
Chad/Cameroon: Promises and realities of a World Bank funded oil project

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The Chad/Cameroon Oil & Pipeline project (see WRM Bulletins 45, 41, 35, 14 and 2) is reaching critical milestones. Most construction activities are scheduled to be completed by July 2003 and initial oil sales could take place as early as November 2003. As a result, completion of construction is more than a year ahead of schedule which had initially been planned to be finalised by the end of 2004.

The speed of construction work stands in marked contrast to the substantial delays of measures intended to ensure the welfare of local people and protection of the environment, some of which may never see the light of day.

Another marked contrast of the project is the level of "comfort" which the World Bank was able to carve out for itself and other lenders to ensure loan repayment by Chad and Cameroon and the lack of protection for the vulnerable and impoverished populations in the regions affected by the project. The World Bank Group's participation in the project was the pre-condition for the Exxon-led consortium to go ahead with the \$ 3.7 billion project. The private sector insisted on World Bank Group co-financing for two reasons. First, because it represents political risk insurance in a politically volatile region and secondly because it made it possible to raise additional project finance from the European Investment Bank, U.S. and French export-credit-agencies, a host of commercial lenders and from the sale of bonds. The Bank protects its loans through the establishment of an off-shore escrow account for Chad into which all oil revenues will be paid and from which loans will be repaid before the balance of funds is handed over to the Chadian government. In the case of Cameroon, the Bank is charging the country an extra 10% premium on the loan amount to cushion any potential problems.

Local people on the other hand are bearing the greatest risks. They are suffering serious threats to public health from pollution and disease. In addition, project-induced inflation has further eroded their already meager incomes and, with the doubling of grain prices, there is a risk of famine in the oil-producing region.

The Project Appraisal Document (PAD) of April 2000, which should provide objective information on the basis of which the Bank's Executive Board can make an informed decision, contains the promises of the project to reduce poverty in Chad and promote development in Cameroon, as well as the measures to be undertaken to address possible project risks. But it is little more than a marketing advice. It contains questionable statements (e.g. "Chad has successfully put in place democratic political institutions" (PAD, p.121)), plays down the risks and portrays project benefits in a way that at best can be described as willful naivete.

The latest report by the International Advisory Group (IAG) about its mission to Chad and Cameroon from October 15 to November 4, 2002, as well as the report by the External Compliance Monitoring Group, both of which are working for the World Bank Group, document these problems in some detail. However, the IAG is powerless to get its recommendations implemented and is largely limited to making exhortations to the World Bank, the governments and the Oil Consortium to urgently take

fundamental measures that are quintessential "if the development potential created by the project is to be realized". The IAG indirectly recognizes its own limitations by calling for detailed reports and action plans to address the multiple environmental and social impacts of the project now that construction activities in Cameroon are nearing the end. The original intention of the establishment of the IAG was that its own reports would mitigate risks, lead to corrective measures and capacity-building actions. This task is now being projected on to some future undertaking.

Also The World Bank's Inspection Panel Investigation Report of July 23, 2002, which resulted from the Panel's investigation into claims by Chadian citizens that they were harmed as a result of poor implementation of World Bank safeguard policies, reveals intimidation and harassment in the consultation process, thus preventing "full and informed consultation", failure of Bank management to comply with the World Bank's Operational Directive on Environmental Assessment, failure to build national capacity threatening to compromise the delivery of poverty reduction in the later stages of construction and early stages of operation of the pipeline, and that no arrangements have been put in place to deal with fluctuations and large surpluses in the revenue flow representing a serious macro-economic risk which may jeopardize poverty reduction goals. In the case of Cameroon, the World Bank's Inspection Panel is currently investigating a claim by Cameroonian citizens and NGOs that an Indigenous Peoples' Plan (IPP) required to be undertaken in a participatory manner, was developed without consultation and does not include steps to secure land rights for the indigenous peoples.

Most activities to ensure development benefits and protect the environment were meant to have taken place prior to or in conjunction with construction activities. However, in January 2003, construction is nearing completion and most of these activities continue to be in the earliest stages of preparation if they are advancing at all.

Summary from "The Chad/Cameroon Oil & Pipeline Project - Reaching a Critical Milestone", Full report available at: <http://www.wrm.org.uy/countries/Cameroon/Horta.html> , by Korinna Horta, Environmental Defense, January 2003, e-mail: khorta@environmentaldefense.org