

<i>Project ID:</i> P044305	<i>Project Name:</i> TD/CM PIPELINE
<i>Team Leader:</i> Marc L. Heitner	<i>TL Unit:</i> COCPO
<i>ICR Type:</i> Intensive Learning Model (ILM) of ICR	<i>Report Date:</i> December 15, 2006

1. Project Data

Name: TD/CM PIPELINE

L/C/TF Number: SCL-45580; TF-29572;
TF-29243; PPFi-P9310;
PPFi-P9311; PPFi-P9312;
PPFi-P9350

Country/Department: CHAD

Region: Africa Regional Office

Sector/subsector: Oil and gas (84%); Roads and highways (4%); Railways (4%); Ports, waterways and shipping (4%); Telecommunications (4%)

Theme: Pollution management and environmental health (P); Other economic management (P); Other financial and private sector development (P); Environmental policies and institutions (P)

KEY DATES

PCD: 04/24/1995
Appraisal: 06/23/1999
Approval: 06/06/2000

	<i>Original</i>	<i>Revised/Actual</i>
<i>Effective:</i>	09/30/2000	08/10/2001
<i>MTR:</i>	11/18/2002	
<i>Closing:</i>	06/30/2005	06/30/2005

Borrower/Implementing Agency: CHAD/CAMEROON/Esso Chad

Other Partners: European Investment Bank/ChevronTexaco (US.)/Petronas (Malaysia)

STAFF	Current	At Appraisal
<i>Vice President:</i>	Gobind T. Nankani	Jean-Louis Sarbib
<i>Country Director:</i>	Ali Khadr	Serge Michailof
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<i>Team Leader at ICR:</i>	Marc L. Heitner	Philippe Benoit
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2. Principal Performance Ratings

(HS=Highly Satisfactory, S=Satisfactory, U=Unsatisfactory, HL=Highly Likely, L=Likely, UN=Unlikely, HUN=Highly Unlikely, HU=Highly Unsatisfactory, H=High, SU=Substantial, M=Modest, N=Negligible)

Outcome: S
Sustainability: UN
Institutional Development Impact: M
Bank Performance: S
Borrower Performance: S

	QAG (if available)	ICR
<i>Quality at Entry:</i>		S
<i>Project at Risk at Any Time:</i>	No	

The ratings in the narrative part of the ICR were revised in order to make use of the six-point scale allowed by the new guidelines. Those ratings are not reflected on the current page and in Annex 6 due to the fact that the ICR was in PDS prior to the change of template. Even in the narrative part, only certain ratings have been adjusted. The ratings of Outcome, Sustainability and Institutional Development Impact remain unchanged. With regard to

Bank Performance and Borrower Performance, the ratings on the old scale are S while on the new six-point scale, they are MS.

3. Assessment of Development Objective and Design, and of Quality at Entry

3.1 Original Objective:

3.1.1 The Petroleum Development and Pipeline Project consists of the development of significant oil reserves in the Doba region (southern Chad), and exporting the production through a pipeline to an offshore loading facility in Cameroon, where it is shipped in oil tankers. This Project, supported by two IBRD Loans to Chad and Cameroon, provides for the construction of the infrastructure required to enable oil exports. Three related Projects, funded by IDA, support the two governments in developing capacities in:

- a. Public finance management, and management of the oil economy in Chad – Management of the Petroleum Economy Project (Cr. 3316-CD of January 27, 2000 of about US\$17.5 million);
- b. Petroleum sector management (including the environmental aspects) in Chad – Petroleum Sector Management Capacity-Building Project (Cr. 3373-CD of June 6, 2000 of about US\$23.7 million); and
- c. Monitoring of the Environmental Management Plan of the Chad-Cameroon Pipeline (including the Social and Health aspects) in Cameroon – Petroleum Environment Capacity-Enhancement Project (Cr. 3372 – CAM of June 6, 2000 of about US\$5.8 million).

A detailed description of the three Projects appears in the Overview Document (Report no. **36569**) which is being circulated together with this ICR.

3.1.2 The Objectives of the Petroleum Development and Pipeline Project are, by enabling environmentally and socially sound private investments in the petroleum sector:

- a. to increase the Chadian Government's expenditures on poverty-alleviation activities; and
- b. to increase Cameroon's fiscal revenues available for financing priority development expenditures in the context of the Government's strategy for growth and poverty reduction.

3.1.3 Assessment: With a population of 8.6 million (2003), a Gross National Income (GNI) per capita of US\$260, a life expectancy of 48 years, and a literacy rate below 50 percent, Chad is one of the most impoverished countries in the world. On the basis of the 2003 household survey, the incidence of poverty (defined as the proportion of households with annual spending below what is necessary to meet minimal food and non-food needs) was estimated at 55 percent of the population. With annual Government non-oil revenues of the order of US\$250 million (which corresponds to a bit less than 40 percent of total expenditures), Chad's prospects for growth would continue to be limited in the absence of its oil resources. Cameroon, with a population of 16.1 million (2003), a GNI per capita of US\$800, a life expectancy of 48 years, and a literacy rate of 68 percent, is better off than Chad. Still, despite a reduction by 13 points in the incidence of income poverty over the past decade, 40 percent of the population lives below the national poverty line.

3.1.4. In the case of Chad, the project development objectives were and remain highly relevant. Given its poverty level and its resource limitations, the generation of new, significant revenues makes eminent sense. Cameroon's cooperation was needed to implement the Project and to enable Chad to achieve its PDO. However, the overall long-term economic impact of the Project is relatively small in Cameroon,

given the size of its economy. As a result of many years of internal strife, Chad has long been perceived as unstable politically, with serious security and public order issues, and considerable governance problems. In this environment, the Consortium of oil companies (ExxonMobil – 40 percent; Petronas Carigali – 35 percent; and Chevron Texaco- 25 percent) that was preparing to invest approximately US\$4 billion in the Project made it clear that it would not be able to go ahead without the “political risk” coverage provided by World Bank participation. The need to strengthen, the host governments’ capabilities to oversee *inter alia* the management of the Project, and in the case of Chad to manage the petroleum sector at large and the need to ensure; the transparent utilization of petroleum revenues derived from the Project; and the handling of the environmental aspects were one of the key concerns for the World Bank in defining the framework for its support to and participation in the Project. Particularly in the case of Chad, these demands were extraordinarily challenging, given the lack of experience and hence the absence of institutions and skills. For this reason, the capacity-building projects listed above were put in place. Notwithstanding, the Project was considered high-risk.

3.2 Revised Objective:

Project Objectives were not revised.

3.3 Original Components:

3.3.1 The Project involved the development of three oil fields (Miandoum, Bolobo, and Kome, the “Three Fields”) in the vicinity of Doba (Southern Chad), including drilling of about 300 wells and construction of associated facilities and infrastructure; the construction of a pipeline 760 millimeters (30 inches) in diameter and 1,070 kilometers in length, buried to about 1 meter depth, from the Doba oil fields to Cameroon’s Atlantic coast at Kribi, with three related pumping stations, ancillary facilities and infrastructure improvements; and the installation of an offshore floating storage, offloading vessel and related facilities as well as an 11-kilometer submarine pipeline from the Atlantic coastline to the vessel. The development of the Three Fields was referred to as the Field System and was entirely financed and managed by the Consortium. The other components were called the “Export System” and were to be constructed and operated by two joint ventures companies, Tchad Oil Transportation Company (“TOTCO”), and Cameroon Oil Transportation Company (“COTCO”), in which the Governments would have minority equity shares along with the Consortium.

3.3.2 The Implementing Agency for the Project was the Chad affiliate of ExxonMobil, Esso Exploration and Production Chad, Inc, (EEPCI) acting as Operator for the Consortium.

3.3.3 The Petroleum Revenue Management Program for Chad was an important building block. In January 1999, Chad approved an oil revenue management law (“Law 001”), which governs all oil revenues generated from the production of the Three Fields. The terms of the Law 001 were later on reflected and clarified in the Petroleum Revenue Management Program (PRMP) that is described in Annex 5 of the IBRD Loan Agreement. Law 001 provides that oil revenues will be deposited in an offshore escrow account. After providing for service payments on the IBRD and EIB loans to Chad, 10 percent of direct oil revenues (royalties and dividends) would be allocated to a Future Generations Fund; 4.5 percent of royalties to the Oil-Producing Region; and 72 percent of royalties and 76.5 percent of dividends to priority sectors for poverty reduction (health, education, infrastructure, rural development, environment, water, livestock, and social affairs), and 13.5 percent of royalties and dividends to general budget support for a period of five years from the start of production. Although Law 001/PR/99 provides for the 15 percent to be allocated to general budget needs for five years from the date of production (that is, until October 2008), Decree Law 238/PR/MEF/03 specifies that the Banque des États de l’Afrique Centrale (BEAC) shall transfer this amount into the current account of the treasury, with the BEAC, until December 2007 and to priority sectors thereafter. All indirect

revenues (taxes, levies, and duties) from the exploitation of the Three Fields were to go into the Treasury account and used for the financing of the country's general budget.

3.3.4 Environmental and Social Protection and Impact Mitigation were not formally components of the Project but were a substantial requirement, given the Project's objectives. The sponsors prepared an Environmental Assessment (EA) and an Environmental Management Plan (EMP) which they agreed to implement as a condition of the World Bank Loans. (The EMP contained a Compensation and Resettlement Plan for Chad and a Compensation Plan and Indigenous Peoples Plan for Cameroon. After several revisions and extensive consultations, the EA and the EMP were deemed consistent with the World Bank Group safeguard policies. The main duties of the two governments under the EMP were: (i) to facilitate the Operator's access to the project site; and (ii) to monitor the activities of the Operator during the life of the Project. The two governments also assumed responsibility for monitoring and managing indirect impacts on communities in the project areas, including in particular health impacts.

3.3.5 Assessment The Project was designed by some of the world's largest oil companies which have vast resources, knowledge, and experience. They also made sizeable financial commitments for this Project. The required measures were taken up front to ensure a transparent and sound revenue management program. A comprehensive EMP was likewise agreed up front. The design of the Project was thus consistent with the objective of generating additional revenues for Chad, while ensuring that this would be done in an environmentally and socially sound manner.

3.4 Revised Components:

The Project components did not change materially during Project execution.

3.5 Quality at Entry:

3.5.1 The Project is rated **Satisfactory** at entry on the following grounds:

- Substantial progress was made prior to Board presentation of the Project in key areas including: (i) revenue management in Chad; (ii) environmental and social aspects; (iii) development of the institutional set-up; (iv) mobilization of financing. In particular: (i) a Law 001 was adopted; (ii) the EMP was agreed upon; (iii) the institutional framework was agreed upon and a capacity-building program established and funded; and (iv) except for an international bond issue, financing for the Project had been largely secured.
- Moreover, on the technical side, independent evaluations were made of the reserves potential, of the crude quality and possible discount to Brent value (taking into account its characteristics), and of Project costs, as part of IFC's due diligence. These data were shared with the World Bank and formed the basis for the financial analysis of the benefits of the Project to the host governments under different oil price and production volumes scenarios. It was determined that the returns to Chad and Cameroon would have been acceptable even in the worst case scenario.
- Finally, at the request of the Regional Vice President, a QAG team reviewed the Project at entry and concluded that all of the World Bank's safeguard policies were complied with. This was one of the first Quality at Entry reviews and engaged the World Bank's most senior advisory staff, as the Project was regarded as posing a high reputational risk for the World Bank.
- In 2002, the Inspection Panel was asked to determine whether the World Bank's policies and procedures had been complied with in the preparation and implementation of the Project in Chad. The Panel determined that the World Bank was generally in compliance with its policies, but it criticized the lack of cumulative impact assessment at a regional level, the quality of the baseline data, and the slow pace Chad had adopted in developing institutional capabilities. The panel concluded that "Despite the shortcomings to which we have drawn attention, the Chad project, in terms of other similar oil and gas

projects, is noteworthy for implementing a practical, ‘hands-on’ approach to environmental management. The EMP reflects an exceptional effort to address the challenges associated with environmental management of a complex project in a challenging physical and political environment.” A similar conclusion was reached with respect to the Project activities in Cameroon in 2003. The Executive Summaries of the reports of the inspection panels, together with those of the Management Responses, appear at Annexes 10 and 11.

In all, the Project was well prepared, and the key priorities were addressed well. There were some weaknesses, but they did not have serious consequences in the overall context.

4. Achievement of Objective and Outputs

4.1 Outcome/achievement of objective:

4.1.1 Annex 1 lists the agreed outcome indicators which continue to be highly relevant. The ICR rates the performance as **satisfactory**, given that the key targets are expected to be attained.

a. Increase in Chad of US\$40 million per annum in petroleum-financed budget expenditures over 2005–09. The Project was commissioned a year ahead of schedule. By the end of 2005 Chad has accrued gross direct oil revenues of approximately US\$426 million (vs. an appraisal forecast of US\$96 million) of which US\$307 million were transferred from the escrow account to the account of the Treasury in Chad for use in priority sectors. Financial Projections indicate by the end of 2009 Chad will have accrued direct revenues of approximately US\$ 1,223 million largely exceeding this target thanks to the higher than anticipated level of oil prices. Oil price projections are based on the World Bank forecast published in the Global Development Finance, May 2006. Because these prices reflect a conservative price outlook if compared to market expectations (future prices as per the IMF World Economic Outlook May 2006), the economic benefit for Chad might be greater (up to 35 percent more than the figure provided above, without counting the revenue from additional fields currently in production as well as future production beyond the Three Fields). Although transfers of oil revenues from the Government’s offshore accounts started only in July 2004, US\$ 68 million were used in priority sectors during that year, and US\$ 178 million in 2005. Given the trend expected in oil revenues the target should be attainable. However, it should be noted that it is premature to rate the achievement of the PDOs at this time in the absence of a Poverty Assessment Survey linking petroleum revenues to household income. The target is expected to be **achieved**.

b. An increase of at least US\$40 million per annum in petroleum-generated revenues in Cameroon over 2005–07. Oil started to flow through the pipeline in the summer of 2003 and the first revenues for Cameroon started soon after. By the end of 2005, Cameroon received about US\$86 million (versus an appraisal forecast of US\$82 million) in transit fees and dividends. Cameroon’s revenue flows from the Three Fields are very much dependent on the crude volumes that are shipped through the pipeline. Therefore, a change in the production profile of the Three Fields compared to initial expectations determines a shift in the level of transit fees. It is worth noting, transit fees are, and are expected to remain, a minor component of Cameroon total revenues. In effect, in 2005 they represent less than 2 percent of total revenues of the country. According to the current production forecast Cameroon would receive US\$157 million between the last quarter of 2003 and the end of 2007, versus an appraisal forecast of US\$179 million between the end of 2004 and the end of 2007. However, the target of US\$40 million per annum over 2005-2007 is expected almost achieved (8 percent less). However, revenues were received by Cameroon one year earlier than expected at appraisal. In the future, production from satellite fields will also mitigate the shortfall from the Three Fields. The revenue target is therefore substantially **achieved**.

Overall high oil prices have enabled Chad to exceed its revenue target.

4.2 *Outputs by components:*

4.2.1 Except for the implementation of the Revenue Management Program which is an on going activity, the implementation of all components is rated **satisfactory**.

a. Production to begin at the end-2004 at the rate of 81 million barrels per year of crude oil exports over 2005–07 period. Commercial production began in October 2003. As of December 2004, approximately 69.9 million barrels were exported. The peak production of 81 million barrels, which at appraisal was expected to be reached in the second year of production, was never attained mainly due to higher than expected production of water. The shortfall in production was also due to reservoir pressure depletion, and declining productivity in individual wells. The Operator is evaluating and testing options (water injection, stimulation workovers, pump upsizing, and water shutoffs) to maximize oil recovery; in addition, more wells are to be drilled to access bypassed oil in reservoirs. The data accumulated during this phase have allowed the Operator to better understand the performance of the reservoir and refine field development and reservoir management. Although, the Operator has succeeded in stabilizing the decline, and although new fields have been put in production or are about to be put in production, the target of 81 million per year over 2005-07 will **not be achieved**.

b. Chad's petroleum revenues of at least US\$70 million per year over 2005-08. The overall increase in crude oil prices has resulted in substantially higher- than- forecasted revenues for the Chadian government, more than offsetting the decline in production from the Three Fields. As the oil price is expected to remain substantially above the levels anticipated at project appraisal throughout the forecast period, the target average revenue of US\$70 million per year over 2005-08 is expected to be **achieved**. In effect, by the end of 2005 the Three Fields had already generated royalties for US\$421 million, more than the cumulated level of total oil revenue expected at project appraisal. In addition, new fields within and outside the Three Fields are and will continue to be put on stream thus generating additional direct and indirect revenue.

c. Petroleum Revenues allocated and disbursed in accordance with Petroleum Revenue Management Program. The allocation of funds was broadly in accordance with the law (taking into account the level of preparedness of the different sectors), and the bulk of the receipts (about 60 percent) were used for road construction, awarded following competitive bidding. An inspection conducted by the *Collège de Contrôle et de Surveillance des Ressources Pétrolières* (CCSRP, the Oversight Committee on the Management of Petroleum Resources) on the use of the petroleum proceeds during 2004 (published in July 2005) underlined the weaknesses of the Public Finance Management already identified in the preparation of the Action Plan for Modernization of the Public Financial Management (PAMFIP), as well as a number of irregularities in procurement procedures notably, noncompetitive award of contracts, inflated invoices, non-delivery of goods as well as delivery of goods significantly below specifications. It also noted lack of communication with the benefiting communities. It recommended measures to improve the financial procedures and systems. The dialogue between the World Bank and the government of Chad on the implementation of the PRMP worsened significantly during the last quarter of 2005, culminating in Parliament's adoption of an amendment to Law 001 on December 29, 2005 in noncompliance with the Loan Agreement which stated that "the Petroleum Revenue Management Law shall not be amended or waived so as to materially and adversely affect the implementation of the Program". The amendments to the Law broadened the definition of priority sectors to include, among other areas, security and territorial administration. Consequently, the senior World Bank management decided on January 6, 2006, to suspend all disbursements under the World Bank's active portfolio in Chad. The suspension automatically triggered a freeze on the movement of certain of Chad's oil revenues within the Citibank escrow account structure in London. After a series of consultations reinstating the dialogue, the two parties reached an interim agreement in April 2006 by

which the government agreed to pass a 2006 revised budget law specifying that 70 percent of direct oils revenues would be used for priority poverty programs (excluding security) and take parallel measures to improve transparency and accountability in the use of oil revenues. This led to the lifting of the suspension of the World Bank portfolio and the unfreeze of the Escrow Account. Subsequently, a MoU was signed in July 2006 as a basis to develop a permanent framework for government spending. The MoU provides four steps to: (i) revise the PRSP and formulate long-term allocation rules for spending on poverty-related programs; (ii) allocate 70 percent of all budgetary resources to poverty reduction programs in the 2007 budget; and (iii) accelerate improvements in Public Finance Management and (iv) support to strengthen the College to ensure effective oversight.

d. Private Sector ownership and control over the oil fields and Pipelines (barring minority government share). The target has been **achieved**.

e. Achievement of Targets and norms prescribed in the EMP for Chad including Resettlement and Compensation. Project operations were generally in compliance with the EMP Project. Exceptions were noted by the External Compliance Monitoring Group (ECMG) and by the World Bank Group and they were promptly remedied. The execution of the Resettlement and Compensation Plan in Chad was considered satisfactory. However, little progress was made on regional development (a government responsibility under the EMP). On the whole, the targets were **achieved**.

f. Physical completion and commissioning of export system before end-2004 (Cameroon). The Project was completed a year early, so this target was **achieved**.

g. Achievement of Targets and norms prescribed in the EMP for Cameroon including Resettlement and Compensation. Project operations were generally in compliance with the EMP. Implementation of the Compensation Plan and, more seriously, the Indigenous Peoples Plan was delayed due to government procedures and the need to establish a new institution (the Foundation for Environment and Development in Cameroon, FEDEC). Overall, the target can be considered to have been **achieved**.

The physical completion targets, as well as the environmental and social targets, have all been achieved. This is also the case for the revenue targets in Chad, which to date have exceeded expectations. On the other hand, ultimate recovery from the Three Fields (Proved and Probable) is expected to remain approximately 17 percent below the levels estimated at project appraisal. Ultimate recovery for the Three Fields was estimated by the World Bank on the basis of data provided by the government of Chad. The inefficiency with which a portion of the petroleum revenues in Chad were spent has prompted a discussion of what measures should be put in place to prevent this from happening in the future.

4.3 *Net Present Value/Economic rate of return:*

4.3.1 The economic analysis (Annex 3) has been updated to reflect the current environment of the Project, while using the appraisal methodology. The main changes have been as follows:

- Oil price increase. At appraisal, it was estimated that the price of Brent crude would be US\$15.25/bbl, with an escalation component. Prices have increased considerably since. At the end of 2005, the average Dated Brent had reached US\$60/bbl, and the weighted average for the period 2003-2005 was US\$45.14/bbl (at project appraisal the weighted average over the same period was estimated at US\$16.39/bbl). Estimates provided in this report are based on the World Bank's Forecast published in the Global Development Finance Review in May 2006. This is a conservative price outlook that anticipates a decline from US\$61/bbl in 2006 to US\$35/bbl in 2015. It was assumed that beyond 2015, it would remain at US\$35/bbl.

- Increase in the discount. The value of a crude oil is normally determined by applying discounts or premia to the price of a "marker" crude, i.e. a crude that has a sufficiently large volume of trade on

international markets (typically the Brent Blend or the West Texas Intermediate). The discount or premia are defined to reflect the difference in quality and transport costs between the particular crude and its marker. The wellhead price of the Doba Blend is determined by applying a discount to the price of the Brent Blend, which reflects the difference in quality and the distance from the market. The Doba Blend is not only heavy compared to the Brent Blend but its acidity is remarkably higher, as is its calcium content. The tightness of the international petroleum market, mainly due to the high demand for transportation fuel, had determined a sharp increase in the differential, in particular for crudes with lower light yields like the Doba Blend. At appraisal, it was anticipated that the discount would be approximately twenty percent of the Brent price. In the updated analysis, a variable discount linked to the Brent price level was assumed (resulting in a weighted average for the period 2003-2033 of 28.4 percent).

4.3.2 The Consortium’s estimate of proven and probable reserves (917 million barrel of total recoverable oil, Three Fields only) was used to calculate the economic returns to the host governments at project appraisal. As underlined above various production difficulties have emerged due to the complexity of the geological formation. A new reservoir model has been prepared by the operator based on the data collected during production. In this ICR economic analysis we have used updated proven and probable reserves estimates provided by the government (764 million barrels of total recoverable oil, Three Fields only). If the oil price had remained the same as assumed at project appraisal, the 16.68 percent reduction in volume would have determined a 15 percent decline in Chad’s direct oil revenues as estimated at project appraisal (i.e. a loss of revenue of approximately US\$2 billion). However, the dampening effect of the volume decline on direct revenues is expected to be more than offset by the higher average price of the Doba blend that may increase the level of direct oil revenues by 92 percent compared to project appraisal (i.e. a potential increase of US\$10 billion undiscounted). Therefore, even without considering the additional production from other currently producing fields and fields currently under development, and without considering the increase in tax revenues generated by higher oil prices, the estimated project return is expected to be **satisfactory**

4.4 Financial rate of return:

4.4. For Chad, Cameroon and the Operator, the most important measure of benefits is the Net Present Value (NPV) of their respective net cash flows. A comparison between the NPV expected at appraisal and the NPV currently expected is shown below.

Net Present Values (Real @ 10%)			
US\$ Million			
	Appraisal	This ICR	% Difference
Chad	463	1,884	307.2%
Cameroon	144	112	-21.9%
Consortium	706	1,345	90.5%
Project	1,417	3,721	162.5%

Note: Project NPV is calculated before taxes, fees and royalties.

4.4.2 In comparison with the appraisal estimate, the NPV for Chad is expected to be more than four times the value at appraisal, largely on account of higher oil prices, and early production. In the case of Cameroon, it has declined by about 21 percent; largely on account of lower volumes which have reduced the income from the transit fees (Cameroon’s income is unrelated to the oil price). One should note however that the Consortium is currently already producing from a new field outside the Project area and that other fields are under development, which will improve the return to all stakeholders. For this reason, and notwithstanding the lower than expected return for Cameroon, the financial

performance of the Project is rated **satisfactory**.

4.5 Institutional development impact:

4.5.1 Although the development of institutional capabilities was not an objective of this Project (these were handled under the three capacity-building credits), its preparation and implementation has so far had only a **Modest** impact on Chad's institutional development.

a. In Chad, two project units, the Doba Petroleum Unit (DPU), and the *Comité Technique National de Suivi et Contrôle* (CTNSC), were set up to monitor, respectively, the financial and technical aspects of implementation of the Project, and its environmental and social impact. The DPU had a functional reporting line to the Directorate of Petroleum (in 2002 this latter became the Ministry of Petroleum), and the CTNSC had a functional reporting line to the Ministry of Environment. Both units were coordinated by a National Coordination, initially reporting directly to the Office of the President (in 2004 the National Coordination was moved under the responsibility of the Ministry of Petroleum). Given that petroleum is a new sector for Chad, the level of sector specific technical and financial skills available within the two project units and the National Coordination was extremely low. Thus, Chad had to rely very heavily on external technical advisers.

b. Ensuring that Project revenues would be directed to poverty alleviation was the responsibility of the Ministry of Finance. Under the Revenue Management Law, the Oversight Committee of Surveillance and Control (the Collège), involving both government and civil society representatives, was established to monitor expenditures and ensure that they were directed to priority poverty-alleviation activities. The *Collège* played an important role with its audit of the use of a portion of the oil revenues in 2004 which highlighted some shortcomings and initiated the discussion on improving the monitoring and compliance mechanisms.

c. In Cameroon, the government had substantial previous experience with petroleum operations through its National Hydrocarbons Corporation (*Société Nationale des Hydrocarbures*, SNH). Under a 1996 law governing the Transportation by Pipeline of Hydrocarbons Originating from Other Countries, an interministerial Pipeline Steering and Monitoring Committee (PSMC) was set up to implement the government's mandate with respect to such projects. The Executive Administrator General of SNH chairs the PSMC, and SNH provides its Permanent Secretariat (PSMC/PS). The PSMC/PS has six operational units: environmental, routing, and security; administration and accounting; economics and finance; engineering and resource mobilization; legal counsel; and communication and education. It also has three field units responsible for implementing the environmental and social monitoring mandate of the PSMC on the ground. These field units coordinate their work with the decentralized services of government and with local authorities, as well as with the environmental and social monitors employed by the Operator. Selected activities were supported by the IDA-financed Cameroon Petroleum Environment Capacity-Enhancement Project.

5. Major Factors Affecting Implementation and Outcome

5.1 Factors outside the control of government or implementing agency:

The main factors affecting the Project, which could not be controlled by the host governments, have been the higher than expected level of oil prices and the lower level of production:

- The higher than expected level of crude oil prices. Compared to project appraisal, this ICR shows an expected weighted average price increase of 108 percent of the Doba Blend over the life of the

Project. This is due to the higher than expected level of the Brent blend, although partially mitigated by the lower than expected quality of the Doba blend (i.e. higher discount) due to the mismatch of petroleum product demand and supply. Crude oil prices are expected to remain well above the levels considered at project appraisal and well above the level reflected in the May 2006 World Bank forecast reflected in this ICR.

- The production of crude oil from the Three Fields has been lower than expected and the economic ultimate recovery over the life of the field is estimated to be approximately 16.68 percent lower (see para. 4.3 above). Unfortunately, all reserves estimates involve some degree of uncertainty. The uncertainty depends principally on the amount of reliable geological and engineering data available at the time of the estimate, and the interpretation of these data. Because reserves are defined as those quantities of petroleum which are anticipated to be commercially recovered from known accumulations from a given date forward, estimates of development costs and oil prices are also relevant. Reservoir models, and the resulting production forecast, are adjusted based on reservoir performance over time. As in the case of the Doba fields, the actual reservoir performance may prove to be quite different from assumptions made at the time of appraisal.

5.2 *Factors generally subject to government control:*

5.2.1 The two petroleum sector and environment capacity-building credits only became effective some nine months after Board presentation, and it took some time to recruit the national experts whose work was to be financed under these credits. Moreover, the credit for Chad was virtually committed by mid-2003. Under the latter, priority was given to setting up the field units in Doba and upgrading the skills of the Doba Project Unit. The delays had an adverse impact, particularly on the setting up of CTNSC, as a result of which it could not monitor the implementation of the EMP in the initial years. Regarding the implementation of the Petroleum Revenue Management Program, most of the shortcomings highlighted in the *Collège's* report on the use of revenues in 2004 were under the government's control; particular attention should therefore be paid to the concrete measures the government intends to take as a follow-up to the findings of the *Collège*.

5.2.2 Implementation of the capacity-building project in Cameroon was also delayed, but because of the existing institutional structure, these delays had less of an impact on the ability of the government to carry out its monitoring responsibilities.

5.3 *Factors generally subject to implementing agency control:*

When the Project was submitted to the Board in June 2000, it was anticipated that a US\$400 million bond issue would be floated toward the financing of the Export System. Due to the lack of market interests in the Project, the partners TOTCO and COTCO (including the two governments) decided subsequently to proceed without the bond issue and to provide additional equity financing instead. However, Chad and Cameroon could only invest to the extent of the IBRD and European Investment Bank (EIB) loans made available for this purpose. Hence, the shortfall was financed by the private sponsors. As a result, Chad's share in TOTCO declined from 11 percent to 8 percent, and its share in COTCO dropped from 5 percent to 3 percent; Cameroon's share in COTCO declined from 10 percent to 5 percent.

5.4 *Costs and financing:*

Annex 2 shows a comparison between the Project costs. At Project appraisal the cost of the project was defined as the value of the investment made between 2000 and 2005. It is worth noting that the costs expressed above represent only a portion of the total investment in the Project, estimated at appraisal and the latest estimate Unaudited values. Compared to project appraisal, the total investment was

estimated to be US\$3,723 million. Recent data place this value at US\$4,816 million (of which US\$1,978 million was spent between 2000 and 2003), i.e. 29.4 percent more than expected. The vast majority of the increase occurred with respect to the field system where considerable investment was made to maintain production levels and to dispose of excess water. With respect to the financing plans, as anticipated at appraisal the upstream was funded by oil companies' equity or semi-equity. Regarding the export system, it was anticipated that US\$1.4 billion would be funded by debt (including a US\$0.4 billion bond issue), US\$0.7 billion by the oil companies equity, and US\$0.1 billion by the two governments (through the World Bank and EIB loans). In effect, due to the lack of market interest in the bond's offering, only US\$0.6 billion was funded by debt, US\$0.1 billion by the governments, and the rest was funded by oil companies' equity contributions.

6. Sustainability

6.1 *Rationale for sustainability rating:*

6.1.1 Sustainability is defined as the probability with which the objectives are likely to be achieved over the economic life of the Project. The ICR rates the sustainability of the Project as **unlikely** on the following grounds:

a. On the institutional side, in the case of Chad, the two main agencies—the DPU and the CTNSC—have been largely dependent on the capacity-building project not only for technical assistance and training but also for meeting a portion of their payroll. This support was critically required to accelerate the ability of the government to monitor compliance with the EMP. As the IDA credit has been fully disbursed, unless supplemental financing is approved or appropriate institutional measures are taken by the government, the progress that has been achieved under the capacity-building project may be put at risk, if the government does not prioritize support to these activities.

b. The experience thus far with the utilization of the petroleum proceeds in Chad has been mixed, as noted earlier. On the one hand, allocations were effectively made to priority sectors according to the law, but the problems are broader ones—such as the capacity of the government to do better at establishing priorities in the allocation of revenues to priority sectors to avoid a piecemeal approach and strengthen the expenditure cycle. Hence, unless a major effort is made to upgrade the planning and procurement of goods and services internally, comments similar to those already expressed by the *Collège* could be expected in the future. The World Bank is working with the authorities on the implementation of an action plan to improve public finance management in a comprehensive manner. Sustainability will depend on proper implementation of the said action plan.

c. The government did not demonstrate a strong will to comply with its commitments and obligations. The Petroleum Management Program was challenged by Chadian authorities who unilaterally amended the Petroleum Management Law. Since then, efforts have been made on both sides to maintain dialogue and find a solution satisfactory to all parties where an agreement may be reached on a more durable basis.

d. The Three Fields production target of 81 million bbls per annum over a five-year period that was expected at project appraisal will not be met. The Operator is accelerating production of those fields that were mapped as prospects at project appraisal as a result of its geological analyses of the area covered by the Convention to make up for the shortfall in production of the original three Doba fields. One satellite field started production in June 2005 (adding approximately 7,500 barrels per day). A larger field started production in 2006 and several others are being evaluated. On the other hand, the Three Fields which permitted the Operator to determine the commerciality of the upstream and transportation investments are only part of the prospects already mapped for development in the area covered by the 30 years production concession. The existence of the pipeline system together with very

favorable prices for crude oil provides the government of Chad an excellent opportunity to turn its hydrocarbon wealth into financial resources which can be used to achieve its goal of reducing poverty and accelerating economic growth.

In all, the risks in attaining the outcomes remain **significant** on account of the need to introduce major changes in the management of public resources in Chad. Much will depend on the country's situation and the government's ability to move forward with the stated reforms. For this reason the level of uncertainty remains too high to allow a "likely" rating of sustainability at this stage.

6.2 Transition arrangement to regular operations:

The management and operation of the petroleum fields were transferred to the relevant specialized unit of ExxonMobil. As the majority shareholder, ExxonMobil is also the operator of the pipeline system, through TOTCO and COTCO, and can be counted on to meet the objectives of the Project. On the other hand, the ability of Chad and Cameroon to continue monitoring the social and environmental aspects of the Project will depend on the governments' continued commitment to strengthen its institutions and implement the necessary reforms.

7. Bank and Borrower Performance

Bank

7.1 Lending:

7.1.1 The World Bank was cognizant of the impact that additional budgetary resources could have on Chad's economy but at the same time was fully aware of the considerable risks it was assuming in supporting this operation. So it required up-front actions prior to allowing the Project to proceed, including the setting up of a revenue management system anchored in legislation, the definition of an Environmental and Social Management plan, and the definition of the institutional framework, particularly in Chad. Internal World Bank Group issues had to be addressed, such as the lending terms and the financing instruments—IBRD loans, IDA credits (US\$300 million was envisaged for some time), partial risk guarantees, IFC, MIGA, etc.; coordination and consistency of approach between the World Bank and the IFC; and a common stand vis à vis the governments and the oil companies.

7.1.2 Management was involved early on, as World Bank procedures had not anticipated the issues raised by this Project, so that many policy notes, briefings, and Operating Committee Memoranda as well as Project documents needed to be prepared. Not surprisingly, more than 50 World Bank staff and 20 IFC staff were associated with the Project. Particularly after 1995, the World Bank received a barrage of complaints from NGOs, parliamentarians, and individuals, largely from western industrial countries, expressing serious concerns about the advisability of the Project. (The arguments were often environmental and social, based on Chad's human rights record and the potential of diverting petroleum revenues away from poverty alleviation, as well as questioning the rationale for using IDA resources in a commercial venture.) To address some of these issues, it was ultimately decided to support the Project with three IDA credits for capacity building. Moreover, the design of the Project took into account the major concerns expressed by NGOs and other parties.

7.1.3 As can be observed in Annex 4 (b), the cost of preparing the Project for the World Bank (over 1998–2000, as pre-1998 data are not available) can be estimated at US\$1.3 million. (Project preparation costs for the World Bank Group as a whole have been separately estimated at US\$6 million.) After Board approval, the World Bank negotiated a fee with the sponsors of US\$1 million, which was paid when the loans became effective.

7.1.4 Even though, as noted earlier, the Inspection Panels for Chad and Cameroon highlighted certain weaknesses in the preparation of the Project, this should not detract from the extraordinary efforts the World Bank made not only in setting the framework but also in working with the Chad government to ensure that the requisite safeguard measures were adopted up front.

For the thoroughness of the preparation the World Bank's performance at appraisal is rated **satisfactory**.

7.2 *Supervision:*

7.2.1 The World Bank and IFC supervised the Project, with the World Bank focusing on the implementation of Chad's Petroleum Revenue Management Program and the three capacity building Projects and IFC staff focused on the technical, environmental, and financial aspects of the pipeline Project. In addition, two independent bodies were entrusted with certain aspects of supervision.

a. The World Bank Group appointed a consultant (the External Compliance Monitoring Group) to monitor the implementation by the Consortium of the EMP, and to assess work of the government's implementing agencies in Chad and Cameroon. It visited Chad and Cameroon on a quarterly basis. The average cost of ECMG's services was about US\$400,000 per annum. Its reports that were favorably judged by all parties involved are available on the Project Web site

b. In addition, five distinguished individuals—the International Advisory Group (IAG)—were appointed to provide an independent overview of the Project, and to advise the World Bank's President on progress in achieving the broad objectives of the pipeline Project and the related capacity-building projects. The IAG visited the two countries twice a year and its reports are also available on the Project Web site. The IAG was instrumental in helping all stakeholders, including civil society; reach a common understanding on the challenges and achievements of the Projects and its contribution was highly appreciated. The cost of IAG's services was approximately US\$600,000 per annum.

c. The internal arrangements for supervision evolved over the years. Initially, supervision was carried out by several units, with staff based in Washington. Staff was recruited in Cameroon (where the majority of the engineering work related to the pipeline was to be carried out) to conduct daily monitoring of the activities on the ground. While this approach proved satisfactory in Cameroon, it soon became evident that wider lack of sector expertise within Chad would require additional support from the World Bank. As a consequence, two experienced staff were appointed—one in Chad and the other at Headquarters—to coordinate the World Bank's supervision efforts and help the government to implement the different Projects. The two positions were later combined with the appointment of a senior program manager. Having a senior staff in the field to coordinate and manage the overall supervision effort proved very effective.

d. The direct cost of supervising this Project was particularly high, about US\$2.1 million or US\$520,000 per annum on average. Including the costs of the IAG and ECMG, the overall supervision cost was about US\$1.5 million per annum. The IAG's services and a portion of ECMG's were funded by EEPCI. The considerable amount of resources invested in external compliance monitoring is the result of the importance to all stakeholders of ensuring adequate safeguard measures.

e. Notwithstanding the considerable supervision efforts, a few tasks were neglected, such as the financial monitoring of Project execution (the three advances under the Project Preparation Facility were only refinanced in 2005) and the monitoring of compliance with covenants.

Overall, despite the substantial scope of the supervision, due to the weaknesses identified above, the World Bank performance is rated **moderately satisfactory**.

7.3 Overall Bank performance:

Special efforts were made both at Project preparation and execution to ensure that the objectives would be attained. This was under the expectation that, unlike many other oil producers, the benefits of petroleum exports would be dedicated for the most part to economic development. Despite some shortcomings that occurred, the overall performance of the World Bank is rated **moderately satisfactory**.

Borrower

7.4 Preparation:

7.4.1 The performance of the two governments in Project Preparation is rated **satisfactory**.

a. The two governments were particularly cooperative. With continuous contact with the World Bank at the highest levels, the government of Chad supported fully the principles of transparency, passed appropriate legislation on revenue management, and endorsed the environmental and social features of the Project. Contacts in Cameroon were largely at the level of the *Société Nationale des Hydrocarbures*, the government enterprise entrusted with the national petroleum holdings and with providing the Technical Secretariat to the Pipeline Steering and Monitoring Committee (PSMC). Much of the debate concerned the impact of the Project on biodiversity, acquisition of pipeline right-of-way while avoiding resettlement, and the protection of forest-dwelling indigenous people living in the area crossed by the pipeline.

b. At the urging of the World Bank, the governments—particularly Chad’s—introduced new institutions that were expected to play a major role in the monitoring of the execution of the Project, and the good use of petroleum resources.

7.5 Government implementation performance:

7.5.1 The performance of the Governments during project implementation is rated **moderately unsatisfactory**, on the following grounds:

a. In Chad, the delay in setting up the project units, mainly due to the scarcity of a locally available skilled labor pool, coupled with the accelerated pace of development of the Project, hindered their ability to monitor project implementation while at the same time build capacity through intensive training of their staff. This was particularly relevant for the CTNSC that had to heavily rely on external advisers to ensure the monitoring of implementation by the Consortium of the EMP principles. The high turnover within the staff compounded the difficulties. As a result, the government came to rely more and more on the ECMG and World Bank supervision missions to identify potential issues.

b. A few weeks before Board Presentation, in May 2000, the government of Chad received a US\$25 million bonus from the oil companies (on account of having reconstituted the Consortium), part of which (US\$5 million) was used for military expenditures. Although Law 001 did not explicitly refer to signature bonuses, the World Bank expected that these revenues would be used for poverty-reduction expenditures in consistency with the provisions of the law and with the agreement on public expenditures then in existence between Chad and the IMF. The use of the bonus proceeds raised serious concerns for the World Bank, given its commitment to assist in promoting and implementing better governance in Chad, including a transparent and efficient use of oil revenues. Following extensive consultations with all stakeholders, in December 2000 Chad agreed to allocate the balance of the bonus to the different sectors targeted for the use of oil revenues in accordance with the agreed principles and procedures.

c. As indicated in Section 4.2, a review conducted by the *Collège de Contrôle et de Surveillance des Ressources Pétrolières* (CCSRP, the Oversight Committee on the Management of Petroleum Resources) on the use of the petroleum proceeds during 2004 (published in July 2005) confirmed some weaknesses in the implementation of the PRMP. In addition, the decision to unilaterally amend the PRML constituted a breach of contract, which allowed the Bank to exercise certain legal remedies available under the agreements entered into between the Bank and the Government of Chad. Nevertheless, efforts were made by both sides to maintain dialogue and find a solution satisfactory to all parties. These efforts resulted in an MoU signed in July 2006 as the basis for re-engagement between the Government of Chad and the Bank.

Overall, Chad's implementation performance is rated **moderately unsatisfactory**.

d. In Cameroon, the Environmental Section of PSMC/PS functioned reasonably well, although staff training was seriously delayed. SNH provided limited logistical support and mobilized environmental and social monitors in the field. Effective monitoring was, however, constrained by a highly centralized decision-making structure, which closely scrutinized Project resources. Implementation of the health program for communities in the pipeline influence area required collaboration from the Ministry of Health, which was initially difficult to achieve. Other ministries that had responsibilities under the EMP were initially reluctant to mobilize under the leadership of SNH. The situation gradually improved as these ministries were drawn into the process of preparing annual work programs and budgets for the Cameroon Petroleum Environment Capacity-Enhancement Project.

e. The start-up of FEDEC was delayed by an initial lack of clarity and commitment by some Board members as well as by government formalities. However, the Private Operator provided strong and consistent support, and FEDEC became more effective as Board members and staff gained a clearer understanding of their roles. Contracts for the management of the Campo Ma'an environmental offset and for technical studies leading to a management plan for the Mbam Djerem environmental offset were awarded to the World Wildlife Fund and the Wildlife Conservation Society, respectively, and a Community Development Facilitator was hired by FEDEC to help implement the Indigenous Peoples Plan. The activities of FEDEC were delayed by about two years beyond the original Project schedule.

Overall, Cameroon's implementation performance is rated **satisfactory**.

7.6 *Implementing Agency:*

The performance of the Consortium is rated **satisfactory**, on the following grounds:

a. In relation to Project preparation, contacts at the senior level between Exxon (now ExxonMobil) and the World Bank were initiated in 1992/93. Given the different cultures of the two, a great deal had to be learned on both sides. Exxon cooperated with the World Bank in preparation of the Project. In particular, the main contract for the laying of the pipeline was awarded in accordance with the World Bank's applicable guidelines. Exxon also arranged for the preparation and revision of the EA and subsequently of the detailed EMP. The company agreed to the need for transparency, and detailed information on the Project appears on its Web site. Exxon was also instrumental in finding, in only a few months, new partners for the venture after two large multinational oil companies withdrew at a late stage.

b. EEPPI's performance in Project implementation, given the size of the Project and its location, was outstanding. The Project was commissioned some 18 months prior to the expected date. The efficiency of the operations improved continuously, particularly in relation to drilling. All the facilities were tested

for completion during the second half of 2004, and they were all found to be satisfactory. Water in excess of the 1 percent water content required under the pipeline agreement occurred at the beginning of the Project, due to malfunctioning of equipment. Excess water in the pipeline increases corrosion and poses the problem of water disposal at the end of the line. This was corrected in April 2004. The average water content in the pipeline has since been below the contractual limit and in line with industry best practice.

7.7 Overall Borrower performance:

Achievements have been very significant. The Project, which was commissioned early, has generated considerably higher-than-expected revenues for Chad. Additionally, institutions have been put in place to ensure that the project continues to perform satisfactorily.

These positive developments, notwithstanding, the overall performance of the Borrowers is rated **moderately satisfactory**, on account of the shortcomings on the part of the Government in taking steps to develop and/or strengthen institutions.

Summary Borrower Performance	
Chad	Moderately Unsatisfactory
Cameroon	Satisfactory
Implementing Agency	Satisfactory
Overall Borrower Performance	Moderately Satisfactory

8. Lessons Learned

8.1 The governments of Chad and Cameroon, with the support of the World Bank and IAG, conducted workshops in N’Djamena and Yaoundé in October 2005 that were attended by representatives of government, the oil industry, NGOs, and civil society and other stakeholders. The workshops, the highlights of which are in Annex 9, made an important contribution to the findings of the ICR and, in particular, the lessons learned.

8.2. Outsourcing World Bank Supervision Duties. As indicated earlier, there was an informal agreement between the World Bank and the IFC on the allocation of supervision responsibilities. In addition, two external bodies, the ECMG and the IAG, acting independently, were appointed to supervise certain aspects of the project. The ECMG provided independent environmental monitoring and insured that project implementation complied with the requirements and provisions of the EMP. In contrast, the IAG had a broader oversight mandate spanning social and economic aspects of the project. The monitoring completed by these two bodies constituted an innovative feature of the project. Based on this experience, the World Bank Group is already using such arrangements to good advantage in large infrastructure projects elsewhere in the world.

8.3 Host Governments’ Revenue Estimates. Estimating the future economic performance of an oil project is a very difficult exercise due to the high level of uncertainty of oil prices, development costs, and reservoir factors. Although after the first year of production certain types of risk are better understood – reservoir management and project investments – oil prices are normally difficult to predict. This is particularly true if the quality of the oil produced from the particular project area is very different from that of the most traded crudes on the world oil market (the marker crudes). The need to manage expectations has been one of the key lessons learned from this project.

8.4. Government Institutions. Developing national expertise in the different facets of the oil industry (geology, geophysics, engineering, commercial, finance and economics, environment, and so on) is a daunting task. By not having this expertise, governments are at a disadvantage when negotiating or supervising petroleum projects. Particularly in the case of Chad—and, to a lesser extent, Cameroon—the lack of sufficient oil and gas expertise has been a real handicap. These issues were largely debated during the two ICR workshops held in Chad and Cameroon in October 2005, and a certain number of lessons were drawn, notably the need to carry out a solid pre-assessment of existing national capacities and hence define the needs and the importance of initiating capacity-building programs as much as possible in advance of a project. Nevertheless, it was equally remarked that capacity-building programs alone could not provide a country with high-level expertise. Hands-on experience (learning by doing) remains the best approach to develop national capacities. Besides, the workshops brought out the fact that, thanks to the Project, there has been a transfer of knowledge in both countries to consulting firms as well as local businesses. As a result, they have become much more competitive as a result of the exigencies imposed by the Consortium. Civil society and NGOs have acquired more expertise in the supervision of environmental and social aspects of big projects. Thus the knowledge and experience acquired can be used in future projects. With respect to revenue management, strengthening the administration is of high priority, particularly in connection with public finance management, and the *Collège* has been a positive innovative experience. It has established itself, but its recommendations remain to be applied

8.5 Public-Private Partnerships. One purpose of this Project was to pilot a new model for delivering development assistance in Africa using public-private partnerships with World Bank guarantees (implicit or explicit) to mobilize larger volumes of foreign direct investment than these countries could normally command. In cases like these, private partners may reasonably be asked, as they were in this case, to bear a share in the cost of mitigating the risks associated with insufficient country capacity. The World Bank and other partners should also anticipate and budget for extraordinary supervision expenses and emphasize collaboration and synergies among their respective programs. In addition, there should have been a quicker resolution of issues raised by the project early on in the project cycle: (a) the modalities for World Bank financial participation, whether an IDA Credit, or an IDA Guarantee, IBRD and/or MIGA and/or IFC , (b) how were risks to be allocated between various parties (political, commercial, technical, pre and post project completion).

8.6 Communications. While a considerable amount of information has been published on various Web sites (of governments, EEPIC, and the World Bank, in particular), and several information campaigns were conducted in the producing areas, many participants in the October 2005 workshop felt that this has not been sufficient and that direct, frequent contacts would have been necessary to allow the parties to exchange views on various issues as they arose. This was particularly the case for the environmental and social impacts of the Project, including revenue management.

8.7 Maintaining the Involvement of the World Bank. Misunderstandings regarding the meanings of “social closure” (conceived as an organized process to identify and resolve all outstanding complaints from affected persons in the oilfields and along the rights-of-way) and “implementation completion” led to widespread concern among workshop participants that the World Bank would henceforth withdraw from supervision of the Project. While normally the World Bank’s active involvement in a project concludes upon its completion, in this instance many stakeholders asked the World Bank to maintain its presence, particularly to continue to pursue the capacity-building effort, and to ensure that the agreed operating framework for the Project is maintained. This would of course entail the release of additional budgets for this purpose

8.8 Sustaining Compliance with EMP Principles. The so-called gatekeeping clause in the Project’s legal documents specifies that oil from new fields can only be accepted for shipment through the

pipeline if those fields have been developed and operated in accordance with the principles of the EMP for the Three Fields. Guidelines for the interpretation and implementation of the EMP principles were agreed by the stakeholders (World Bank Group, Government and Consortium) and were published on the Web site of the CTNSC in the last quarter of 2005. Given that Chad's experience in managing environmental issues related to this new sector of its economy is still relatively new, the technical assistance of the World Bank is still necessary to support the implementation of the required institutional and legal measures.

In addition, as recommended by the participants in the workshop in Chad, the government of Chad should provide CTNSC with the means to carry out its mandate, and the system of an external audit (as exemplified in the ECMG) of EMP implementation should be maintained and extended to all petroleum projects in Chad (this principle was incorporated in the preparation of the EMP Guidelines).

9. Partner Comments

(a) Borrower/implementing agency:

(b) Cofinanciers:

CHAD

In view of ensuring that the activities related to the Chad Export Project are implemented, (DOBA Project) as well as the monitoring of the associated technical assistance projects, a National Coordination has been created by Decree No.339/PR/2000 of August 9, 2000, whose essential mission consists of:

- coordinating the physical activities of the Project;
- monitoring the proper execution of the activities associated with the Consortium, TOTCO and COTCO, in particular with respect to the implementation schedule the Project and the construction of the Pipeline;
- monitoring compliance by the Consortium and its contractors with the agreements relative to the Export Project and the other agreements related to it, particularly: the Environmental Management Plan (PGE), the National Oil Spill Response Plan, the Compensation and Resettlement Plan;
- monitoring the proper implementation of the corporate investments to be made in the Project area as provided for in the Regional Development Plan (PDR) and the programs for increasing capacities.

Production

The production at the Three Fields began respectively with the one at Miandoum in July 2003, Komé in February 2004, Bolobo in August 2004 and Nya in June 2005.

The production level of 225,000 barrels per day set by the Consortium was never reached due to geological problems. In October 2005, at the time this document was being prepared, production was running around 170,000 barrels per day.

Marketing

Chadian oil is marketed by three members of the Consortium. The Government of Chad receives royalties of 12.5 percent of the amounts sold in cash. The discount and the cost of transportation by [sic] pipeline still remain an enigma for most Chadians.

Borrower's Performance

The performance of the borrower is satisfactory with regard to the performance indicators for the Project.

Performance by the World Bank

The success carrying out the Project certifies the performance of the banker.

Impact of the Project on the Development of Economic Growth

Petroleum exports since the last quarter of 2003 have contributed to a rapid improvement in the country's GDP since the start of construction activities at the end of the year 2000. From 990 billion CFAF in 2002, real GDP has passed 1,444 billion in 2004, for an increase of more than 21 percent in two years, which is quite considerable.

Implementation of the Petroleum Revenue Management Program

The Petroleum Revenue Management Program is an innovative mechanism. Its implementation, particularly as concerns the mandate of the *Collège*, has not encountered major difficulties. Those identified at the beginning of the process were very quickly resolved thanks to the willing cooperation of the National Institutions.

CAMEROON

The Administrative Oversight and the Technical Monitoring work were carried out by the administrative bodies concerned, under the coordination of the Pipeline Steering and Monitoring Committee (PSMC) placed under the authority of the National Society of Hydrocarbons (SNH).

Execution of the Project

The Project by its nature was new in Cameroon. Also, the implementation of the Project raised concerns that were at once legal, financial, technical, and environmental. At the technical level, the main oil pipeline was designed and built in compliance with national standards, and when the latter were not available, those in particular of the American Society of Engineers and the American National Standards Institute were used. On the environmental and social level the conservation policies of the World Bank were applied.

Performance by the Borrower (Republic of Cameroon)

Cameroon asked for and obtained a loan for US\$70 million from the IBRD and the EIB to finance its capital participation in COTCO.

Auditing was carried out by the on-site units of the PSMC and the teams from the administrative bodies concerned, under the coordination of the PSMC.

Performance by the World Bank

The financing mechanism and the participation of the two Governments has allowed for establishing a connection with the World Bank and the Lenders who were thus able to provide major support in the development of the Project. The staff of the World Bank, moreover, implemented a detailed review of the environmental documentation for the Project. These staff also helped the Consortium and the governments of the two countries to comply with the construction standards, including those related to environmental protection.

(c) Other partners (NGOs/private sector):

10. Additional Information

NOT APPLICABLE

Annex 1. Key Performance Indicators/Log Frame Matrix

Outcome / Impact Indicators:

Indicator/Matrix	Projected in last PSR ¹	Actual/Latest Estimate
<p>CHAD</p> <p>Increase in Chad of US\$40 million per annum in petroleum-financed budget expenditures over 2004–09</p> <p>1. (a) Export of first oil flow through pipeline by end-2004 and 81 million barrels/year in 2005-2007</p> <p>1. (b) Government's petroleum revenues of at least US\$70 million per year over 2005-08</p> <p>2.. Petroleum revenues allocated and disbursed in accordance with Petroleum Revenue Management Program</p> <p>3. Private sector ownership and control of Doba oilfield and pipeline companies (excluding minority government share).</p> <p>4. Achievement of targets and norms prescribed in the EMP, including under Resttlement and Compensation Plan.</p>	<p>Production started a year ahead of schedule and thanks to higher oil prices, the revenue target was exceeded one year ahead of schedule</p> <p>The production target of 225,000 b/d by mid-2004 has not been attained as anticipated and production seems to be declining (185,000 b/d in first quarter 2005) since end-2004 (when production was 212,000 - 213,000 b/d). The operator EEPCI, is examining technical options to increase productivity of wells. Follow up done by Bank and IFC staff</p> <p>Following several months of discussions, EEPCI has finally agreed to apply to the satellite fields the same EMP as that applicable to Doba. This will be monitored by the Bank and IFC, as well as the ECMG</p>	<p>Although transfers of oil revenues from the Government's offshore accounts started only in July 2004, US\$ 68 million were used in priority sectors during that year., and US\$178 in CY2005. Given the trend expected in oil revenues the target should be attainable. However, it should be noted that it is premature to rate the achievement of the PDOs at this time in the absence of a Poverty Assessment Survey linking petroleum revenues to household income.</p> <p>Production from the Three Fields started flowing through the pipeline in July 2003, one year ahead of schedule. The crude was first sold on international markets in October 2003. The production target of 81 MBO in 2005-2007 is likely not to be met, due to higher than expected production of water.</p> <p>The overall increase in crude oil prices has resulted in substantially higher than forecasted revenues for the Chadian government, more than offsetting the decline in production from the Three Fields. By the end of 2005 the Three Fields had already generated royalties for US\$421 million, more than the cumulated level of total oil revenue expected at project appraisal. As the oil price is expected to remain substantially above the levels anticipated at project appraisal throughout the forecast period, the target average revenue of US\$70 million per year over 2005-08 is expected to be achieved.</p> <p>The allocation of funds was broadly in accordance with the law. Serious procedural deficiencies in contract award and implementation were highlighted in the 2004 report of the Collège. Remedial actions were proposed.</p> <p>Consortium of oil companies (ExxonMobil - 40%; Petronas Carigali - 35%; and Chevron Texaco- 25%) fully own the exploration and development rights in the Three Fields. Transportation is ensured by two companies, TOTCO and COTCO, owned by the Consortium and by the Governments of Cameroon and Chad (with minority shares).</p> <p>Project operations were generally in compliance with the EMP. Exceptions were noted by the ECMG and World Bank Group and were promptly remedied. The execution of the resettlement and compensation plan was exemplary.</p>
<p>CAMEROON</p> <p>1An increase of at least US\$40 million per annum in petroleum-generated revenues over 2005–07.</p>		<p>Oil started to flow through the pipeline in the summer of 2003 and the first revenues for Cameroons started soon after. By the end of</p>

<p>2. Physical completion and commissioning of Export System before end 2004</p> <p>3. Achievement of targets and norms prescribed in the EMP, including under the Compensation Plan and Indigenous Peoples' Plan</p>		<p>2005, Cameroon received about US\$86 million (versus an appraisal forecast of US\$82 million) in transit fees and dividends. According to the current production forecast by 2007 Cameroon would receive US\$157 million versus a forecast at appraisal of US\$179 million.</p> <p>Project started to operate in July 2003.</p> <p>The physical completion targets, as well as the environmental and social targets, have all been achieved. Project operations were generally in compliance with the EMP.</p>
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Output Indicators:

Indicator/Matrix	Projected in last PSR ¹	Actual/Latest Estimate
<p>CHAD</p> <p>The cost of US\$ 1.52 billion for field system, and US\$1.57 billion for export system (excluding financial costs).</p> <p>1. (a) (a) drilling of at least 50 wells by end-2003 and at least 150 wells by end-2004</p> <p>1 (b) Construction progress of at least 35 percent by end-2002 and at least 75 percent by end-2003.</p> <p>1. (c) Construction of 70 km of pipeline in Chad by end-2003</p> <p>2. Preparation.</p> <p>3 (a). Project Investments in Chad of US\$250 million by end 2001, of US\$550 million by end-2003 and of US\$1,350 million by end-2003.</p> <p>3. (b) successful mobilization of commercial financing and bond issue by end-2001, and financing of at least US\$200 million for COTCO/TOTCO by end-2003.</p> <p>4. Regarding the EMP and social aspects, (a) compensation and resettlement; (b) no significant or lasting environmental damage caused by construction; (c) minimal social conflicts in project area; and (d) affected communities participate in economic benefits.</p> <p>5. Achievement of targets and norms prescribed in the EMP, including under the Compensation Plan and Resettlement Plan</p> <p>CAMEROON</p> <p>Total Cost (excluding financing costs) of US\$1.3 billion.</p> <p>1 (a). Construction of 175 km by end-2002</p>		<p>The actual cost of the field system between 2000 and 2005 was US\$2.64 billion, and of the export system US\$1.93 billion.</p> <p>About 115 wells were drilled by end 2003. By the end of 2004 approximately 90 additional wells were drilled.</p> <p>The construction was completed in July 2003</p> <p>The construction of the export system was completed in July 2003</p> <p>Cumulated investments in Chad were US\$478 million at the end of 2001, US\$1,359 million by the end of 2002, and US\$2,117 million by the end of 2003.</p> <p>The anticipated US\$400 million bond issue did not materialize for lack of market interest. Commercial loans were secured for US\$ 600 million. The rest was financed by the shareholders through equity.</p> <p>(a) Done (b) No major environmental damage identified so far. (c) Social conflicts have been contained (d) done</p> <p>cost estimated at US\$1.7 billion.</p> <p>The construction of the export system was</p>

<p>and 890 km by end 2003;¹</p> <p>(b). Construction of submarine pipeline by end-2004;¹</p> <p>(c). Construction of FSO by end 2004.¹</p> <p>(d). Upgrading of approximately 200 km of roads and construction of Mbere River bridge by end-2002.</p> <p>2 (a) Investments in Cameroon of US\$350 million by end-2001, of US\$750 million by end-2002, and of US\$1,250 million by end-2003.</p> <p>3. Regarding the EMP and social aspects, (a) compensation and Indigenous Peoples Plan implemented in a timely manner; (b) no significant or lasting environmental damage caused by construction; (c) minimal social conflicts in project area; and (d) affected communities participate in economic benefits.</p>		<p>completed in July 2003</p> <p>The construction of the FSO was completed early 2003</p> <p>Done</p> <p>Investments by the end of 2001 were of US\$625 million, by the end of 2002 were US\$1.3 billion, and by the end of 2003 were US\$1.7 billion (excluding financial costs)</p> <p>(a) Ibid</p> <p>(b) No major damage identified so far.</p> <p>(c) Ibid.</p> <p>(d) Done</p>
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¹ End of project

Annex 2. Project Costs and Financing

Project Cost by Component (in US\$ million equivalent)

Component	Appraisal Estimate US\$ million	Actual/Latest Estimate US\$ million	Percentage of Appraisal
A. Field System Development Drilling, Surface Facilities, Logistical, Transportation Infrastructure, Project Management, Operator and Start up Costs, etc	1521.00	2648.00	174
B. Export System Linepipe, infrastructure, offshore facilities, Project Management, Operator and Start up Costs.	1567.00	1931.00	123
Interest During Construction and other financial costs	458.00	156.00	34
Debt Service Reserve Funding	177.00	82.00	46
Total Baseline Cost	3723.00	4817.00	
Physical Contingencies	0.00	0.00	
Price Contingencies	0.00	0.00	
Total Project Costs	3723.00	4817.00	
Total Financing Required	3723.00	4817.00	

Project Financing by Component (in US\$ million equivalent)

Component	Appraisal Estimate			Actual/Latest Estimate			Percentage of Appraisal		
	Bank	Govt.	CoF.	Bank	Govt.	CoF.	Bank	Govt.	CoF.
Field System	0.00	0.00	1521.00	0.00	0.00	2648.31	0.0	0.0	174.1
Export System		117.50	2084.50	0.00	119.00	2049.01		101.3	98.3

Annex 3. Economic Costs and Benefits

CHAD - CAMEROON PETROLEUM DEVELOPMENT AND PIPELINE PROJECT IMPLEMENTATION COMPLETION REPORT UPDATED ECONOMIC & FINANCIAL EVALUATION OF THE PROJECT (US\$ Million)																							
	Total Update	Total Appraisal	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Shipped Crude Sales Volume - millions of barrels	748	883	-	-	-	9	61	62	52	49	48	43	41	39	36	34	32	30	26	20	18	16	14
Crude Sales Revenue	24,182	13,721	-	-	-	236	1,760	2,602	2,429	2,136	1,846	1,491	1,339	1,188	1,004	882	792	737	650	509	452	414	362
Revenue per bbl (US\$)	32.3	15.5	-	-	-	27.5	28.7	42.1	46.4	43.3	38.2	34.8	32.4	30.6	27.6	25.8	24.6	24.9	25.1	25.4	25.7	26.0	26.2
Equity Investments																							
CMs - Upstream	2,490	1,459	73	208	342	564	785	747	706	565	424	371	159	-	-	-	-	-	-	-	-	-	-
CMs - Downstream	1,428	713	149	325	316	156	370	520	480	341	114	13	0	-	-	-	-	-	-	-	-	-	-
Chad	53	42	-	16	19	6	13	18	17	12	4	0	(0)	-	-	-	-	-	-	-	-	-	-
Cameroon	76	70	-	24	27	8	19	28	24	17	5	1	(0)	-	-	-	-	-	-	-	-	-	-
Total Equity Investments	4,047	2,285	222	573	705	733	1,187	1,311	1,227	935	548	384	159	-	-	-	-	-	-	-	-	-	-
Debt Financing	600	1,400	-	-	219	514	381	86	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Cash Inflow	4,647	3,685	222	573	923	1,248	1,568	1,397	1,227	935	548	384	159	-	-	-	-	-	-	-	-	-	-
Capital Investment																							
Exploration & Pre-Development	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Chad Upstream Development	5,144	1,597	73	208	342	564	785	747	706	565	424	371	317	401	485	515	545	473	401	433	464	242	20
Chad Export Pipeline	244	299	13	34	55	78	101	79	58	44	18	2	-	-	-	-	-	-	-	-	-	-	-
Cameroon Export Pipeline	1,913	1,840	136	331	526	606	682	571	463	326	106	12	-	-	-	-	-	-	-	-	-	-	-
Total Investment Expenditures	7,302	3,737	222	573	923	1,248	1,568	1,397	1,227	935	548	384	317	401	485	515	545	473	401	433	464	242	20
of which Export Pipeline	2,157	-	149	365	581	684	783	650	521	370	124	14	-	-	-	-	-	-	-	-	-	-	-
Operating Costs																							
Chad Upstream	619	2,625	-	-	-	-	-	-	11	45	69	72	70	63	60	55	50	49	47	44	42	40	39
Chad Export Pipeline	198	144	-	-	-	-	-	-	4	14	21	21	18	15	14	12	10	10	9	9	8	8	8
Cameroon Export Pipeline	1,639	1,043	-	-	-	-	-	-	34	88	116	120	113	98	86	84	83	82	81	79	77	76	74
Total Operating Costs	2,456	3,813	-	-	-	-	-	-	48	147	206	213	201	176	160	150	143	140	137	132	127	124	121
of which Export Pipeline	1,838	-	-	-	-	-	-	-	38	103	137	141	131	113	100	96	93	92	90	88	85	84	82
Project Operating Cash Flow	19,071	9,857	(0)	0	(0)	0	0	0	187	723	1,554	2,054	2,242	2,076	1,785	1,628	1,448	1,407	1,309	1,103	899	1,034	1,198
Total Debt Service	758	1,909	-	-	-	-	-	-	-	19	100	157	146	135	124	113	102	91	80	71	63	56	49
Distributable Returns (including DSRA)	18,394	8,125	(0)	0	(0)	0	0	0	187	786	1,535	1,896	2,097	1,942	1,661	1,516	1,347	1,316	1,228	1,032	836	978	1,148
Chad Cash Flow																							
Chad Royalty	2,402	1,017	-	-	-	-	-	-	18	67	149	206	253	267	244	231	215	202	182	162	142	132	126
Chad Upstream Tax	3,933	553	-	-	-	-	-	-	-	-	-	-	70	277	438	379	300	271	265	267	226	229	252
Chad Pipeline Tax	128	166	-	-	-	-	-	-	-	-	-	1	1	2	2	0	-	5	15	20	19	18	
Chad Share of COTCO ROE	74	56	-	-	-	-	-	-	1	5	8	9	8	8	8	8	8	8	7	7	7	6	6
Chad share of TOTCO ROE	23	25	-	-	-	-	-	-	1	2	3	3	3	3	3	3	3	3	3	2	1	1	1
Total Chad Revenue	6,560	1,818	-	-	-	-	-	-	20	75	161	217	335	557	696	623	527	483	461	452	395	388	404
Cameroon Cash Flow																							
Cameroon Transit Fee	352	362	-	-	-	-	-	-	4	14	25	28	25	23	21	21	20	20	20	19	18	17	17
Cameroon Pipeline Tax	62	48	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2	9	14	13
Cameroon share of COTCO ROE	132	138	-	-	-	-	-	-	2	9	15	15	15	15	15	15	14	14	13	13	12	11	11
Total Cameroon Revenue	546	548	-	-	-	-	-	-	6	23	40	44	40	37	37	36	34	34	33	33	38	42	41
Consortium Cash Flows																							
Consortium Upstream Revenue	8,584	3,904	-	-	-	-	-	-	113	494	1,026	1,321	1,420	1,039	609	547	489	511	458	291	169	327	489
Consortium Share of TOTCO ROE	237	283	-	-	-	15	38	37	33	32	29	11	10	9	7	8	5	1	1	1	1	1	1
Consortium Share of COTCO ROE	2,336	1,572	-	-	-	159	297	276	262	246	231	205	190	176	148	142	0	1	1	0	0	0	0
Total Consortium Revenue	11,157	5,759	-	-	-	174	335	313	408	773	1,285	1,537	1,619	1,223	764	698	494	513	459	292	170	328	490

Annex 4. Bank Inputs

(a) Missions:

Stage of Project Cycle	No. of Persons and Specialty (e.g. 2 Economists, 1 FMS, etc.)		Performance Rating		
	Month/Year	Count	Specialty	Implementation Progress	Development Objective
Identification/Preparation					
	8/8/1995	2	Team Leader (1), Sr. Energy Economist (1)		
	11/13/1995	7	Team Leader (1), Sr. Energy Economist (1), Petroleum Engineer (2), Pipeline Engineer (1), Economist (1), Environmental Specialist (1)		
	1/27/1996	1	Environmental Specialist (1)		
	3/19/1996	2	Petroleum Engineer (2)		
	9/6/1996	1	Sr. Energy Economist		
	2/8/1997	3	Team Leader(1), Sr. Energy Economist (1), Economist (1)		
	7/12/1997	4	Team Leader (1), Sr. Energy Economist (1), Economist (1), Environmental Specialist (1)		
	5/10/1998	1	Team Leader		
Appraisal/Negotiation					
	7/2/1999	4	Team Leader (1), Counsel (1), Environmental Specialist (1), Program Assistant (1)		
Supervision					
	6/10/2001	1	Team Leader	S	S
	11/18/2002	1	Deputy Coordinator	S	S
	12/03/2004	2	Lead Financial Analyst (Team Leader) (1); Petroleum Engineer (1)	S	S
ICR					
	03/15/2005	1	Team Leader		

(b) Staff:

Stage of Project Cycle	Actual/Latest Estimate	
	No. Staff weeks	US\$ ('000)
Identification/Preparation	193.3	1134.0
Appraisal/Negotiation	157.3	205.6
Supervision	186.9	2,034.1
ICR	4	43.6
Total	541.5	3,417.3

The staff weeks and totals for Supervision and ICR are not disaggregated in SAP.

Annex 5. Ratings for Achievement of Objectives/Outputs of Components

(H=High, SU=Substantial, M=Modest, N=Negligible, NA=Not Applicable)

	<u>Rating</u>				
<input type="checkbox"/> <i>Macro policies</i>	<input type="radio"/> H	<input type="radio"/> SU	<input type="radio"/> M	<input type="radio"/> N	<input checked="" type="radio"/> NA
<input type="checkbox"/> <i>Sector Policies</i>	<input type="radio"/> H	<input type="radio"/> SU	<input type="radio"/> M	<input type="radio"/> N	<input checked="" type="radio"/> NA
<input type="checkbox"/> <i>Physical</i>	<input checked="" type="radio"/> H	<input type="radio"/> SU	<input type="radio"/> M	<input type="radio"/> N	<input type="radio"/> NA
<input type="checkbox"/> <i>Financial</i>	<input checked="" type="radio"/> H	<input type="radio"/> SU	<input type="radio"/> M	<input type="radio"/> N	<input type="radio"/> NA
<input type="checkbox"/> <i>Institutional Development</i>	<input type="radio"/> H	<input type="radio"/> SU	<input checked="" type="radio"/> M	<input type="radio"/> N	<input type="radio"/> NA
<input type="checkbox"/> <i>Environmental</i>	<input type="radio"/> H	<input type="radio"/> SU	<input type="radio"/> M	<input type="radio"/> N	<input checked="" type="radio"/> NA
<i>Social</i>					
<input type="checkbox"/> <i>Poverty Reduction</i>	<input type="radio"/> H	<input checked="" type="radio"/> SU	<input type="radio"/> M	<input type="radio"/> N	<input type="radio"/> NA
<input type="checkbox"/> <i>Gender</i>	<input type="radio"/> H	<input type="radio"/> SU	<input type="radio"/> M	<input type="radio"/> N	<input checked="" type="radio"/> NA
<input type="checkbox"/> <i>Other (Please specify)</i>	<input type="radio"/> H	<input type="radio"/> SU	<input type="radio"/> M	<input type="radio"/> N	<input checked="" type="radio"/> NA
<input type="checkbox"/> <i>Private sector development</i>	<input checked="" type="radio"/> H	<input type="radio"/> SU	<input type="radio"/> M	<input type="radio"/> N	<input type="radio"/> NA
<input type="checkbox"/> <i>Public sector management</i>	<input type="radio"/> H	<input type="radio"/> SU	<input type="radio"/> M	<input type="radio"/> N	<input checked="" type="radio"/> NA
<input type="checkbox"/> <i>Other (Please specify)</i>	<input type="radio"/> H	<input type="radio"/> SU	<input type="radio"/> M	<input type="radio"/> N	<input type="radio"/> NA

Annex 6. Ratings of Bank and Borrower Performance

(HS=Highly Satisfactory, S=Satisfactory, U=Unsatisfactory, HU=Highly Unsatisfactory)

6.1 Bank performance

Rating

- | | | | | |
|--------------------------------------|--------------------------|------------------------------------|-------------------------|--------------------------|
| <input type="checkbox"/> Lending | <input type="radio"/> HS | <input checked="" type="radio"/> S | <input type="radio"/> U | <input type="radio"/> HU |
| <input type="checkbox"/> Supervision | <input type="radio"/> HS | <input checked="" type="radio"/> S | <input type="radio"/> U | <input type="radio"/> HU |
| <input type="checkbox"/> Overall | <input type="radio"/> HS | <input checked="" type="radio"/> S | <input type="radio"/> U | <input type="radio"/> HU |

6.2 Borrower performance

Rating

- | | | | | |
|--|--------------------------|------------------------------------|------------------------------------|--------------------------|
| <input type="checkbox"/> Preparation | <input type="radio"/> HS | <input checked="" type="radio"/> S | <input type="radio"/> U | <input type="radio"/> HU |
| <input type="checkbox"/> Government implementation performance | <input type="radio"/> HS | <input type="radio"/> S | <input checked="" type="radio"/> U | <input type="radio"/> HU |
| <input type="checkbox"/> Implementation agency performance | <input type="radio"/> HS | <input checked="" type="radio"/> S | <input type="radio"/> U | <input type="radio"/> HU |
| <input type="checkbox"/> Overall | <input type="radio"/> HS | <input checked="" type="radio"/> S | <input type="radio"/> U | <input type="radio"/> HU |

Annex 7. List of Supporting Documents

1. Semi Annual Reports to the Board (11)
2. Quarterly Reports of the Operator (until first half 2005).
3. IAG Reports (9)
4. ECMG Reports (11)
5. Oversight Committee of Surveillance and Control (College)

Annex 8. Beneficiary Survey Results

Annex 9. Stakeholder Workshop Results

N'Djamena (Oct. 10-11, 2005) and Yaoundé (Oct. 13-14, 2005)

I. Background

1. Two workshops were held in N'Djamena and Yaoundé, consistent with the Bank's procedures for innovative projects. They had two essential objectives: (i) to enable all parties including the stakeholders and the observers to exchange views on the Project during inception, construction and operation; and (ii) to draw the lessons not only to improve performance in the operational phase, but also to support future projects in the two countries and elsewhere.
2. Participants included representatives from the Governments, the Consortium of petroleum companies, the oversight and monitoring bodies involved in the project, both national and international NGOs, the private sector, trade unionists, parliamentarians, opinion leaders and the World Bank Group.
3. These workshops focused on five key topics which were presented to the audience, followed by intense debates. These topics were:
 - i. Technical aspects, including oil production and sale;
 - ii. Environmental and social aspects;
 - iii. Institutional arrangements, capacity building and supervision of the project during execution;
 - iv. Economic impacts for the two countries and,
 - v. Petroleum Revenue Management in Chad.

II. General Observations

4. A large number of parties/individuals expressed strong interest in the workshops, and certain stakeholders made considerable efforts to prepare themselves for the event. Taking into account the quality of the presentations, the intensity of the debates, the commitment of the participants, one would conclude that these workshops were both timely and useful.
5. A remarkable feature was the preparation and involvement of national NGOs of Chad and Cameroon. Cameroonian NGOs held a preparatory meeting in Yaoundé in August, to adopt a common strategy. On the sidelines of the N'Djamena workshop, Chadian NGOs organized a forum on "*Social Closure of the petroleum project: the World Bank faced with its responsibilities*" from the 6th to the 11th of October.
6. Even though the Bank was heavily criticized at times, particularly by civil society, all parties, including the NGOs, recognized the very important role that the Bank has played in connection with the Project. Some expressed fears that the ICR would constitute a termination of Bank involvement and expressed a strong desire that the institution remain present and active. With insistence, these NGOs requested that the ICR concept be clarified. To them, this was tantamount to the withdrawal of the World Bank, and they urged the Bank to continue supervising the Project in the future.
7. While there were tense moments during the workshops, these were largely the result of a

lack of prior communication. It became clear that a constructive and respectful dialogue can be maintained, and that frequent contacts would benefit all.

III. Key Lessons

a. Technical Aspects

8. Chad is now a producer and exporter of oil. The fact that the implementation of the Doba project took place without major problems should attract the international oil industry to investing in Chad. Considerable technology and know-how were transferred to Chad thanks to the Project.

9. The production targets are far from being attained as increasing quantities of water are being produced instead of oil.

10. The concept of the discount is not understood by all. Does the discount represent a means to value the oil, or is it a *post facto* measurement reflecting the fact that the Doba blend is valued independently of Brent, given its characteristics? Some participants noted that the discount is almost three times higher than the PAD estimate, but it was noted that the discount also fluctuates with oil prices.

11. The pipeline tariffs seem high and the underlying calculation is not understood by many.

12. It was agreed that there is considerable uncertainty in assessing reservoirs, and it is also true that petroleum markets are volatile and unpredictable. Still, many participants felt that the Consortium could be more transparent and communicate more effectively – otherwise, an atmosphere of suspicion could develop.

13. Some participants thought that the Bank could have done a better job in appraising the Project, to better align expectations with performance and outcome.

b. Environmental and Social Aspects

14. The main recommendations were as follows:

i. The concept of social closure needs to be clarified. This wording might imply that beyond that point, the Consortium ceases to be responsible for the communities affected by the Project. There should be a mechanism to enable affected parties to communicate with the Operator;

ii. The concept of non-compliance and its implications ought to be clarified;

iii. A mechanism should be instituted to enable various parties to meet, exchange views, and make decisions;

iv. An external supervision mechanism like the ECMG should apply to all petroleum projects in Chad;

v. The Bank should have better assessed the resources and skills required to manage and monitor the environmental and social aspects of big projects;

vi. To better assess and evaluate the Project's impact, some participants recommended better communicating the baselines, particularly at the social level,

vii. When parties are compensated in cash, an advisory service should be put in place to ensure that the funds received are wisely utilized; and

viii. The EMP should allow for the resolution of unforeseen issues. This requires that provision be made for a mechanism for resolving non-anticipated problems in the EMP of future projects.

c. Institution Building and Capacities Development

15. The institutional framework put in place has proven effective in enabling the countries to look after their interests. Structures such as the National Coordination in Chad or the Pipeline Steering and Monitoring Committee (PSMC) in Cameroon would be more effective if they could fall directly under the Prime Ministry or the Presidency.

16. The capacity-building projects should be maintained and even intensified to allow better supervision of the operational phase as well as better preparation for future projects; and the Governments should make good use of the skills acquired under the Project;

17. Civil Society should be involved as much as possible in some of the capacity building programs.

d. Economic Aspects

18. The Project's economic benefits are significant both on the macro and micro levels. Unfortunately, the gains are not explicit so a methodology should be developed to obtain concrete, representative result.

19. The two Governments, with the assistance of the World Bank Group, should take advantage of the fiber optic cable which was installed along the pipeline route to bring benefits to the two countries.

20. In the future, the Government should consult more with the Private sector to generate higher levels of local participation. In addition, it became apparent that some local enterprises were not competitive. They need to draw lessons and organize themselves better for future projects – competitiveness should be a major concern for local firms.

e. Petroleum Revenue Management

21. This was a contentious issue, calling for reinforcement of communication and information-sharing to allow parties to understand the content and implementation of the Petroleum Revenue Management Law.

22. Civil Society did not want the provisions of the revenue management law amended as proposed by the Chadian Government. From the NGOs' standpoint, if any changes were to be made, those should entail only the application of the law to all the petroleum fields in Chad.

23. It was felt that the *Collège* had been able to establish itself as an oversight body. However, many of its recommendations had yet to be implemented. It was felt that strengthening the *Collège* should be an absolute necessity, particularly in connection with managing public funds.

IV. Conclusions

Three strong messages emerged from the two workshops:

- i. Communication and information-sharing should be improved;
- ii. The social dimension of a project such as the CCPP should be clearly articulated and closely monitored, particularly in meeting the needs of those affected by the project; and
- iii. Government monitoring/supervision capacity, as well as that of civil society, should be strengthened as much as possible before the project starts.
- iv. While normally the World Bank's active involvement in a project concludes upon its

completion, in this instance many stakeholders requested that the World Bank maintain its presence, particularly to continue to pursue the capacity building effort, and to ensure that the agreed operating framework for the project is maintained. This would of course entail the release of additional budgets for this purpose.

Additional Annex 10. Summary of Inspection Panel-CAMEROON

May 2, 2003

INTRODUCTION

1. The Petroleum Development and Pipeline Project (hereinafter ‘the Pipeline Project’) and the Petroleum Environment Capacity Enhancement Project (hereinafter ‘the CAPECE Project’) are two closely related Bank-supported Projects in Cameroon. The World Bank’s Board of Executive Directors approved both Projects on June 6, 2000. The Pipeline Project is partially financed by (i) a loan from the International Bank for Reconstruction and Development (IBRD), in an amount equal to US\$53.4 million; and (ii) a loan from the International Financial Corporation (IFC), in the amount of US \$100 million. The Pipeline Project is principally financed by three private sector petroleum companies (ExxonMobil, Chevron and Petronas or the “Consortium”). The CAPECE Project is financed by the International Development Association (IDA) in an amount equivalent to SDR 4,300,000 (about US\$5.77 million).

2. The Pipeline Project is the largest private sector investment in Sub-Saharan Africa and consists of the development of three oil fields in Chad’s Doba Basin (Rome, Miandoum, and Bolobo), which constitute the Field System. The Tchad Oil Transportation Company S.A. (TOTCO), a Chadian Government Company, is operating the Field System. The Project includes the construction of an Export System comprising a 1,070 kilometers long pipeline, from the oil fields in Chad to an offshore oil-loading facility near Cameroon’s Atlantic coast. The Cameroonian component of the Project consists of 880 kilometers of buried on-land pipeline, eleven kilometers of off-shore pipeline, two pumping stations, a pressure reduction station, and the off-shore floating storage and offloading vessel at Kribi (see Map 1 of this Report). According to Project documents, the Export System in Cameroon will be built and operated by Cameroon Oil Transportation Company S.A. (COTCO), a joint-venture company formed between the Consortium, the Government of Chad, and the Government of Cameroon. The pipeline is nearing completion, and “first oil” is expected in the second half of 2003.

3. In addition to supporting the Pipeline Project, the Bank is financing capacity building in Cameroon through the Petroleum Environment Capacity Enhancement Project (CAPECE). This project aims to establish a national capacity to protect and mitigate the social and environmental impacts of the Pipeline Project. The CAPECE Project includes (a) the strengthening of the local institutional, regulatory and legal framework; (b) coordination of capacities for environmental management; (c) public intervention capacity for environmental management; and (d) project management, monitoring and evaluation.

4. On September 25, 2002, the Panel received a Request for Inspection (‘the Request’) submitted by the Center for the Environment and Development (CED), a local nongovernmental organization (NGO) based in Yaoundé acting on behalf of a number of people living along the pipeline route in Cameroon, and by a number of individuals, including workers or former workers of COTCO and/or its contractors, all residents of the Republic of Cameroon (the ‘Requesters’). This Request for Inspection relates to the Cameroon portion, of the Chad-Cameroon Pipeline Project. As a result of a previously received Request for Inspection, the Panel had an opportunity to investigate the Chad portion of the project in 2002 (see Annex 1 of this Report).

5. The Request alleges that the Pipeline Project and the CAPECE Project have had an adverse impact on local communities and their environment or they are likely to result in harm because of flaws in project design and implementation. The Requesters allege violations of the following Bank policies and procedures:

Environmental Assessment, Natural Habitats, Poverty Reduction, Indigenous Peoples, Involuntary Resettlement, Project Supervision, and Disclosure of Operational Information. The Request was registered by the Panel on September 30, 2002.

6. Bank Management responded to the Request on October 29, 2002 (the 'Response'). In its response, Management included a summary of the overall project framework and of the Bank's role in the design, implementation and supervision of the Pipeline Project and CAPECE Project. Management maintained that it made every effort to apply Bank policies and procedures to the Projects, and it disagreed with the Requester's claim that their rights or interests had been and would be adversely affected by Management's failure to comply with Bank policies and procedures.

7. The Panel found that the Request and the Requesters had met all the applicable eligibility criteria. After a short visit to Cameroon, the Panel issued its Eligibility Report to the Board of Executive Directors on November 26, 2002 recommending an investigation into the matters raised in the Request. The Board approved the Panel's recommendation on December 16, 2002.

8. The following sections present a summary of the Panel's Investigation Report. The Panel is generally pleased with the efforts shown by the Bank Management to reach compliance with its own policies and procedures, although it has found noncompliance instances in particularly during the design stages of the project. In addition, the Panel feels that it is important to call attention to the difficulties and delays associated with the implementation of the CAPECE Project. This situation, if not corrected, may adversely affect the sustainability of the Pipeline Project. In the same vein, it is the Panel's view that successful socio-economic programs hinge on effective communication among all parties involved, something that has not yet been fully achieved in the context of the Pipeline Project.

ENVIRONMENTALIMPACTASSESSMENTANDMITIGATION MEASURES

9. General Considerations. In reviewing the history and timing of the Project, the Panel considers that there are two distinct phases of the Pipeline Project that form the basis of the Panel's analysis of Bank compliance with OD 4.01 on Environmental Assessment. The first phase is the Evaluation and Assessment Phase while the second is the Implementation and Monitoring Phase. The Evaluation and Assessment Phase covers the initial stages of project preparation including the completion of the initial Environmental Assessment (EA) of 1997 and the subsequent 1999 Environmental Management Plan (EMP) and the Project's appraisal until the time of Project Approval by the Bank Board of Directors in June of 2000. In the Evaluation and Assessment Phase, the Panel assesses Bank's compliance with its policies during the process which leads to the approval of the Project. In the Implementation and Monitoring Phase, the Panel examines compliance with the applicable Bank policies during the implementation of the 1999 EMP associated with pipeline construction activities in Cameroon.

10. Participation of the Independent Panel of Experts. Paragraph 13 of OD 4.01 (Environmental Assessment) requires that for large projects, an Independent Panel of Experts should be retained. The Panel found that the Bank was not in compliance with such provision since the required Independent Panel of Experts was not fully engaged during the preparation and approval of the 1999 EA/EMP since its participation was discontinued. There has been no independent review of the 1999 Environmental Management Plan by the IPE and no significant full-time participation of an IPE in Cameroon since 1997. In addition, the Panel is not in agreement with Management's contention that, as of February 2001, the International Advisory Group's (LAG) advisory role to the governments of Chad and Cameroon helped to fill the gap left by the absence of the IPE. Rather the IAG advice forms part of the Bank's supervision role of the Project along with that of the External Compliance Monitoring Group (ECMG). Since the LAG and the ECMG report to the Bank and to the IFC

respectively, they cannot be considered as technically independent in the sense intended by OD 4.01. Thus, these mechanisms do not meet the requirement of an Independent Panel of Experts as laid out in the provisions of OD 4.01.1.

11. During the February 2003 meetings with the Pipeline Steering and Monitoring Committee (CPSP) in Yaoundé, the Panel was informed that the GGC is currently seeking a no-objection approval from the World Bank for the selection of a new Independent Expert Panel. Management noted that the terms of reference for the IPE will be addressed during the Projects' mid-term review mission planned for April/May 2003. The Panel is concerned with the proposed role of the new IPE since the construction phase of the project is now almost completed. The roles and responsibilities of the IPE need to be defined in this context in conjunction with the CPSP and the National Hydrocarbons Corporation (SNH) in order to comply with the requirements of paragraph 13 of OD 4.01 for providing advice on "(...)(d) implementation of the EA's recommendations, and (e) development of environmental management capacity in the implementing agency." Given the difficulties encountered with the first IPE over a failure to agree on its roles and responsibilities, the Panel has doubts regarding the real value of the IPE in this context. Clearly an opportunity exists to avoid the problems encountered with the first IPE. The new IPE needs to have a credible niche that meets the institutional capacity and technical needs of the CPSP/SNH and does not duplicate the activities and functions of the IAG and ECMG.

12. Baseline Data. The Panel noted the Requester's claims and the Bank's response concerning the inadequacy of baseline information during the Evaluation and Assessment Phase of the project through the completion of additional baseline surveys of biodiversity in both Chad and Cameroon. In addition, a series of alignment sheets was produced for the final routes selected which incorporated important environmental information.

13 The Panel concluded in the Chad Investigation Report that there was a lack of linkage between baseline data collection, the assessment of project impacts and the subsequent application of mitigation and management actions. A similar comment applies to Cameroon, which leads the Panel to find that Management is not in compliance with paragraph 2 of Annex C of OD 4.01.

14. In the Panel's view, the Bank was not in compliance with paragraph 7 of Annex D of OD 4.01 regarding the collection of a full year of baseline data at the project Evaluation and Assessment Phase. Overall, greater efforts should have been made to collect at least one year's baseline data during the Project Evaluation and Assessment Phase. The Panel notes COTCO's extensive commitment to an ongoing collection of baseline data, but observes that this has occurred only since the start of project implementation. Nevertheless, such an effort should provide more data on seasonal and annual differences in environmental conditions of the area over the life of the Project and may eventually accomplish the intent of OD 4.01 on collection of baseline data. However, there is still a limited amount of information available on pre-project conditions. Many of the resource conflicts that have arisen during project construction could have been avoided had there been a full year's baseline information prior to project approval.

15. Analysis of Alternatives. The Panel reviewed the selection of alternatives prepared by COTCO in Volume 4 of the EMP concerning the routing of the proposed pipeline through Cameroon. The Panel notes that significant attempts have been made to avoid sensitive ecological areas and to follow the routes of most disturbances wherever possible, often at considerable extra cost. Changes to the pipeline alignment were made to avoid the Mb&e Rift Valley, to minimize disturbance in the Deng Deng Forest region and to follow disturbed sites through the Atlantic Littoral Forest region, and lands also occupied by the BakoWBagyeli people. The Panel finds that the EA/EMP section on alternative pipeline routings is well presented and contains extensive analysis using computerized mapping techniques to define the routes having the lowest

environmental and socio-economic impacts. Accordingly, the Panel finds the Bank in compliance with the provisions of OD 4.01 concerning the analysis of alternative routings of the pipeline right-of way in Cameroon.

16. Analysis of Cumulative Effects (and the need for a Regional Assessment). The Panel's analysis of the need for a cumulative effects assessment is directed more to the Evaluation and Assessment Phase of the project, prior to the approval by the World Bank rather than to the Project Monitoring and Implementation Phase. As noted in the Chad Investigation Report, Bank Management recognized the need for assessment of cumulative effects early in the project. Cumulative effects should have been taken fully into account during the initial stages of project review and during the scoping process.

17. The Panel is concerned by Management's narrow interpretation of cumulative impacts of the project in that it is restricted to the narrow imprint of the pipeline right-of-way through Cameroon. It is clear that this project will be a stimulus to the development of additional oil resources in Cameroon and that the development of project infrastructure such as roads and other associated offsite developments will lead to further development within the Pipeline area. The Panel therefore sees no basis for the comment that "the cumulative impacts of the Pipeline project are expected to be below the threshold that would warrant further analysis or a 'formal' cumulative impact assessment." The Panel would like to know what criteria were the threshold determined that would warrant further analysis or a formal cumulative impact assessment. The Panel notes that a formal cumulative impact assessment was not in fact completed even though it had been identified as a requirement by Management during the revision of the 1997 EA.

18. The Panel believes that a cumulative impact assessment of the project in Cameroon should have been completed by taking into account the future development of upstream oil developments in northern Cameroon and new oil/gas fields off the Cameroon coast, in addition to large scale regional oil and gas developments that are planned for Equatorial Guinea, Gabon and Nigeria. Additional projects in the vicinity of the Pipeline Project, such as the Lam Pangar Dam and the new European Union funded highway linking southern Chad to northern Cameroon, should also have been factored in. The Panel finds, therefore, that Management is not in compliance with OD 4.01 as regards the need for an adequate assessment of the Project's cumulative effects.

19. Institutional Concerns. The Panel conducted a detailed study of the CAPCE Project and its relation with the Pipeline Project. In addition, the Panel met with representatives of the CPSP and the SNH in Yaoundé. At this meeting, the Panel noted that representatives of the CPSP consisted of personnel from the SNH and that there was no presence of other Government sectors which conformed to the CPSP.

20. In addition, the Panel independently did not have the opportunity to verify the presence of the CPSP monitors in the field as pipeline construction has, to all intents and purposes, been concluded. Their presence was not noted during the Panel's February 2003 inspection of the pipeline right-of-way in Cameroon. It is not in the mandate, or is it the purpose of the Panel to evaluate the capabilities of the GOC in implementing the CAPECE project. Rather it seeks to evaluate the role of the Bank in its supervision and assistance to the GOC to ensure effective project implementation. Nonetheless, the Panel could not confirm that the CPSP indeed had an effective field monitoring presence during pipeline construction activities. In fact, it was reported from independent sources, that the CPSP often lacked adequate training, equipment and transport in the field and therefore relied heavily on logistical support provided by COTCO.

21. From the evidence, the Panel has to conclude that it was not possible for the CPSP to have a fully independent field monitoring capability to assess environmental and social compliance of the 1999 EA/EMP as originally envisaged by the CAPECE Project. This is because the needed financial resources and personnel were not provided in a timely fashion. In fact, approximately 90% of funds remain to be disbursed out of the

relevant Bank Credit that finances the CAPECE Project.

22. After a detailed review of the CAPECE Project and discussions with Bank staff, GOC and COTOCO officials, the Panel is concerned about the fragility of the local institutional framework which, ultimately, will be in charge of monitoring the Pipeline Project on behalf of the GOC. The delays associated with the implementation of the CAPECE Project which was specifically designed to mitigate this fragility, affected the GOC's performance during the entire construction period. The Panel finds, therefore, that the purpose of OD 4.01, paragraph 12 regarding the strengthening of environmental capabilities to adequately assess construction impacts during the Implementation and Monitoring Phase of the project has not been achieved.

23. Preparation for Oil Spills. During its visit to Cameroon, COTCO informed the Panel of the status of the six ASOSRPs that are being prepared for the Project (two for Chad and four for Cameroon). The plans have been prepared and have been distributed to 11 reading rooms in Cameroon. COTCO also stated that they had distributed copies of the plans (both in hard copy and CD-ROM) to offices of the World Bank, the JFC, NGOs, Embassies, and the CPSP. Public consultation on the plans was completed at 11 locations in Cameroon during January and February 2003. A company, Oil Spill Response Ltd. (OSRL) has been contracted to complete an independent review of the plans.

24. The Panel received electronic copies of the six ASOSRPs for Chad and Cameroon. The documents are well prepared and extensive. The Panel notes that the GOC has now prepared a draft of the National Oil Spill Response Plan and that there is sufficient time to coordinate the NOSRP with the four ASOSRPs (Cameroon portion) prepared by COTCO.

25. Management informed the Panel of the plans of the CPSP for consultation on the National Oil Spill Response Plan. In addition, an external reviewer is currently being sought to comment on the NOSRP. The consultations and external review should be coordinated with COTCO to ensure consistency with their review and consultation process for the six ASOSRPs.

26. COTCO also provided the Panel with a letter of certification from OSRL, the external reviewer contracted to complete the independent review of the six ASOSRPs. The letter indicates that the six plans have been prepared in accordance with internationally recognized oil spill planning guidelines and that they reflect standards set by the International Petroleum Industry Environmental Conservation Association. The documents also comply with conditions established in the project EMP and are consistent with the General Oil Spill Response Plan (GGSRP). Management has assured the Panel that the NOSRP will follow the same review process as the ASOSRPs. The Panel concurs with the results of the independent reviewer. The National Oil Spill Plan and Area Specific Oil Spill Plans are being prepared in accordance with EMP provisions and established international standards.

27. Impacts on Water Quality and Quantity. The Panel notes that since the oil has not started to flow yet, the range of probable water problems relate to the presence of bacteriological contamination and/or the destruction of water sources. In addition to examining the general plans and procedures used during construction with respect to water sources, the Panel felt that it was important to examine those specific cases that were brought to its attention.

28. The Panel visited five specific areas associated with disputes over water issues during its field visits. It is neither the role nor the mandate of the Panel to be the arbiter in resolving these disputes. Rather the Panel can only comment on whether the Bank is in compliance with the Bank policy OD 4.01 on Environmental Assessment.

29. While there are a few unresolved disputes regarding alleged damage to specific water sources along the pipeline right-of-way in Cameroon, there is no evidence that serious harm has resulted from the Pipeline project. Based on a review of these cases, the Panel considers that the Bank is in compliance with OD 4.01 pertaining to water issues. Management should however continue to monitor each specific situation to ensure that a resolution amicable to all parties has been reached.

30. Impacts on Freshwater Fisheries. A claim pertaining to freshwater fisheries was raised during the Panel's investigation mission to Cameroon. In addition, the Panel examined the overall procedures for building the river crossings required for the construction of the pipeline and found them to be adequate and in compliance with the EMP. In the specific case investigated, COTCO provided the Panel with baseline data it had collected in compliance with the EMP. The Panel reviewed the data and found no long-term impact on freshwater fisheries. On the basis of the foregoing, the Panel finds the Bank in compliance with OD 4.01 with respect to impact on freshwater fisheries.

31. Assessment of Greenhouse Gas Emissions. The Panel addressed the issue of greenhouse gas emissions in the Chad Investigation Report. The Panel accepts Management's contention that the assessment of greenhouse gas emissions is in compliance with OD 4.01, paragraph 11 concerning global issues. In addition, the Panel believes that the likelihood of a substantial contribution by the Pipeline Project to greenhouse gas emissions is low. The Panel notes the recent study commissioned by the Bank to review its role as far as extractive industries are concerned.

32. Noise Disturbance Associated with Construction Work. The Requesters raise two specific claims regarding noise impacts associated with construction. The first related to a claim at Mpango regarding noise from bulldozers and from blasting activities over three month duration. The second claim relates to noise impacts of construction machinery on the presence of game in Bakola/Bagyeli communities that has affected their subsistence. The Panel investigated this claim in conjunction with other claims discussed elsewhere in this Report. The Panel could find no evidence of long-term harm to the Requester and his family resulting from noise disturbance associated with construction activities. There is no doubt that noise could be a nuisance during the time of construction, but the duration is short, normally no more than one month at any given location.

33. Based on a review of this information, the Panel believes that noise impacts to both humans and wildlife populations during construction is a temporary disturbance limited to at most a month's duration in any one particular location. In the specific case of the Bakola/Bagyeli, the Panel notes that the final pipeline alignment in the Atlantic littoral forests follows a disturbed corridor where game populations are scarce due to human presence and activities. The Panel concludes that there is no evidence of serious harm associated with noise resulting from pipeline construction activities. Once reclamation activities are completed, there will be little or no activity and thus little or no noise relating to pipeline activities in the pipeline right-of-way during the operations phase.

34. Concerns about Dust. The production of dust was raised as a specific health issue by the Requesters. In its Response to the Panel, Management does not provide a detailed position on the dust issues, but has asked COTCO to follow up on the individual cases raised in the Request for Inspection. The one specific claim by an individual who suffers from pulmonary problems which was raised in the Request for Inspection, was dismissed by the Panel during the Eligibility phase of the Request because the Panel found that the person had a pre-existing pulmonary condition.

35. Regarding concerns about dust pollution from roads in communities affected by pipeline construction, the Panel observed the implementation of a DBST on the road surface in the Dompta and Bemboyo area which

has been put in place at the cost of approximately US\$50,000 per kilometer. The Panel did not receive any community complaints about dust pollution during consultations in the Investigation phase. The Panel agrees that although dust was a nuisance factor during the pipeline construction period, COTCO has taken steps to mitigate this disturbance by providing a hardened bitumen road surface. As pipeline construction activities are now concluded in Cameroon, dust disturbance will only be associated with construction of the two pumping stations and the pressure reduction station. COTCO is attempting to reduce these dust impacts by watering the roads around areas of ongoing construction.

36. The Panel cannot find any evidence of serious harm arising from project related dust emissions in Cameroon. COTCO should continue to mitigate these impacts by the continued implementation of DBST measures, or watering of the road surfaces, while ensuring that water withdrawal is within limits prescribed by the 1999 EMP.

37. Natural Habitats The Panel notes that the Requester's claim regarding the offset compensation areas only applies to the Camp0 Ma'an Protected Area and that they have no specific concerns regarding the Mbam Djerem protected area created as compensation for project losses to the semi-deciduous forest in Cameroon. This was confirmed to the Panel by the CED during the field investigation of February 2003 (Map 2 shows the Campo Ma'an area).

38. In the Panel's view, the location of the Camp0 Ma'an offset area in the coastal lowland forest region represents the only opportunity for preservation of this important habitat type within Cameroon.

39. Regarding the claims of illegal logging, the Panel notes that the one instance of illegal logging reported, while clearly undesirable, appears to be a single event and not necessarily indicative of larger systemic problems that would constitute noncompliance with OP 4.04. Also, the reported illegal logging did not compromise the ecological integrity of the park. The Panel urges Bank staff and FEDEC to work closely with MINEF to ensure that illegal logging does not occur again within the boundaries of Camp0 Ma'an protected area and that sustainable land use practices in the surrounding buffer zone areas take place.

40. The Panel is in agreement with Management that the activities of FEDEC for ensuring the protection of the Campo Ma'an and Mbam Djerem environmental offset areas have begun slowly, but that this in itself does not constitute non-compliance with OP 4.04. Management has the responsibility to supervise the activities of FEDEC to ensure that the recently signed contract with WWF for Camp0 Ma'an and WCS for Mbam Djerem will result in clear objectives and management responsibilities in conjunction with MINEF.

41. Lom River Bridge. The Lom River Bridge is a temporary structure across the Lom River that is used for the egress of the Pipeline from the ecologically important Deng Deng Forest. In accordance with the provisions of the 1999 EA/EMP, all temporary bridge structures are to be removed at the end of the construction period. However, some local communities and other interests are calling for the retention of the bridge in order to provide vehicular access across the Lom River, where access does not currently exist. The concern about maintaining the bridge is that it could also provide vehicular access to the Deng Deng Forest resulting in logging and eventual destruction of the forest. The Panel believes that the removal of all temporary bridges (including the Lom River Bridge) is necessary to ensure compliance with the EMP (and the spirit of OD 4.01 and OP 4.04).

42. Consultation and Disclosure of Information. The Panel finds that there have been misunderstandings during both consultations and compensations processes between COTCO representatives and project-affected people. However, it would be simplistic to assign the fault to these misunderstandings. For example, in the community compensation case at Ngovayang III discussed in Chapter Four (Social Assessment and

Mitigation) COTCO presented ample evidence that a series of meetings took place and decisions were taken and communicated to the project affected people. Yet when the Panel interviewed members of this village, there were clearly misunderstandings about what was communicated. Similar findings were made by the Panel during discussions with communities relating to water issues.

43. The Panel notes that a major problem has been the large disparity between expectations of local people about the rewards and consequences of the project, and what the project was in fact able to offer. The Panel believes that some of these high expectations were generated in part by unguarded pronouncements by some members of the Consortium and some representatives of the GOC, thus, creating unfulfilled expectations. Apart from the Consortium the Panel heard reports of local leaders telling people that the Project would bring wealth to Cameroon and that all Cameroonians would find work.

44. From the available records and following discussions with all parties involved, the Panel concludes that the consultations and disclosure information that took place in the context of the Pipeline Project were frequent and consistent with the Bank's applicable policy requirements. In the implementation phase, it is essential that the stakeholders understand the components of the projects and their effects. A renewed Project outreach effort should be initiated now that the operations' phase is imminent. The Bank's local staff in Chad and Cameroon could take a leading role in bringing all major stakeholders to a common understanding about the Project's major topics.

OCCUPATIONAL HEALTH AND SAFETY & PUBLIC HEALTH

45. Occupational Health & Safety. The Panel examined the relevant sections of the EMP related to occupational health and safety and found them consistent with the spirit and letter of OD 4.01 and the 1998 World Bank Health and Safety Guidelines. With respect to implementation, the safety statistics, the Lost Time Incident (LTI) frequency rates, i.e. injuries and illnesses resulting in lost time from work, confirm that, on the whole, this has been a safe project. Data from the United States Department of Labor, Bureau of Labor Statistics (BLS) indicate that the project has a first-rate safety record. For 2001, the BLS data report a LTI rate for heavy construction of 7.9 lost day incidents per 200,000 man/hours. The same statistic for Spread 1 in 2001 is 0.15 and for Spread 2 it is 0.25. This is considerably better than the experience recorded in the United States.

46. As to the specific concerns presented by project workers on occupational health and safety practices, the Panel, after examination of documents, field observations, and interviews with pertinent project staff, observes as follows:

- Training: A training program was devised to provide each new employee with the kind of training that is commensurate with the tasks to be performed. The program is designed to meet the needs of unskilled and semi-skilled workforce under the 'rolling employment' policy. The Panel was satisfied with the quality of training following its discussions with many of the workers.
- Personal Protective Equipment: The Panel observed that there was a general misunderstanding among some of the workers with respect to the kinds of protective equipment to which they were entitled. Field observations by the Panel indicate that workers engaged in specific tasks wore the correct working clothing and used the appropriate safety equipment.
- Safety Supervision: The work force and supervision of project progress can be measured to some degree by the construction schedule and the safety record associated with the Project. Since the pipeline construction seems to be ahead of schedule and the safety record is excellent, it would be safe to assume that supervision must be effective.
- Medical Care: The Panel found that employees receive a pre-placement physical examination

commensurate with the type of employment they were offered. Medical facilities are in place to provide health care and supervision to all employees.

47. The Panel finds that the Consortium, the contractors and the sub-contractors have responded positively to the requirements of Annex A (0) of OD 4.01. In addition, the Panel found no indication that EMP requirements on occupational health and safety have been ignored or violated. During the investigation nearly 60 workers associated with the Pipeline Project approached the Panel with a variety of concerns, including: compensation for work-related accidents, hiring and dismissal practices, disputes over the employers' contribution to the local social security system, as well as claims that the "Project's poor working conditions" were adversely impacting on the workers' health and safety. After a detailed review of the specifics of these claims, which included interviews with many of the people that submitted or were referred to in these claims, the Panel has concluded that, other than those relating to occupational health and safety, the alleged violations are not covered by any Bank policy or procedure and that, therefore, the Panel is precluded from reviewing them. The Panel notes, however, that Cameroonian authorities including its Judiciary have had a history of involvement with these issues in the context of the Pipeline Project.

48. Public Health. The Project is formally committed to an HIV/AIDS mitigation strategy in the Environmental Management Plan. The Bank Management did request an assessment of the HIV/AIDS risk in the pipeline area, which was submitted in November 1999. This report presented a model of significantly elevated estimates of HIV/AIDS prevalence rates associated with Project construction. However, this report was criticized by public health consultants to the Consortium, who argued that their model was poorly executed, technically flawed, and based on data from East Africa rather than West Africa.

49. The Panel finds that the omission in the EMP of an up-to-date regional health assessment with particular focus on risk and impact of the Pipeline Project in Cameroon (as well as Chad), and the omission of a long-term plan aimed at risk mitigation, is a serious shortcoming at the project preparation phase. This was pointed out early and repeatedly by public health consultants to the Consortium and the Bank.

50. The Panel finds that Bank Management was aware of the need to undertake a wider regional assessment of the health risks posed by the Project, particularly with the implementation of seroepidemiological study to assess the risk of HIV/AIDS in the pipeline construction region. The Panel finds that by not requiring the preparation of such study the Bank has not complied with the relevant requirements on baseline data of OD 4.01 on Environmental Assessment.

SOCIAL IMPACT ASSESSMENT AND MITIGATION MEASURES

51. Compensation Issues. The Panel observes that the guiding principles for a suitable compensation plan provide for: (a) the local population to perceive the compensations as fair and equitable; (b) the process to treat people the same way whenever practicable, and be as transparent as possible; (c) the affected people's standard of living not to be less than their current conditions when compensation is completed, and preferably better.

52. The Panel examined COTCO's compensatory framework and finds it to be consistent with Cameroonian law. In Cameroon, the state legally owns all land except that which is formally titled a fraction of the population who own mainly large private estates. The GOC however recognizes user improvements (L'mis-en-ten-e") as subjects for compensation. Therefore, compensation is provided for 'loss of improvements to the land', which includes time and effort spent in the cultivation of food and commercial crops, trees, as well as material improvements such as houses and water wells.

53. The Panel finds that the value that COTCO pays in compensation for cultivated crops and trees to affected Cameroonians is consistent with Bank Policy on Involuntary Resettlement. In comparison with the large protective areas, the Pipeline has not taken large areas of land (30 meters wide) and, for most of the pipeline route; land is plentiful and accessible to farmers under customary land tenure rules. The pipeline has resulted in improved roads and better trading conditions for the individual farmers, as well as improved community facilities through the regional compensation program (discussed below). Furthermore, the Panel finds that the Pipeline Project has initiated a process of fair and transparent compensation and consultation. Although the Panel notes the need for these processes to be effective, the Panel expects that it will be difficult for future private projects in Cameroon not to provide the same level of consultation and compensation.

54. The Panel notes that land acquisition for the pipeline began with the 1997 centerline survey. During this time, representatives from COTCO, the GOC (usually the 'sous-préfet'), the village chief, and the land user, would participate collectively and openly in the survey process. COTCO representatives told the Panel that they used the compensation list of crops and trees, based on the market surveys described above. They admitted to the Panel that there were delays in paying individual compensations, and they attributed this to the work involved in surveying and determining compensation cases.

55. The same representatives also informed the Panel that, based on the criticism leveled by the IAG for protracting resolution of certain outstanding cases, COTCO speeded up the settlement of compensation grievances that were expected to be completed in early 2003. They also informed the Panel that based on the ECMG's recommendations; COTCO will implement a Social Closure Program and complete all compensation cases by June 2003. Although not required in the EMP, the objective of the social closure program is to have each village sign-off on a close-out document that notes the particular details of their compensation by COTCO, and indicates that there are no grievances outstanding that have not been addressed (positively or negatively). As with the compensation program, this closure must be transparent and clearly understood by the local population.

56. Community Compensation. The Panel notes that according to the IAG, almost all of the villages eligible for the regional and community compensations have identified specific investment projects they wish to see implemented by COTCO. The majority of project requests are in the areas of education and water supply.

57. Regional Compensation for Indigenous Peoples. The Panel notes that COTCO recently introduced a new program of regional compensation for the Bakola/Bagyeli villages within a 2 km radius of the pipeline, including compensation for loss of access to medicinal plants and diminished game population. The program, according to COTCO, would be dedicated to housing improvements, in keeping with the major concern expressed by the BakoWBagyeli during the survey conducted by the Company's sociologists within the period 1997 to 2001. The Panel observes that this program, which had not been originally planned, represents a significant amount of compensation for the BakoNBagyeli populations.

58. Individual cases. The Panel investigated several of the individual cases that were brought to its attention in the Request and could not find any violation of the relevant Bank policy (OD 4.30 on Involuntary Resettlement). Annex 8 of this Report presents the current status of each of the cases raised in the Request for Inspection 59. Grievance Mechanism. The Panel observes that the grievance management process can be initiated in several ways. The principal method of initiating a grievance is by submission to the Project's right-of-way assistants or the Local Community Contacts (LCC). There are ten LCCs along the Cameroon portion of the pipeline, two of which are in the BakoWBagyeli areas at Lolodorf and Kribi. In addition, temporary LCCs were hired during the construction period within each zone. These temporary LCCs helped right-of-way assistants in identifying the land users in the village, providing information to the communities about the grievance management process and collecting grievances in the communities.

60. The Panel investigated several grievances raised in the Request. Many of these grievances included complaints about the grievance procedure, including difficulties in getting COTCO to respond to complaints. The Panel found that, for some of the cases, procedures were not followed by the prospective complainants, including informing (either verbally or in writing) the LCC representative in their respective areas. Furthermore, the Panel found that many different channels of contact with COTCO exist on the ground from survey and construction crews to compensation teams and designated LCCs, through which complaints could be transmitted. The Panel finds the mechanisms and procedures of grievances to be clear-cut and accessible.

61. The Panel observes that many grievances concerning compensation centered not on the amount of compensation offered or the procedure for its implementation, but rather on the hope of obtaining more benefits from the project than was offered. A COTCO representative, a member of the centerline survey team, said “when we surveyed villages and mapped the location of water sources, people mistakenly assumed we would come back and build them permanent wells. When we did not do this, they were angry and disappointed with us.” See Annex 4 for further discussion on water issues.

62. In conclusion the Panel finds the design and implementation of the compensation policy and the grievance mechanism to be orderly, transparent, and fair, although communication among the parties could have been more effective. The Panel, therefore, finds the Bank in compliance with OD 4.30 on Involuntary Resettlement.

63. Indigenous Peoples. The BakoWBagyeli are a small population of about 4,500 occupying some 12,000 km² in southwestern Cameroon in the Atlantic forest zone. This includes the area between Kribi on the coast to the northeast of Lolodorf that lies along the pipeline route. About 1,000 BakoWBagyeli live within 2 km of the Pipeline route in settled communities interspersed with Bantu villages along the Kribi-Bipindi-Lolodorf-Akongo Road. Bakola/Bagyeli shares a long-term relationship with their Bantu neighbors including shared clan identities and family names. Although their relationship is based in part on their specialized economies, one hunting and the other agriculture, it is not an equal relationship but one of subservience and dependency of the Pygmies on the Bantu. BakoWBagyeli depend on the Bantu farmers for 20% of their starchy food, access to tools, salt, tobacco and clothing, and the land that they cultivate, which is claimed by the Bantu. They are often mistreated by their Bantu patrons, sometimes physically abused, and usually ‘spoken for’. This inequality is reflected by the BakoWBagyeli’s greater morbidity, mortality, lower literacy and reduced wage employment due to their poorer access to health clinics, schools, and other social services. The Panel considers appropriate the Bank Management’s designation of the BakoWBagyeli as a vulnerable population subject to the requirements of OD 4.20 on Indigenous Peoples.

64. Concerning any adverse impact of the Project on BakoWBagyeli, the Panel observed that the impact of the pipeline project on the hunting resources appears to be minimal, but is not yet known. The Pipeline is laid adjacent to the Kribi-Lolodorf road, where BakolaiBagyeli live on sedentary farms. The major hunt (“gram- & -chasse”) that Bakola/Bagyeli annually engage in has always taken place in the deep forest, ten to thirty kilometers away from the settled agricultural communities along the road, as identified in the 2002 baseline studies. This area is unaffected by the Pipeline route. 65. The Indigenous Peoples Plan. The Indigenous Peoples Plan is presented in the Environmental Management Plan (EMP) Volume 4, Part 3 (May 1999), which states that, “[t]he IPP includes three programs: health, education, and agriculture and are described in section 5.0. Within each, an initial set of potential projects have been identified as result of studies and in consultations sponsored by the Project” and that, Environmental Foundation [i.e. FEDEC] will be established to provide defined long-term financial support for defined IPP-related projects/programs.”

66. The Panel observed that the IPP provides a development framework for the BakolaBagyeli settlements in the pipeline areas. It specifies three programs and projects; (a) assist identified BakolaBagyeli communities

regarding health matters in order to help them counter potential health pressures caused by the Project and generally promote their health status; (b) promote and support education and training initiatives in identified Bakola/Bagyeli communities in order to contribute to an increase in their ability to make informed decisions regarding issues of their interest; (c) support local initiatives in identified Bakola/Bagyeli communities to improve agricultural production. The Panel finds that the programmatic goals specified in the IPP are reasonable and appropriate to the affected Bakola/Bagyeli community, and furthermore, were developed in fair and open consultation with representatives of the Bakola/Bagyeli community.

68. The Panel investigated the Requester's claims that the Indigenous Peoples Plan was not in compliance with OD 4.20, as project-affected People did not fully participate in the preparation of the IPP; that consultation was not fair or adequate; that the baseline surveys were not adequate, and that the delay in launching the activities of FEDEC has meant that the Bakola have not been able to benefit from the mitigation measures envisaged under the project.

69. The Panel through its investigation finds that the consultations leading up to the IPP were inclusive of a wide range of people, and contributed directly to developing effective IPP programs in health, education, and agriculture. The Panel takes note of the consultation activities, which included reading rooms, 400 public meetings between 1997 and 1999 (of which 111 were in the villages of affected people), and an NGO organized seminar for stakeholders. The Panel finds the IPP in compliance with OD 4.20 in regards to consultation and participation of affected indigenous peoples. 70. However, the Panel is concerned that the baseline data, while providing important information for the programs of the IPP, ignores Bakola/Bagyeli occupation and use of forest resources outside the Pipeline right-of-way. The Panel finds that the EMP and IPP lack a wider regional assessment, particularly in terms of the Bakola/Bagyeli's use of the wider littoral forest for hunting and gathering activities. Consequently, the Panel finds that Management is not in compliance with OD 4.20 regarding Baseline Surveys.

71. With respect to the implementation of the IPP, the Panel finds that while the delays in implementing the Environmental Foundation were very unfortunate, they may have been unavoidable given the capacity predicament of the GOC and the undefined and in-process nature of the specific IPP plans. The Panel observes that the Bank could have taken a more direct role in constituting the Board and ensuring it can operate effectively instead of leaving the responsibility to COTCO only. Nevertheless, the Panel also recognizes that as a result of Bank intervention and oversight, FEDEC is now up and running and that it is moving ahead with its programs, including the antituberculosis campaign, the issuing of national identification cards, and contributing to school supplies and medicines. The Panel finds Management in compliance with OD 4.20 in regards to paragraph 15 (c) "the institutions responsible for government interaction with indigenous peoples should possess the social, technical, and legal skills needed for carrying out the proposed development activities."

72. The Panel wishes to note that FEDEC's budget is based on an annual yield of interest on a US\$3.7 million investment in an endowment that is to last the life of the pipeline, which is approximately 25 years. But the Project Appraisal Document (PAD) allocates only US\$600,000 of the endowment for the IPP, which is expected to yield US\$50,000 per year for implementing the programs of the IPP. Once the IPP administrative costs are factored in, including support for the Community Development Facilitator (salary, vehicle, office space), very little remains to fund a comprehensive program covering health, education and agriculture. However, Management states in its response that the annual funds would be enough to support the IPP programs which generally consist of low-cost expenditures such as for ID cards, school supplies, and medical supplies described in the updated 2003 FEDEC Plan of Action.

73. In the Panel's view, FEDEC's budget seems inadequate to carry out the programmatic elements of the IPP. The Bank should* have considered FEDEC's operating budget in more detail, noting in particular that

\$50,000 allocated to the IPP would not be sufficient to manage the IPP programs, particularly as these programs were still in the process of conceptualization and design. Nevertheless, the Panel recognized that while these delays were unfortunate, they may have been unavoidable given the capacity predicament of the GOC and the undefined and in-process nature of the specific IPP plans.

74. Finally, the Panel notes Management's acknowledgement of the shortcomings in the original IPP, but also recognizes the fact that these shortcomings did not produce harm to the Bakola/Bagyeli community. The Project has created a positive environment for the Bakola/Bagyeli through its procedures on consultation, compensation, and development programs, where the Bakola/Bagyeli community now is in a stronger position to assert their rights as full citizens of Cameroon.

75. The Panel understands Management's strategy that the IPP is a 'work-in-progress' although under normal circumstances such 'work' would not be in compliance with the provisions of OD 4.20, the Panel, however, sees the practicality of Management's strategy because of the conditions and practices of the Bakola/Bagyeli/Bantu community within the wider Cameroonian society. Furthermore, the Panel observes that Bank Management and COTCO have corrected the shortcomings in the intervening years since the EMP was written. The Panel agrees that the IPP is a long-term endeavor expected to be carried out over the 25 years of the Pipeline operation. Of necessity it must be fine-tuned in the process of implementation. Finally, the Panel finds that the original IPP, in this special circumstance, is in compliance with paragraphs 13-18 of OD 4.20 on Indigenous Peoples, except for the geographical scope of the baseline data. The Panel finds that current efforts to prepare and implement a detailed IPP are in place to meet the requirements of OD 4.20 on Indigenous peoples.

PROJECT SUPERVISION

76. The Panel found that adequate resources and attention continue to be given by the Bank to the supervision of the Pipeline Project. Furthermore, the ECMG has proved to be a valuable monitoring tool for Bank Management, COTCO and the host countries. To ensure consistent policy compliance, arrangements should be made to retain ECMG beyond the Bank's final disbursements of the two projects.

77. The Panel also found that Bank Management has been aware of the issues that have arisen in connection with implementation of the projects. When both the IAG and the ECMG raised concerns about the possibility of retaining the Lom River Bridge that would contradict the EMP, Bank Management communicated its concerns to the GOC. Similarly, all major concerns raised by the Requesters seem to have been communicated by Bank staff to the Cameroonian authorities and COTCO staff during its supervision missions. Finally, the Requesters acknowledged to the Panel that their interaction with Bank staff has been frequent.

78. Regardless of how well-structured external supervision may be, it cannot serve as a substitute for in-country monitoring. A large and strategically sensitive Project such as the Pipeline Project requires constant supervision. Presently there is no local supervision team in place to handle the volume and quality of supervision required by an important goal of the Bank's policy on Project Supervision: "[A] development agency, the Bank also has an interest in assisting member countries to achieve their development objectives on a sustainable basis."

79. In conclusion, the Panel recognizes Management's effort to comply with the Bank's applicable policy requirements. In this spirit, and in order to ensure the sustainability of the benefits of the Pipeline Project and effectively monitor its risks, the Bank should consider within its larger dialogue framework with the country, an effective incentive to help integrate important sectors, such as environment and public health, in a local monitoring team for the Pipeline Project.

CAMEROON

Summary of Management Response May 28, 2003

IV. MANAGEMENT'S ACTION PLAN IN RESPONSE TO THE FINDINGS

Table 3. Proposed Management Action Plan

ISSUE/ACTION

Environmental Assessment and Mitigation Measures

OD 4.01, para 13: Independent
Panel of Experts

(Annex 1, item 1) **Independent Panel of Experts:** Management is working with the CPSP to provide for independent experts to be contracted to help with: (i) review of the NOSRP; (ii) monitoring of the implementation phase of the offshore portion of pipeline construction and the operationalization of the offloading facility; (iii) implementation of the training program; and (iv) monitoring of pipeline operation in high risk zones. The contracting process for the independent expert to assist in the review of the NOSRP is underway; ToRs are being prepared to address the other tasks. See Annex 2.

In addition, under the ToRs for the Long-Term Vision Study of the Environmental and Social Management of the Petroleum Sector in Cameroon, it is contemplated that the GoC will develop a comprehensive approach to the subject including: (i) a survey of all planned investments in the petroleum sector; (ii) drawing lessons learned from the Chad-Cameroon Pipeline project; (iii) identification of strengths and weaknesses of the institutional framework for environmental and social management of the petroleum sector, including monitoring and supervision of pipelines and other oil-related infrastructure; and (iv) recommendations for further design and development of an institutional framework conducive to environmentally and socially sustainable management of the petroleum sector. Experts for this task will be hired during the last quarter of 2003.

OD 4.01, paragraph 2, Annex C
and paragraph of Annex D of
OD 4.01
(Annex 1 Item 2)

Baseline Data.

Survey. A third run of the household socio-economic baseline survey along the pipeline route will be carried out in the post-construction period to assess sustainability and gauge the net socio-economic impact of the Pipeline Project on affected communities.

Access to Data. Based on discussions with the IAG, COTCO has developed list of Project-related documents that would be usefully placed in universities and institutions in Cameroon. These documents are mainly environmental and socio-economic materials prepared for the pre-approval assessment of the Pipeline Project, together with follow-up studies that were undertaken subsequently. COTCO's EMP Manager recently sent a letter to the Cameroon Minister for Higher Education proposing distribution in Cameroon similar to that which has occurred in Chad. Once the distribution of these reports is complete, the Pipeline Project will update its website to indicate where the reports have been placed for review by students and others.

OD 4.01, paragraph 5
(Annex I, Item 4) **Analysis of Cumulative Effects (and need for Regional Assessment).**

The Draft Cameroon NOSRP prepared in February 2003 contains an extensive simulation of the cumulative impacts of multiple oil spills from Cameroonian sources, Cameroonian ports, oil tanker accidents in Cameroonian marine and estuarine waters, but also including oil spills originating from Nigerian and Equatorial Guinean sources. Cumulative impacts have been simulated and are presented on pages 22 to 58 of the draft NOSRP.

The Long-Term Vision Study of the Environmental and Social Management of the Petroleum Sector will address the cumulative impact of the Pipeline Project through projection of its impacts on the overall economic and social development of Cameroon and their environmental and social consequences.

OD 4.01, paragraph 12
(Annex 1, Item 5) **Institutional Capacity.** The planned Mid-Term Review of CAPECE between May 26 and June 7, 2003 is an important opportunity to assist the GoC through the CPSP to complete ongoing actions and launch new actions to procure services and equipment and train staff to improve its capacity, particularly in the new context of operation of the pipeline. The Bank's Project team will work closely with the GoC on a number of activities. Details are provided in Annex 1, Item 5.

Environmental Management
Plan

(Annex 1, Item 6)**Preparation for Oil Spills.** Management agrees with the Panel's observation that consultations and external review of the NOSRP should be coordinated with COTCO to ensure consistency with their review and consultation process for the four ASOSRPs in Cameroon. These latter plans were disclosed in the country and at the Bank's InfoShop. The CPSP has already received comments from stakeholders on the ASOSRPs, which are being transmitted to the Bank for information. The NOSRP will be disclosed in the country and through the Bank InfoShop. It will be reviewed by the independent expert currently being contracted by the CPSP. Workshops with NGOs and consultation with communities, government agencies and local government are planned and will take place as soon as the NOSRP is disclosed. The CAPECE Mid-Term Review mission will follow up on implementation of the review, consultation and public participation process.

OD 4.01 – in compliance but
individual situations require
monitoring

(Annex 1, Item 7)**Water Quality.** Management will continue to monitor specific situations as they arise. Details on follow-up with regard to the Panel's specific suggestions for Pembo and Kour Mintoum, as well as a more general approach to ensure communication, are provided in Annex 1, Item 6.

OD 4.01 – in compliance but
need for continued monitoring

(Annex 1, Item 11)**Dust.** As requested by the Panel in its report, management and ECMG will continue to supervise and monitor COTCO's work on dust control measures with respect to water withdrawal constraints.

OP 4.04, paragraph 5 – in
compliance, but greater
vigilance requested, in
particular concerning illegal
logging

(Annex 1, Item 12)**Natural Habitats.** The Bank team is assisting in the establishment of closer working relationships between COTCO, CPSP, FEDEC and MINEF. Joint meetings at COTCO's headquarters in Douala and CPSP's headquarters in Yaounde were convened in July 2002, November 2002 and March 2003. The main achievements of these meetings were the acceleration of FEDEC financing, negotiations and signing of the agreements between FEDEC and WCS, and FEDEC and WWF to begin preparation of management plans for Mbam Djerem and Campo Ma'an, respectively, with the cooperation of MINEF and CPSP. Clarification of the roles and responsibilities of each stakeholder in the implementation of the offset will be further discussed during the CAPECE Mid-Term Review Mission and within the proposed Forest and Environment Sector Program (PSFE – Programme Sectoriel ForOts et Environnement), which the Bank is helping Cameroon to prepare and which is expected to be presented to the Board

in the next fiscal year. Concerning measures to help prevent illegal logging, two complementary mechanisms are in place. The first is an addendum to the concession contract between the GoC and the logging company operating closest to the Park. Signed in April 2002, this addendum ("cahier des charges") commits the company to collaborate actively with Government authorities in preventing illegal logging and commercial poaching. The concession contract provides for periodic external evaluations of results and penalties in case of poor or non performance. The second mechanism involves the services of an Independent Observer to assess compliance with logging laws and regulations (a service currently provided by the international NGO, Global Witness) and detect weaknesses by the private sector and government institutions. Through its dialogue with the GoC and the upcoming PSFE, the Bank will monitor closely implementation of the "cahier de charges" provisions and will ensure that the Campo Ma'an area remains a priority for MINEF and the Independent Observer.

The Proposed Cameroon Community Development Program (PNDP – Programme National de Developpement Participatif) will finance community driven investment plans; the Campo Ma'an area was designated as one of the pilot areas during project preparation. This project, along with the community oriented communication strategy of the CPSP and the future investment program under the PSFE, will constitute a comprehensive action plan to help sustain the protection of the two parks and achieve development objectives for neighboring communities and stakeholders.

OD 4.01, OP 4.04,
Environmental Management
Plan

(Annex 1, Item 13) **Removal of the temporary Lom River Bridge.** In compliance with the 1999 EAIEMP, the Lom River bridge is scheduled to be dismantled during the week of June 8, 2003. Removal of the bridge will take from 7 to 10 days.

OP 17.50 – incompliance but
greater outreach requested

(Annex 1, Item 14) **Consultation and Disclosure.** The Bank has been working with COTCO and the GoC to launch a national information campaign prior to first oil. Currently the CPSP is publishing a Newsletter (the Pipeline Letter) which is widely disseminated in Cameroon and abroad. A communication expert will be hired by the Bank to help design a communication strategy. The objective of this strategy is to ensure that various stakeholders are fully aware of the features of the operation phase of the pipeline. A communication firm would be recruited by the Bank prior to first oil to implement the strategy.

Occupational Health and Safety and Public Health

OD 4.01

{Annex 1 Item 16) **Public Health,** The Minister of Health has agreed to develop an action plan for the development

of health care facilities along the pipeline route to address health in a comprehensive manner beyond the HIV/AIDS Issue. Doctors and staff are being appointed for the focal points, a health care map is being developed and discussions are underway between the Minister of Health and other stakeholders, including the CPSP, on the equipment and allocation of additional resources to the planned or existing healthcare facilities.

The CAPECE Mid-Term Review mission will explore further actions that may be taken by GoC with Bank support to promote public health in the Project area, including actions to address HIV/AIDS.

OD 4.30 –incompliance but social closure process suggested
(Annex 1, Item 18)**Grievance Mechanism.** In accordance with the Panel's suggestion, Management notes that during the January 2003 visit, the ECMG proposed that COTCO establish a cut-off date for the submission of grievances associated with construction activities, and then tie the resolution of these grievances into a Social Closure process. COTCO has taken steps to put in place such a process.

OD 4.20, paragraphs 13-18 – in compliance except for geographical scope of baseline data

(Annex 1, Item 21)**IPP Design and Implementation.** Management will discuss appropriate ways to address indigenous people's issues, including access to wildlife, during the course of its monitoring of the implementation of the IPP by FEDEC.

Project Supervision

OP 13.05
(Annex 1, Item 22)**Project Supervision.** During the CAPECE Mid-Term Review, the Bank team will work with the CPSP to ensure that the conditions for development and

implementation of the strategy will be dealt with appropriately within the Long-Term Vision Study of the Environmental and Social Management of the Petroleum Sector in Cameroon, with regard to the Panel's suggestion on continued participation of the ECMG, Management wishes to note that as per the ToRs the ECMG, following the Project Completion Date, will continue to monitor Project operational compliance with the 1999 EAIEMP during each twelve month period at the discretion of the lender group and prepare a report after each visit to assess compliance by the Consortium with its obligation under the 1999 EAIEMP, up until full repayment of senior lenders to the Pipeline Project and beyond.

Sustainability

Overall Panel Conclusion **Sustainability**. Management will seek to ensure that relevant sectors are fully integrated in the local monitoring team. In particular, through supervision of CAPECE, Management will continue to encourage coordination across sectors, with specific focus on strengthening the active involvement of key sector ministries such as those in charge of public health and environment, in the monitoring of the Pipeline Project. On a broader scale, enhancement of cross-sectoral coordination and integration will be an underlying goal of the upcoming FY04-06 CAS, and several planned instruments of Bank assistance will help further this goal in

relation to the Pipeline Project. Aside from continued supervision of CAPECE, proposed new lending instruments (e.g., a sectoral program on forestry and environment and a poverty reduction support credit) will, as appropriate, seek to further strengthen contributions from the environment and health administrations in the monitoring of activities in the Project area.

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Additional Annex 11. Summary of Inspection Panel-CHAD

July 23, 2002

INTRODUCTION

1. The Chad-Cameroon Oil Pipeline Project (hereinafter referred to as the Pipeline Project or the Project) is the largest energy infrastructure development on the African continent. Estimated at US\$3.7 billion, it is being funded largely by private industry (ExxonMobil, Petronas, and Chevron). It involves the drilling of 300 oil wells in the oil fields in the Doba region of southern Chad and the construction of a 1,070km long export pipeline through Cameroon to an offshore loading facility. With petroleum reserves estimated at 225,000 barrels per day, the Project is expected to yield approximately US\$2 billion in revenues to Chad over a 28-year operating period. The World Bank and the International Finance Corporation (IFC) are participating in the Project by providing US\$39.5 million and US\$100 million, respectively.

2. Two complementary projects are supported by the International Development Association (IDA) of the World Bank Group, namely: (i) The Petroleum Sector Management Capacity Building Project (IDA credit US\$23.7 million equivalent) which aims to build Chad's capacity to manage oil revenues and to use them efficiently for poverty reduction; and (ii) Management of the Petroleum Economy Project (IDA credit US\$ 17.5 million equivalent) which aims to assist the Government of Chad in building capacity to implement its petroleum revenue management strategy.

3. The Request for inspection (the 'Request') was submitted on March 22, 2001 by Mr. Ngarlejy Yorongar, a Member of Parliament in Chad's National Assembly and an active opposition leader, who was acting for himself and on behalf of more than 100 residents (the 'Requesters') in the vicinity of three fields of the Pipeline Project area. The Requesters alleged that the Pipeline Project constituted a threat to local communities, their cultural property and the environment and that people in the oil field region (in the Doba Basin area) were being harmed, or were likely to be harmed, because of the absence, or inadequacy, of environmental assessment and compensation; and that proper consultation with and disclosure of information to the local communities had not taken place.

4. The above-mentioned allegations (and related subsidiary ones) involved possible violations of the following Bank policies and procedures: Environmental Assessment (OD 4.01), Involuntary Resettlement (OD 4.30), Natural Habitats (OP/BP 4.04), Pest Management (OP 4.09), Poverty Reduction (OD 4.15), Indigenous Peoples (OD 4.20), Forestry (OP 4.36), Disclosure of Operational Information (BP 17.50), Economic Evaluation of Investment Operations (OP 10.04), Project Monitoring and Evaluation (OD 10.70), Project Supervision (OD 13.05), and Management of Cultural Property in Bank financed Projects (OPN 11.03).

5. After reviewing Management's response to the allegations (and following a visit to Chad) the Panel recommended an investigation to the Board of Executive Directors. The Board approved the Panel's recommendation on October 1, 2001.

ENVIRONMENTAL COMPLIANCE

General Environmental Concerns

6. The Panel notes the substantial effort that has been made in the assembling of the 19-volume Environmental Management Plan (EMP), which followed the preparation of an Environmental Impact Assessment (EIA) in 1997. It also notes the exceptional operational and managerial demands in implementing this plan in a challenging physical and political environment. Furthermore, the Panel finds that Management is in compliance with OD 4.01 with respect to project classification.

7. In considering the spatio-temporal context of the Project, the Panel finds that Management did not explicitly consider them, as required by OD 4.01. There is neither a discussion on how the boundary of the study area was defined, nor any mention of the potential area that could be affected by project development. In light of this, the Panel finds Management not in compliance with OD 4.01 in this respect. On the other hand, the Panel is satisfied that the EA covers the life of the Project and that the temporal context has been clearly defined.

8. Evidence collected by the Panel both at the Bank's headquarters and during field visits indicates that oil and other economic development activities are already taking place outside of the scope addressed in the approved EMP. In reviewing the documentation contained in the EMP, however, the Panel cannot find any indication that any cumulative effects assessment was completed. The Panel finds this a serious omission, particularly when one of the objectives of the Petroleum Sector Capacity Management Project is to assist the Government of Chad to manage the development of its petroleum resources in an environmentally and socially sound manner, "*including the need for cumulative/regional/sectoral environmental assessments.*" The Panel finds that in failing to require a cumulative effects assessment, Management is not in compliance with OD 4.01.

9. The scale of the now proposed development will impact the lives of the people living in the Region as a whole. In failing to require the preparation of a Regional Environmental Assessment, which would adequately assess the nature, and extent of broader environmental and social concerns resulting from the Project, the Panel finds that Management is not in compliance with paragraph 5 of OD 4.01.

10. OD 4.01 makes specific reference to the importance of engaging an independent advisory panel of international experts. The need for an Expert Advisory Panel is particularly acute "*or major, high risk or contentious projects with serious, multidimensional concerns*" and is clearly evident in the case of the Pipeline Project. The Panel noted that the Government of Chad (GOC) retained independent experts on X environmental assessment but, to its surprise, it was unable to find any relevant records reflecting their work or the conclusions. The Inspection Panel finds this disturbing. Moreover, the Panel cannot understand why or how Management was unable to followup and monitor the work of such an important part of the EA process. The Panel, therefore, finds Management not in compliance with paragraph 13 of OD 4.01.

11. The Panel notes the significant efforts made by the Consortium to collect baseline information about the Project. Apart from the additional baseline data collected in response to previous reviews of the 1997 EA, significant site-specific information in the form of environmental baseline assessment has also been collected in areas scheduled for Project development. The Panel finds, however, that this data has not been properly utilized to support the EA process. There is no direct reference of data gaps in the 1999 EMP and those embodied in the 1997 EA. Consequently it is not clear how each specific management action is related to specific impacts or how these impacts relate to relevant data in Management's actions. The Panel, therefore, finds that Management is not in compliance with Paragraph 2 of Annex C of OD 4.01.

12. With the exception of the economic evaluation of Project alternatives, the Panel considers the analysis made by Management to be extensive, well prepared, and in support of the final decision for process and

route selection. OD 4.01, however, requires that for each of the alternatives, the environmental costs and benefits should be quantified to the extent possible, and economic values should be attached where feasible. The Panel finds little evidence that this economic analysis was undertaken in the evaluation of Project Alternatives. While noting its satisfaction with the justification provided for the selection of the Project alternative, the Panel concludes that Management is, however, not in compliance with paragraph 2 (f) of Annex B of OD 4.01 concerning the cost-benefit analysis of Project alternatives.

13. A key objective of the Capacity Building Project, and a major rationale for the Bank's involvement in the Project, was to develop and strengthen the institutional capabilities of the Government to a level where it could manage the petroleum sector in an environmentally and socially sound manner. This included increasing the Government's capacity to the point where it could begin to monitor the Project effectively before the revenues start to flow. This objective has not been achieved and raises questions about the Project's ability to realize several of its social objectives. The largest component of the Capacity Building Project involves the development of the capacity of the Committee for Monitoring and Evaluation of the Pipeline Project (CTNSC), which up to January 2002 had limited field staff, was not in position to execute its mandate. The Panel recognizes the lack of human and institutional capacity at the national level to manage and monitor projects of this magnitude and complexity and recognizes Management's significantly increased efforts to improve the situation on the ground. In light of the above, however, the Panel finds that Management is not in compliance with the institutional capacity requirements of OD 4.01, in respect to CTNSC.

14. As a general observation on environmental issues, the Panel notes the substantial effort the Consortium and the two host Governments have made in the preparation of the 19- volume EMP. Despite the shortcomings to which we have drawn attention, the Chad Project, in terms of other similar oil and gas projects, is noteworthy for implementing a practical, 'hands-on' approach to environmental management. The EMP reflects an exceptional effort to address the challenges associated with environmental management of a complex project in a challenging physical and political environment. The Panel, however, wants to restate some of the actions indicated by its general findings: the Project's spatial dimensions have to be explicitly defined to embrace all areas that will experience significant impacts from the Project. Issues relating to Regional Assessment, embodying assessment of cumulative impacts, which were not undertaken should be integrated with the Environmental Management Plan.

15. It is imperative that action on the Regional Development Plan be expedited and that the needed institutional capacity be put in place or developed without delay. Each mitigation measure identified in the EMP should be related to a specific impact, which can be evaluated on the basis of relevant and adequate data. It is vital that the capacity for formulation of environment management plans, which meet the Bank's operational policies and procedures, be matched by institutional capacity for implementation.

SPECIFIC ENVIRONMENTAL CONCERNS

Oil Spills

16. Concerning possibility oil spills, the Panel has noted that, apart from a Hazardous Operation assessment and risk assessment that had been already performed and would be repeated at least yearly, the oil field facilities have been designed to conform to international standards, including corrosion prevention and leak detection. An Area Specific Oil Spill Response Plan (ASOSRP), which includes immediate shut off protection and containment and clean-up provisions, is also expected to be in place and operational three months before the first oil is transported. The plans will be subject to audit and approved by outside experts. In the Panel's view, however, Management must require that the Area Specific Oil Spill Response Plans reflect adequate consultation with affected stakeholders and civil society within the geographical area

covered by each plan.

17. The Panel understands the concerns of the Requesters and their apprehension about a possible repeat of the environmental situation in Ogoniland, Nigeria. It should be noted, however, that the Pipeline project is using a much more advanced technology for petroleum extraction, including specially insulated buried pipelines, lined pits and ponds, use of non-toxic drilling muds, and the latest oil spill detectors. Based on its field observations, discussion with Bank staff, and the monitoring results provided by the Consortium, the Panel concludes that the situations are profoundly distinct. In the Panel's view, however, it is imperative that the environmental management actions in the 1999 EMP are fully implemented and that Management ensures periodic independent monitoring to assess the success of these actions.

18. In light of the above, the Panel finds that the overall preparatory steps undertaken by the Consortium so far, and the existing obligations set forth in the relevant Project documents suggest that Management is in compliance with the provisions of OD 4.01 related to assessment and management in the event of an oil spill. The Panel observed, however, that it is imperative for Management to monitor and ensure that all commitments by the relevant parties, in particular the complementary oil spill response plan to be developed by CTNSC, are implemented in their entirety and on a timely basis. The Panel concludes that there is no violation of Bank policies in this regard.

Contamination of Lake Chad and Groundwater

19. With respect to pollution of surface water sources and Lake Chad, the Panel was able to confirm the assertion that the Project EA includes a Comprehensive Ground Water Quality Monitoring Program, which is planned to be in place before the commencement of oil production. Among other measures, flow-lines and production pipelines are buried as a safeguard against third party damage. The Panel further noted that, in accordance with the relevant legal documents, a review of the response to a spill to watercourses including the watershed of Lake Chad should form part of the ASOSRPs to be instituted.

20. Although the Consortium has incorporated a number of mitigation measures in the Project design to avoid contamination of regional water supplies, the institutional mechanism for regional water management has not been developed to a similar extent. In the Panel's view, it is imperative that Management ensures that the Regional Development Plan, and those responsible for its implementation give priority to the provision of safe and clean water to those living in the Project area. It is also imperative that such Area Specific Oil Spill Plans contain a review of the response to a spill to watercourses that form part of the watershed of Lake Chad.

21. Given the current status of Project implementation, and the cyclical nature of water shortages and availability in southern Chad, the Panel was unable to find any conclusive evidence that Management is in violation of OD 4.01 in connection with this issue. In the Panel's view, however, it requires continuing observation and monitoring by Management, perhaps through the International Advisory Group (IAG).

Air Pollution Concerns

22. Since local Non-Governmental Organizations (NGOs) raised concerns about gas flaring, the Panel investigated whether the Project was likely to cause air pollution and degradation of the environment. Although the Panel is satisfied that the probability of future harm due to air pollution is low, it should be subject to periodic monitoring by Management.

Natural Habitats

23. The Requesters allege in general terms that OP/BP 4.04 on Natural Habitats had not been complied with. From its own field observations and from the relevant documentation, the Panel accepts the response

of Management that the vegetation in the oilfield area and around the pipeline in Chad is almost exclusively wooded savannah, much of which has been heavily grazed or cultivated. Furthermore, what native habitat remains, largely in the form of gallery forest along watercourses, is not expected to be subjected to significant conversion during pipeline construction. At the current stage of Project implementation, the Panel finds Management in compliance with the provisions of OP/BP 4.04, but as construction progresses, monitoring should continue to ensure the detection of any problems that may arise.

Forestry

24. The Requesters allege in general terms that Bank Policy on Forestry OP 4.36 has not been complied with. The Panel was able to confirm Management's observation, based on aerial and field surveys, that there is no primary moist tropical forest in Chad. The Panel is also satisfied that the Project design avoids or minimizes the clearing of riverbank gallery forest. Based on the foregoing and on its own observations, the Panel is satisfied that Management is in compliance with the provisions of OP 4.36.

Pest Management

25. The Requesters allege that the Bank's Policy on Pest Management (OP 4.09) has not been complied with. The Panel accepts Management's response that the Project will not finance pesticides for public use and that land clearance for pipeline construction will not involve the use of herbicides. The Panel further notes that pesticide use will be limited to the protection of the Consortium's work force against vector-borne diseases for which the Bank's safeguard policies would not be appropriate. Based on the foregoing, the Panel finds that Management is in compliance with the relevant provisions of OP 4.09.

Consultation

26. The Requesters allege that the obligation to take the views of affected groups and local NGOs fully into account in Project design and implementation, and particularly in the preparation of the EA was never fulfilled. Management maintains that consultation of the affected population was extensively undertaken. The Panel finds that, at least prior to 1997, the consultations were conducted in the presence of security forces, which is incompatible with Bank's policy requirements. As the Panel has said on previous occasions, full and informed consultation is impossible if those consulted perceive that they could be penalized for expressing their opposition to, or honest opinions about, a Bank financed project. At the same time, the Panel recognizes that, since 1999, Management has made significant efforts to achieve compliance with paragraph 19 of OD 4.01, by encouraging frequent consultations with local communities and civil society in an environment more conducive to an open exchange. In these circumstances, the Panel would commend these efforts and urge that they continue.

Disclosure of Information

27. On disclosure of information, the Panel concludes that adequate and timely release of documents was the norm rather than the exception in the context of the Pipeline Project. In fact, key Project documents (in particular the multi-volume EMP) appear to have been made routinely available on a continuous basis to the local population through specific events and the existence of 'reading rooms.' The Panel finds, therefore, that Management has complied with BP 17.50 on Disclosure of Operational Information.

SOCIAL COMPLIANCE

Involuntary Resettlement

28. The Requesters allege that the Bank has not followed its own rules and procedures on Involuntary Resettlement, while Management maintains that it is in compliance with OD 4.30.

29. The Requesters raise questions about the possibility of 80,000 to 100,000 people being displaced in the production region. The Panel notes that Chad differs widely from other large projects funded by the World

Bank in respect of involuntary resettlement. In Chad, only 50 households (much lower than the 150 households anticipated in the EMP) have had houses replaced and thus officially relocated to make way for oil well sites, the pipeline route, or road widening and they have been successfully accommodated within existing village and lineage-based land resources.

30. Concerning compensation, the Requesters allege that failure to comply with Bank policies has led to expropriation without compensation. Management believes that the compensation design and implementation is in compliance with applicable Bank policies and procedures. In the Panel's view, Esso's policy of compensating the community rather than the individual for fallow land is a sensible one and consistent with Bank policies and procedures on involuntary resettlement. More generally, it appears that all actions in the Compensation and Resettlement Plan with regard to expropriation have so far been respected. The Panel was able to confirm that a 12-step land acquisition procedure has been followed, involving public consultation. Villagers have also accepted compensation in the form of cash payments or 'in-kind' payments in the form of bicycles, plows, and water pumps.

31. After a careful review of the available evidence, the Panel is satisfied that Management is so far in compliance with the provisions of OD 4.30 concerning compensation. The Panel, however, views the monitoring of the overall resettlement process as critical to ensure continuing compliance with the requirements of this policy.

Indigenous Peoples

32. The Requesters allege that OD. 4.20 on Indigenous Peoples has not been complied with. The Panel finds that the people affected by the Pipeline Project do not constitute an 'indigenous people' because they form a majority of the population in southern Chad and share a larger identity with the region as a whole. On the basis of the above considerations, the Panel concludes that OD 4.20 is not applicable to the present case.

Cultural Property

33. The Requesters allege that OPN 11.03 on Management of Cultural Property was not followed. Management asserts that the Project EA paid particular attention to sacred sites, graves, and other elements of cultural property. The Panel finds that EMP procedures on cultural property have been adhered to, as it was able to witness several concrete examples in the field. A pre-construction survey was conducted by a Chadian archaeologist and a 'Handbook on Archaeological Sites' was developed for Project environment staff in the field. Accordingly, the Panel is satisfied that Management is in compliance with OPN 11.03 on Management of Cultural Property.

Governance and Human Rights

34. The Requesters allege violations of Directives on proper governance and human rights. Management maintains that 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 it. As for human rights, Management states that the Bank is concerned about violations of human rights in Chad as elsewhere while respecting the Bank's Articles of Agreement but that, in this case, it believes that the Project can achieve its developmental objectives.

35. It is not within the Panel's mandate to assess the status of governance and human rights in Chad in general or in isolation, and the Panel acknowledges that there are several institutions (including UN bodies) specifically in charge of this subject. However, the Panel felt obliged to examine whether the issues of proper governance or human rights violations in Chad were such as to impede the implementation of the

Project in a manner compatible with the Bank's policies.

36. As far as "good" or "proper" governance is concerned, the Panel recognizes that this is an evolving process in Africa and elsewhere in the developing world and that several Bank-supported Projects, including the Capacity Building Project which is the subject of this investigation, have components designed to improve the country's governance record and performance.

37. As for human rights, the Panel has examined several reports addressing the situation in the country and the extensive exchange of correspondence between Bank Management and NGOs in Chad and abroad. The Panel takes note of the fact that on more than one occasion when political repression in Chad seemed severe, the Bank's President personally intervened to help free local opposition leaders, including the representative of the Requesters, Mr. Yorongar, who was reported as being subjected to torture. During its visit to Chad, the Panel did not seek out the other opposition leaders in N'Djamena who had been arrested. In the field, however, several local leaders and organizations mentioned to the Panel that, while at times feeling harassed by the authorities, they have expressed their opinions about the Project without incurring physical violence. The Panel observes that the situation is far from ideal. It raises questions about compliance with Bank policies, in particular with those that relate to informed and open consultation, and it warrants renewed monitoring by the Bank.

ECONOMIC COMPLIANCE

Economic Evaluation

38. The Requesters allege that OP 10.04 on Economic Evaluation of Investment Operations has not been complied with. In view of the general nature of this allegation the Panel examined the Bank's actions with regard to the salient provisions. Concerning alternatives, the Pipeline PAD states that design effort for the Project began in 1993 with the consideration of alternatives, and says that it was decided to proceed with the Project because estimates of costs and benefits indicated that the Project would provide net benefits to all parties. As for the 'no project' case, it argues that without the Project Chad would forgo the expected significant net benefits. However, the discussion in the PAD of alternatives for oil field development and oil transportation is limited to two key paragraphs. They contain no quantitative economic evidence to support the findings reported. In the Panel's view this is inconsistent with the emphasis in paragraph 3 of OP 10.04 which states "*Consideration of alternatives is one of the most important features of proper project analysis throughout the project cycle.*" In this respect, therefore, the Panel finds Management not in compliance with OP 10.04.

39. The Panel was struck by the estimated financial returns to Chad over a 28-year period, having regard to the magnitude of the Project, and is concerned that it was unable to find any analysis to justify the allocation of revenues among Chad, Cameroon, and the Consortium. While the Panel recognizes that Management sought to ensure that Chad had access to reputable legal and financial services in its negotiations with the Consortium, it remains concerned about the adequacy of the allocation of revenues to Chad.

40. The economic analysis for the base-case scenario reports switching values for four key variables (capital expenditures, operating costs, crude sales revenue (price) and crude sales revenue (quantity) in relation to the economics of the Project as a whole, but none is reported for regarding the benefits to Chad. Although it can be reasonably argued that this is not strictly a matter of compliance with OP 10.04 (since the switching values are reported for the whole Project), in the Panel's view it would have been appropriate and valuable to supply them. The Capacity Building Project makes provision for technical assistance to place Chad in a position where it can monitor and audit both the oil produced and the revenue generated by

the Pipeline Project. In the Panel's view it is essential that this be made operational before oil production commences and revenues begin to flow.

41. The risk analysis reported in Annex 4 (and elsewhere in the PAD) is broadly in compliance with paragraph 6 of OP 10.04 in that it took, "*into account the possible range in the values of the basic variables*" and assessed, "*the robustness of the project's outcome with respect to changes in these values.*" It also considered the sensitivity of the Project's net present value to changes in certain key variables. Nevertheless, in the Panel's view, a fuller and more systematic examination and explanation of the results for Chad (as opposed to the results for the Project as a whole), including the apportionment of the oil revenues between Chad and the Consortium, would have been desirable.

42. The PAD notes that other economic benefits apart from the direct project revenues included in the economic analysis will be experienced by Chad, but the economic analysis focuses on the direct revenues to Chad. While accepting that some of the '*other economic benefits*' might not have been easy to value, in the Panel's view full compliance with OP 10.04 required a more detailed examination of these other benefits than was reported in the PAD.

43. The Economic and Financial Summary of the Petroleum Economy Project PAD does not attempt to explain why the project represented the least-cost way of attaining the stated objectives. This matters because the PAD does not include an explicit discussion on Economic Analysis, which would normally set out in some detail the satisfaction of the criteria and procedures covered by OP 10.04.

44. The discussion of *Sustainability and Risks* is very brief. This is significant because of the acknowledged complexity of the project's design and the recognition that to avoid the failure associated with development of oil or mineral resources in other Sub-Saharan African countries, Chad must put in place before 2004 the essential building blocks of its strategy for the management of the petroleum economy. In the Panel's view, therefore, a more thorough appraisal of sustainability and risks would have been required in order to ensure proper compliance with paragraphs 5 and 6 of OP 10.04. 45. OP 10.04 states that the main purpose of the analysis of risk is "*to identify the scope for improving project design, increase the project's expected value, and reduce the risk of failure.*" Given the identified weakness in implementation capacity in the Ministries of Environment and of Energy and Petroleum, and the importance of timely implementation of the rapid intervention measures, the Regional Development Plan and the pilot development fund (FACIL), the Panel finds that Management is not in compliance with OP 10.04 in respect of the analysis of sustainability and risk issues.

46. The analysis in Annex 4 of the PAD shows that, consistent with the requirements of OP 10.04, and despite problems of quantification, some detailed attempts were made to take externalities into account, and in several cases to produce cost estimates. The Panel therefore finds Management in compliance with OP 10.04 in respect of its treatment of externalities.

Poverty Reduction

47. Although the Request does not explicitly mention OD 4.15 on Poverty Reduction, issues related to compliance with this policy are addressed in Management's Response. According to Management, the Bank's approach with regard to petroleum revenue management is to help Chad target the bulk of direct oil revenues from the Project to expenditures in priority sectors for poverty alleviation.

48. The Revenue Management Program has detailed rules for the handling and allocation of the oil revenues. The Pipeline PAD notes that 10 percent of royalties and dividends (which represent 85 percent of expected revenues over the first ten years of production) will be invested in long-term external investments,

whose proceeds will be used to benefit poverty reduction programs in the future. The remaining 90 percent will pass through Special Petroleum Revenue Accounts. The Panel recognizes the importance of this but, in its view, it is vital that this be the subject of continued monitoring, review and assessment by an independent body such as the IAG.

49. The Panel recognizes Management's intention to comply with the broad provisions of OD 4.15, and its awareness of the challenges to effectively reduce poverty in Chad. Nevertheless, the Panel has concerns on whether some components of OD 4.15 have been fully met and whether Management has succeeded to put in place sufficient measures to ensure the sustained delivery of poverty reduction outcomes, and hence future compliance with OD 4.15.

50. The Panel's investigation revealed serious concerns about the failure to develop and strengthen the institutional capabilities of the Government of Chad to a level where it could begin to monitor the Project effectively before the revenues start to flow. In this regard, it is vital that the operations of the dedicated special account be subject of continuing monitoring, review and assessment by an independent body such as the IAG.

51. During the Panel's visits to Chad, several local leaders expressed deep reservations on whether Chadians would be the ultimate beneficiaries of the Project. In more specific terms and in relation to the oil-producing region, the Request alleged 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.*" This refers to the 5 percent of royalties from oil revenues over the life of the field project for the producing region. While there are no Bank policies and procedures that directly guide the allocation of resource revenues to producing regions, and consequently no question here of non-compliance with OD 4.15, it would appear that no targeted studies were carried out to determine the appropriate share; nor is there any review of material that might underpin the choice of 5 percent. In the Panel's view, this is a matter of great concern. It is also not clear that Management yet has the information that would enable it to estimate regional shares of planned priority sector expenditures. In the Panel's view, this kind of information is essential if the various stakeholders are to be in a position to debate and argue for appropriate shares in national income and wealth.

52. The Panel is concerned that activities such as project mitigation measures, establishment of FACIL, the completion of a Regional Development Plan, and the establishment of the *Collège de Contrôle et de Surveillance des Ressources Pétrolières* have been running significantly behind schedule while oil field and pipeline development are running ahead of schedule. In the Panel's view, these delays threaten to compromise the delivery of poverty reduction in the later stages of construction and the early stages of operation of the Pipeline Project. Obviously, Management must renew and invigorate its efforts to ensure that the structures created are fully operational before the expected earnings arrive.

53. It is neither obvious to the Panel that the Capacity Building Project nor the Petroleum Economy Project have made appropriate provisions to identify and address the above mentioned types of problems in the areas touched by the Pipeline Project's activities. This is despite their potential to impinge on that Project's potential to attain the poverty reduction envisaged in OD 4.15. Furthermore, it is not obvious to the Panel that there is sufficient communication and coordination between the two projects to rule out the possibility of their becoming poverty-increasing problems which fall between two stools and fail to be identified and addressed. In the light of this, the Panel finds that the Project is not in compliance with these aspects of OD 4.15. The Panel, therefore, reiterates its call for Management to accelerate its efforts to improve the situation on the ground.

54. With regard to the Revenue Management Program, no explicit set of arrangements for dealing with large surpluses and fluctuations that would smoothen out the annual inflows has been agreed upon. Such an eventuality will need to be accommodated to ensure a gradual consistent rise in spending within the bounds of absorptive capacity. In the Panel's view, in order to avoid macroeconomic risks that could jeopardize poverty reduction, Management should have addressed this serious risk to its poverty reduction objectives in a more definite manner than the statement in the Revenue Management Program that "**Revenues** (. . .) *will be sterilized under arrangements acceptable to the Bank.*" In light of this, the Panel finds that Management is not in compliance with the provisions of OD 4.15 concerning risk analysis and institutional design.

PROJECT MONITORING AND SUPERVISION

55. The Panel had expressed its concern about delays in establishing local capacity required to monitor effectively the Project in order not to compromise its long-term sustainability. At the same time, the Panel wishes to express its satisfaction that Management has established a strong external Project monitoring capacity in the form of the IAG and the External Compliance Monitoring Group (ECMG). Under the circumstances surrounding the Project, they clearly have a very important role to play. The Panel would urge the Board to ensure that this function is sustained for as long as necessary and certainly well beyond disbursement of the loans in question.

CHAD

Summary of Management Response August 21, 2002

56. Management has considered fully the findings of the Panel's Report, as shown in Annex 1, and has developed concrete actions to address outstanding issues, both those in which the Panel raises questions about compliance with Bank policies and procedures and its more general suggestions to improve the effectiveness of the three Projects. Management proposes the following actions, presented in Table 3 below.

Table 3. Proposed Man

<i>ACTION</i>	<i>ISSUE</i> <i>(numbers in parentheses refer to the Panel's findings and Management's comments in Annex 1)</i>
Environmental and Social Compliance	
<p>Regional Development Plan (RDP) and 1999 EA/EMP - Management will intensify its efforts to work with the relevant Chadian agencies to prepare the RDP, in lieu of revising the 1999 EA/EMP, to address spatial issues and satisfy the objectives of Regional EA. A consultant contract award for RDP services is expected by end September 2002 with a final plan due in April 2003.</p> <p>Management will also request the opportunity for dialogue with the Inspection Panel to exchange views on the spatial context for the Petroleum Development and Pipeline Project and the application of Regional EA.</p>	OD 4.01: Spatial context, Regional EA and cumulative impacts (2, 4, 5 and 7)
Expert Advisory Panel - In May 2002, GOC received bids for another Expert Advisory Panel and selection is expected shortly.	

<p>Management will involve the Quality Assurance and Compliance Unit (QACU) of ESSD and the safeguards team of the Africa Region in the formal review of the reports and recommendations prepared by this panel. These reviews will support the supervision and monitoring activities of the Bank. Management will facilitate coordination between this panel and other groups involved in the Petroleum Development and Pipeline Project's implementation and monitoring.</p>	<p>OD 4.01, paragraph 13: Expert Advisory Panel involvement during EA formulation (6)</p>
<p>Baseline Data - Management will continue to monitor implementation of the 1999 EA/EMP in order to address linkages of the baseline situation to success or failure of mitigation measures and will follow up on recommendations of the ECMG and the IAG regarding baseline data linkages to impacts and mitigation.</p> <p>Management will facilitate the provision of new economic, demographic, social and health data to the GOC and RDP preparers. The RDP is expected to consider health and socio-demographic issues and impacts.</p>	<p>OD 4.01, Annex C, paragraph 2: Baseline data linkages to impacts and mitigation (8)</p> <p>Baseline data to compare health impacts pre- and post-oil (9)</p>
<p>Consideration of Alternatives — The Petroleum Development and Pipeline Project is being implemented based on the preferred alternative presented in the 1999 EA/EMP and in the PAD approved by the Board in June 2000. Management will request the opportunity for dialogue with the Inspection Panel to exchange views on methodologies for comparison of alternatives used in the Project.</p>	<p>OD 4.01, Annex B, paragraph 2 (f): Panel notes satisfaction with justification for selected alternative but questions lack of environmental cost-benefit analysis and economic valuation of environmental impacts of alternatives (10)</p>

<i>ACTION</i>	<i>ISSUE</i> <i>(numbers in parentheses refer to the Panel's findings and Management's comments in Annex 1)</i>
<p>Institutional Capacity - Management has strengthened its field presence in Chad and will provide continued monitoring and supervision on a regular basis from both Bank headquarters and its field offices to ensure that progress in capacity-building is sustained.</p>	<p>OD 4.01: Institutional capacity, particularly in respect to CTNSC (11)</p>
<p>Monitoring - Management is committed to continued monitoring through its own supervision efforts and the independent monitoring of the ECMG and the IAG.</p> <p>Management is continuously monitoring progress in preparation of sound NOSRP and ASOSRPs, consistent with the standards of the International Petroleum Industry Environmental Conservation Association (IPIECA) and the 1999 EA/EMP. Management will follow up to ensure that disclosure and consultation are carried out appropriately</p>	<p>Panel urged continued monitoring of a number of issues:</p> <ul style="list-style-type: none"> • Oil spills I ASOSRP (13) • Regional water contamination (14) • Local potable water contamination (15) • Contamination of surface/groundwater from drilling (16) • Air pollution (17) • Avoidance of Ogoniland, Nigeria situation – (21) • Compensation (25)

The RDP will incorporate concerns regarding regional water management, including provision of clean drinking water. ASOSRPs will contain scenarios located in the drainage area of Lake Chad.	
Consultation - Management will continue the consultation efforts and will pursue the establishment of a permanent framework for dialogue. In November 2001, the Bank engaged a communications expert to assist the GOC; discussions are focusing on upgrading radio station facilities in southern Chad and organizing regular Information Caravans to the villages in the Project area.	OD 4. 01, paragraph 19: Consultation -Panel commends efforts and urges that they continue (22, 28)
Economic Evaluation	
Economic Analysis - Management will continue to monitor implementation of the Petroleum Sector Management Capacity-Building Project, including monitoring of the training program for staff of the Petroleum Directorate and recruitment of 10 Chadian controllers. Management will also follow up on the potential need to hire international experts under the Capacity-Building Project.	Technical assistance to monitor and audit oil produced and revenue generated – essential that this is operational before oil production commences (31)
Other Economic Benefits. Although no action is feasible with respect to the PAD itself, Management will continue to monitor and collect data on the economic benefits of the Project.	OP 10.04: More detailed examination of other economic benefits desired in the PAD (32)
Sustainability and Risks - Management has intensified supervision, notably by the assignment of senior staff members to the Chad office, and will continue its efforts to support accelerated implementation by GOC of measures to build capacity in environment and petroleum revenue management.	OP 10.04: Analysis of risks and sustainability in Management of the Petroleum Economy Project and Petroleum Sector Management Capacity-Building Project (34)

ACTION	ISSUE <i>(numbers in parentheses refer to the Panel's findings and Management's comments in Annex 1)</i>
Poverty Reduction	
PRMP - Handling and Allocation of Oil Revenues - Management has intensified supervision of the Project, notably by the appointment of senior staff members to the Bank's Chad office, and remains	OD 4.15: Future compliance with OD 4.15 – sufficiency of measures to deliver poverty reduction outcomes are of concern; vital to

<p>committed to supervise and help strengthen monitoring of PRMP implementation. Management is also committed to the continued monitoring, review and assessment of its implementation by the IAG.</p> <p>In addition, Management will continue to pursue the actions that are being taken outside the scope of the three Projects to assist GOC to put in place long-term economic and budget management capacity.</p>	<p>have continuing monitoring, review and assessment of handling and allocation of oil revenues by an independent body such as the IAG (35)</p>
<p>PRMP - Institutional Capabilities and Monitoring- Management is committed to continued monitoring, review and assessment by the IAG and will continue to implement measures recommended by the IAG as appropriate.</p>	<p>Petroleum Revenue Management Program and institutional capabilities and monitoring - vital that the dedicated Special Accounts be subject of continuing monitoring, review and assessment by an independent body such as the IAG (36 D)</p>
<p>Allocation of Resources to Producing Regions - Management and the GOC will continue to carry out work underway in the Public Expenditure Review (PER) to determine regional patterns of public expenditure and to define the specific modalities by which decentralized local structures will manage the additional 5 percent of petroleum revenues reserved for the producing region.</p>	<p>Allocation of resources to producing regions - information essential for stakeholders concerning appropriate shares in national income and wealth (37)</p>
<p>Implementation Delays and Accelerated Action - Management remains committed to continue its intensified supervision efforts in the future. As per the Panel's suggestion, Management will pursue efforts to improve the situation on the ground. IAG and ECMG will also continue their regular monitoring and assessment of the Petroleum Development and Pipeline Project.</p>	<p>OD 4.15: Future compliance in jeopardy if implementations delays are not addressed (38A and 38E).</p>
<p>Community and Entrepreneur Needs, Commodity Price Increases - Management will follow up on assisting GOC to accelerate measures on serving community needs through FACIL and to implement progress on the Chad/Cameroon SME initiative and IDF Grant. Management will also follow up on issues related to price inflation.</p>	<p>Priority community needs in danger of not being fulfilled (38B) No evidence that capacity-building and support for entrepreneurs are in place (38C) Affordability of goods and services to the poor (38D)</p>
<p>Possible Variations in Oil Revenue Inflows - Together with the IMF, Management is currently discussing with GOC the modalities that would apply to the sterilization of unused funds held for future</p>	<p>OD 4.15: Risk analysis and institutional design – poverty reduction jeopardized by possible variations in oil revenues inflows (39)</p>
<p><i>Monitoring and Supervision</i></p>	
<p>Continued External Monitoring - IDA is seeking replenishment of the Trust Fund to finance the work of the IAG. The ECMG will remain in place to monitor the Petroleum Development and Pipeline Project four to five times per year during construction and a minimum of once per year during the 13-year life of the loan.</p>	<p>IAG and ECMG work urged to continue as long as necessary and well beyond disbursement of loans (40)</p>

RESUME DU PROJET DE RAPPORT D'ACHEVEMENT DU PROJET

TCHAD-CAMEROUN

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I- INTRODUCTION

L'introduction du présent rapport fait la genèse du Projet d'Exportation Tchadien, depuis la déclaration de la commercialité des trois champs de Komé, Miandoum et Bolobo en 1990, jusqu'à la date du premier chargement du Brut de Doba vers les marchés internationaux le 03 octobre 2003 à partir de Kribi au Cameroun.

II- ADMINISTRATION

En vue d'assurer l'exécution des activités relatives au Projet d'Exportation Tchadien (Projet DOBA) ainsi que le suivi des projets annexes, il est créé une Coordination Nationale par décret N°339/PR/2000 du 09 août 2000, dont la mission essentielle consiste à:

- coordonner les activités physiques du Projet ;
- suivre la bonne exécution des activités relevant du Consortium, de TOTCO et COTCO, en particulier du respect de calendrier de réalisation du Projet et de la construction du Pipeline ;
- suivre le respect par le Consortium et ses contractants des accords relatifs au Projet d'Exportation et autres accords y relatifs, notamment :le Plan de Gestion de l'Environnement (PGE), le Plan National en cas de Déversement Accidentel d'Hydrocarbure (PNDAH), le Plan de Compensation et de Réinstallation (PCR) ;
- suivre la bonne mise en œuvre des investissements sociaux à réaliser dans la zone du Projet prévus par le Plan de Développement Régional (PDR) et de programmes de renforcement des capacités.

Pour l'accomplissement de sa mission, la Coordination Nationale s'appuie sur les structures suivantes:

- le Comité Technique National de Contrôle et de Suivi des aspects environnementaux (CTNSC) ;
- l'Unité Projet Doba.
- le Fonds d'Actions Concertées d'Initiatives Locales (FACIL) ;
- la Cellule Economique ;
- le Projet de Gestion de l'Economie à l'Ere Pétrolière (GEEP) ;
- le Secrétariat National de Renforcement des Capacités (SENAREC).

II-1 REALISATIONS

- Elaboration de trois avis juridiques pour l'octroi des prêts IDA, BIRD et BEI ;
- Inscriptions hypothécaires des concessions en collaboration avec le

Ministère du Pétrole, la Direction en charge des Domaines et de la Conservation Foncière et d'un notaire désigné ;

- Négociations pour l'extension au public de l'utilisation du Câble à fibre optique ;
- Facilitation des opérations d'importation de biens et équipements dans le cadre du Projet ;
- Signature des nouveaux textes relatifs au Travail Extra Légal et Certificat d'origine ;
- Création d'une cellule de suivi des travailleurs expatriés et homologation et formation des travailleurs nationaux aux travailleurs expatriés ;
- Elaboration des Conventions d'entreprises pour les travailleurs nationaux ;
- Résolution des conflits des travailleurs ;
- Elaboration d'une étude relative à la démobilisation et réinsertion des travailleurs nationaux en fin de contrat ;
- Organisation des journées d'information publique à l'endroit des travailleurs et des populations ;
- Révision du Système de communication téléphonique à KOME
- Organisation des réunions d'échanges et d'information ;
- Soutien aux hommes d'affaires nationaux auprès du Consortium
- Mise sur pieds de la Commission Tchad-Cameroun, etc..

II-2 DIFFICULTÉS

Les difficultés sont rencontrées dans les domaines suivants :

- Recrutement du personnel ;
- Communication/information ;
- Assurances ;
- Micro finance ;
- Opportunités d'affaires ;
- Démobilisation ;
- Voyages d'études ;
- Ouvrages ;
- Sécurité.

III-ASPECTS TECHNIQUES

III-1 DEVELOPPEMENT

Le développement des champs des champs de Komé, Miandoum et Bolobo dans le bassin de Doba au Sud du Tchad est dirigé par Esso Exploration & Production (EEPCI) pour le compte du Consortium composé du Groupe Esso, Chevron et Pétronas.

Réalisations

- Construction des camps de Base-Vie ;
- Construction du Centre de Traitement de Komé-5 ;
- Construction du Centre de collecte et de traitement de Komé-5 ;
- Construction de la Centrale Electrique ;
- Construction de l'Unité de stockage et d'expédition du brut (PS1) ;
- Construction du Centre de commande et de contrôle ;
- Construction des installations de surface, forage et production des champs de Miandoum, Komé et Bolobo.

III-2 PRODUCTION DES HYDROCARBURES

La production des trois champs a commencé respectivement par celui de Miandoum en juillet 2003, Komé en février 2004, Bolobo en août 2004 et Nyan en juin 2005.

Le plateau de production de 225 000 barils par jour prévu par le Consortium n'a jamais été atteint. Actuellement la production tourne autour de 170 000 barils par jour.

La production cumulée depuis juillet 2003 à octobre 2005 est de 128 475 996 barils.

III-3 TRANSPORT ET EXPORTATION DU BRUT

Le brut de Doba est exporté à travers un pipeline de 1070 km jusqu'au terminal maritime de Kribi au Cameroun où des navires viennent s'alimenter à destination des marchés mondiaux.

L'exportation du brut tchadien est assurée par les trois membres du Consortium, à savoir Esso, Chevron et Pétronas.

Le volume des ventes depuis octobre 2003 à octobre 2005 est de 123 816 320 barils.

III-4 COMMERCIALISATION DU BRUT

Le pétrole tchadien est commercialisé par les trois membres du Consortium à partir de Kribi, l'Etat tchadien perçoit en espèce 12,5% de redevance sur les volumes vendus.

Jusqu'en octobre 2005, la redevance perçue par le Tchad s'élève à 374 545

669,08 dollars US.

III-5 DIFFICULTÉS RENCONTRÉES

- Pannes récurrentes des équipements
- Défaillance mécanique des équipements
- Diminution des réserves
- Non respect du profil de production prévisionnel
- La percée d'eau

IV- ASPECTS ENVIRONNEMENTAUX

Créé par décret N° 298/PR/MTE du 10 juillet 1997 pour le Projet Doba, Comité Technique National de Suivi et de Contrôle (CTNSC) a pour mandat de surveiller la mise en œuvre du Plan de Gestion de l'Environnement (PGE) du Projet de Doba et de façon plus générale, de s'assurer que le développement du secteur pétrolier ne se réalise pas au détriment des populations et de l'environnement. Il est constitué de: (a) un organe de réflexion et d'orientation de 24 membres, présidé par le Secrétaire Général du Ministère de l'Environnement et de l'Eau, (b) une équipe de 9 personnes basée à N'Djamena, placée sous la responsabilité d'un Secrétaire Exécutif (SE), et (c) une équipe de 17 personnes, basée sur le terrain et placée sous la responsabilité d'un Superviseur sur Site répondant au SE.

Le CTNSC dispose d'un Manuel d'Exécution qui est destiné à assurer la bonne exécution du projet de développement et d'exportation des ressources pétrolières de Doba par le renforcement des capacités du Tchad dans le domaine du développement du secteur pétrolier, en conformité avec les accords de financement et notamment le Crédit IDA 3373.

IV-1 INDICATEURS DE PERFORMANCE DU PROJET

Au total cinq (5) indicateur ont permis de gérer les paramètres suivants du Projet :

- Suivi efficace de l'exécution du Projet d'Exportation Tchadien ;
- Bonne Gouvernance ;
- Objectif de développement - Amélioration de l'infrastructure sociale et création d'emploi dans la zone de production ;
- Les extra Projets ;
- Accroissement sensible des prises de contact entre le Gouvernement et les investisseurs potentiels.

IV-2 IMPACTS DU PROJET

Les impacts du Projet d'Exportation Tchadien sont d'ordre écologique, et

institutionnel.

Les impacts écologiques vont dans le sens d'une contribution à la protection de l'environnement conformément au PGE.

Aucun cas de non conformité de niveau 3 n'a été relevé par les surveillants du CTNSC

Les impacts institutionnels vont dans le sens d'améliorer d'une part, des capacités des équipes du CTNSC basée à N'Djaména et Komé à remplir leur important mandat de régulateur et garant de la protection de l'environnement lors du développement du secteur pétrolier et d'autre part à pallier les insuffisances du cadre législatif et réglementaire, par l'élaboration de directives afin de permettre au Gouvernement tchadien de baliser la voie en la matière, de manière à orienter les pétroliers à s'engager sur un cadre précis, dans l'attente de textes réglementaires spécifiques qui seront inclus lors de la réforme législative environnementale. Ces directives permettront au CTNSC d'encadrer les campagnes de prospection d'ores et déjà en cours pour assurer le suivi et le contrôle de la gestion environnementale dans son sens large.

Il est important de noter que jusqu'à ce jour, plusieurs sociétés détentrices de permis d'exploration ne sont pas assujetties légalement à suivre des normes environnementales pour la protection de la nature, du patrimoine culturel, et des intérêts des populations locales (Consultations publiques, compensations, et la divulgation d'informations durant ces activités).

IV-3 COMMENTAIRES SPECIFIQUES SUR LA GESTION DU PROJET

La gestion du Projet est encadrée grâce aux mécanismes de contrôle et de supervision mis en place avec les 7 niveaux de supervision indiqués ci-dessous :

- Niveau 1: Activités du Consortium Pétrolier ;
- Niveau 2: Activités des Gouvernements (Tchad/Cameroun) ;
- Niveau 3: Activités du Groupe Externe de monitoring (ECMG & GIC) ;
- Niveau 4: Activités du Groupe Banque Mondiale;
- Niveau 5: Activités du PCI ;
- Niveau 6: Activités de la Société Civile ;
- Niveau 7: Activités du Panel d'Inspection ;

IV-4 PERFORMANCE DE L'EMPRUNTEUR

La performance de l'emprunteur est satisfaisante au regard des indicateurs de performance du Projet.

IV-5 PERFORMANCE DU BAILLEUR

La réussite de l'exécution du Projet, certifie la performance du bailleur.

IV-6 PRINCIPALES DIFFICULTES

- Démarrage tardif du Projet dans les deux pays ;
- Lenteur des mesures de développement institutionnel par rapport à la construction du Projet ;
- Lenteur par les procédures de décaissement de la Banque Mondiale ;
- Mauvaise exécution des plans de formation ;
- Non finalisation des Plans Nationaux de Déversements Accidentels ;
- PDR/EER ne son pas disponibles.

IV-7 CONCLUSION PARTIELLE

La protection de l'environnement est véritable facteur de développement.

V- DIMENSION ECONOMIQUE

V-1 INVESTISSEMENTS

Le coût de la construction du projet était estime à 3,724 Milliards de Dollars et reparti comme suit :

Installation de surface sur champs (y compris le forage, pipeline inter- champs, centre des opérations et acquisition de la terre) : 1.521Millions de Dollars.

Système de transport (y compris les tuyaux, la construction de pipeline, l'entrepôt flottant et le bateau de chargement, des stations de pompage et l'acquisition du droit de passage du pipeline) 1.568 Millions Dollars.

Coûts financiers (y compris les intérêts pendant la construction, les frais de créditeurs et la consolidation des comptes de réserve des services de dettes): 634 Millions Dollars.

V-2 RETOMBÉES ECONOMIQUES DU PROJET

A) Le FACIL

Le FACIL comme mesure d'accompagnement du PET mise en place parle Gouvernement dans le but, dans un premier temps, d'atténuer les impacts

sociaux négatifs du projet et ensuite de valoriser les retombées positives du projet d'exportation tchadien dans la zone des installations de surface et de tracé du pipe-line. Il a pour objectif global de contribuer au développement économique et social durable de la zone intéressée par le Projet d'Exportation Tchadien par :

1. l'amélioration des conditions de vie des populations locales en contribuant à leur donner un meilleur accès aux infrastructures et aux services sociaux et économiques de base ;
2. l'accroissement des revenus des populations et contribuer à la réduction de la pauvreté par la création d'emplois temporaires et/ou permanents, le développement d'activités génératrices de revenus, la création d'opportunités économiques et le renforcement des capacités des petites et micro entreprises.

Réalisations :

➤ **Vingt deux (22) micro projets d'infrastructures ;**

Le coût total de ces réalisations est de 605 millions FCFA. Les travaux ont été réalisés à 100% par les artisans et les micros entreprises de la région.

➤ **12 micro projets de renforcement de capacités ;**

Le coût de mise en oeuvre des micros projets de renforcement des capacités est de 129,3 millions FCFA.

➤ **6 programmes de micro crédit pour un coût total de 481,5 millions de FCFA** dont 354,7 millions FCFA ont permis d'octroyer un millier de crédits touchant environ 8000 bénéficiaires.

Leçons tirées de la mise en oeuvre du FACIL

Le FACIL semble répondre à un besoin des communautés de la zone pétrolière au vu du nombre des requêtes formulées par elles et qui sont parvenues au bureau du FACIL en si peu de temps. Sur une zone d'intervention composée de 13 cantons et 4 communes, soit le quart de la région administrative du Logone Oriental, le FACIL a enregistré :

- 233 requêtes d'infrastructures socio-économiques de base : infrastructures scolaires, sanitaires, de fourniture d'eau potable, de franchissement de cours d'eau, d'aménagements hydro agricoles... Etc.
- 238 requêtes de renforcement des capacités et développement local relatives à diverses activités, à l'appui institutionnel et aux techniques de montage et de gestion des projets de développement,
- 1795 requêtes de micro crédit dans des domaines aussi variés que les activités de production et de commercialisation dans la zone.

V-3 RETOMBEES FISCALES ET PARAFISCALES LIEES DIRECTEMENT OU INDIRECTEMENT AU PROJET PETROLE

La contribution du secteur pétrole ou du moins les retombées fiscales du Projet Pétrole sont très importantes et concourent d'une manière ou d'une autre à la réalisation des objectifs budgétaires notamment en ce qui concerne le recouvrement des recettes fiscales.

La Contribution dans le budget de l'Etat des entreprises travaillant pour le compte du Projet pétrole au regard des impôts et taxes payés se chiffrent pour

les années 2002 à fin 2004 à : 60 ,647 milliards f CFA notamment et se répartissent comme suit :

Ces retombées fiscales ont substantiellement amélioré le niveau des recettes de l'Etat. A titre d'illustration, les recettes budgétaires de l'année 2004 se sont inscrites en forte hausse (63,4%) pour se situer à 217,5 milliards dopées principalement par les revenus pétroliers qui sont passés de 10,6 milliards en 2003 sur trois mois à 69,8 milliards en année pleine en 2004. Ces effets induits ont amené les recettes non pétrolières en augmentation de 20,5% pour s'établir à 147,6 milliards contribuant ainsi à des bonnes performances des Administrations Fiscale et Douanière.

A) L'impact du projet sur l'évolution de la croissance économique.

Sur le plan intérieur :

L'exportation du pétrole à partir du dernier trimestre 2003 a contribué à une amélioration rapide du PIB du pays depuis le début des activités de construction à la fin de l'année 2000. De 990 milliards de Fcfa en 2002 le PIB réel est passé à 1 444 milliards en 2004, soit un accroissement de plus de 21% en 2 ans, ce qui est assez considérable.

Sur le plan extérieur :

Le déficit du compte courant extérieur (hors transferts officiels) a continué à se résorber ,passant de 41,8 % du PIB en 2003 à 19,4 % en 2004.Cette performance s'explique par l'augmentation des exportations de pétrole et la forte décélération des importations consécutive à l'achèvement de la construction du site d'exploitation pétrolière ainsi que la partie tchadienne de l'oléoduc Tchad Cameroun.

Pendant ces périodes de construction et d'exportation du brut, le déficit considérable des transactions courantes s'est réduit revenant de 444,2 milliards(28,9% du PIB) en 2003 à 156,1 milliards (7,6% du PIB) en 2004, en relation avec le redressement significatif de l'excédent de la balance commerciale, surtout pétrolier (762,8 milliards en 2004, contre un déficit de 104 milliards en 2003) et ce malgré une dégradation de près de moitié du solde négatif des paiements au titre des services (636 milliards contre 439,1 milliards précédemment) et une aggravation au titre des revenus, notamment des dividendes pétroliers (366,4 milliards contre des entrée de 51,3 l'année précédente).

B) L'analyse des emplois créés et leur pérennité

Depuis le début de la construction du pipeline, le niveau de l'emploi a atteint son apogée 13156 employés toutes nationalités confondues dont 4700 tchadiens. Pendant les deux premières années de la construction, le chiffre

était beaucoup élevé et représentait 90% de la main d'œuvre totale. Cependant, le pourcentage de la main d'œuvre nationale a diminué au cours des derniers mois de 2000 à cause du grand nombre des ouvriers qualifiés Philippins.

Il faut souligner que ces philippins sont venus avec l'assistance et l'accord de la Coordination Nationale de la République du Tchad et l'Office National d'Appui à la Promotion de l'Emploi (ONAPE) afin d'accélérer le rythme de construction et d'assurer que les installations de la zone de développement des champs pétroliers soient conduites conformément aux normes rigoureuses de qualité du Projet. Les salaires versés à ces employés tchadiens s'élevaient à fin 2002 à 4,1 milliards de FCFA. En tout, depuis le démarrage du projet il a été versé au titre des salaires quelques 72 milliards de FCFA (110,8 millions de Dollars) dont 38 milliards environ revenant aux employés nationaux (soit 24,66 millions de Dollars).

C) la compétitivité de l'économie tchadienne

La compétitivité d'une économie peut être définie, de manière liminaire, comme la capacité d'un pays à assurer à moyen terme le financement de ses relations internationales à un niveau satisfaisant de son activité. Cette définition large inclut les entrées et les sorties de capitaux (investissements directs comme investissements de portefeuille) tout comme les revenus de facteurs (dont le paiement des intérêts de la dette), et il semble préférable dans un premier temps de l'appliquer essentiellement aux relations commerciales, importation et exportation de biens et de services.

La capacité de vendre les productions domestiques à l'extérieur, à des conditions rentables (couverture des coûts) dépendra alors de deux sortes de compétitivité, la compétitivité prix et la compétitivité hors prix, cette dernière étant liée à la qualité de la spécialisation de l'économie.

Il apparaît alors que c'est la qualité de la spécialisation, l'adéquation de la structure productive domestique à la structure de la demande domestique et de la "demande intérieure mondiale" qui déterminera en bonne partie les effets favorables ou non de l'ouverture sur la croissance et le développement des pays, les pays pouvant se spécialiser dans la production de bien relativement peu concurrencés, "nouveaux", bénéficiant donc d'un avantage certain par rapport à ceux qui doivent se cantonner dans la production de biens "banalisés", et concurrencés.

A ce sujet, situons le Tchad par rapport à ses définitions générales et l'indicateur de compétitivité I_c :

- $I_c > 1$ implique que, même sur son propre territoire, le produit domestique est plus onéreux que le produit étranger: il n'est donc pas

compétitif, et encore moins sur les marchés tiers. Le Tchad s'y retrouve en ce qui concerne ses produits traditionnels notamment ceux du coton et de l'élevage

- $Ic < 1$ implique que le prix du produit domestique est moins élevé que celui du produit étranger concurrent, et que, au moins sur le territoire domestique, ce produit est compétitif; sa compétitivité sur les marchés tiers dépendra du différentiel existant entre le droit de douane levé à l'importation du produit concurrent étranger et le différentiel de coût hors douane. Là également il s'y retrouve avec certains produits plus le pétrole dont la fixation de prix dépend de plusieurs paramètres internationaux.

En conclusion, de tous ces points traités, il y a ceux qui ont des effets immédiats dont les résultats sont palpables ; par contre, d'autres ont des effets induits, non perceptibles sur l'économie.

Par ailleurs, les retombées pourraient être encore intéressantes si certains termes de la convention pourront être clairement définis et si le Consortium joue le jeu en faisant une délimitation réelle du champ d'application de certains impôts et taxes. Tel en est le cas de l'imposition des frais de siège, d'étude et d'assistance technique versés par les contractants et sous-traitants à leur siège.

V-4 POINTS DE LITIGES

Le litige né entre la République du Tchad et le Consortium est dû le plus souvent à une interprétation divergente des textes en vigueur au Tchad et de la Convention de 1988 et ses avenants.

Les points suivants font l'objet de Négociations :

- Le point de mesure de la production totale des hydrocarbures et la détermination de la redevance sur la production totale des hydrocarbures.
- périmètre d'exonération de la T.V.A ;
- Les royalties à payer par le contractant Schreiner à TOUMAÏ AIR Tchad.

Les points suivants ont fait l'objet d'un règlement négocié :

- La limitation de la déductibilité au titre de l'impôt sur les Sociétés, des frais de siège et de l'assistance technique étrangère des contractants du Consortium basée sur l'ordonnance de 1992 ;
- Les assurances ;
- Le Certificat d'origine de la chambre de commerce.

V-5 CONCLUSION PARTIELLE

1. l'exécution du projet a été écourtée de près d'une année sans le moindre justification économique ;
2. le coût total de construction prévu dans la demande de Concession (document de base à la ratification de la Convention) est de 1.542.000.000 \$US contre le coût réellement exécuté qui est de l'ordre de 2.079.600.000 \$US ;
3. le coût de la construction a donc augmenté de 537,4 millions \$US ;
4. l'accélération de la production pour profiter des retombées de l'augmentation du prix du brut sur le marché international et de la disponibilité du pipeline a engendré des dépenses d'exploitation supplémentaires à celles prévues dans la Demande de Concession. Ainsi, les chiffres communiqués par Esso font ressortir que les dépenses d'exploitation de 2003 à 2005 seront de l'ordre de 402 millions \$US, somme qui dépasse de 27% les dépenses d'exploitation prévues dans la Demande de Concession.
5. le fait le plus marquant est celui de la décote qui ne cesse d'évoluer car nous enregistrons son augmentation au jour le jour (de 4\$ à 19\$) ;

VI- GESTION DES REVENUS PETROLIERS

VI-1 CONTROLE ET DE SURVEILLANCE DES RESSOURCES PETROLIERES

1)- Cadre juridique

Le Collège de Contrôle et de Surveillance des Revenus Pétroliers est un organe de contrôle indépendant, créé par la Loi n° 001/PR/99 du 11 Janvier 1999 et modifiée par celle n° 016/PR/2000 du 18 Août 2000. L'objectif principal ayant conduit à la création du Collège est l'assurance voulue par le Gouvernement que les revenus pétroliers du Tchad sont utilisés pour la lutte contre la pauvreté. A ce titre, le CCSRP veille à ce que les revenus du pétrole issus de l'exploitation des trois champs de Komé, Miandoum et Bolobo à savoir les recettes directes (dividendes et redevances), les recettes indirectes (impôts, taxes et droits de douane liés à l'exploitation pétrolière), soient rigoureusement comptabilisés dans les comptes de l'Etat selon les textes réglementaires nationaux et les normes internationales, avec sincérité et dans la transparence, de manière à ce qu'il n'y ait aucun manque à gagner pour le Tchad.

VI-2 ROLE DU COLLEGE DANS LES PRINCIPALES ETAPES DE LA PREPARATION DU BUDGET

Le Décret n° 240/PR/MEF/03 portant organisation, fonctionnement et condition du contrôle et de surveillance du Collège de Contrôle et de Surveillance des Ressources Pétrolières, définit clairement les modalités d'interventions du CCSRP à chacune des étapes de la préparation et de l'exécution du Budget Général de l'Etat et particulièrement le chapitre concernant les ressources pétrolières. Selon les dispositions de l'article 26 du Décret n° 240/PR/MEF/03, le Collège :

- reçoit la lettre de cadrage du ministère de l'économie et des finances et les avant-projets de budget et budget programmes à moyen terme des Ministères prioritaires, accompagné d'un rapport de chaque ministère sur le suivi et les niveaux d'indicateurs inscrits dans les budgets de programme de l'année précédente ;
 - participe aux discussions budgétaires relatives aux Ministères prioritaires ;
 - reçoit le projet de budget du ministère de l'économie et des finances dix jours avant sa discussion au Conseil des Ministres.
-
- s'assure si les montants alloués sont conformes à la stratégie de réduction de la pauvreté telle qu'élaborée à cet effet. En cas d'incohérence, le Collège fait des observations qu'il transmet avant l'adoption du projet du budget au gouvernement.
-
- reçoit le projet de budget dès son approbation par le Conseil des Ministres pour s'informer des changements éventuels avant qu'il soit envoyé à l'assemblée nationale avec ses observations.

Au niveau de l'exécution du budget, les marchés des Ministères Prioritaires sont approuvés par le Collège conformément au plan annuel de passation de marché élaboré par lesdits Ministères et de commun accord avec le Collège.

Le Collège reçoit de la direction générale des marchés publics l'ensemble des documents afférents à l'attribution des marchés et s'assure du respect des procédures de passation et d'exécution des marchés publics, notamment que les appels d'offre soient ouverts et que le dépouillement et l'attribution se passent dans les conditions de transparence absolue. A cet effet, le Collège reçoit les rapports de la sous-commission technique concernant l'évaluation des offres et celui de la Commission d'Appel à la concurrence sur l'attribution des marchés. Il s'assure que les règles en vigueur ont toutes été respectées et sont en conformité avec le code des marchés publics.

Le collège, a cinq jours francs pour donner son avis sur les engagements et les décaissements, passé ce délai et en l'absence de refus écrit, l'accord du collège est considéré comme obtenu ; en cas de désaccord avec les services

en charge de l'exécution de la dépense sur une autorisation de paiement, la décision est soumise à l'arbitrage final de la Cour Suprême.

VI-3 LA MISE EN ŒUVRE DU PROGRAMME DE GESTION DES REVENUS PETROLIERS

La mise en œuvre du Programme de Gestion des Revenus Pétroliers conformément au mandat du Collège n'a pas rencontré des difficultés majeures. Les difficultés identifiées au début du processus ont été très vite réglées grâce à la volonté de coopération des Institutions de l'Etat.

VI-4 REVENUS PETROLIERS PERCUS PAR LE GOUVERNEMENT

Les revenus prévus pour le gouvernement du Tchad comme résultats directs du projet sont les suivants :

Le paiement de royalties (redevances) ;

Revenus sur les sociétés du consortium ;

Revenus sur les sociétés payés par TOTCO ;

Les dividendes dues à sa participation dans TOTCO et COTCO.

VI-5 EVALUATION DES PREMIERS RESULTATS DE L'ALLOCATION DES RESSOURCES DANS LES SECTEURS PRIORITAIRES, NOTAMMENT L'IMPACT SUR LA QUALITE DE VIE DES POPULATIONS.

Il serait trop tôt de parler de l'évaluation des premiers résultats de l'allocation des ressources pétrolières dans les Ministères Prioritaires en terme de l'impact sur la qualité de vie des populations. Pour arriver à une appréciation cohérente, il serait nécessaire d'attendre l'analyse des indicateurs de suivi de la Stratégie Nationale de réduction de la Pauvreté (SNRP) et aussi organiser une enquête en terme d'études d'impact auprès des zones dans lesquelles les projets sociaux des Ministères Prioritaires sont exécutés.

REPUBLIQUE DU CAMEROUN

COMITE DE PILOTAGE ET DE SUIVI DES PIPELINES

PROJET PIPELINE TCHAD/CAMEROUN

RAPPORT D'ACHEVEMENT DE LA CONSTRUCTION

JUILLET 2005

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Abréviations

ATP	Autorisation de Transport par Pipeline
BEI	Banque Européenne d'Investissement
BIRD	Banque Internationale pour la Reconstruction et le Développement
CAPECE	Projet de Renforcement des Capacités de Gestion Environnementale dans le secteur pétrolier
CED	Centre pour l'Environnement et le Développement
CNLS	Comité National de Lutte contre le Sida
COTCO	Cameroon Oil Transportation Company S.A.
CPSP	Comité de Pilotage et de Suivi des Pipelines
FOCARFE	Fondation Camerounaise pour une Action Rationalisée des Femmes sur l'Environnement
GIC	Groupe International Consultatif
IDA	International Development Association
OHADA	Organisation pour l'Harmonisation en Afrique du Droit des Affaires
ONG	Organisation Non Gouvernementale
PGE	Plan de Gestion de l'Environnement
SFI	Société Financière Internationale
SNH	Société Nationale des Hydrocarbures
TOTCO	Chad Oil Transportation Company S.A.
VIH/SIDA	Virus d'Immunodéficience Humaine / Syndrome d'Immunodéficience Acquis

Introduction

Des découvertes pétrolières ont été faites dans le sous-sol tchadien, notamment au Sud-Ouest de son territoire, dans le bassin de Doba. Aussi, pour permettre l'exportation de ce pétrole vers les marchés internationaux, la République du Cameroun a accordé à la République du Tchad, Etat sans littoral, un droit d'accès à la mer en acceptant la construction et l'exploitation sur son territoire d'un pipeline.

Ce pipeline d'une longueur de 890 kilomètres comprend une partie terrestre et une partie maritime, ainsi que des installations annexes, notamment deux stations de pompage, une de réduction de pression et un terminal flottant de stockage et de déchargement.

Pour la réalisation de cet important ouvrage, un consortium de sociétés pétrolières (Exxonmobil, Petronas et ChevronTexaco) a été constitué et a engagé des négociations avec l'Etat camerounais à cet effet. Lesdites négociations ont abouti à la création de la société Cameroon Oil Transportation Company (COTCO) et à la mise en place d'un cadre institutionnel, légal, et opérationnel spécifique.

La protection de l'environnement du Projet a été un souci majeur dans sa réalisation. Aussi, un accent particulier a été mis sur l'atténuation des impacts de ce projet, par les actions suivantes : la réalisation d'une étude d'impact et la mise en œuvre d'un Plan de Gestion de l'Environnement (PGE) traitant de divers aspects notamment, la gestion des déchets, la lutte contre les déversements accidentels des hydrocarbures, l'indemnisation des populations, les compensations régionales et environnementales.

Le capital de la société COTCO, maître d'œuvre de la construction et de l'exploitation du pipeline, est constitué des participations du Consortium, de la République du Cameroun et de celle du Tchad.

Pour le financement de ce projet de 3,7 milliards de Dollars US, les fonds ont été mobilisés auprès du Consortium, de la BIRD, de la SFI et des banques commerciales (Eximbank et COFACE). La part du Cameroun au capital de COTCO, soit 70 millions de Dollars US a été financée de la manière suivante : (i) La convention de financement 7020 CM de \$ 53,4 millions approuvé par le conseil d'administration de la Banque Mondiale en date du 6 juin 2000 et signé le 29 mars 2001 ; (ii) La convention de financement BEI N° 20996 de 35,7 millions d'euros.

Pour la construction et l'exploitation du pipeline, la société Exxonmobil a été désignée opérateur. La réalisation des travaux a nécessité l'intervention des entreprises contractantes et sous-traitantes (étrangères et locales). Le suivi et le contrôle par la République du Cameroun a nécessité la mise en place du Comité de Pilotage et de Suivi des Pipelines (CPSP), interlocuteur unique de COTCO, chargé principalement de la coordination et la facilitation des interventions des administrations dans le Projet.

L'une des exigences de la convention de financement 7020 CM est la soumission à la BIRD d'un rapport d'achèvement à la fin du Projet. Le présent rapport a pour objectif de rendre compte de la mise en œuvre des dispositions réglementaires et des mesures édictées dans le cadre du Plan de Gestion de l'Environnement. En outre, il rend compte de l'utilisation du financement mis à la disposition de la République du Cameroun pour financer sa participation au Projet. Il n'intègre cependant pas le crédit IDA 3370 en cours d'exécution par le projet CAPECE qui fera l'objet d'un rapport d'achèvement séparé.

I – Exécution du projet

L'exécution du projet au Cameroun, a été confiée à COTCO. La Surveillance Administrative et le Contrôle Technique ont été effectués par les administrations concernées, sous la coordination du CPSP dont l'organisation est présentée dans l'Annexe 1.

1.1 Le CPSP

Créé par décret N° 97/116 du 7 juillet 1997, organisé par arrêté N° 433 du 24 août 1999 et placé sous l'autorité d'un Président, Administrateur-Directeur Général de la Société Nationale des Hydrocarbures (SNH). Le CPSP a pour missions la négociation avec les promoteurs et le suivi de toutes les phases de réalisation des projets de pipelines, ainsi que la coordination des interventions des administrations et organismes publics compétents dans le cadre des travaux de construction, d'exploitation et d'entretien des systèmes de transport par pipeline. A ce titre, il initie les activités suivantes :

- Etudes et enquêtes relatives à la délivrance de l'ATP ;
- Le suivi des travaux de construction et d'exploitation par les administrations ;
- Le suivi de la mise en œuvre du PGE ;
- Le suivi en liaison avec les administrations et organismes publics concernés de tout contentieux entre la République du Cameroun et le ou les titulaires de l'ATP

1.2 COTCO

Cette société est dotée d'un capital de \$ 67 855 300 réparti entre les membres du Consortium, les deux Etats soit 5,17% pour le Cameroun et 2,73% pour le Tchad. Elle a assuré la gestion des trois composantes de la phase de développement du Projet (construction du système d'exportation, mobilisation des fonds auprès des Prêteurs, mise en oeuvre du plan de gestion de l'environnement) et a fait appel à des sous-traitants dans le cadre de l'exécution des travaux.

1.2.1 Exécution financière du Projet

- Passation des marchés.

Les commandes d'achat des biens et services ont été effectuées par COTCO, conformément aux procédures d'ExxonMobil et de la Banque Mondiale.

- Système comptable

Le système mis en place a respecté les principes comptables des entreprises privées tels que définis par les instituts de normalisation internationale et l'acte uniforme relatif au droit comptable.

Ce système a permis la production de l'information financière périodique ainsi que les états financiers annuels soumis à la certification d'un commissaire aux comptes et à l'approbation de l'assemblée générale des actionnaires de COTCO.

1.2.2 Audit des comptes

Le Cabinet PriceWaterhouseCooper a été nommé Commissaire aux Comptes.

1.2.3 Décaissements

En raison de la configuration du Projet, les dépenses à engager par COTCO, n'ont pas été structurées en catégorie de dépenses. Les décaissements sur les différentes lignes de crédits mobilisés ont été les suivants :

- BIRD	100%	
- SFI		100%
- BEI	100%	
- EximBank	- Coface	100%

Les marchés réalisés dans le cadre de ce projet ont été exonérés d'impôts, de droits et taxes par le Gouvernement camerounais. Ces exonérations ont été appliquées à l'ensemble des opérations de la construction du pipeline faites par COTCO et ses sous-traitants, conformément à sa Convention d'Etablissement.

II – Evaluation du projet

Bien avant le démarrage de la phase de construction du pipeline de transport de pétrole brut au milieu de l'année 2001, plusieurs des étapes nécessaires à la préparation des travaux de construction avaient déjà été achevées. Ces étapes portaient notamment sur les négociations du montage du projet, la mise en place d'un cadre institutionnel et réglementaire, et d'une organisation opérationnelle.

2.1 *Appréciation générale*

2.1.1 Exécution du projet

Le Projet, de par sa nature, était nouveau au Cameroun. Aussi, sa réalisation soulevait à la fois des préoccupations juridiques, financières, techniques et d'ordre environnemental.

Au plan de la réalisation technique, l'oléoduc principal a été conçu et réalisé conformément aux normes nationales, et lorsque ces dernières n'étaient pas disponibles, celles notamment de l'American Society of Engineers et de L'American National Standard Institute étaient utilisées. Sur les directives de la Banque Mondiale, des normes de sécurité ont été également prises dans le but d'assurer la protection de l'environnement, la sécurité et la santé des populations pendant la période de développement et d'exploitation du pipeline. Un document en 19 volumes sur l'impact environnemental a ainsi été élaboré.

Sur le plan financier, l'implication des gouvernements du Cameroun et du Tchad ainsi que la caution de la Banque mondiale ont permis la mobilisation des fonds nécessaires au développement du projet.

2.1.2 Cadre juridique

Les activités du Projet sont régies notamment par les textes suivants : (i) L'Accord Bilatéral du 08 février 1996 entre la République du Cameroun et la République du Tchad, relatif à la construction, et à l'exploitation d'un système de transport des hydrocarbures par pipeline, (ii) Loi N° 96/14 du 5 août 1996 portant régime de transport par pipeline des hydrocarbures en provenance des pays tiers, et son décret d'application, (iii) La Convention d'Etablissement signé le 20 mars 1998 entre la République du Cameroun et COTCO, accordant des avantages spécifiques à cette dernière.

2.1.3 L'organisation opérationnelle

Dans l'optique de la construction d'un pipeline en territoire camerounais, une structure permanente d'exécution, COTCO, a été mise en place. Il s'agit d'une société privée avec une participation minoritaire de la République du Tchad et de la République du Cameroun. Sa création a permis l'exécution du Projet selon les normes requises et dans les délais impartis.

Ce Projet a également nécessité la mise en place du CPSP, structure interministérielle, dans le cadre du partenariat entre les secteurs public et privé. Cet organisme facilite les relations entre les administrations et les promoteurs du projet et les négociations directes avec les populations affectées. Ce rôle de facilitateur dévolu au CPSP, a permis de raccourcir les délais d'instruction des dossiers du Projet auprès des administrations camerounaises concernées.

Par ailleurs, pour le suivi du Projet et le contrôle du respect des engagements pris par COTCO et la République du Cameroun dans le cadre des conventions de financement susmentionnées les structures ci-après ont également été mises en place :

(i) Le Groupe International Consultatif (GIC) : Cet organe fait partie des structures de contrôle créées par la Banque Mondiale, pour s'assurer de la réalisation des objectifs de développement du Projet tant au Tchad qu'au Cameroun. Ses différentes missions ont permis la résolution des problèmes et le recadrage de certaines activités du Projet. A ce jour, le GIC a réalisé 9 missions de supervision ;

(ii) Le Panel d'inspection : Ce panel, créé par la Résolution BIRD 93-10 et La Résolution IDA 93-6, a été mis à contribution dans le cadre du contrôle de l'exécution du Projet. Il a réalisé une inspection à la suite d'une requête du 30 septembre 2002 du CED, une ONG basée à Yaoundé ;

(iii) Le Groupe Externe de Suivi de la Conformité Environnementale. Ce groupe est constitué des consultants du cabinet d'Appollonia et a été chargé par la SFI de produire une évaluation indépendante de la conformité environnementale des activités du Projet. ;

En outre, des ONG, regroupés d'abord au sein d'un organe appelé Groupe de Concertation et d'Action (GCA), puis au sein du Comité de Suivi Indépendant du Projet Pipeline, ont facilité l'expression et la prise en compte des préoccupations des populations riveraines du Projet.

2.2 Construction du Pipeline

2.2.1 Principales étapes de la construction

En dépit des événements extérieurs enregistrés au cours de l'année 2000 suite au retrait du Consortium des sociétés Elf et Shell et leur remplacement par les sociétés Pétronas et Chevron, les travaux de construction du pipeline proprement dits, dont la durée prévisionnelle était de 05 ans, ont débuté au début du deuxième semestre 2001 et se sont achevés à la fin de l'année 2003.

Les principales étapes de la construction du pipeline, pour la période allant du démarrage des travaux de pose des tubes à la réalisation du premier déchargement au Terminal Offshore, sont les suivantes :

- **Certificat de conformité du Pipeline :** La République du Cameroun a délivré à travers le Ministère chargé des Mines, le certificat de conformité du Système de Transport Camerounais par arrêté N° 0033/MINMEE/DMG du 17 juillet 2003. Une certification similaire a été délivrée au Tchad le 5 juillet de la même année sur la base de la déclaration de conformité du cabinet Stone and Webster.
- **Pompage du brut :** Le brut en provenance des champs de Miandoum dès la fin du 2^{ème} trimestre 2003.
- **Mise en service des installations :** Mise en service des stations de pompage qui font circuler le pétrole à travers le pipeline ainsi que de la station de réduction de pression et des installations maritimes.
- **Emplissage du Pipeline :** A la mi-septembre 2003, la première quantité de Brut introduite dans Pipeline à Komé, au Tchad, avait terminé son périple de 1070 Kilomètres, jusqu'au Terminal Offshore, au large de Kribi, au Cameroun.
- **Première exportation du Brut tchadien vers les marchés internationaux :** Au début du mois d'octobre 2003, s'effectuait le premier déchargement d'une cargaison de brut pour l'exportation, au Terminal Offshore, au large de Kribi.

Les différentes synergies dégagées lors de la phase de montage du Projet ont donc permis de gagner deux années sur la durée de la construction.

2.2.2 Mise en œuvre du PGE

Pour le Cameroun, le Plan de Gestion Environnementale prévoyait les axes d'interventions suivants : (i) Un plan de gestion des sites culturels, (ii) un plan de gestion de l'accès induit, (iii) les mesures d'atténuation à chaque site, (iv) un plan de suivi de l'environnement, (v) les exigences et les spécifications techniques dans les domaines Biophysique, Socio-économique et de la Santé, (vi) un plan de compensation, (vii) la création d'une fondation pour l'environnement, (viii) un programme d'amélioration environnementale en dehors des sites du projet, (ix) un plan de gestion des Peuples Autochtones Vulnérables, (x) Un plan de gestion des déchets, (xi) Un plan de lutte contre les déversements accidentels des hydrocarbures.

Les travaux de construction ont fait l'objet d'un suivi rigoureux, conformément au programme défini au début du Projet. Le système de reporting a été respecté par l'ensemble des organes impliqués dans le suivi des travaux.

COTCO a régulièrement produit les rapports suivant le programme établi à savoir : (i) Rapports immédiats pour toutes les situations de non-conformité de niveau III ; (ii) Rapports mensuels pour toutes les situations de non-conformité niveau II ; (iii) Rapports trimestriels pour toutes les situations de non-conformité de niveau I mais aussi rapport d'état intégrant la sécurité, la santé, les données environnementales et socio-économiques.

Le PGE définit les situations de non-conformité de la manière suivante : (i) Une situation de non-conformité de niveau I est une situation qui n'a pas un impact significatif sur une ressource sensible identifiée, mais qui n'est pas conforme avec le PGE ; (ii) Une situation de non-conformité de niveau II est une situation qui n'a pas encore produit de dommage clairement identifiés ou un impact irréversible sur une ressource sensible ou importante, mais qui requiert une action corrective rapide et une attention spécifique sur le site pour éviter ces dommages ; (iii) Une situation de non-conformité de niveau III est une situation critique dans laquelle on peut observer des dommages causés sur une ressource sensible protégée ou qui peut donner lieu à des dommages probables imminents.

Ce système de reporting a été complété par les travaux de contrôle des organes suivants : (i) Le Groupe Externe de Suivi de la Conformité Environnementale ; (ii) Le Groupe International Consultatif ; (iii) Le Panel d'Inspection ; (iv) Le Comité de Pilotage et de Suivi des Pipelines.

Une seule situation de non-conformité de niveau III a été signalée au le Cameroun pour laquelle un programme de compensation devant être exécuté par COTCO a été établi. Ce programme incluait : (i) L'octroi des bourses à deux étudiants camerounais ; (ii) La rénovation d'un bâtiment destiné à l'entreposage des artefacts trouvés pendant la construction du Pipeline ; (iii) L'élaboration d'une publication sur les découvertes archéologiques et l'organisation d'une conférence de restitution.

Le projet de publication des découvertes archéologiques a été élaboré en anglais et est actuellement en cours de traduction en langue française. La rénovation du bâtiment d'entreposage est terminée. Quant aux bourses, le processus de la désignation par le Gouvernement camerounais des deux boursiers est en cours.

Pour l'ensemble du Projet (Tchad et Cameroun), les situations de non-conformité recensées se dénombrent comme suit : (i) Situation de non-conformité de niveau I, 473 ; (ii) Situation de non-conformité de niveau II, 65 ; Situation de non-conformité de niveau III, 2. Le détail de ces situations de non-conformité est donné en annexe II.

i) Les compensations

Le plan de compensation prévoyait des compensations individuelles, communautaires et régionales. Les réalisations en matière de compensations sont les suivantes :

Compensations individuelles : Au premier trimestre de l'année 2005, le montant des compensations individuelles versées à 4 130 exploitants est évalué à 9,7 millions de Dollars US (5,4 Milliards FCFA).

Compensations communautaires et régionales : Ces compensations avaient quasiment toutes été exécutées au 31 mai 2005. Evaluées à FCFA 1,84 milliard, la liste des réalisations figure en annexe III.

Pour les compensations pour lesquelles les populations ont exprimé leur insatisfaction, COTCO s'est engagé à prendre des actions correctives sur les cas où sa responsabilité est interpellée. Par ailleurs, le contrôle de l'exécution de certaines compensations a révélé quelques insuffisances dans les domaines suivants :

- *Travaux non livrés :* En raison des devis présentés qui sont inférieurs aux coûts réels, certains petits entrepreneurs n'ont pas pu livrer les travaux commandés dans les délais. Cette situation reste en étude auprès de COTCO .
- *Coût de certains micro-projets :* Quelques communautés ont choisi des micro-projets dont le coût de réalisation est largement supérieur au montant des compensations prévues pour elles. Des négociations sont menées conjointement par le CPSP et COTCO pour amener les communautés concernées à faire des choix de micro-projets dont la valeur est compatible avec les enveloppes financières octroyées.
- *Compensations communautaires additionnelles :* Le décret sur l'ATP prescrit le maintien d'un périmètre de sécurité de 100 m autour des stations de pompage. En vue de s'y conformer, COTCO envisage de mettre sur pied une procédure de compensation complémentaire, afin de libérer ce périmètre de sécurité.

ii) Fondation pour l'Environnement et le Développement au Cameroun

Au cours de la phase de développement du Projet, la Fondation pour l'Environnement et le Développement au Cameroun a été créée et est opérationnelle depuis 2002.

La FEDEC vient de mener à son terme la phase initiale de 3 ans du Plan pour les Populations Autochtones Vulnérables à savoir : (i) Aider les Bagyeli/Bakola à intégrer la vie publique nationale (Education à la citoyenneté et délivrance des cartes d'identité) ; (ii) Les faire accéder aux programmes nationaux de santé ; (iii) Améliorer leur méthodes culturelles ; (iv) Leur faciliter les conditions d'accès au système éducatif.

Pour ce qui est du programme d'amélioration environnementale, deux conventions de financement ont été signées en 2002 avec World Wildlife Fund pour le programme du Parc national de Campo-Ma'an et avec Wildlife Conservation Society pour celui du Parc national de Mbam et Djerem.

iii) Gestion des déchets

La décharge conçue pour les besoins du projet a été achevée au courant du 3ème trimestre de l'année 2003 et sa mise en service est intervenue au cours du 1er trimestre de l'année 2004. Cette décharge qui a été construite au niveau de la station de pompage N° 3, près de Belabo, est destinée à recevoir les déchets non biodégradables. En outre, un contrat d'incinération des huiles usagées du Projet a été signé avec la société camerounaise BOCOM, basée à Douala.

iv) Santé

Conformément à la stratégie du projet, les problèmes de santé publique demeurent de la responsabilité du Gouvernement. Toutefois, le Projet s'est impliqué dans la prévention et le traitement des maladies liées directement à ses activités, ainsi que dans certaines activités d'éducation. C'est le cas de la campagne « Roll Back Malaria » où des moustiquaires ont été distribuées aux populations riveraines du Pipeline.

Des études sur les maladies sexuellement transmissibles effectuées le long du tracé du pipeline ont permis, sans que cela soit nécessairement imputable aux activités du Projet, de constater un taux significatif de prévalence du VIH/SIDA. Une stratégie de lutte contre cette pandémie impliquant le Ministère de la Santé Publique, le CNLS, le CPSP et COTCO est en cours d'élaboration et devrait être mise en œuvre pendant toute la phase d'exploitation du Projet.

2.2.3 Retombées économiques de la phase de développement du Projet

i) Utilisation des compensations par les bénéficiaires

Lors des consultations avec les ONG, des appréhensions ont été quelquefois exprimées quant à l'utilisation judicieuse par les populations, de l'argent reçu en ne l'affectant pas à des dépenses qui entraîneraient des avantages à long terme pour leurs foyers. Au Cameroun, une campagne préalable de sensibilisation sur l'utilisation rationnelle des compensations individuelles a été faite. Au cours de cette campagne, les populations ont été encouragées à choisir des compensations en nature plutôt qu'en espèces. Ces campagnes ont permis d'atteindre un taux de compensation en nature de près de 20%.

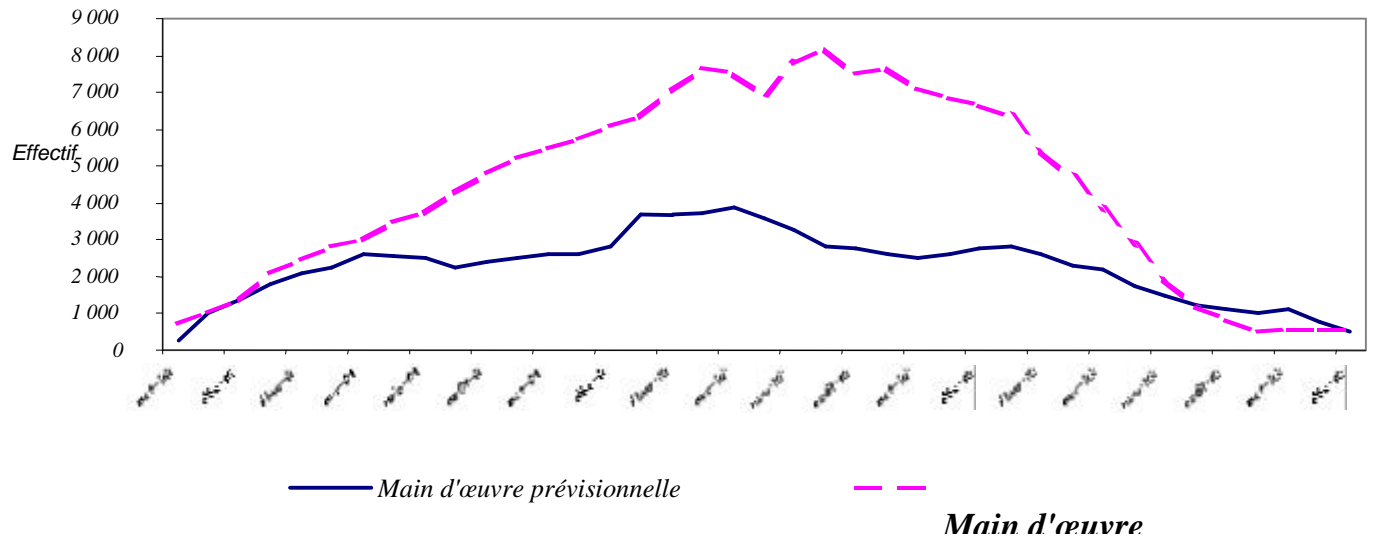
ii) Infrastructures routières et ferroviaires

Un pont frontalier, a été construit sur la rivière M'Béré lors de la phase de développement du Projet. Ce pont ouvre une voie de connexion supplémentaire entre le Cameroun et le Tchad, dont les effets sur l'économie des localités riveraines des deux pays seront importants. Le Projet a également contribué à : (i) L'amélioration et à la re-construction des routes existantes sur plus de 436 km dans la partie septentrionale du Cameroun ; (ii) La réfection des voies ferrées et des équipements ferroviaires, à savoir la réparation de 175 wagons et 4 locomotives; (iii) L'installation de la fibre optique au Cameroun : sur les 18 fibres optiques enfouies dans la tranchée du pipeline, 12 fibres sont réservées à l'usage exclusif de la République du Cameroun, et permettront une amélioration de ses capacités de télécommunications.

iii) Emploi local

Pendant la phase de construction de l'oléoduc, le Projet, COTCO, ses Contractants et Sous-traitants compris, a mobilisé en moyenne 4 000 salariés locaux par mois pour une masse salariale totale évaluée à FCFA 18,9 milliards. Les chiffres relatifs à la main d'œuvre utilisée ont été largement au dessus des prévisions comme le montre le graphique ci-après.

PROJET PIPELINE TCHAD-CAMEROUN
 Comparaison Effectif estimé et Effectif réalisé



iv) Débouchés économiques locaux

Pendant la période de développement du Projet, le volume d'affaires traitées avec les partenaires locaux a été évalué à FCFA 264 Milliards (406 Millions Dollars US). Au cours de cette période, l'évolution des débouchés locaux a connu son pic en 2002.

2.2.4 Retombées économiques de la phase d'exploitation du projet

Lors de la phase d'exploitation, la principale retombée financière directe attendue du Projet par le Cameroun est le droit de transit.

Sur la base d'un volume moyen d'extraction évalué à 917 millions de barils, le montant total des droits de transit escompté pendant la période d'exploitation est de 376 millions de Dollars US.

Les données disponibles sur les deux premières années d'exploitation sont les suivantes pour ce qui est des droits de transit :

Au 30 juin 2005, COTCO a versé au Cameroun des droits de transit évalués à 42,039 millions Dollars répartis comme suit :

- 2003 (trois mois d'exploitation) 3,520 millions de Dollars US
- 2004 25,143 millions de Dollars US
- 2005 (six mois d'exploitation) 13,376 millions de Dollars US

2.3. Performances de l'emprunteur et de la Banque Mondiale

Les travaux à exécuter au cours de cette phase ont été réalisés à 100% et dans les délais. Cette performance est à mettre au crédit de l'emprunteur et de la Banque Mondiale.

2.2.5 Performances de l'emprunteur (République du Cameroun)

i) Phase de préparation du Projet

Dans le cadre de la préparation du Projet, le Consortium a demandé et obtenu des crédits par l'intermédiaire de la Société Financière Internationale (SFI), qui est un organe du Groupe Banque Mondiale, chargé de la promotion des investissements privés dans les pays en voie de développement. Il a également demandé et obtenu le reste des prêts auprès des banques commerciales, prêts qui ont été garantis par les agences de crédit à l'exportation et les marchés financiers.

Le Cameroun a demandé et obtenu un prêt de 70 millions de Dollars US à la BIRD et à la BEI pour financer sa participation au capital de COTCO.

ii) Phase de construction

a) Les contrôles sur le terrain : Les contrôles ont été effectués par les unités de terrain du CPSP et les équipes des administrations concernées, sous la coordination du CPSP. Ces équipes, chargées de la surveillance administrative et du contrôle technique des activités, pour le compte de la République du Cameroun, étaient basées dans toute la zone du Projet, sur les sites des travaux et dans les camps de construction des entrepreneurs. Elles ont visité les sites du Projet, y compris les bases-vies, revu les rapports des entrepreneurs et recueilli des données environnementales, socio-économiques, de sécurité et de santé. Les contrôleurs ont transmis leurs rapports à leur hiérarchie respective (CPSP et Ministère).

b) Les décaissements des prêts : La République du Cameroun approuvait semestriellement les plans de tirage élaborés par COTCO, (l'agence d'exécution), pour le financement des activités approuvées lors de ses Conseils d'Administration. Cette démarche a permis à COTCO de disposer directement des fonds nécessaires à ses activités, tout en l'obligeant à rendre compte semestriellement à la République du Cameroun de l'utilisation de ces fonds.

2.2.6 Performances de la Banque Mondiale

Les fonds nécessaires au Projet de développement des champs pétroliers et des deux sociétés de pipeline (TOTCO et COTCO) ont été obtenus de la façon suivante : (i) Approximativement 80% des coûts du Projet ont été à la charge directe des partenaires et des filiales du Consortium ; (ii) Approximativement 17% ont été financés par des prêts au taux du marché, obtenus auprès de la SFI, des agences de crédit à l'exportation et des banques commerciales ; (iii) Les 3% restants provenaient des participations des gouvernements du Tchad et du Cameroun au capital respectif de COTCO et de TOTCO. Pour financer leurs investissements, les deux pays ont reçu, dès approbation du Projet par le Conseil d'Administration de la Banque mondiale, un montant total d'environ 115 millions de Dollars US (69 milliards de F CFA) sous forme de prêts de la BIRD, ainsi que de la BEI.

Ces mécanismes de financement ont permis d'établir un lien avec la Banque Mondiale et les Prêteurs qui ont ainsi pu apporter un soutien important au développement du Projet. Le personnel de la Banque a, par exemple effectué une révision approfondie de la documentation environnementale du Projet. Ce personnel a également aidé le Consortium et les gouvernements des deux pays à respecter les normes de construction, y compris celles relatives à la protection de l'environnement et des populations, ainsi qu'aux consultations publiques, prescrites dans les Directives et politiques opérationnelles de la Banque Mondiale. Toutefois, il y a lieu de relever que lors de l'évaluation financière et économique du Projet, le Cameroun a été classé comme pays à risque, ce qui lui a valu le paiement d'une prime de près de 5 millions de Dollars US. Or, ce niveau de risque ne correspond pas au taux de rentabilité (10%) retenu pour l'évaluation du Projet.

2.3 Leçons à tirer

Au plan institutionnel

i) **Gestion des relations entre l'Administration et le secteur privé** : Ce projet multidimensionnel avait besoin pour sa réussite de l'intervention de plusieurs administrations. Pour éviter que l'agence d'exécution (COTCO) sollicite directement chaque administration concernée, ce qui aurait constitué autant de risques de retard, le CPSP a été mis sur pied dans le but d'assurer l'interface entre le secteur privé (COTCO) et le secteur public (l'Administration) ; ce qui a permis de raccourcir les délais d'intervention de ces administrations, ainsi que ceux de réalisation du Projet.

ii) **Respect des délais** : Une bonne planification du projet avec une définition claire et partagée des objectifs à atteindre permet la réalisation des activités dans les délais.

Au plan financier

iii) **Procédure de décaissement** : Les crédits obtenus dans le cadre du projet ont tous fait l'objet de décaissement dans les délais, parce que les modalités souples de décaissement mises en place par la République du Cameroun, COTCO et la Banque mondiale, permettaient le tirage direct par COTCO du prêt, essentiellement sur approbation par la République du Cameroun des plans de tirage.

Au plan socio-économique :

iv) **Compensation** : Il est apparu au moment de la clôture des dossiers de compensation que les espoirs suscités par le projet tout au long du corridor ne pouvait être satisfait par les financements ponctuels qui ont été débloqués dans ce cadre. Le contact entre COTCO et les populations restera maintenu durant la phase d'exploitation dans la perspective de résoudre les problèmes résiduels.

v) **Taux des indemnités** : La réalisation de ce Projet est un précédent qui rend désormais difficile, une future expropriation dans la zone du Projet avec les taux et procédures d'indemnisation en vigueur

vi) **Adhésion des populations** : L'adhésion des populations au Projet est nécessaire pour la bonne réalisation d'un projet de cette envergure.

ANNEX II

Situation de non conformité par catégorie				
	Niveau I	Niveau II	Niveau III	Total
Travaux en dehors des zones autorisées	93	10	0	103
Gestion des déchets	62	3	0	65
Contrôle de l'érosion	15	9	0	24
Santé et sécurité	51	9	0	60
Questions socio-économiques	18	7	0	25
Entretien/manutention des équipements	47	5	0	52
Gestion de la couche arable	31	1	0	32
Rejets d'effluents	15	6	0	21
Mauvais abattage des arbres/défrichage	12	0	0	12

Manque de formation SHE	10	0	0	10
Mauvaise intervention en cas de déversement	7	0	0	7
Remise en état	2	0	0	2
Faune sauvage/gibier de brousse	1	5	0	6
Traversées des cours d'eau	3	1	0	4
Matériaux et équipements	30	2	0	32
Extraction (matériaux de remblai, etc)	27	4	0	31
Entreposage des substances dangereuses/huile	32	0	0	32
Elimination de l'eau	4	0	0	4
Administration	4	0	0	4
Gestion de la poussière	1	0	0	1
Pratiques générales de construction	0	1	0	1
Gestion des accès induits	1	1	0	2
Gestion des sites culturels	2	1	2	5
Equipe PGE insuffisante	2	0	0	2
Conducteurs mal disciplinés	1	0	0	1
Utilisation de matériaux sans autorisation préalable du PGE	2	0	0	2
Total	473	65	2	540

(b) Cofinanciers:

(c) Other partners (NGOs/private sector):

