

**International Advisory Group**  
***Chad-Cameroon Petroleum Development and Pipeline Project***

January 19, 2006

**COMMUNIQUE**  
**MEETINGS IN WASHINGTON AND 2006 PLANNING SESSION**  
**Washington, January 4-9, 2006**

In accordance with its work plan and its revised 2005 schedule, the International Advisory Group (IAG) for the Chad-Cameroon Petroleum Development and Pipeline Project (Project or Doba Project) held its annual planning session and meetings in Washington from January 4-9, 2006.

The Group met with various players to discuss Project-related developments since its last statutory visit in October 2005: International Monetary Fund, International Finance Corporation, World Bank Institute, Non-Governmental Organizations and the World Bank teams in charge of projects in Chad and Cameroon.

The IAG had its first meeting with World Bank President Paul Wolfowitz on January 9 to report its findings, conclusions and thoughts on the Project.

The timing of these working sessions coincided with a context marked by tension between the World Bank and the Government of Chad over the amendments to Law no. 001/PR/99 of January 11, 1999 on oil revenue management.

**AMENDING LAW 001**

The IAG learned that Chad's National Assembly passed legislation to amend Law 001 on December 29, 2005. It was apprised of the circumstances surrounding the World Bank's January 6, 2006 announcement of its decision to suspend, specifically, almost all loan disbursements to Chad, totaling US \$124 million, including loans for Doba Project-related projects.

Just as it did in October with Chad's Prime Minister and with World Bank officials, and in its last two reports, the Group, when meeting with President Wolfowitz, again stressed the need for the two parties to maintain dialogue and to reach an agreement on a solution that takes into account both parties' commitments and legitimate constraints, and above all, the needs and hopes of the Chadian people, who will be the first to suffer from a breakdown in relations between the two partners.

Since leaving Washington, the IAG learned that following the freezing of Chad's escrow account for oil revenues at Citibank London, President Déby promulgated Law 02/PR/2006 amending Law 001/PR/99 and Law 016/PR/2000 on January 11, thereby giving it force of law.

The Group regrets this escalation on both sides, which will only make the task of finding a fair solution more difficult.

Given the forceful acts taken by Chad and the World Bank in recent days, a period of calm appears essential before they can restore the threads of a constructive dialogue that will enable

them to pursue a productive partnership in an effort to reduce poverty and promote development in Chad.

As an independent advisor to both parties, the IAG continues to monitor the situation closely and remains available to both.

### **OTHER PROJECT UPDATES**

Aware of the measures already taken and of those that may be taken in a crisis situation, the IAG nevertheless decided to review the situation in both Chad and Cameroon with the various parties, in a perspective of continued partnership between Chad and the World Bank. Updates on progress made on the Pipeline Project and related capacity-building projects since October 2005 enabled the Group to discuss with the parties several areas of concern identified in its last mission report:

- Capacity-building in Chad with the additional loan for the Petroleum Sector Management Capacity-Building Project and the Action Plan to Modernize Management of Public Finances (PAMFIP): negotiations on these projects have been suspended for the time being. However, the IAG stressed the urgent and priority nature of capacity-building in Chad, especially the implementation of training components and the adoption of regulatory instruments, including the Petroleum Code and the implementation decrees of the Environmental Law.
- Footprint and expansion of oil activities in the South of Chad: The World Bank and Exxon made significant progress by finalizing the guidelines to demonstrate compliance with the Doba Project Environmental Management Plan (EMP) Principles for future projects using the Chad-Cameroon pipeline. Chad now needs to enact these directives.

Given the expansion of oil activities, the IAG again emphasized to the Bank the need to work with Chad and the Consortium to develop a comprehensive approach to ensure that oil expansion is not at the expense of the agricultural and pastoral potential of the region.

- Diversifying Chad's economy: Chad faces the major challenge of being able to use oil as a lever to diversify its economy. As in its report, the IAG recommended that the World Bank work with Chad to develop a strategic approach to its future and that it allocate the human resources necessary to provide high quality service to this client country.
- With respect to Cameroon, the Group was given an update on the Cameroon Petroleum Environment Capacity Enhancement Project (CAPECE), which was extended by two years to November 30, 2007, on the management of the Campo-Ma'an and Mbam and Djerem national parks, and on the environmental assessment process for the Lom-Pangar dam project.

The IAG shared its thoughts on these various subjects and on the issue of good governance in Chad with President Wolfowitz.

## 2006 ANNUAL PLANNING MEETING

During its internal working session, the IAG assessed its activities since the January 2005 planning meeting and identified priorities for the next stage of its work.

## 2005 YEAR-END OVERALL ASSESSMENT

After discussing the context of its work in Chad and Cameroon and the progress made since 2005 on the Doba Project and related capacity-building projects, the IAG conducted an overall assessment of its work in 2005.

In Chad, 2005 was marked by a weakened political consensus related to the constitutional referendum process and dissent within the ruling party and by the emergence of a new center of rebellion in the eastern part of the country, which is already hard hit by the Darfur conflict. In addition, Chad continued to face a major financial crisis evidenced by recurrent delays in paying civil servant salaries and pensions, which fueled social tensions and led to repeated strikes. Against this backdrop of financial and political crisis, the year ended with tension with the international financial institutions.

In Cameroon, the 2005 economic and financial situation was marked by improved budget performance and by a new, 3-year agreement with the IMF in connection with the Poverty Reduction and Growth Facility.

With respect to the Pipeline Project, Esso Chad's activities were driven by its effort to make up for lower-than-anticipated oil production levels. However, due to the sharp increase of the price of crude on the international market, Chad's oil revenues were considerably higher than estimated when the Project was conceived in 2000. The Government seems to have a better understanding of oil revenue management, which the *Collège de Contrôle et de Surveillance des Ressources Pétrolières* (Oil Resources Control and Monitoring Group) monitors closely. However, the impact of these revenues on the living conditions of the Chadians cannot be measured for lack of up-to-date data. Improved relations between Esso and the NGOs through a more structured dialogue are a sign of major progress.

In October, both countries held Project Implementation Completion Report workshops, during which the IAG served as facilitator.

With respect to the IAG's work:

- The Group monitors the follow-up to its recommendations from one mission to the next.
- During missions 9 and 10, the Group was able to cover the majority of the priorities it had adopted during its January 2005 planning meeting.

In Chad, however, the IAG was unable to analyze the 2006 budget since the budget was not ready during its last mission. This activity will be postponed to mission 11.

In Cameroon, scheduling constraints limited missions 9 and 10 to meetings in Douala and Yaoundé and prevented the Group from conducting site visits to monitor how issues related to the two national parks and to the vulnerable populations affected by the Project are being managed, as it had done in January 2005.

### **PRIORITIES FOR 2006**

The IAG's priorities in 2006 for its work on the various areas under its mandate will be complementary to its 2005 priorities.

With regard to oil revenue management, however, the Group decided to focus its efforts on assessing the oil-revenue funded projects and their impact on people's well-being. Consequently, it is now thinking of the approach required to attain this objective.

Despite the current problems between Chad and the World Bank, the IAG intends to fulfill its obligations as an independent advisory body and stands ready to help the parties overcome the current situation. With this in mind, the IAG decided, for all practical purposes, to schedule its next statutory mission to Cameroon and to Chad for March 2006, and identified its activities to that point.

Finally, the Group discussed the review of its mandate scheduled for July 2006, at the end of its fifth year. This review will be done in conjunction with the two Governments, the World Bank and all the various parties involved.

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