
[Chad-Cameroon: Report highlights EIB role in oil and pipeline project](#)

A new report by Friends of The Earth International; “Campagna Per La Riforma Della Banca Mondiale”; CEE Bankwatch Network, and World Economy, Ecology & Development issued in January 2006, highlights the role of the European Investment Bank as financier of so called “development” projects in the South, including Africa. The question raised is: development for whom? The research, entitled “The European Investment Bank In The South. In Whose Interest?”, gives insights around that question.

The European Investment Bank (EIB) acts on behalf of European citizens and the European Union Governments that own it, lending about 45 billion euros a year of public money for projects that claim to help development and cohesion of the European Union (EU). According to the report, “In the 1960’s the EIB started to finance projects in Africa and today about ten percent of the EIB’s financing is outside Europe, in countries from China to Brazil. This lending covers a wide spectrum of project investments including in energy, water, communication, industry and financial intermediaries. But in whose interests are these projects?”

The report argues that the EIB appears to be responding to the needs of its clients, readily financing projects where economic returns are high and guaranteed. But it has rarely subsidised environmental projects, or invested in renewable energy. Several case studies in the report illustrate how EIB financed projects have often damaged communities and the environment.

In Africa the EIB manages a significant share of EU commission budget money for development cooperation (up to 13.5 billion euros during the last ten years) and this tendency is increasing with the creation of the new EIB’s Cotonou Investment Facility, expected to disburse 2.2 billion euros of the EU budget between 2003 and 2008. This report shows how the first few loans disbursed by the Facility went predominantly to the private sector, to large European corporations or large local companies. In Africa, as in Latin America, the preferred targets of EIB loans are within the extractive industries sector.

The Chad–Cameroon Oil Pipeline (see WRM Bulletins 72, 66, 45, 41, 35, 14, 2), a 1070 km-long pipeline from southern Chad to neighbouring Cameroon’s Atlantic Coast, was the largest project ever funded by the EIB in Africa. According to the report, construction of the project was completed more than a year ahead of schedule, but social and environmental mitigation measures continue to suffer serious delays and threaten to undermine the poverty-alleviation goals of the project.

The World Bank also takes part in the project, since its participation was the pre-condition for the Exxon Mobilised consortium to go ahead with the US\$3.7 billion project. Additionally, the EIB provided loans in 2001 not only to the Chad and Cameroonian Governments (35.7 million euros and 20.3 million euros respectively) but also provided an additional 34 million euros to Chevron and 54 million euros to Exxon.

Both institutions promised that the Chad- Cameroon project -- nominally expected to generate US\$2 to US\$3 billion in revenue for Chad and US\$550 million for Cameroon over its 28-year operating

period-- would transform oil wealth into benefits for the poor, alleviating poverty and promoting economic growth in both countries. However, in January 2001 it became public that Chad had used part of a US\$25 million signature bonus from the Oil Consortium for weapons purchases.

The report denounces that both Chad and Cameroon have for many years occupied top positions on Transparency International's Corruption Perception Index. Yet the banks did not require provisions for transparent revenue management for Cameroon. In the case of Chad, the World Bank did require adoption of a revenue management law as well as the establishment of an Oversight Committee, which is responsible for authorising expenditures. This system, intended to ensure transparent revenue management, has now broken down. In October 2005, the Chadian Government announced that it will substantially modify the law to include spending for security expenditures and will abolish a fund that had been set aside for future generations in the post-oil era.

Several problems and even serious violations of World Bank policies – especially in the area of environmental assessment and public health, have been pointed out. Poor sanitary conditions, a growing migrant work force, and increasing prostitution have led to the spread of diseases, including HIV and AIDS.

The report highlights that the current impact of the pipeline on biodiversity and wildlife suggests that environmental considerations have not been well managed. The World Bank's own monitors warn that greater access to remote areas created by the project represents a serious threat to endangered gorillas and chimpanzees. The sponsors sought to compensate for the loss of biodiversity along the pipeline route by establishing two so-called 'offset' areas, the Campo Ma'an and Mbam-Djerem national parks. But funding for the management of these parks has not been forthcoming and their viability is now open to question. Severe dust pollution is adding to public health problems, and bad waste management of the oil and drilling fluids threaten groundwater supplies in the oil field region.

The Bakola 'pygmy' people live in the southwest of Cameroon (see WRM Bulletin N° 87). They still rely mainly on the forests to secure their livelihoods by hunting and gathering. Their traditional forest lands are crossed by the southern portion of the pipeline. The EIB has no policies or procedures to protect indigenous peoples. For Cameroon, the World Bank's Operational Policy on Indigenous Peoples requires that an Indigenous Peoples' Plan be undertaken in a participatory manner. However, the World Bank has not complied with its own policy and the semi-nomadic were not adequately consulted. As a result, the Indigenous Peoples' Plan does not address the critical question of land security on which the survival of the Bakola depends. There is no indication that the EIB is taking steps to address this problem.

The EIB simply relies on World Bank monitoring and assessment, which has proven to be inadequate. Without urgent measures –concludes the report-- the Chad-Cameroon project will do little more than write another chapter in the tragic history of Africa's plundered resources.

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<http://www.foei.org/publications/pdfs/eibinthesouth.pdf>

