ASSAILD, BELACD, CIRAD (a Research Institute based in Bebedjia), COLONG and World Vision, as well as some international NGOs present in the region at the time of Project preparation. A complete list of all meetings until 1999 is provided in Volume 3 of the Project EA. Although the emergence of NGOs around a big project is not uncommon, the above-mentioned local NGOs carry out development work and programs entirely unrelated to the Project in the producing region today, as they have done for years. The contribution of NGOs to discussion concerning the Project has been and continues to be important.

118. Consultations with affected populations, however, constituted the core of the direct consultation process. Repeated village consultations were carried out by social specialists from EEPCI and TOTCO, as described under the process of public consultation in paragraphs 40-55 above. During supervision missions, from 1998 onward, Bank Group staff held separate discussions with affected populations and participated in consultation activities with populations and NGOs. In addition a series of broad public seminars were held to seek inputs from local stakeholders. Local populations, local and national government staff, NGOs, religious groups, EEPCI and TOTCO personnel, Bank Group staff and other interested parties, including donor organizations, participated in these seminars in 1998 and 1999. It is planned that broad fora such as these will continue to be organized by the Government's implementation team in collaboration with NGO umbrella organizations and the Bank to ensure that local concerns can be voiced, heard and addressed.

119. A public consultation and disclosure process was undertaken as part of the preparation of the 1997 Draft EA and the development of the 1999 EMP. The engagement with different stakeholders took on even broader and deeper dimensions than is usually undertaken for Category A projects funded by the Bank. This process gave rise to a wider debate on the development paradigm for Chad, including discussions around the adequate use of petroleum revenues.

CLAIMS RELATED TO OTHER BANK POLICIES

Claim #23

“Operational Policy 10.04 (dated September 1994) concerning Economic Evaluation of Investment Operations has not been complied with.”

120. The central tenet of this policy is to ensure that the economic analysis of a project is carried out which confirms that the project creates more net benefits to the economy than other mutually exclusive options for the use of the resources in question. The basic criterion for a project's acceptability involves the discounted expected present value of its benefits, net of costs. In that context, the evaluation examines the project's alternatives, its sustainability, its risks, and its externalities.

Response to Claim #23

121. The criteria used include discounted present value of the Project's benefits, net of costs. The internal rate of return criterion has also been estimated. Annexes 4 and 14 of the PAD—the latter summarizes the Project EA and the EMP—discuss mutually exclusive alternatives both for the oil field development in Chad and for the transportation of the oil. Other economic benefits and costs have also been assessed. In addition, Bank staff carried out a sensitivity and risk analysis to check the robustness of the Project's economic evaluation to crude oil price fluctuations and levels of oil reserves, to confirm that incentives existed for the private sector to adequately execute and operate the Project (sustainability). The economic analysis confirmed that the economic returns to Chad would be significant. On the basis of oil reserves of 917 million barrels and a price of US\$15.25/bbl revenues for Chad would be US\$1.7 billion. The economic rate of return for Chad would be about 70 percent.

Claim #24

“Operational Directive 10.70 – Project Monitoring and Evaluation (dated November, 1989) has not been complied with.”

122. This directive relating to **monitoring** seeks a continuous assessment of project implementation in relation to agreed schedule, and of the use of inputs, infrastructure and services by project beneficiaries, so that continuous feedback on project implementation can be provided and actual or potential successes and problems can be identified. The directive regarding **evaluation** seeks a periodic assessment of the relevance, performance, efficiency and impact of the project in relation to stated objectives.

Response to Claim #24

123. It is critical to note that the Project is being implemented by a private consortium who is directly investing approximately US\$3.5 billion. The Consortium has adopted a multi-tiered monitoring system and has every incentive to ensure that the Project is implemented on schedule. As of now, the Project is ahead of schedule and has not encountered any significant problems.

124. Continuous monitoring of critical aspects of Project implementation in particular with respect to environmental and social aspects is ensured by the following parties: the Consortium, the Bank Group, the Government, the ECMG, the IAG, civil society and the NGO community. Significant public disclosure is a key component in implementation, including Bank Group supervision. During the first four months of 2001 alone, the Bank Group along with the ECMG has spent 50 person-days in the field. From June 2000 to the present another 30 person-days were spent by Bank Group environmental and social specialists, and 100 person-days by Project management staff on field-based Project supervision. The Consortium’s and the ECMG’s first quarterly reports were disclosed on April 20, 2001. Bank Group staff will continue to ensure that Project information for public review is disclosed in a timely fashion.

125. The Government of Chad is implementing two accompanying projects, as mentioned above (see Project Background), which both support the Project’s monitoring and evaluation. Under the Capacity Building Project US\$0.5 million is being spent to develop a Management Information System (MIS) for the Government’s monitoring of the Pipeline Project.¹⁰¹ The MIS is further elaborated upon in the Project Implementation Manual for the Capacity Building Project.

Claim #25

“Operational Directive 13.05 (dated March 1989) on Project Supervision has not been complied with.”

126. This operational directive indicates that, as project supervision is one of the Bank Group’s most important activities: (i) supervision activities must receive adequate priority in the allocation of

¹⁰¹ Capacity Building Project, PAD, Annex 2, Part I, p. 63.

Bank staff and other resources commensurate with the nature, complexity, size of the project, the problems experienced and the Borrower's institutional capabilities and needs; and (ii) efficient project execution and resolution of implementation problems are the joint concern of the Bank and the Borrower.

Response to Claim #25

127. *Allocation of Bank Staff and Other Resources.* The Project preparation process was undertaken by an interdisciplinary team of specialists from the Bank and IFC working under the direction of Senior Management. Prior to Board presentation an extensive internal review was conducted of the proposed project with the participation of specialists drawn Bank-wide to assure proper internal quality control. In addition, a special Board briefing was held on the Pipeline and related Projects and a large number of individual meetings took place with individual Executive Director offices. Meetings were also held with NGOs and religious leaders both in Chad and in other locations.

128. Supervision of the Project is complex and challenging. However, the Bank Group has allocated time and resources proportional to the Project's complexity. A team of specialized staff at Bank Group headquarters is responsible for supervision. The team is composed of specialized operational staff and includes staff expert in petroleum development, an energy economist, finance and investment specialists, environmental and social specialists, legal specialists, a community development specialist, a rural development specialist, operations specialists, an information management specialist, as well as a public financial management specialists and a macroeconomist. An integral part of this team are the two field staff based respectively in Chad and Cameroon who are responsible for the day to day supervision of the Project.

129. From its own resources, the Bank is allocating US\$1.5 million to US\$2 million/year to ensure adequate supervision. Such resources are allocated to cover staff costs including costs related to resident staff for the Project in Chad and in Cameroon and the work of the ECMG which touches upon the implementation of the Capacity Building Project. The Chad and the Cameroon Country Offices are also allocating an important part of their resources to the implementation of these projects by supporting the day to day supervision of the projects and animating the ongoing dialogue with civil society

130. Bank Group staff supervision missions take place quarterly in addition to bi-yearly missions, at least, for the Management of the Petroleum Economy Project. Supervision always closely associates the Government and the Consortium. Time spent by staff on Project supervision in the field since approval of the Project and the Capacity Building Project in June 2000, totals over 140 staff-days on environmental and social matters alone, including time spent by the ECMG. During preparation of the Project in 1998 and 1999, over 170 staff-days were spent in the field on social and environmental work. An additional 150 staff-days since Board presentation were spent on capacity building and accompanying measures, including revenue management.

131. *Levels of Project Supervision.* Implementation of the Project, with particular emphasis on the EMP, consists of seven layers:

- *First*, the operator, EEPICI, monitors compliance of the implementation of the EMP by its sub-contractors and its own compliance. Quarterly reports are furnished to the Bank Group and made available by the Bank Group to the public;
- *Second*, the Bank Group and the other lenders to the Project have engaged the ECMG to monitor implementation of the EMP. Its reports are made public;¹⁰²
- *Third*, the Bank Group directly monitors implementation of the EMP by both the private sector operator and the Governments. This includes monitoring through periodic site visits by Bank Group staff and strengthening presence in the Country Offices. Bank Group staff have conducted two supervision missions since Project approval. Quarterly missions are planned, and the frequency is regularly reviewed depending on progress made in Project implementation and issues, if any, which are uncovered. The Bank Group continues to liaise with the stakeholders (including NGOs) to assess compliance;
- *Fourth*, the Government of Chad monitors implementation. The Capacity Building Project provides support to increase the Government's capacities in this area. In addition, the Government monitors its own compliance and reports to the Bank;
- *Fifth*, the Government of Chad is further assisted by an international advisory panel of environmental and social experts to advise it on issues arising during implementation of the EMP. Hiring of this panel by the Government is underway;
- *Sixth*, an International Advisory Group (IAG) advising the Bank and the two Governments on impacts on poverty reduction and on implementation of the Project has been set up. The Group conducted its first mission to Chad and Cameroon in April 2001 and is preparing its work program. Its reports will be made available to the public on the same day they are submitted to the President of the Bank Group; and
- *Seventh* is the input and assessment provided by civil society and specifically NGOs. To date, such inputs have been a significant source to identify areas for improvement in the design of the EMP and it is expected that civil society will continue to provide important input during implementation of the Project. For this reason, continued consultation with NGOs by Bank Group staff, the ECMG and the IAG are integral parts of Project implementation. In addition, various actions under the capacity building operations and elsewhere contribute to increasing the capacity of local NGOs to play this role.

CLAIMS RELATED TO ADVERSE IMPACTS

132. The Requestors allege that the Bank's failure to comply with the policies and procedures cited above has resulted and will result in direct and adverse impacts on them.

¹⁰² The ECMG's first report is available on the Project's web site.

133. With regard to claims that **Bank failure to comply with its policies and procedures will cause pollution and degradation of the Requestors' environment**, Management believes that it has followed all the operational policies and directives aimed at protecting the Requestors' environment in the design, appraisal and implementation of the Project. Early Project implementation experience has shown no significant negative environmental impacts to date (see the first quarter ECMG report). Project design reflects a dynamic view of the environmental and social issues to be addressed during Project implementation and provides for mechanisms to ensure that the standards set out in the various Bank policies are applied: (i) to all planned future activities undertaken in the context of the Project; and (ii) to unforeseen activities required for Project implementation. In this context, Management is committed to make every effort to monitor and supervise on the ground developments and has allocated adequate staff time and resources to do so (for monitoring arrangements see Claims #24 and #25 above).

134. The Request states that: **“the slightest pollution of surface water sources will inevitably lead to pollution of water tables, rivers, marshes and watercourses down to Lake Chad. The same is true of the Sedigui, Bongor, Kyabe and Salamat oil deposits.”** The technical characteristics of the field facilities and the potential for pollution of surface water are discussed above under Claims #3, #4, and #5, which also discuss the mitigation measures taken against oil spill risk. In the present paragraph, Management intends to address exclusively the claim that such pollution could result from activities in the “oil deposits of Sedigui, Bongor, Kyabe, and Salamat.” Management submits that activities with regard to these oil deposits lie outside of the scope of any activities financed by the Bank in the context of the Pipeline Project and that the Bank can therefore not be held accountable for the application of its policies in the context of any activities related to these fields.

135. As reflected in the provisions of the Bank's Chad Loan Agreement,¹⁰³ the Government of Chad has undertaken that “any oil developed outside the Doba Basin Oil Fields which is proposed to be transported through any part of the Transportation System in Chad [will be] developed in accordance with the principles set forth in the EMP with respect to environmental analysis and protection, consultation, information disclosure, resettlement and compensation ... as applied with respect to the oil developed in the Doba Basin Oil Fields.”¹⁰⁴ At the moment, it is not planned that any oil other than that of the fields of Kome, Miandoum and Belobo, transit through the pipeline, nor will there be capacity to transport any additional oil for some time. Furthermore, in the context of the Capacity Building Project, the Bank is supporting regulatory reform and institutional development to enable the Government to enforce adequate environmental and social guidelines for the petroleum sector as a whole.

136. With regard to claims that the **Bank's failure to comply with its policies and procedures have led to expropriation without proper compensation**, Management believes that the necessary actions have been taken in the Compensation and Resettlement Plan of the Project EA¹⁰⁵ to ensure that:

¹⁰³ Chad Loan Agreement, Article IV, Section 4.10, p. 20.

¹⁰⁴ Chad Loan Agreement, Article IV, Section 4.10, p. 20.

¹⁰⁵ Project EA, Chad Portion, Volume 3.

- (i) Chadian law with regard to expropriation has been respected;
- (ii) The compensation design and implementation is in compliance with applicable Bank policies and procedures;
- (iii) Any future compensation is designed to take place in a manner commensurate with the standards set in OD 4.30 for compensation; and
- (iv) An adequate consultation and grievance process is in place to address issues arising during implementation.

Management is aware of the dynamic nature of the compensation process and of the need to ensure that adjustments can be made where they are called for if local populations raise concerns. Any individual can register a complaint or a concern about compensation or damages with the EEPCI/TOTCO designated representative for resettlement and compensation, and with the local village chief, who will attempt to settle the matter together to the satisfaction of all concerned. Grievances are receivable for compensation up to the end of the next full agricultural cycle after the plaintiff surrenders assets. The designated representative will record each complaint and its resolution and will periodically evaluate the pattern of complaints to see if changes need to be made to the Compensation and Resettlement Plan. The Bank Group will also monitor implementation of this Plan as part of Project supervision.

137. With regard to claims that the **Bank has failed to respect native people, their nature, usages and customs**, although it has found that OD 4.20 is not applicable to the affected people in the Project area, the Bank Group has endeavored to ensure that the customs of local people are respected, as well as their sacred groves and grave sites, by making certain that their views and concerns have been fully identified and taken into account in the design of the Project. Through supervision and consultation, Management will monitor the process by which customary practices and sacred places of the population are identified and respected during the implementation of the Project. Local populations will continue to be consulted during Project implementation and Bank Group supervision missions will ascertain whether Project design needs adjustment to meet specific local concerns. Should inhabitants have grievances, they can be brought forward through a grievance procedure for damages (where the aggrieved is not a party to compensation and resettlement) or through a grievance procedure for Compensation and Resettlement as set out in the Project EA. These processes will allow for their views to continue to be sought and taken into account during Project implementation. The Project EMP protects the natural environment and provides for mitigation of any significant negative impact on it.

138. With regard to claims concerning governance, the Request states: “**Directives on proper (good) governance have been put aside indefinitely, as evidenced by the IGET International affair, trafficking in counterfeit currency, drugs, and dummy invoices; misappropriation of foreign aid, including that provided by Taiwan; purchase of weapons with money obtained from oil production in Chad.**”

139. Improving governance is one of the key objectives of the Bank’s Assistance Strategy to Chad and instances of poor governance are of great concern to the Bank. The Bank has therefore been

proactive in pursuing this objective: (i) at the level of its Country Assistance Strategy, by promoting the implementation of a variety of measures to improve transparency and accountability in public financial management; and (ii) at the Pipeline Project level, by introducing a Petroleum Revenue Management Program in the Pipeline Project design and by supporting the building of public financial management capacity through the Petroleum Economy Project.

140. The provisions of OD 4.15 aim to ensure that Country Assistance Strategies and projects are poverty oriented and that their outputs benefit the poor. The Country Assistance Strategy for Chad aims to implement many of the elements cited in OD 4.15. Also, the projects cited in this Request are aimed specifically and explicitly at poverty reduction, based on sound analytical work and technical expertise; have strong supervision plans (Capacity Building Project); and pay attention to beneficiary outcomes (EMP and Capacity Building Project) and poverty impact (Petroleum Economy Project).

141. In the context of their broader dialogue with the IMF and Bank, the Government of Chad is implementing a comprehensive set of governance measures including: (i) implementation of a Governance Strategy and action plan; (ii) functional expenditure tracking system for primary education and basic health expenditures; (iii) implementation of a simplified and computerized expenditure circuit; (iv) adoption of a new public procurement code and its application decrees; (v) regular publication of a bulletin on public procurement; (vi) yearly adoption of the Financial Settlement Law; and (vii) nomination of commercial court judges in the five largest cities. A first draft of the Governance Strategy and action plan has been produced through a participatory process, involving a broad spectrum of representatives of civil society.

142. With regard to the statement: **“We consider that our rights and interests have been or are likely to be harmed as a result of the Bank’s action. This causes or is likely to cause the following types of damage, among others:bad governance, reflected in the recent misappropriation of a premium of US\$25 million (CFAF 19 billion) and its use for the purchase of weapons with which to massacre us.”**

143. Although the US\$25 million signing bonus received in April 2000 from the two Consortium members, Petronas and Chevron, was not covered by any agreements with the Bank Group, the President of Chad announced publicly in June 2000 that the resources would be used in the spirit of the Petroleum Revenue Management Law. A similar commitment was made by the Government in its letter of intent under its program with the IMF. The Petroleum Revenue Management Law calls for all oil revenues to be reflected in the budget and for the bulk of such resources to be allocated to priority sectors for poverty reduction under supervision of the PROCC composed of Government and civil society representatives. At the end of September 2000, however, the Bank learned that some US\$15 million (60 percent) of the bonus funds were spent. According to the Government, expenditures included some US\$4.5 million for military purposes, US\$3.7 million on water and electricity subsidies, US\$3.6 million on road maintenance, and the remaining US\$3.2 million on other activities (including construction for the Ministry of Foreign Affairs and a mental health center). Moreover, these resources were spent outside established budget procedures, and before the PROCC, foreseen by the Petroleum Revenue Management Law, had been established (see Annex C).

144. The Requestors allege that the use of a US\$25 million oil bonus for the purchase of weapons with which to harm the Requestors resulted from the Bank's action. This is certainly not the case. The funds in question are and were not subject to any agreement between the Bank Group and the Government of Chad in the context of the Project. These agreements pertain exclusively to "royalties," "dividends" and "taxes" as defined in the Chad Loan Agreement.¹⁰⁶ Of the US\$25 million in question, sixty percent were spent. According to the Government US\$4.5 million were used for defense expenditures. Despite the fact that no contractual agreement covered the use of these funds, the Bank, together with the IMF, took decisive action to ensure that unspent funds would be used for poverty reduction in a transparent manner and that spent funds would be audited and the results of the audit made public. It was decided to delay the presentation of Chad's case for debt relief under the HIPC Initiative until the Government had complied with these measures (see below).

145. The Bank, together with the IMF, expressed its strong dissatisfaction with the practice of extra-budgetary spending generally and, in particular, with the manner in which bonus funds were spent. Jointly, the Bank and the Fund decided that presentation of the HIPC Decision Point Document to their respective Boards should be postponed and requested that *a priori* measures be taken before proceeding any further with the HIPC process. These measures were: (i) freezing the remainder of the bonus until the PROCC was put in place and committing to spending the rest of the bonus on priority sectors; (ii) issuing a public report on the spending of the oil bonus to the Chadian Parliament and to the PROCC, including a commitment to conduct an audit on the use of the bonus; (iii) fully disclosing to the Bank and the IMF all existing Government accounts and committing to providing monthly information on their balances; and (iv) committing not to approve and execute any Government spending outside existing budgetary procedures.

146. The Government agreed to these measures in December 2000 and had implemented them all by early April 2001. The PROCC has been established and is in the process of adopting its by-laws.¹⁰⁷ The bonus issue was debated in Parliament in the context of a vote of no-confidence requested by an opposition party. The Government has frozen the remainder of the bonus and agreed to an audit of spent bonus funds to be carried out before September 2001. It has disclosed a comprehensive list of Government accounts to the Bank and the Fund and committed to not approving and executing any Government spending outside existing budgetary procedures. Compliance with all requested measures and sufficient progress in improving macroeconomic performance has led to the scheduling of a review of the IMF's PRGF program and of the presentation of the HIPC Decision Point Document to the Bank and Fund Executive Boards in mid-May 2001.

147. The Requestors state that: **"The laughably small quota assigned to the production zone bears little or no relation to the magnitude of the needs of this region and the size of its population."** Management understands that "small quota" refers to the percentage of oil revenues

¹⁰⁶ Chad Loan Agreement, Schedule 5, article 1 (a)-(c), p. 40.

¹⁰⁷ The nine members of the PROCC are the Director of the Treasury, the Director of the Central Bank, a member of the Supreme Court, two representatives of Parliament (including one from an opposition party), and four civil society members representing the trade unions, the human rights organizations, the faith community, and the umbrella organization of women's NGOs.

foreseen, in the Petroleum Revenue Management Law and Petroleum Revenue Management Program, to be directly managed by the producing region.¹⁰⁸ The Requestors find that this percentage is not proportional to the region's population, nor is it sufficient to cover the region's needs.

148. The percentage referred to by the Requestors only represents a small portion of the value of the expenditures which will benefit the people of the producing region. It is additional to: (i) the share of revenues that will serve to finance expenditures for priority sectors in the producing area through Chad's regular budget; and (ii) the rapid intervention measures and community-based investments financed in the region under the Capacity Building Project. No Bank policies or procedures exist which set standards for the direct attribution of revenues to producing regions in the context of projects supporting natural resource exploitation. However, as international experience has shown the importance of ensuring that palpable benefits accrue to people in the producing area and of sharing revenues with the producing area, the Government of Chad has allocated an additional share of approximately 5 percent of royalties to the producing area to be managed locally as is stated in the Petroleum Revenue Management Program¹⁰⁹ and the Petroleum Revenue Management Law.

149. With regard to human rights, the Request expresses the Requestors' concern over human rights in Chad in general and over the loss of lands by force to herders who are allegedly being armed by the Government in complicity with the Consortium.

150. The Request states that: **“Directives on respect for human rights have been ignored since 1990, the year when Mr. Idriss Deby took power in Chad (see the CD-ROM with evidence of the massive violations of human rights in the production area).”** Management notes that no CD-ROM was provided with the documentation.

151. The Bank is concerned about violations of human rights in Chad as elsewhere while respecting the Bank's Articles of Agreement which require the Bank to focus on economic considerations and not on political or other non-economic influences as the basis for its decisions. In evaluating the economic aspects of any project, human rights issues may be relevant to the Bank's work if they may have a significant direct economic effect on the project. Having carefully considered all aspects of this issue, Management's conclusion is that the Project can achieve its developmental objectives. The Project in many aspects has been instrumental in creating a space for dialogue for certain groups of Chadian citizens to exercise their rights. An important consultation process has been taking place during the preparation of the Project to: (i) share Project information with affected communities; (ii) determine Project land needs, establish entitlements and agree on a valuation system with affected peoples; (iii) agree on mitigation of adverse effects; and (iv) elaborate a Regional Development Plan for the Project area.

152. Also the Bank actively supports the work of two mixed bodies (consisting of Government and civil society representatives, including human rights organizations): the PRSP Steering Committee and the PROCC. Human rights organizations have formal seats on these bodies and vocally participate in both fora. As members of the PRSP Steering Committee, they have had the opportunity to raise human rights issues in the context of work on the Governance Strategy that is

¹⁰⁸ See Petroleum Revenue Management Program, Annex D.

¹⁰⁹ Chad Loan Agreement for the Project, Schedule nr. 5.

being prepared by the Government. A representative of human rights organizations occupies one of the nine seats on the PROCC,¹¹⁰ which is responsible for approving and authorizing expenditures from oil revenues and for overseeing the use of remaining funds from the US\$25 million oil bonus.

153. By supporting the Poverty Reduction Strategy process and the improvement of public financial management, including of oil revenues, and through other instruments, the Bank supports open dialogue between Government and civil society with regard to all matters of public interest. The Bank also keeps informed of the initiatives of other donors such as the UN High Commission for Human Rights and UNDP who run a joint Technical Assistance Program for Human Rights in Chad. Within the context of its mandate, the Bank is open to collaboration with these specialized agencies of the United Nations.

154. The Request also states that: **“For some time now, the Chadian authorities, with the complicity of Consortium officials, have practiced a settlement (*de colonisation*) policy favoring cattle farmers (*éleveurs*), whom they arm so they can occupy indigenous lands.”**

155. Bank Group staff encourage individuals and organizations in Chad to keep the institution informed of human rights developments, while pointing to the limits of the Bank’s mandate as set out above. However, staff have received no evidence of or information concerning a Government policy to settle herders on the land of local people as is referred to by the Requestors. Should specific information be available and provided to Management, it would, as is its practice in such cases, take up the matter with senior members of Government.

BANK’S RESPONSIVENESS TO REQUESTORS

156. The Requestors state that the Bank has not been responsive to their concerns.

157. Over the past few years, one of the chief concerns of the Bank Group has been to provide accurate and timely information to the public concerning this Project to populations in the field as well as to the public at large. A very large volume of correspondence has been exchanged with a range of interlocutors and interested parties. Mr. Yorongar, who has brought this Request on behalf of people of the Project area, has written repeatedly to the Bank’s President, Vice-Presidents and Directors concerning this Project. A list of correspondence between Mr. Yorongar and the Bank is provided in Annex H. Senior Bank Management has also met him in person, and listened and responded to his concerns on several occasions. Many of the claims raised in the Request were raised in the context of Mr. Yorongar’s previous correspondence. One occasion where a question of adequate compensation arose is cited and documented by the Requestors in the Request. In this case, information on the compensation process was provided to Mr. Yorongar promptly and accurately and included proof of the choice of compensation by the individual in question and copies of his signed receipt of compensation. Project staff, Country Office staff and several Country Directors have addressed Mr. Yorongar’s requests for information and for clarification many times in person, in

¹¹⁰ The nine members of the PROCC are the Director of the Treasury, the Director of the Central Bank, a member of the Supreme Court, two representatives of Parliament (including one from an opposition party), and four civil society members representing the trade unions, the human rights organizations, the faith community, and the umbrella organization of women’s NGOs.

writing and by telephone. In the context of these contacts, staff and Management have provided clear information concerning the Project, offered to provide any additional materials requested, listened to concerns, and taken action where needed to pursue any unresolved concerns within the scope of the Bank's mandate.

158. Affected persons in the Project area, specifically in the Cantons inhabited by the Requestors, have brought their observations to bear on the Project in the context of the consultative process which has included consultations with the populations of their Cantons. Particularly in the Cantons of Kome, Bero and Miandoum, consultations with the local population have been frequent. Bank Group staff, including Senior Management, have met personally with villagers in these and other localities in the Project area and along the pipeline route, listened to their concerns and answered their questions. Where appropriate, Bank Group staff have taken action to communicate concerns of the local population to EEPCI and COTCO as well as to the Government of Chad at the highest levels to ensure that these concerns were appropriately taken into account. These processes are extensively described above.

159. Bank staff have informed the public of the ongoing policy discussions with Government, on issues which are addressed in the context of the Bank's country dialogue—for instance on issues such as governance and economic policy—but which are outside the purview of the Project. On issues outside the purview of Bank activities, in particular issues of human rights, the Bank has continued to state to the Requestors and to the Government that it is concerned over human rights violations in Chad as elsewhere, to encourage all interlocutors to communicate information on these issues to staff, and to clearly state that while these are matters of great concern, it is not within the Bank's mandate to act in this sphere. In these matters, Bank staff's experience is that fruitful working relationships have been established with a broad range of stakeholders in Chad on a variety of salient issues and that dialogue is constructive and forward-looking with civil society as well as with Government interlocutors.

CONCLUSION

160. The present response has aimed at providing accurate information and detailed accounts of how the Bank, in the context of the Pipeline Project, the Capacity Building Project and the Petroleum Economy Project, has applied its policies and procedures concerning the environment, expropriation, resettlement and compensation, consultation and disclosure of information, indigenous peoples, natural habitats, pest management, cultural property, forestry, economic evaluation, monitoring and evaluation and Project supervision. In Management's view, the Bank has followed the guidelines, policies and procedures applicable to the matters raised by the Request. The Request expresses concern over a number of salient challenges in the context of the Project. Management concurs with the Requestors that some of these areas of concern require sustained attention and effort in the context of implementation and supervision and will continue to ensure that they are properly addressed. With regard to the issues related to environmental and social safeguards, the Project EA provides a road map for dealing with environmental and social issues as they arise in the context of the Project. Management believes that this process has yielded measurable results to date and is sufficiently flexible to adapt to new challenges in the future. Management does not believe that the

Bank has failed to apply its policies and procedures and that, as a result, the Requestors' rights or interests have been, or will be, directly and adversely affected.

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MANAGEMENT OF THE PETROLEUM ECONOMY PROJECT**

ANNEX A

CHRONOLOGY OF EVENTS

Chad/Cameroon Petroleum Development and Pipeline Project

- | | | |
|------|--------------------------------|--|
| (1) | March 24, 1992 | Exxon and Bank of America first visit the Bank to discuss the project |
| (2) | July 27, 1993 | Issues Paper sent to Regional Management |
| (3) | November 28, 1994 | Issues Paper sent to Central Loan Committee which met on December 13, 1994 |
| (4) | January 24, 1995 | Bank first expressed interest in the project provided several issues were resolved |
| (5) | April 4, 1995 | PID sent to Documentation Center |
| (6) | April, 1995 | IEPS circulated and discussed |
| (7) | May, 1995 | Several meetings on procurement, with GPN sent on May 16, 1995 |
| (8) | May-December, 1995 | Several meetings held to discuss oil revenue management |
| (9) | November, 1995 | First Bank mission in the field |
| (10) | January 1996-
December 1998 | Extensive work on engineering, environment and revenue management |
| (11) | October 1997 | Environmental Assessment distributed for Public review and sent to InfoShop |
| (12) | April 7, 1999 | Report from the Quality Assurance Group (QAG) issued |
| (13) | May 1999 | Environmental documentation finalized |
| (14) | June 25, 1999 | Environmental documentation disclosed and released to the Info Shop and in-country |
| (15) | June 26, 1999 | Departure of Bank Appraisal Mission |
| (16) | January 11, 1999 | Revenue Management Law enacted |
| (17) | February to April, 2000 | Loans and Credits Negotiations |
| (18) | June 6, 2000 | Board Approval |
| (19) | March 29, 2001 | IBRD Loan and Project Agreements Signing |

Chad Petroleum Sector Management Capacity Building Project

- | | | |
|------|----------------------|---|
| (1) | March 24, 1997 | PCD Meeting |
| (2) | March 1998 | Bank Pre-appraisal Mission |
| (3) | May 3, 1999 | Project Information Document (PID) Received by the InfoShop |
| (4) | May 25, 1999 | Environmental Data Sheet Issued |
| (5) | June 3, 1999 | PAD Reviewed |
| (6) | June 23, 1999 | Departure of Bank Appraisal Mission |
| (7) | February 7-10, 2000 | Credit Negotiations |
| (8) | June 6, 2000 | Board Approval |
| (9) | July 7, 2000 | Credit Signing |
| (10) | December 26-28, 2000 | Project Launch Workshop |
| (11) | March 23, 2001 | Credit Effectiveness |

Chad – Management of the Petroleum Economy Project

- | | | |
|-----|--------------------|-------------------------------------|
| (1) | January 11, 1999 | PCD Review Meeting |
| (2) | February 1, 1999 | First Bank Mission |
| (3) | June 18, 1999 | Departure of Bank Appraisal Mission |
| (4) | December 12, 1999 | Credit Negotiations |
| (5) | December 29, 1999 | Distribution of Board Documents |
| (6) | January 27, 2000 | Board Presentation |
| (7) | March 20, 2000 | Credit Signature |
| (8) | September 20, 2000 | Credit Effectiveness |

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ANNEX B

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- Project Appraisal Document – Management of the Petroleum Economy Project (December 29, 1999)
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ANNEX C

PROJECT APPRAISAL DOCUMENT

CHAD/CAMEROON PETROLEUM DEVELOPMENT AND PIPELINE PROJECT

PETROLEUM REVENUE MANAGEMENT PROGRAM:

REPUBLIC OF CHAD

Part A: Summary

161. Petroleum revenues would present Chad with a unique opportunity to reduce poverty, but with tangible risks. Drawing on international experience, Chad is aware of the systemic transformation of the economy frequently brought about by injection of substantial petroleum resources and the need for a longer term perspective for poverty reduction. To achieve its objective of poverty reduction given these factors, the Government has worked closely with the Bank to delineate a petroleum revenue management program (the Revenue Management Program) and has articulated a *Strategy for the Management of the Petroleum Economy*. The Program seeks to reduce poverty by isolating the petroleum revenues and targeting their use to the priority poverty sectors in the context of Chad's overall sectoral programs and global Government expenditure patterns.

162. The thrust of the Government's strategy is to target the bulk of oil revenues for incremental poverty alleviation activities in a transparent manner. It relies on several key features.

- A framework guiding the use of oil revenues (namely royalties on the sale of oil, dividends from GoT's equity investment in the project, and income taxes on the pipeline and oilfield activities), which provides, *inter alia*, for quantitative targets for the allocation of the bulk of oil revenues to priority poverty reduction activities, mandatory long-term savings of a portion of the revenues, explicit commitment and disbursement norms, and oversight and monitoring mechanisms, including non-Governmental mechanisms.
- Initiatives to build Government's capacity to use oil revenues effectively within key sectors and to manage their impact on the economy, including the development of sectoral expenditure programs. These include the IDA operation for revenue management (approved by the Executive Directors of IDA on January 27, 2000, and summarized in Annex 18, Part B).

- Bank support and monitoring throughout implementation to promote the allocation of resources to effective development activities, as well as reporting/auditing requirements.

163. The Government is strongly committed to broadening and deepening economic reforms and strengthening financial discipline; strengthening sector strategies and designing and implementing effective poverty reduction programs and activities; and developing national implementation capacities. The Government's strategy enjoys broad political support from the country's leadership and legislature, attempts to address various concerns raised by civil society, and hinges on the support of Chad's external partners. It is consistent with and builds on the ongoing economic reform objectives.

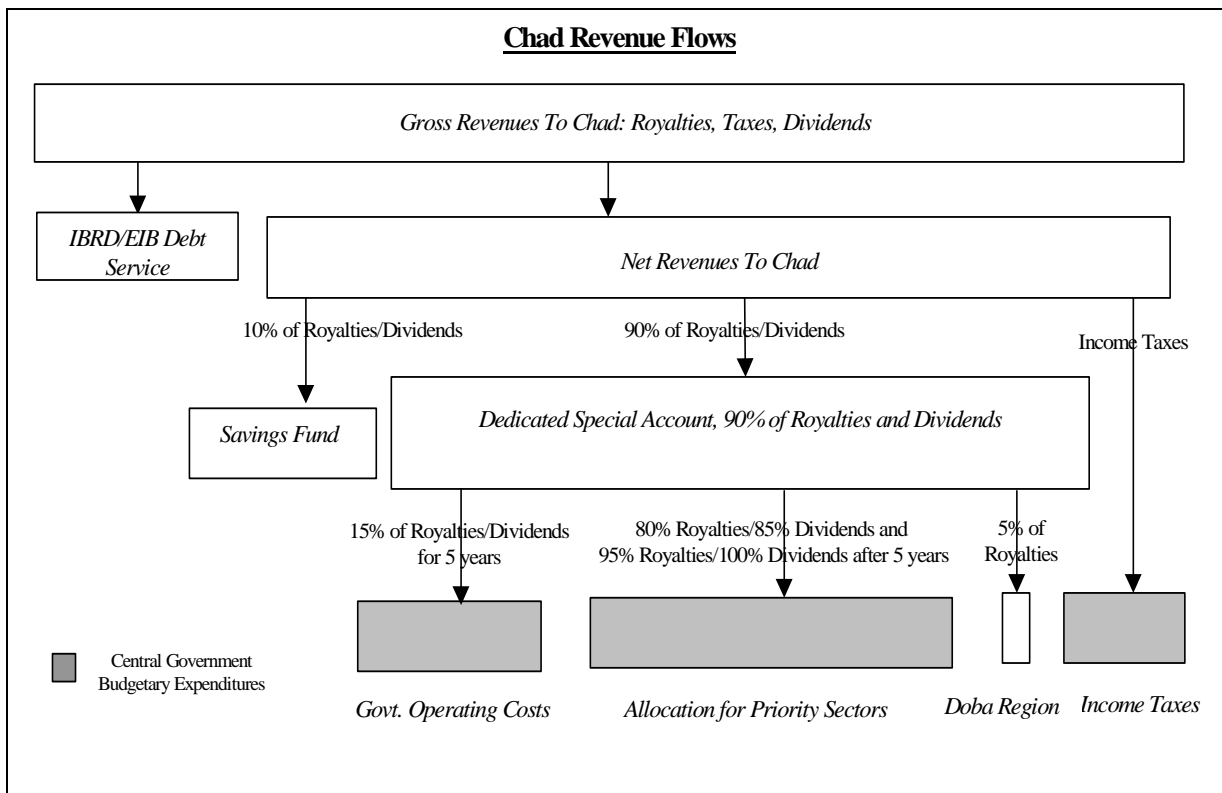
164. *The Program:* The Revenue Management Program agreed with the Bank contains the following detailed elements:

- (i) petroleum revenues (net of financing costs for the IBRD and EIB loans – see discussion above in sections C.6 and C.8) will be channeled through project off-shore escrow accounts, which will be audited;
- (ii) royalties and dividends (representing about 85 percent of expected revenues over the first ten years of production) will be invested as follows:
 - (a) 10 percent of this revenue stream will be invested with an external financial institution in long-term investment instruments, and upon liquidation would be used to benefit poverty reduction objectives of future generations (the "Future Generations Fund"); and
 - (b) 90 percent of these revenues will transit through special Treasury accounts held in one or two private commercial banks in Chad (the "Special Petroleum Revenues Accounts") to be used to finance incremental expenditures in the five specified priority sectors relating to poverty alleviation, distributions to the producing region and Government recurrent expenditures as described below; and
- (iii) income taxes on the oilfield operations (which begin accruing around the seventh year of production or thereafter, depending in part on oil prices) and on the pipeline company TOTCO will be used to support increased development expenditures generally.

165. The Special Petroleum Revenue Account(s) will operate under the following modalities:

- 80 percent of royalties and 85 percent of dividends deposited into the Special Petroleum Revenue Accounts will be devoted to expenditures in key poverty reduction sectors (education, health and social services, rural development, infrastructure, and environment and water resources).

- Expenditures from oil revenues in these sectors will be incremental to Government spending in these sectors prior to the arrival of oil revenues.
- In addition, 5 percent of royalties deposited into such accounts will be allocated as a supplement to the oil producing region to be programmed by local authorities.
- During an initial five-year period (i.e., before oilfield income taxes provide another possible source of revenues), the residual 15 percent of royalties and dividends can be used to finance general Government expenditure in the civil sectors to help meet pressing Government operational needs; after this initial period, this portion will be added to the 80 percent of royalties and 85 percent of dividends used to finance the priority poverty reduction sectors.
- Revenues which cannot be used efficiently for the agreed objectives, or the mobilization of which would jeopardize macroeconomic stability, will be sterilized under arrangements acceptable to the Bank).



166. Control and audit mechanisms include the following:

- The Future Generations Fund will be held with a financial institution acceptable to the Bank and the Special Petroleum Revenue Accounts will be held in private commercial banks in Chad acceptable to the Bank.
- Disbursements from the special petroleum accounts will be made only on the basis of detailed annual expenditure programs designed to reduce poverty, agreed upon with the Bank and approved by the Parliament as part of the budget.
- Disbursements will be made following review by an independent oversight committee including representatives of the Government, Parliament and civil

society (an NGO and a trade union representative) to determine their conformity with the agreed expenditure program. The oversight committee will authorize and verify disbursements and issue quarterly reports, under terms of reference satisfactory to the Bank.

- Ex-post controls will include annual audits of the Petroleum Revenues Accounts and of the Future Generations Fund by auditors mutually acceptable to Chad and the Bank operating under terms of reference acceptable to the Bank.
- The audits and reports of the oversight committee will be published.
- The Bank will support Chad in monitoring the effectiveness of its programs, including through periodic public expenditure reviews to be carried out jointly with the International Monetary Fund.
- The Government will, in conjunction with the Bank, develop investment criteria for the Future Generations Fund.

167. *Link to Bank Portfolio.* Government performance under this Petroleum Revenue Management Program will be a central criterion in determining future levels of World Bank support to Chad. In addition, implementation of this Revenue Management Program will be a key contractual undertaking of the Chad Government under the proposed IBRD loan to be provided to Chad for the project (see Part C of this Annex for terms and conditions), as well as under: (i) the proposed EIB financing for the pipeline, (ii) the IDA credit for the parallel Management of the Petroleum Economy Project, and (iii) the IDA credit to be provided for the parallel Petroleum Sector Management Capacity-Building Project. Breach of this covenant will permit suspension of disbursements under these four loans/credits, and would also permit acceleration of these four loans/credits, with repayment to be made directly from the project's oil revenues through the escrow account securing the IBRD loans (described in Section C.6 above).

168. *The Law:* As a first step, the Chad Parliament approved, on December 30, 1998, a law that sets out the key elements of the Revenue Management Program. It contains provisions: (a) allocating 10% of royalty and dividend revenues to the future generations fund; (b) directing the balance of royalties and dividend revenues to special accounts to be held in local banks; (c) allocating 80% of these funds to the above enumerated 5 priority sectors in accordance with Parliamentary approved budgets; (d) allocating 5% of royalties to the producing region; (e) allocating during the first five years 15% of royalties and dividends to financing Government expenditures; (f) establishing the Government/civil society oversight committee; and (g) various auditing and reporting mechanisms, including audits of the special accounts and the future generations fund.

169. *Producing Region.* International experience has indicated that the sound operation of oil and other large scale projects depends in large part on ensuring that local populations see tangible benefits and are treated equitably. To this end, special attention has been given to the treatment of local populations in the Doba producing region and to the elaboration of mechanisms to increase local capacity, to enhance development in the region and to increase local participation in the development process.

- Revenue Sharing. The revenue management law earmarks 5 percent¹¹¹ of royalties to be programmed by local authorities in the producing region; this is contemplated by Article 212 of the Chad Constitution. This would be provided as a supplement to the portion of revenues the producing region would receive through usual government allocations (including its share of the portion of oil revenues allocated to the priority poverty sectors under the Revenue Management Program). These 5 percent are not expected to constitute the main source of financing for development activities in the producing region, but, based on international experience, are expected to become a visible and symbolic attribute of the Revenue Management Program. Accordingly, transparency in the use of these funds and their effective utilization for the benefit of populations in the producing region will be an important part of the Revenue Management Program and the Bank will support GoT in developing sound accounting and distribution systems.
- Project Improvements. The pipeline project and other activities of the oil consortium in the project area would generate benefits for the producing region, including road improvements, employment generation, and local procurement of food and other services. The oil companies are also financing additional activities, such as a community outreach health activities and the drilling of water wells for use by local communities.
- Social Development Fund and Emergency Measures under IDA Capacity Building Project. The Bank is working with Chad under the planned petroleum/environmental capacity building operation (see Annex 18, Part A) to help it: (a) to address the short to medium-term impacts of the pipeline project (including the impact of expected in-migration of workers); (b) set the foundation for a sound longer term development program; and (c) to increase NGO capacity and participation in the delineation of development activities in the region. Specific activities include:
 - Supporting an information campaign to limit the amount of inflow of migrants to the region.
 - Preparing the region for a sudden increase in population by upgrading essential infrastructure and services at the greatest pressure points before the migration flow gathers momentum (about US\$ 5 million from IDA).
 - Establishment of a decentralized and participatory pilot development fund (FACIL - Fund for Actions based on Consensus and Initiated Locally) to finance local projects, proposed and to be implemented by communities and NGOs, in the fields of social infrastructure, income-generating activities and capacity building (about US\$ 3.5 million from IDA).

¹¹¹ The 5 percent as specified in the law represents, without rounding, 4.5 percent since the “5 percent of royalties” is based on royalties after deducting the 10 percent to be deposited into the Future Generations Fund.

- **Regional Development Plan.** The government has initiated a process, working with civil society in the project area, to develop a regional development plan that would help prepare the region for the impacts during the construction period, as well as ultimately when revenues flow. This is being undertaken in a participatory manner. Local NGOs have expressed concern that the plan was being developed too quickly; the government, in part in response to these concerns, is ensuring that the development of the plan is an iterative process that is expected to extend over several years; the above-cited IDA capacity building project will support this effort.

170. *Revenue Estimates and Allocations.* The following table sets out Chad's expected revenues on an annual basis over the first ten years of production in the Base Case (i.e., development of 917 million barrels and Brent oil price of US\$ 15.25/bbl in 1999 US\$ – see discussion in Annex 4) and under various alternative scenarios. The subsequent table illustrates how Chad's revenues are allocated to the various sources under the Revenue Management Program. All revenue figures are provided in nominal terms.

**Table 1: Chad—Nominal Revenues: Scenario Analysis
(US\$ millions; Based on Oil Prices in 1999 US\$,
and Bank Inflation Projections)**

Case	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	Total (2004-13)	Total (2004-32)
917 mm bbls, US\$ 12.00	17	47	55	62	67	92	82	65	48	40	575	1033
917 mm bbls, US\$ 15.25	31	80	88	96	100	125	110	87	65	54	837	1818
917 mm bbls, US\$ 18.50	46	113	122	130	135	269	350	110	83	239	1597	3229
1038 mm bbls, US\$ 15.25	43	85	94	101	106	135	147	119	96	156	1083	2510

**Table 2: Chad Revenues: Royalties, Taxes and Dividends
(Nominal, in US\$ Millions; Based on Oil Prices in 1999 US\$,
and Bank Inflation Projections)**

Scenario	595 mln bbls, US\$ 15.25	917 mln bbls, US\$ 15.25		1038 mln bbls, US\$ 15.25	917 mln bbls, US\$ 12.00	917 mln bbls, US\$ 18.50
	2004-13	2004-13	2004-32	2004-13	2004-13	2004-13
Royalties	245	624	1017	788	362	896
Taxes	103	136	719	217	136	625
Dividends	70	77	82	78	77	76
Total	419	837	1818	1083	575	1597
Estimated Debt Service to WB/EIB	60	60	60	60	60	60
Net Revenues	359	777	1758	1023	515	1537

**Table 3: Distribution of Net Revenues
as per the Revenue Management Program
(in US\$ millions)**

Scenario	595 mln bbls, US\$ 15.25	917 mln bbls, US\$ 15.25		1038 mln bbls, US\$ 15.25	917 mln bbls, US\$ 12.00	917 mln bbls, US\$ 18.50
	<u>2004-13</u>	2004-13	2004-32	<u>2004-13</u>	<u>2004-13</u>	<u>2004-13</u>
Priority Sectors	191	490	830	625	290	696
Doba Region Supplement	11	29	47	36	17	41
Gen. Budget Expenditures	131	194	778	281	170	708
Savings Fund	<u>26</u>	<u>64</u>	<u>104</u>	<u>81</u>	<u>38</u>	<u>91</u>
Total	359	777	1758	1023	515	1537

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(TRANSLATION)

ANNEX D

LAW ON PETROLEUM REVENUE MANAGEMENT

ACT NO. 001/PR/99 CONCERNING

OIL REVENUES MANAGEMENT

Having regard to the Constitution,

The National Assembly discussed and adopted the above-cited Act on December 30, 1998;

The President of the Republic hereby promulgates this Act, which reads as follows:

CHAPTER I: GENERAL PROVISION

Article 1: The objective of this Act is to establish the procedures for managing oil revenues from the exploitation of three (3) fields, namely Kome, Miandoum, and Bolobo.

Article 2: Oil revenues shall consist of direct and indirect income.

Direct income shall consist of dividends and royalties;

Indirect income shall include taxes, charges, and customs duties levied in connection with oil exports.

Article 3: The direct income referred to in the second paragraph of Article 2 shall be deposited in an offshore escrow account opened specifically for this purpose by the Government of Chad at an international financial institution.

The funds shall be divided as follows:

- Ninety percent shall be deposited in special treasury accounts situated in one or two local banks;

- The remaining ten percent shall be deposited in a savings account opened in accordance with the provisions of Article 9 of this Act.

Article 4: Indirect income, namely taxes, charges, and customs duties, shall be deposited directly with the Treasury.

Article 5: The various types of income referred to in Article 2 of this Act shall be accounted for in their entirety in the general state budget.

Article 6: Revenues shall be allocated in accordance with the criteria set out in Chapter II of this Act.

CHAPTER II: ALLOCATION OF REVENUES

SECTION 1: PRIORITY SECTORS AND REGIONAL DISTRIBUTION:

Article 7: Direct income shall be allocated primarily to priority sectors.

The following are considered priority sectors: public health and social affairs, education, infrastructure, rural development (agriculture and livestock), environment, and water resources.

Article 8: Direct income comprising dividends and royalties which have been deposited in the special accounts referred to in the second paragraph of Article 3 above shall be allocated as follows:

- (a) Eighty percent (80%) for expenditures in the priority sectors listed in the second paragraph of Article 7 above;
- (b) Fifteen percent (15%) for current Government operating and investment expenses for a period of five years as from the date of production;
- (c) Five percent (5%) of royalties shall be allocated to decentralized communities in the producing region in accordance with the provisions of Article 212 of the Constitution;

This amount may be changed by decree at five-year intervals in the light of available resources and the needs and absorptive capacity of the region;

Procedures for management and monitoring of these funds shall be developed in accordance with existing instruments regulating Government accounting.

SECTION 2: SAVINGS

Article 9: Ten percent (10%) of the direct revenues, i.e., the royalties and dividends referred to in Article 3 of the present Act, shall be deposited in a savings account opened in an international financial institution for the benefit of future generations, in accordance with the regulations of the Bank of Central African States (BEAC).

CHAPTER III: MECHANISMS FOR MANAGING SPECIAL ACCOUNTS

SECTION 1: OPERATIONS

Article 10: The mechanism for managing special accounts shall conform to the conventional budget wisdom of the State, namely respect for procedures relating to approval, disbursement, monitoring, and control of the general state budget.

Article 11: The special accounts shall be established in one or two primary local commercial banks certified by COBAC, the regional bank supervision agency. They shall be funded directly from the escrow account referred to in the first paragraph of Article 3 of the present Act.

SECTION 2: DISBURSEMENT CRITERIA

Article 12: Funds deposited in special accounts to defray expenditures in priority sectors shall be earmarked in accordance with the public expenditure program prepared annually by the Government.

The program is one element of a triennial development process and is a reference point for the Finance Act. The Government shall review the program annually.

In accordance with the principle of additionality, expenditures from oil revenues paid in respect of priority sectors shall be additional to items in the general budget for the fiscal year preceding the initial oil receipts.

Article 13: Requests for disbursements from the approving officer of the general state budget shall be made in accordance with the procedures set out in the Finance Act and shall require the express authorization of the Oil Revenues Control and Monitoring Board (CCSRP).

CHAPTER IV: SUPERVISORY INSTITUTIONS

Article 14: The mobilization and use of oil revenues shall be monitored separately or jointly by the Comptroller of the Ministry of Finance and Economy, CCSRP, the Audit Office of the Supreme Court, and Parliament.

SECTION 1: OIL REVENUES CONTROL AND MONITORING BOARD (CCSRP)

Article 15: An Oil Revenues Control and Monitoring Board (CCSRP) is hereby established.

Article 16: CCSRP shall include the following members:

- one magistrate serving on the Supreme Court
- one deputy
- one senator
- the national director of BEAC
- the Central Treasurer
- the Director of Issues Relating to Oil Revenues
- the Director of Planning and Development
- one representative of local NGOs
- one trade union representative.

Article 17: Members of CCSRP representing Parliament, the Supreme Court, national NGOs, and trade unions shall be designated and appointed for a term of three (3) years which shall be renewable once.

Article 18: It shall be the responsibility of CCSRP to:

- (a) ensure that commitments for funding from the special accounts meet the requirements of the Finance Act;
- (b) authorize and monitor disbursements from the special accounts and the appropriation of funds.

Article 19: The operational and organizational procedures of CCSRP and the conditions governing its control and supervisory functions shall be set out by decree.

SECTION 2: ADDITIONAL INSTITUTIONS EXERCISING CONTROL

Article 20: Parliament shall control the allocation of oil revenues by adopting and monitoring the implementation of the general state budget.

Article 21: The Audit Office of the Supreme Court shall monitor the legality of state expenditures by reviewing official revenue accounts and monitoring legislation concerning the allocation of resources between the general state budget and the

decentralized communities as well as provisions governing the establishment of reserves or the placement of surplus income overseas.

SECTION 3: MONITORING PROCEDURES

Article 22: The mobilization, allocation, and use of oil revenues shall be monitored via periodic audits and reports prepared for the Government, including:

- annual audits of special accounts and the savings account for future generations;
- periodic management reports on the savings account for future generations and savings accounts for possible surplus income;
- periodic reports by CCSRP;
- reports and audits by COBAC of primary banks responsible for managing specific special accounts;
- annual audits of general state budget performance prepared by the Audit Office.

The Government shall publish these reports and audits annually.

CHAPTER V: FINAL PROVISIONS

Article 23: The present Act shall be duly recorded, published in the Official Gazette of the Republic, and implemented as an Act of the State.

Done in N'Djaména on January 11, 1999.

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ANNEX E

**ENVIRONMENTAL COMPARISON OF THE
CHAD-CAMEROON PIPELINE WITH NIGERIA'S OGOILAND**

NIGERIA: Ogoniland	Feature	CHAD-CAMEROON
Almost entirely private sector. Federal environmental agencies remote; locally absent	Main Actor in Social and Environmental Management	Full partnership between private and public sectors
None	Revenue Management Plan	International best practice & precedent-setting in Chad; Civil society represented on offshore escrow royalty account Board
Federal influence scarcely reaches project area	Regional Development Plan & Capacity Strengthening	Well planned; CAPECE & TAPECE inst. strengthening underway
None	Participation Of Local Civil Society	Well underway; compensation reaching agreement; NGO's actively involved
None	Indigenous Peoples (Vulnerable Ethnic Minorities) Plan	Bakola fully participating with Trust Fund development; implementation (e.g., TB) started
Contemplated	Community Health Outreach	Started; rural clinics build; AIDS, TB, STD, malaria etc included; Medecins sans Frontieres supported
None	Environmental Offsets	\$3 million endowed Trust Fund; c.6000sq km mainly forest, conserved in two officially gazetted National Parks
Above ground	Pipeline Specifications	Buried 1 m deep; mechanically compacted underground
Date from 1958 onwards	Age of Pipe	New
None; advanced corrosion widespread; natural leaks excessive	Corrosion Prevention	Separation of crude from brines before entering steel pipe; fiberglass piping used before separation plant; Ablative sacrificial cathode; heavy-duty resin/tar coatings
Thin and uniform	Thickness Of Pipe	Minimum of 5/8" carbon steel; thicker in critical sites such as river crossings and after pump stations
Thin, highly flammable crude; refined products also piped in vulnerable exposed lines	Viscosity Of Oil	Crude is thick, tarry, non-flammable; no refined products
Originally lacking; retrofitting started	Environmental Management Precautions, Safety, & Spill Contingencies: ISO 14001	Comprehensive; international standards, independent monitoring; meets ISO 14001
1100mcf of associated gas flared/day causes acid rain, soot, noise & respiratory stress	Gas Flaring	None
Not all reinjected.	Associated Water	All reinjected into original strata

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ANNEX F

COMPILATION OF COMPENSATION PER VILLAGE FOR PHASE I, TO MAY 1999¹¹²

Sub-Prefecture	Cantons/Villages		In Kind (equivalent CFAF) ¹¹³		In Cash (CFAF)		
Baibokoum	Baibokoum-Urbain	Combatant	3,198,790		18,542,470		
		Divers	230,470	70,470	5,910,165	296,900	
		Kabba				44,745	
		Kato I				437,930	
		Mbaidogolo				89,650	
		Mbogomian				1,536,475	
		Mbou		85,000		44,745	
		Mboum II		75,000		526,645	
		Sara				414,455	
						2,518,620	
	Mbayssaye			2,968,320		12,538,305	
		Belaboko			171,000		425,715
		Bingo			262,000		470,640
		Bitoye I			167,000		941,280
		Bitoye II					174,630
		Gorro			172,000		369,660
		Koumao			92,000		43,725
		Mbayssaye			919,910		3,057,895
		Mbikoné			92,000		297,555
		Mboh			162,470		210,960
Mont de Lam	Mboura			276,000		317,255	
	Ngot			85,000		5,215,535	
	Sakara			568,940		1,013,455	
						94,000	
	Diba I					94,000	
Bébédjia	Béro		31,273,500		136,526,345		
			22,758,540		109,873,415		
		Béro I		160,000		999,835	
		Béro II		12,866,110		61,326,270	
		Dokaïdilti		1,005,380		2,553,610	
		Madjo		597,940		975,180	
		Mbanga		861,940		3,368,500	
	Komé	Ndaba Dildo		7,247,170		40,650,020	
				8,147,960		24,434,155	
		Bébédjia				89,485	
		Bégada		1,056,000		2,353,205	
		Béla I		436,470		4,823,480	
		Béto II				44,745	
		Bolobo II		2,851,820		4,843,695	
Danmadja		145,470		455,605			
			1,682,820		1,780,190		

¹¹² Data compiled from the Phase I Compensation Report, Esso Chad, N'Djamena, June 1999.

¹¹³ In kind compensation included such items as ploughs, carts, bicycles, rickshaws, sewing machines, portable mills and shelling machines.

Sub-Prefecture	Cantons/Villages		In Kind (equivalent CFAF) ¹¹³		In Cash (CFAF)		
	Miandoum	Komé		145,470		6,527,235	
		Mainani		454,000		656,045	
		Mayongo		933,440		1,675,260	
		Moukassa		442,470		1,175,210	
		Ngalaba	367,000		367,000	2,218,775	2,218,775
Bessao	Bessao		9,930,215		23,371,100		
			5,739,455		17,223,730		
		Békao I		430,000		995,125	
		Békao II		1,124,410		3,431,735	
		Békao-Ferme		177,000		301,920	
		Bembar		164,000		699,140	
		Bengadoua				14,950	
		Bessao		396,940		5,240,250	
		Dodang I		522,000		301,095	
		Gamadji		1,857,225		2,133,940	
		Laoukoye Masse				1,864,915	
		Laoukoye					
		Toungou				44,745	
	Mabi		534,880		1,950,770		
	Sao		533,000		250,145		
		Gadjibian		4,190,760		6,642,370	
			Bégon I		867,000		934,610
			Bégon II		443,500		769,520
			Béguelka		696,470		1,311,595
	Gadjibian			355,000		331,380	
	Kouloulou			579,440		1,824,545	
	Mempon		70,470		371,635		
	Toura I		525,000		505,075		
	Toura II		653,880		594,010		
Goré	Bekan		9,510,820		15,134,805		
			1,335,470		1,423,575		
		Bémoulati		1,335,470		1,423,575	
	Timbéri		8,175,350		13,771,230		
		Bédia		2,931,270		3,459,615	
		Bida		1,044,440		1,765,305	
		Kaba		724,880		1,178,765	
		Kagopal		78,470		856,395	
		Kolé		1,823,850		3,260,845	
		Koundja II		734,000		1,802,550	
	Ouao		858,440		897,755		
Sarh	Sarh				44,745		
					44,745		
		Sarh				44,745	
TOTAL			53,913,325		193,619,465		

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ANNEX G

LOG OF PUBLIC MEETINGS AND CONSULTATIONS

(AVAILABLE UPON REQUEST)

**CIVIL SOCIETY CONSULTATIONS
WITH WORLD BANK PARTICIPATION**

In Chad

April 23, 1997 - Meeting with NGOs under the auspices of *La Coordination des ONGs*, attended by 17 NGO representatives and 2 international NGOs

World Bank officials present: Cyprian Fisiy

January 20 -25, 1998 - Dounia conference with 120 organizations

World Bank officials present: Charles Donang

February 4, 1998 - Meeting with 25 NGOs and 3 international NGOs

World Bank officials present: Michel Layec, Philippe Benoit, Charles Donang

May 15, 1998 - Meeting with 23 local NGOs and 5 international NGOs

World Bank officials present: Michel Layec, Lucienne M'Baïpor

November 11-12, 1998 - Meeting with representatives of 31 local NGOs and 5 international NGO representatives

World Bank officials present: Philippe Benoit, Michel Layec, Charles Donang, Mary Barton-Dock, Lucienne M'Baïpor

April 7 - 11, 1999 - Bebedjia, Chad organized by CILONG

World Bank officials present: Lucienne M'Baïpor, Philippe Benoit

October 5 - 7, 1999 - Meeting with NGOs and Government of Chad on the FACIL Procedures Manual

World Bank officials present: Francois Rantrua, Renato Nardello

November 1999 - Meeting with NGOs and Government of Chad, Bebedjia

World Bank officials present: Shengman Zhang, Serge Michailof, Robert Calderisi, Michel Layec, Mary Barton-Dock, Michelle Keane, Lucienne M'Baïpor

September 5, 2000 - Meeting with Civil Society to gather inputs concerning the roles of the External Compliance Monitoring Group and the International Advisory Group, N'Djamena

World Bank officials present: Mary Barton-Dock, Michel Layec, Lucienne M'Baïpor

November 27-29, 2000 - Launching Seminar with Civil Society and the Government of Chad for the Pipeline Project and Capacity Building Project, N'Djamena

World Bank officials present: Michel Layec, Mary Barton-Dock, Michelle Keane, Renato Nardello, Dimitri Kanounnikof

December 4, 2000 - Meeting with NGOs and Government of Chad, Moundou

World Bank officials present: Michelle Keane, Lucienne M'Baïpor

February 22-28, 2001 - Various Meetings with NGOs (Moundou); Local Government Officials (Bebedjia, Doba and Mbaiboukoum); and villagers (Kome, "Quartier Satan")

World Bank officials present: Cynthia Cook, Michel Pommier, Michelle Keane, Lucienne M'Baipor

In Cameroon

September 19, 1997 - Bank/NGO Collaboration Meeting with various NGOs

World Bank officials present: Robert Lacey, Michel Layec, Philippe Benoit

September 23, 1997 - Meeting with 13 environmental NGOs

World Bank officials present: Robert Lacey, Michel Layec, Philippe Benoit

August 25-27, 1998 - Meeting organized by *Groupe de Concertation et d'Action (GCA)* attended by many NGOs

World Bank officials present: Georges Minang

November 6, 1998 - Meeting with several local environmental NGOs under the umbrella of the GCA

World Bank officials present: Michel Layec, Philippe Benoit, Robert Lacey

January 20, 1999 - Meeting at COTCO's request organized by GCA attended by 15 NGOs

World Bank officials present: Robert Lacey, Cyprian Fisiy, Eric Brusberg, Georges Minang

February 25-26, 1999 - Meeting with WWF and CARE to solicit opinions on establishing an Environmental Foundation

World Bank officials present: Georges Minang

Washington

September 30, 1999 - Meeting with various members of Chad and Cameroon Civil Society

World Bank officials present: Jean-Louis Sarbib, Michel Layec, Philippe Benoit, various other project team members

May 16-19, 2000 - Meetings at World Bank headquarters with representatives of Chad and Cameroon Civil Society

World Bank officials present: Shengman Zhang, Jean-Louis Sarbib, Peter Woike, Mary Barton-Dock, Michel Layec, Cyprian Fisiy, Eugene Scanteie, Renato Nardello, Luc Lecuit, Eric Chinje, Jean Roger Mercier, Cynthia Cook, Ignatius Menezes, and various other project team members

Other

July 15, 1997 - Paris, France - Meeting with Agir Ici, Friends of the Earth, and various other NGOs

World Bank officials present: Philippe Benoit, Michel Layec, Cynthia Cook, Jacob Kolster, Sophie Bascoulard

March 1998 - Wurzburg, Germany - Meeting with *Friedrich-Ebert Stiftung*, a research institute associated with the SPD political party

World Bank officials present: Philippe Benoit

March 5, 1998 - Paris, France - World Bank/NGO Working Group Meeting

World Bank officials present

April 22, 1998 - Bonn, Germany - Seminar on Africa oil in general, attended by 12 SPD MP's, with various NGOs in attendance

World Bank officials present

February 25, 2000 - The Hague, The Netherlands - Workshop on the Chad-Cameroon Oil and Pipeline Project and its regime on liability for environmental damage.

World Bank officials present: Jean-Charles de Daruvar, Mohammed Bekhechi

March 31, 2000 – New York, New York – Columbia University Center for the Study of Human Rights – Seminar on the Pipeline Project

World Bank officials present: Michelle Keane, Michel Layec

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ANNEX H

CORRESPONDENCE WITH MR. YORONGAR

Letters to Mr. Wolfensohn

1. Letter to Mr. Wolfensohn: Who profits from Chadian Petroleum? (August 29, 1997)
2. Letter to Mr. Wolfensohn in response to October 7, 1997 letter (October 17, 1997)
3. Letter to Mr. Wolfensohn: Genocide upon deep oil continues in the south (February 2, 1998)
4. Letter to Mr. Wolfensohn concerning the skedaddling of people in the project area (October 3, 1998)
5. Letter to Mr. Wolfensohn concerning his invitation to visit him at the World Bank headquarters (June 30, 1999)
6. Letter to Mr. Wolfensohn concerning Human Rights violations in Chad (September 6, 1999)
7. Letter to Mr. Wolfensohn concerning Human Rights violations in Chad (October 30, 1999)
8. Letter to Mr. Wolfensohn regarding October 31, 1999 meeting (undated)
9. Letter to Mr. Wolfensohn: New stomping noise of thrust and genocide on petroleum sites in Doba (March 18, 2000)
10. Letter to Mr. Wolfensohn concerning President Idriss Déby's visit to Turkey to buy chemical weapons (March 30, 2000)
11. Letter to Mr. Wolfensohn concerning World Bank agreement on exploitation of Doba oil (June 8, 2000)
12. Letter to Mr. Wolfensohn concerning the massacre of populations on the petroleum site (August 11, 2000)
13. Letter to Mr. Wolfensohn concerning the supervision and financing of the elections in Chad (November 9, 2000)
14. Letter to UN Secretary General, President of the World Bank, IMF, EU, European Parliament, etc. concerning the supervision and financing of elections in Chad (November 9, 2000)
15. Letter to Mr. Wolfensohn asking him to summon back Madam Mary A. Barton-Dock from Chad (December 19, 2000)

Letters to Other Bank Staff

16. Letter to Representative of the World Bank in N'Djamena transmitting copies of letters to Prime Minister, etc (July 23, 1997)
17. Letter to Mr. Jean-Louis Sarbib following their conversation on May 10, 1999 (May 16, 1999)
18. Letter to Mr. Serge Michailof (July 3, 1999)
19. Letter to Mr. Jean-Louis Sarbib, following their conversation of July 16, 1999 (July 20, 1999)
20. Letter to Mr. Jean-Louis Sarbib responding to letter of September 13, 1999 (October 12, 1999)

21. Letter to Representative of World Bank in N'Djamena (March 10, 2000)
22. Letter to Madam Mary Barton-Dock (September 15, 2000)
23. Letter to Resident Representative of the World Bank in N'Djamena (October 17, 2000)
24. Letter to Madam Mary Barton-Dock transmitting 1704 signatures to FIDH petition (November 3, 2000)
25. Letter to Representative of World Bank in N'Djamena requesting information (January 7, 2001)

Letters to Other Officials with Copy to World Bank

26. Letter to President-CEO of Esso transmitting July 17, 1997 letter on the adoption of law amending article 43 of the Petroleum code and adoption of amendment 2 (July 18, 1997)
27. Letter to President of Appellate Court in N'Djamena from Cell No. 32 in the Central Prison of N'Djamena (December 8, 1998)
28. Letter to Mr. Idriss Déby, Chief of State on tour in Logone (May 2, 1999), unsigned
29. Letter to various people concerning the populations affected by Chad-Cameroon Petroleum Project (May 6, 1999)
30. Letter to friends concerning the note from OSANI (August 15, 1999), unsigned
31. Email to friends (September 29, 1999)
32. Email to little brother Timothée Donangmaye (September 30, 1999)
33. Email to Mr. Jean Karim Fall (October 1, 1999)
34. Press Release concerning threats to those who will say no to the World Bank delegation (October 24, 1999)
35. Letter to (his?) parents (October 26, 1999)
36. Letter to Minister of the Interior and Decentralization in N'Djamena (November 4, 1999)
37. Letter to all participants in the meeting on January 14, 2000 at 3pm (January 15, 2000)
38. Letter to the President of the National Assembly in N'Djamena (January 20, 2000)
39. Letter to Minister of the Interior and Security (January 27, 2000)
40. Press Release concerning the conditionalities of the World Bank (April 2, 2000)
41. Letter to Prime Minister in N'Djamena concerning the situation created by sous-préfet of Bébédjia and Sarh (September 5, 2000)
42. Press Release (September 12, 2000)
43. Letter to Mr. Nour Eddine Driss, Advisor to the UN Secretary General for Elections (October 26, 2000)
44. Letter to UN Secretary General concerning the supervision and financing of elections in Chad (December 19, 2000)
45. Letter to President of National Assembly and Collègues (February 5, 2001)
46. Letter to Prime Minister in N'Djamena concerning persistent human rights violations in Tapol (Logone Occidental) and Bebedjia (Logone Oriental) (February 12, 2001)
47. Letter to President of CNRE and Minister of the Interior (Undated, received February 22, 2001)
48. Letter to unknown concerning petroleum war, religious war, or ethnic purification (Undated and unsigned)

World Bank Responses to Mr. Yorongar

1. Letter from Serge Michailof in response to August 29, 1997 letter (October 7, 1997)
2. Letter from Jean-Louis Sarbib in response to October 3, 1998 letter (November 19, 1998)

3. Letter from Serge Michailof in response to October 23, 1998 letter (November 19, 1998)
4. Letter from Serge Michailof in follow up to meeting in Paris and fax of July 3, 1999 (July 8, 1999)
5. Letter from Robert Calderisi in response to August 2000 letter (October 30, 2000)
6. Letter from Robert Calderisi in response to November 3, 2000 letter (December 19, 2000)
7. Letter from Robert Calderisi in response to November 9, 2000 letter (March 12, 2001)