

International Advisory Group
Chad-Cameroon Petroleum Development and Pipeline Project

February 20, 2008

COMMUNIQUE

MEETINGS IN WASHINGTON AND 2008 ANNUAL PLANNING SESSION
January 21-25, 2008

The International Advisory Group (IAG) for the Chad-Cameroon Petroleum Development and Pipeline Project (“Project”) held its annual planning session and meetings in Washington from January 21-25, 2008¹.

Meetings were held to discuss the Project with representatives from non-governmental organizations, the International Monetary Fund (IMF), the International Finance Corporation (IFC) and the World Bank (WB) technical teams in charge of projects in Chad and Cameroon.

The Group also met with Jeffrey S. Gutman, Vice President and Network Head, Operations Policy and Country Services, on behalf of the World Bank President, to discuss its main thoughts and conclusions stemming from its recent mission to Chad and Cameroon in November 2007 and its meetings in Washington.

Additionally, the Group met with legislative staff for the Chairman of the US Senate Subcommittee on African Affairs.

PROJECT UPDATES

In updating its information on the Pipeline Project and the related issues it has been monitoring in the two countries, the IAG had the opportunity to discuss with the various parties several areas of concern identified in its latest mission reports and more specifically, to assess Chad's current difficulties, especially in its relations with the World Bank. Subjects discussed during the meetings included:

In Chad

Concern over the **social and security situation**, progress in drafting the National Poverty Reduction Strategy no. 2 (**NPRS-2**), preparations for the **2008 budget** and development of the World Bank's next Country Assistance Strategy (**CAS**) for Chad, which will be guided by the NPRS-2.

¹ Only a few days later, on January 28, rebels in Chad launched a violent offensive against the national army.

The World Bank and the IMF were concerned about Chad's delays in formulating the 2008 budget and especially about the overall composition of the budget and the distribution of appropriations to the different sectors. These two financial institutions would like to see a budget that meets the criteria for extending the IMF's current program in Chad beyond February 2008 and fulfills the terms of the July 13, 2006 Chad-WB Memorandum of Understanding, which stipulates that 70% of Government expenditure (regardless of source) be allocated to the priority sectors until a permanent oil-revenue management mechanism can be put in place.

Chad's needs and priorities in terms of **agriculture, herding and rural water**, as well as the direction that current and future WB projects will take in these areas were discussed with teams from the Bank's Agriculture and Sustainable Development Department.

In Cameroon

The IAG discussed with the IFC, the World Bank and the Consortium the urgent issue of the threat to the financial sustainability of the Foundation for Environment and Development in Cameroon (**FEDEC**), whose funds may be totally depleted by 2009 according to some projections.

The future of the **Indigenous Peoples Plan** depends on FEDEC financial support. This situation directly concerns the World Bank, which is committed to help indigenous populations through its Operational Policy 4.10 (which replaced Operational Directive 4.20).

2008 ANNUAL PLANNING MEETING

During its internal working sessions, the IAG assessed the work it has accomplished since the January 2007 planning session and identified the priorities that will guide its future activities, especially in 2008.

2007 Year-End Overall Assessment

- In Chad, the Project unfolded against a backdrop of smoother relations with donors up until the end of November and the beginnings of a thaw in the political relations with the rebel groups and the democratic opposition parties (political agreement of August 13, 2007).

With respect to public finances, infrastructure continues to dominate expenditure, to the considerable detriment of other priorities, particularly rural production.

The priority ministries still have not systematically incorporated a culture of results based on specific performance criteria that would enable the IAG to gather enough data to thoroughly analyze implementation of the general budget and to have a clear picture of the concrete impact of oil-revenue expenditure.

Given this context, the Group will adapt its working methods so as to obtain and report data and statistics that are as specific as possible in its upcoming mission reports.

Project monitoring by Government entities has gone from minimal to almost nil.

- In Cameroon, the IAG was unable to hold separate working sessions with the Pipeline Steering and Monitoring Committee in 2007 for various reasons. Consequently, it received only partial information concerning implementation of the Cameroon Petroleum Environment Capacity Enhancement Project (CAPECE). Moreover, this information showed no indication of decisive progress towards key project goals.
- In terms of follow-up on its recommendations, the Group prepares each mission to review with the various parties the recommendations addressed to them in the previous mission report. Esso Exploration and Production Chad, Inc. and Cameroon Oil Transportation Company systematically provide feedback on the recommendations that concern them.

The Group requests that the World Bank and the other primary stakeholders in the two countries do the same so as to provide a basis for assessing how its recommendations are being followed up.

Priorities for 2008

The resumption of violent clashes between rebel groups and Chad's national army since the end of November 2007 has shifted the priority to security and the restoration of peace². This situation threatens to overshadow development issues and requires Chad's development partners to remain all the more vigilant. Bearing in mind the possible difficulties in planning its next field visit, the IAG has nonetheless established its priorities for 2008 and set its annual work plan.

In Chad, the Group will continue the work it began in 2007 to focus its attention on assessing the concrete results of oil-revenue use in terms of poverty reduction and improved citizen well-being, based on indicators that the Group proposed during Mission 13 and will continue to refine. It will continue to monitor the rural production sectors closely. In the oil zone, close attention will be paid to implementation of the Land Use Mitigation Action Plan (LUMAP) and to security concerns.

In Cameroon, the Group will focus on 4 critical issues: 1) FEDEC, 2) the Social Assessment, 3) the assessment of CAPECE and plans for the new capacity-building project, and 4) the Lom Pangar dam project.

In both countries, the IAG will continue to urge the two governments to take immediate steps to fill in the voids in terms of establishing a complete legislative and regulatory framework for the environmental management of the oil sector.

Pursuant to its terms of reference, the Group will also update its work plan in mid-2008 after consulting with its partners about its past activities.

Finally, the Group will continue thinking through the final phase of its mandate, its final goals and consequently, how it will organize its upcoming missions in order to achieve these goals.

² The situation became especially complicated when rebels launched a new offensive on January 28, 2008 that led to fighting in the capital on February 2 and 3 until the assailants retreated to the southeast.

Annual Work Plan

The IAG has set the following schedule for its 2008 visits and meetings. This schedule is subject to change depending on how the security situation unfolds in Chad:

- Fourteenth statutory visit to Cameroon and Chad from April 14-May 5, 2008;
- Fifteenth statutory visit to Cameroon and Chad from October 20-November 8, 2008;
- Subject specific visits as required;
- Annual planning meeting: end of February–beginning of March 2009.

In addition, the Group will hold regular conference calls to plan and assess its missions.

Communication

For additional information, please contact:

IAG Secretariat
c/o Christiane LeBlanc
5 Place Ville Marie, Suite 200
Montreal, Quebec
Canada H3B 2G2

Tel: +1 (514) 864-5515

Fax: +1 (514) 397-1651

E-mail: secretariat@gic-iaq.org

Web site: www.gic-iaq.org