

**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
bbl	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.¹

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, Miandoum, and Bolobo in the region of Doba, southern Chad. The Project will also

¹ 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.

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.

I. 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”).¹

II. 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

¹ 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.

- (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.

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 Panel² 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.

III. 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.

2 "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.

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, Miandom, 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”).

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 2000.³ 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),⁴ 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, 2000⁵. 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.

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

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

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

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.⁶ 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 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.⁷ 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

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

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

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.⁸ Chad has adopted a Petroleum Revenue Management Law⁹ 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.¹⁰

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

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

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

10 See Annex C, Petroleum Revenue Management Law.

(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.

IV. 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.

V. 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.¹¹

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

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 EA¹² 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 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).

12 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.

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.

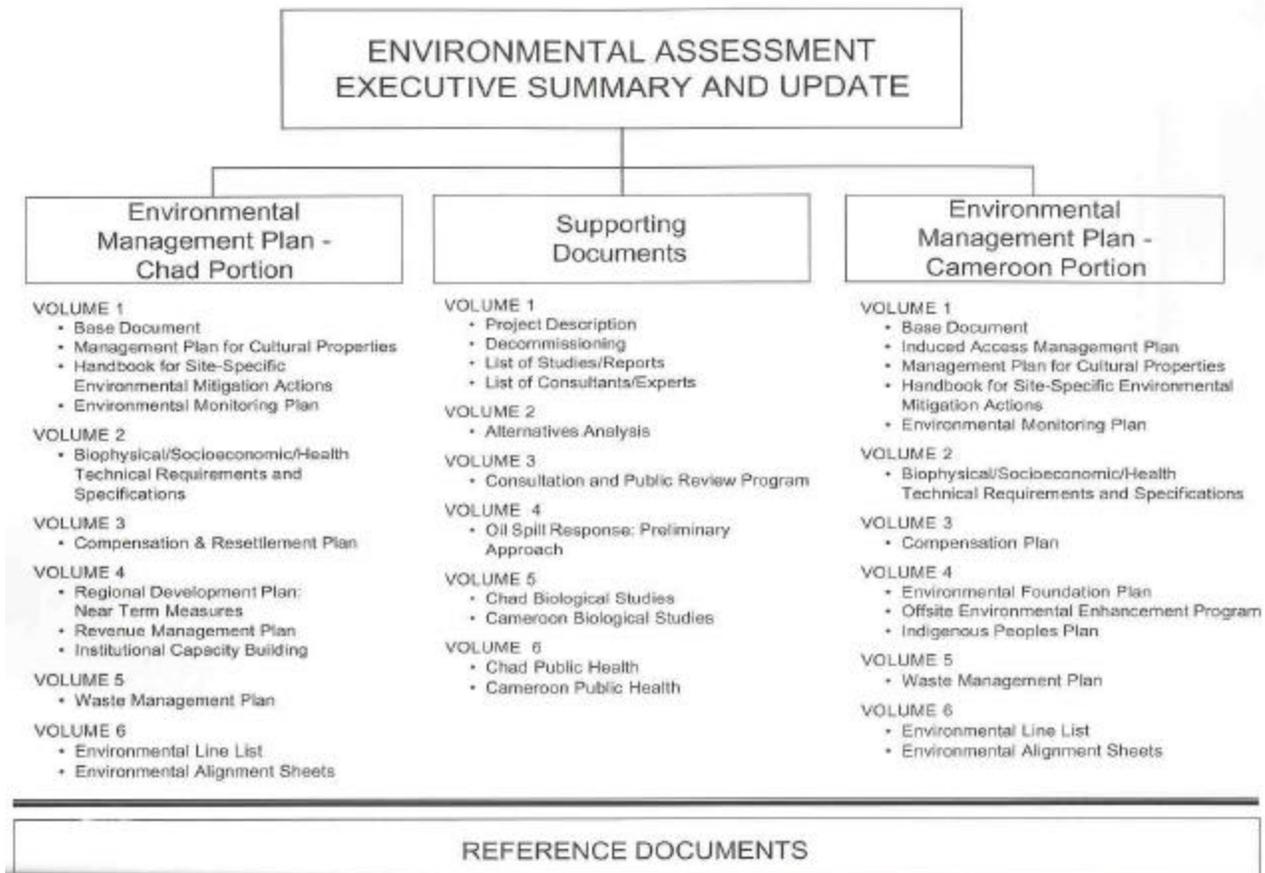


Figure 1. Structure of EA and Supporting Documents

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 EEPCI, 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.¹³ 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.¹⁴ 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.

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

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

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.”¹⁵ For example, during pre-construction surveys and construction monitoring the EMRs for sensitive habitats may be revised based on consultations with local villagers.¹⁶

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.¹⁷ The Project technical specifications,¹⁸ the Compensation and Resettlement Plan,¹⁹ etc. constitute the remainder of the EMP. Consultations are a key component of the EMP implementation process.²⁰

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.²¹

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.

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

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

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

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

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

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

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

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 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 1997.²² A list of these meetings is provided in Annex G.

²² 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

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 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

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).

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.²³

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

²³ 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.

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).²⁴ 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.

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.

²⁴ 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.

*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.”²⁵ 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).

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,²⁶ 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.²⁷ In addition, the EMP²⁸ covers the Field System, meeting OD 4.01 requirements. For instance, it details the environmental mitigation and monitoring provisions for the Field System.²⁹ 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 1999,³⁰ 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.³¹ These arrangements are in compliance with the applicable safeguard policies of the Bank.

25 OD 4.01, Introduction.

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

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

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

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

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

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

Claim #2

“Consider the plight of the Ogoni people of Nigeria:³² 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, mitigating, or compensating for adverse impacts.”³³ 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).³⁴ 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

32 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.

33 OD 4.01, para. 1.

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

or spill. Preliminary oil spill response planning is foreseen as described in the environmental documentation.³⁵ 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.³⁶

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.³⁷ 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.”³⁸ The concern of groundwater pollution was considered during the preliminary design process and was assessed in the 1997 Draft EA.³⁹ The Project EA includes a Comprehensive Ground Water Quality 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.⁴⁰ The EMP details the alternatives considered and the selected design.⁴¹ A summary of this process is presented in the first chapter of the EMP.⁴²

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

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

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

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

39 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.

40 Dames and Moore, 1997, Chapter 3.

41 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.

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

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.

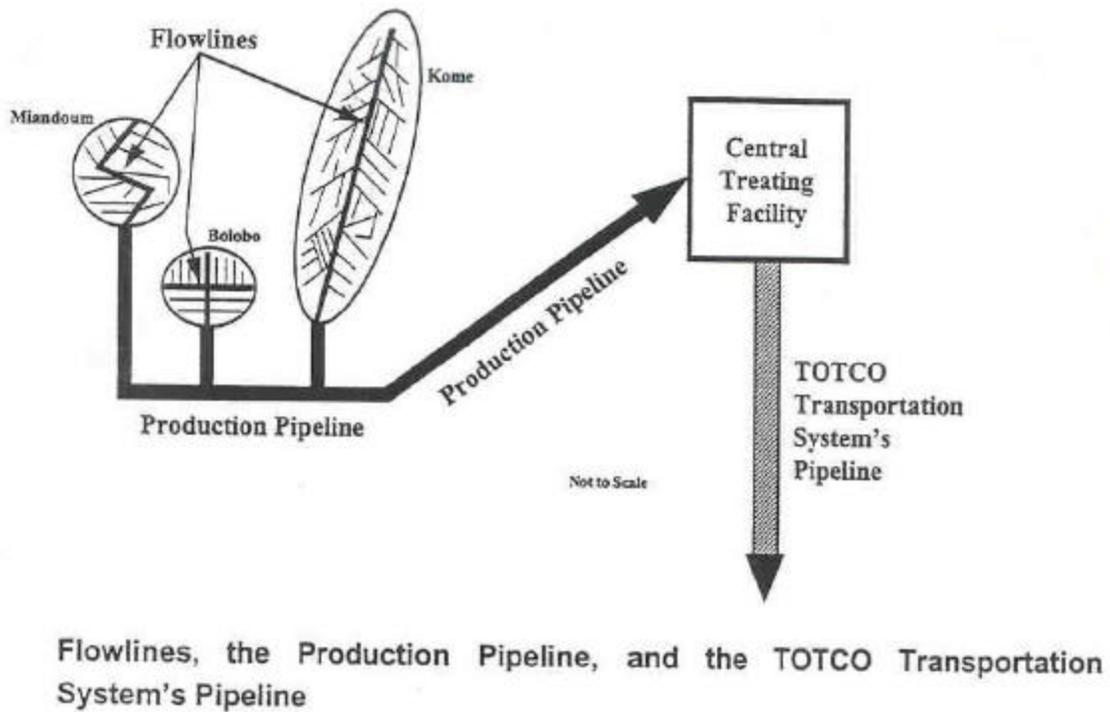


Figure 2.

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 3.0.⁴³

66. In addition to locating flowlines and production pipelines to avoid, where possible, water courses, mitigation includes, among other measures, the burial of

43 Dames and Moore, 1997, p. 4-10.

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.⁴⁴ 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).

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”⁴⁵ 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

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

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

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 and gas development (including corrosion prevention and leak detection), and guidelines developed by the API and the ASTM.⁴⁶

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.⁴⁷ 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.⁴⁸ 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.⁴⁹ 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.

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

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

48 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.

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

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, 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.”⁵⁰ 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.⁵¹ 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.⁵²

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

50 OD 4.01, para. 19.

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

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

above. Full information on the consultation process is provided in Volume 3 of the supporting documentation of the EA.⁵³

76. Consultation is an integral part of the compensation and resettlement process which is ongoing. EEPCI 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.

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.⁵⁴ 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

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

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

functions.”⁵⁵ 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.⁵⁶ 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 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.⁵⁷

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.”⁵⁸

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

55 OP 4.04, Annex A.

56 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.

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

58 OP 4.09, para. 1.

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 EEPIC'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.

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.⁵⁹ 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.*” 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.⁶⁰ 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

⁵⁹ Details of the Consortium’s legal obligations under Chadian Law are provided in Section 4, Volume 3, of the Project EA, Chad Portion.

⁶⁰ Project EA, Chad Portion, Volume 3, Chad Compensation and Resettlement Plan, May 1999, Individual Compensation Chapter 6, Community Compensation Chapter 7.

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.”⁶¹ 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.

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 Plan⁶² 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).

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

62 Project EA, Chad Portion, Volume 4.

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 1993.⁶³ 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 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

63 Project EA, Volume 4, p. H-10.

displacement, have opted for resettlement.⁶⁴ 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.⁶⁵

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

⁶⁴ The Phase I Resettlement Report, EEPCI, N’Djamena, May 2000, p. 5.

⁶⁵ Staff Report, July 14, 2000.

- 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 Report⁶⁶ 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.

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.

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

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.”⁶⁷

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

⁶⁷ Operational Directive 4.20, paras. 3 and 6.

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.

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.⁶⁸ 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.

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.

⁶⁸ Project EA, Chad Portion, Supporting Documents, Volume 3, pp. 5-1 and 5-2.

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 EEPCI 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.⁶⁹ The MIS is further elaborated upon in the Project Implementation Manual for the Capacity Building Project.

⁶⁹ Capacity Building Project, PAD, Annex 2, Part I, p. 63.

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 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, EEPCCI, 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;⁷⁰
- *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

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

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.

VI. 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.

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,⁷¹ 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

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

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.”⁷² 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 EA⁷³ to ensure that:

- (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

⁷² Chad Loan Agreement, Article IV, Section 4.10, p. 20.

⁷³ Project EA, Chad Portion, Volume 3.

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.⁷⁴ 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)

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

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.⁷⁵ 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 foreseen, in the Petroleum Revenue Management Law and Petroleum Revenue Management Program, to be directly managed by the producing region.⁷⁶ 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 Program⁷⁷ 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.

75 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.

76 See Petroleum Revenue Management Program, Annex D.

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

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 being prepared by the Government. A representative of human rights organizations occupies one of the nine seats on the PROCC,⁷⁸ 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.”**

78 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.

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.

VII. 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 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 EEPICI 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.

VIII. 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.