

The Contribution of Oil to Debt and
Under-Development in Africa: The Case
of the **Chad-Cameroon**
Oil Pipeline Project

AFRODAD



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The Case of the Chad-Cameroon Oil Pipeline Project

ISBN 978-0-7974-3424-0
EAN 9780797434240
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African Forum and Network on Debt and Development

31 Atkinson Drive, Hillside,
PO Box CY1517, Causeway, Harare, Zimbabwe
Telephone 263 4 778531, 778536 Telefax 263 4 747878
E-mail: afriadad@afrodad.co.zw
Website: www.afrodad.org

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About AFRODAD

AFRODAD Vision

AFRODAD aspires for an equitable and sustainable development process leading to a prosperous Africa.

AFRODAD Mission

To secure policies that will redress the African debt crisis based on a human rights value system.

AFRODAD Objectives include the following:

- 1 To enhance efficient and effective management and use of resources by African governments;
- 2 To secure a paradigm shift in the international socio-economic and political world order to a development process that addresses the needs and aspirations of the majority of the people in the world.
- 3 To facilitate dialogue between civil society and governments on issues related to Debt and development in Africa and elsewhere.

From the vision and the mission statements and from our objectives, it is clear that the Debt crisis, apart from being a political, economic and structural issue, has an intrinsic link to human rights. This forms the guiding philosophy for our work on Debt and the need to have African external debts cancelled for poverty eradication and attainment of social and economic justice. Furthermore, the principle of equity must of necessity apply and in this regard, responsibility of creditors and debtors in the debt crisis should be acknowledged and assumed by the parties. When this is not done, it is a reflection of failure of governance mechanisms at the global level that protect the interests of the weaker nations. The Transparent Arbitration mechanism proposed by AFRODAD as one way of dealing with the debt crisis finds a fundamental basis in this respect.

AFRODAD aspires for an African and global society that is just (equal access to and fair distribution of resources), respects human rights and promotes popular participation as a fundamental right of citizens (Arusha Declaration of 1980). In this light, African society should have the space in the global development arena to generate its own solutions, uphold good values that ensure that its development process is owned and driven by its people and not dominated by markets/profits and international financial institutions.

AFRODAD is governed by a Board of seven people from the five regions of Africa, namely East, Central, West, Southern and the North. The Board meets twice a year. The Secretariat, based in Harare, Zimbabwe, has a staff complement of Seven programme and five support staff.

Acknowledgements

AFRODAD wishes to acknowledge their great debt of gratitude to Samuel Nnah Ndobe for investing considerable time and effort in the research process of this report. Many thanks also goes to those in the Cameroonian government, civil society, the UN family, international financial institutions, donor community and private sector who contributed to the research outcome through interviews or responding to questionnaires. We also remained indebted to Dr. Nancy Dubosse for helping in the final edit and proof-reading of this report.

The financial support of Ford Foundation and Novib was invaluable to the project. The report benefited greatly from the facilitation of Mr. Taurai Chirarerae at AFRODAD secretariat. Many thanks to many of our colleagues whom we can not all name but whose input into the national FTA Commission meetings remains vital to this output.

Preface

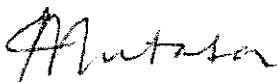
AFRODAD has always believed that the causes of Africa's economic doldrums and debt crisis are both internal to the countries and external. External factors include the lack of responsibility on the part of the creditors resulting in loans not achieving their intended goals or loans being pushed. The establishment of a Debt Arbitration Tribunal will usher in more responsibility on the part of the Creditors and Debtors in the transactions on loans: in terms of loan contraction processes and use of the resources for enhancing the welfare of the masses of the people in Africa and elsewhere. More importantly presenting cases that show how loans miss their intended objectives before the tribunal is expected to result in changed behaviour on the part of both the Creditors and the Debtors. Cases of hurried privatization in Africa pushed in the 1980s are worth considering.

When countries in sub-Saharan Africa became independent, the state dominated the provision of utilities. However, in the 1980s the debt crisis and the ensuing contraction of budgets prompted a re-appraisal of public sector provision. Donors began lobbying for the restructuring of public services; by the 1990s, they were demanding full-scale privatization. The hopes for privatization were so high that donor spending on infrastructure fell in the expectation that the private sector would take up the slack. For example, World Bank lending for infrastructure investment declined by 50 per cent during 1993-2002 with much of this directed towards preparing firms for privatization.

Many African governments in the name of good governance, competition and deregulation were forced to comply in exchange of balance of payment support and under the guise that it was a way to lure private investors. However, implementation of such reforms has been disastrous as no investors came on board. The lessons were that the bank did not know which lessons to teach; it also showed that countries that had ignored bank dogma (China, Vietnam, and India) were thriving, while those under bank tutelage did poorly. The World Bank is on record especially in Africa for failing to tailor projects to local conditions and for sometimes attempting to accomplish more than national governments can handle- failing to help cushion poor people against price and currency liberalizations, for focusing on the fiscal sustainability of pension systems to the detriment of the poor and for promoting the privatization of essential services.

This dossier for a Fair and Transparent Arbitration mechanism demonstrates that the International Financial institutions' insistence and experimentation with privatization did irreparable damage that still affects the country's ability to stand on its economic feet today-years after such programmes were abandoned. Poor families suffered from the reduction in subsidies and disconnection from services when they were unable to pay. To many it meant a denial of basic human rights and in most cases it carries irreversible life impacts. After years of inflicting pain and suffering on the poor and helpless masses, it is now clear to the advocates of privatization, especially the World Bank and the International Monetary Fund that the state remains the dominant provider of health, education, water and electricity. The International Financial institutions are still responsible for the development set back and its consequences. They owe the affected a form of recompense. Cancelling debts and mere policy shifts are not enough. Most of the public providers of utilities in sub-Saharan Africa need substantially more financing, especially for investment in extending service provision. They are trapped in a vicious circle of deteriorated infrastructure, high system losses, high costs and low revenue.

AFRODAD and its international partners in the civil society wishes to present this and many other cases as evidence for the need and cause for a fair and transparent arbitration process. Justice delayed is justice denied.



Charles Mutasa
Executive Director
AFRODAD

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Acronyms

| | |
|--------|--|
| ASORP | Area Specific Oil Response Plan |
| CCPP | Chad-Cameroon Oil Pipeline Project |
| CED | Centre for Environment and Development |
| CAPECE | The Petroleum Environment Capacity Enhancement Project |
| COTCO | Cameroon Oil Transportation Company |
| CPSP | Comite Permanent pour la Suivi de Pipelines |
| EIA | Environmental Impact Assessment |
| EIB | European Investment Bank |
| ECMG | Environmental Control Monitoring Group |
| EIR | Extractive Industry Review |
| EMP | Environmental Management Plan |
| FEDEC | Foundation for Environment and Development |
| HSA | Host State Agreement |
| IAG | International Advisory Group |
| IBRD | International Bank for Reconstruction and Development |
| IDA | International Development Association |
| IFC | International Finance Corporation |
| IPE | Independent Panel of Experts |
| IPP | Indigenous Peoples Plan |
| MIGA | Multilateral Investment Guarantee Agency |
| NGO | Non-governmental Organization |
| NOSRP | National Oil Spill Response Plan |
| PDP | Pipeline Development Project |
| PSMC | Pipeline Steering and Monitoring Committee |
| TOTCO | Chad Oil Transportation Company |

Executive Summary

This study presents the Chad Cameroon pipeline project and explores evidences on the illegitimate nature of debts incurred by the Cameroonian government within the framework of the Chad Cameroon Pipeline project, in view of building a case for the need of an international court of arbitration.

It looks at the political, socio-economic and environmental implications of the Chad Cameron Pipeline Project from the pre-construction to the construction and post-construction or exploitation phases. It also investigates the rationale of investing in projects that hold little or no benefits to communities affected by poverty and underdevelopment and only cause a swelling of the debt burden of the host countries. Within the perimeter of the set objectives of the study we shall also critically consider the role of the international financial institutions such as the World Bank in increasing the debt burden of developing countries by pushing for projects that are more representative of corporate than people centred interests.

The report is structured into seven sections: section 2 gives background information, followed by section 3, which is an overview of development aid and the economic paradox of oil. Section 4 offers a description of the Chad Cameroon Pipeline project and its rationale and how the project was financed with emphases on loans obtained by the government of Cameroon. The final sections outline the economic attributes of the project and the social and environmental impacts of the project.

The main findings are that the delay in the implementation of the Petroleum Environment Capacity Project (CAPECE) could not be blamed alone on the government of Cameroon's lapses but also on the World Bank, which, until 2003, had only disbursed about 10% of the relevant credit that was to finance the project. This was also in violation of local legislation, in which the government is mean to assess the construction impacts during the implementation stages. In addition, although part of the financial plan was to make funds available for Cameroon to direct towards social services, the country continues to use most of its oil revenue for the servicing of its external and domestic debts.

2 Introduction

Unmanageable foreign debts are dragging down many of the most impoverished countries in the world. The development of African countries has always been premised on its ability to use its natural resources as a viable vehicle to uplift itself from poverty and under-development. This assertion after over forty years following the political independence of most Africa countries seems to be a mere rhetoric. With poverty becoming endemic, Africa countries have for a long time resorted to loan financing for development purposes. These countries have over the years become indebted with huge sums contrived from international financial Institutions, like the World Bank, private banks and export credit agencies, for the purpose of improving the living conditions of their population. Many accept the economic theory of loan financing for development purposes. While, in Africa, the loans contracted were in many instances not committed to projects that would help enhance the general welfare of the populations. Such white elephant projects are bound throughout in Africa. The best of such projects increase national growth rates (on paper) whereas little or nothing trickles down to the poor communities who are usually affected negatively by the project, as most of the returns are channelled in paying foreign debts.

While there have been clamour calls for the cancellation of such debts which many consider as odious and in many instances illegitimate, most of the donor countries and multilateral institutions remained unsympathetic to such calls and instead designed programs and projects which were believed would help these countries repay their debts and contribute to economic development. In several instances they only contributed with their austerity measures in plunging the populations into situations of deep poverty and misery and having considerable impact on the environment.

The Chad Cameroon Pipeline project, transporting oil from the oil rich fields in southern Chad through over 800 kilometres of Cameroonian territory, is an example of such projects. This study, explores evidences of the illegitimate nature of the debt the government of Cameroon incurred for the construction of the Chad-Cameroon Pipeline Project, in view of presenting these debts as a case for a fair and transparent arbitration tribunal for their cancellation.

2.1 The Political Economy of Chad and Cameroon

Cameroon and Chad are both classified as low income countries by the World Bank and depend on primary product exports for their foreign earnings. Chad is a landlocked country and its only access to sea is through Cameroon which serves as an entry and exit port for Chad's exports and imports. The World Bank ranked Chad as the fifth poorest country in the world. Chad's per capita GNP is 96,000FCFA and life expectancy is less than 50 years. Infant mortality rate is very high; one child out of every five dies before his fifth birthday.

Economic development in Chad is dominated by agriculture, which in most cases is subsistence and employs over 80% of the country's population. Financial aid from the World Bank, the African Development Bank, and other sources is directed largely at the improvement of agriculture, especially livestock production. Chad has a very small formal sector and a large thriving informal sector. Chad's export sector for quite a long time was primarily dominated by cotton accounting for about 40% of all Chadian export in 1999. Together with the countries of the CFA franc zone, Chad has since 1995 engaged in the implementation of World Bank sponsored structural adjustment programs which culminated in 2001 with the IMF announcement that Chad qualifies for the HIPC debt relief initiative. The Doba oil development project remains Chad's best bet out of its dire poverty situation to push forward its economic development. However, as would be seen in the analysis below Chad's oil may be doing little to ameliorate the living conditions of the Chadian masses and may only be beneficial to the ruling patriarch.

Politically, Chad just like many African countries had been governed as one party dictatorial state dominated by more than three decades of military regime since the 1975 military coup that saw the overthrow of the independent civilian elected government of President Tombalbaye. The division of the country between the Christian/animist south and the Moslem dominated north has continued to dominate Chadian politics and this political trend was to an extent a crucial factor in the oil development project. The accession of President Idris Deby through a military coup in December 1990 and the introduction of multiparty party politics ushered in an uneasy peace which culminated to the organization of a sovereign national conference and the first multiparty democratic elections in 1995. The 1995 elections and the organization of other elections since then have been raven with political tension and non-acceptance of the results by the opposition parties with a traditional accusation of electoral rigging by the incumbent Deby's party, the MPS.

Chad long years of civil war and political instability have impacted greatly upon the country's human rights records with rampant extra-judicial killings, suppression of freedom of expression, press and association. The U.S Department of State Chad country report on Human Rights Practices released in 1998 highlighted the country's human rights situation. As of now with pockets of rebellion in the country championed by former aides of President Deby, it is not clear whether Deby still has political domination of the country.

Table 1 Socio-Economic Conditions in Chad

| | | CHAD | World Average | 25 highest GNP countries average |
|--|--------------------------|---------------------|------------------------|----------------------------------|
| Quality of Life | GNP per capita | 96,000FCFA (\$160) | 3,078,000FCFA(\$5,130) | 15,522,000FCFA (\$25,870) |
| Infant Mortality rate | | 115 per 1000 births | 54 per 1000 | 6 per 1000 |
| Literacy Rate | Males | 62% | 79% | Near universal (both genders) |
| | Females | 35% | 62% | |
| Life Expectancy at Birth | Males | 47 | 65 | 74 |
| | Females | 50 | 69 | 81 |
| Pupil-Teachers ration (primary school) | | 62 | 32 | 17 |
| Population | Total Pop | 7 million | 5,754 million | 919 million |
| | Avg.annual pop growth | 2.3% | 1.2% | 0.3% |
| | Births per woman | 5.6% | 2.8% | 1.7% |
| Health and Sanitation | No access to health care | 74% | n/a | n/a |
| | People per physician | 30,030 | 3770 | 522 |
| | No access to safe water | 76% | 22% | 6% |
| | No access to sanitation | 79% | 53% | 8% |
| | Adult HIV-1 prevalence | 2.7% | 0.6% | 0.3% |
| Economy GDP Avg.annual growth | 1980 – 1990 | 6.1% | 3.1% | 3.2% |
| | 1990 – 1995 | 1.5% | 2.2% | 2.0% |
| Inflation, avg. annual growth | 1980 – 1990 | 1.1% | 15.0% | 4.8% |
| | 1990 – 1995 | 8.9% | 56.6% | 2.5% |
| Labour Force Sectors | Agriculture | 83% | 49% | 10% |
| | Industry | 4% | 20% | 33% |
| | Services | 13% | 31% | 57% |

The situation in Cameroon is not very much different and though Cameroon until the mid 1980s enjoyed relative economic growth and was considered an African success story, it has been ranked as a low income country with life expectancy slightly above 50 years and a per capita GNP of about 336,000FCFA. The slip into recession of Cameroon's economy in the 1980s was largely due to the following main factors; a drop in commodity prices for its main exports, an overvalued currency and gross economic mismanagement aggravated by very high rate of corruption. As of 2004 before the country's attainment of the completion point of HIPC, its public debt was 69.1% of its GDP. After about two decades of undergoing a rigorous economic recovery programs under the supervision of the World Bank and the International Monetary Fund within the structural adjustment programs under which the country contracted several structural adjustment loans, Cameroon could be said to have attained a level of economic recovery far ahead of other countries of the sub region but still has a low level of development.

Table 2 Socio-Economic Conditions in Cameroon

| | | Cameroon | World Average | 25 highest GNP countries average |
|-------------------------------------|------------------------------|--------------------|--------------------|----------------------------------|
| Quality of Life | GNP per capita | 336,000FCFA | \$5,310 | \$25,870 |
| Infant Mortality | | 54 per 1000 births | 54 per 1000 births | 6 per 1000 |
| Literacy Rates (age + 15) | Males | 75% | 79% | Near Universal (both genders) |
| | Females | 52% | 62% | |
| Life Expectancy at Birth | Males | 55 | 65 | 74 |
| | Females | 52 | 69 | 81 |
| Pupil-teacher ratio | | 46 | 32 | 17 |
| Population | Total Population | 14 million | 5,754 million | 919 million |
| | Avg. annual pop growth | 2.4% | 1.2% | 0.3% |
| | Births per woman | 5.5% | | 1.7% |
| Health and Sanitation | No access to health care | 85% | n/a | n/a |
| | Persons per physician | 11.996 | 3,770 | 522 |
| | No access to safe water | 59% | 22% | 6% |
| | No access to sanitation | 60% | 53% | 8% |
| | Adult HIV -1 sero prevalence | 30% | 0.6% | 0.3% |
| Economy GDP Avg. annual growth rate | 1980 – 1990 | 3.3% | 3.1% | 3.2% |
| | 1990 – 1995 | -1.0% | 2.2% | 2.0% |
| Inflation Avg. annual growth rate | 1980 – 1990 | 5.9% | 15.0% | 3.2% |
| | 1990 – 1995 | 5.1% | 56.6% | 2.0% |
| Labour Force Sector | Agriculture | 70% | 49% | 10% |
| | Industry | 9% | 20% | 33% |
| | Services | 21% | 31% | 57% |

Source: Official Chad-Cameroon Oil Development and Pipeline Projects Documents

Politically, Cameroon's democracy remains problematic same as most of the countries of the sub region. Cameroon unlike the other countries of the central Africa sub region has enjoyed relative political calm with sporadic disruptions in 1984 as a result of a failed coup d'etat and the disturbing early years of the introduction of multiparty politics democracy in the 1990s. Cameroon has since independence been governed by two autocratic regimes; late President Amadou Ahidjo who ruled from 1960 to 1982 when he resigned and President Paul Biya who has since 1982 remained the incontestable ruler. Cameroon had under the reign of the later witnessed unprecedented economic recession coupled with very high rates of corruption, gross economic mismanagement. In 1999 and 2000 it was classified as the world's most corrupt country by the German based NGO, Transparency International. In terms of its human rights records, it has not been impressive as noted by US State Department report on human rights of 1998 with reports of extra-judicial executions, suppression of certain liberties such as freedom of speech, association and press. Also it has also not paid greater attention to the respect of the rights of the pygmy indigenous forest communities.

2.2 Scope and Methodology of Study

This study presents the Chad Cameroon pipeline project and explores evidences on the illegitimate nature of debts incurred by the Cameroonian government within the framework of the Chad Cameroon Pipeline project, in view of building a case for arbitration. It looks at the political, socio-economic and environmental implications of the Chad Cameroon Pipeline Project from the pre-construction to the construction and post-construction or exploitation phases. It also investigates the rationale of investing in projects that hold little or no benefits to communities affected by poverty and underdevelopment and only cause a swelling of the debt burden of the host countries.

Within the perimeter of the set objectives of the study we shall also critically consider the role of the international financial institutions such as the World Bank in increasing the debt burden of developing countries by pushing for projects that are more representative of corporate than people centred interests. Despite the fact that Chad is at the centre of the project most of the analyses in this study are based on the impact of the project on the Cameroonian side.

The different phases of the Chad Cameroon Pipeline Project have been highly documented. As such, much of the information in this result is as a result of desk research. Nevertheless, a one-week field visit was carried out to the Kribi-Lolodorf stretch of the Pipeline, during which discussions were held with fishing communities, Bagyelia / Bakola pygmies and others affected by the project.

3 Development Aid and the Economic Paradox of Oil

There have been very controversial positions on the impacts of debt/aid on development. Debt and aid could be in a narrow economic context being considered as busters of economic growth. The emergence of the Asian economic white tigers has been used as a good illustration of the how debt financing and aid could help achieve development that transcends basic macroeconomic theories. However, the Asian economic success story is tainted by the economic crisis, which was caused largely by the concentration of most of the loans in the hands of selected families. The situation in Africa has not been different from that of Asia apart from the fact that Asia experienced an economic boom on the backbone of the contracted debts which helped launch its economic development. The situation is same with Latin America with Brazil, Argentina considered as the most indebted developing countries and apart from the structural adjustment programs have never been placed under debt relief initiatives as the HIPC. The question is why is Africa's debt situation different? A possible answer is that most of Africa's debt is illegitimate and odious, contracted in most cases for the personal welfare of the undemocratic regimes and not for the welfare of the general population living under the heavy burden of absolute poverty.

Debt and aid financing in Africa have been directed mostly to the extractive industry sector hoping that it will harness social and economic development. However, in most cases this theory has been proved futile as examples are bound in Africa where the extraction of oil, gas, mineral resources and logging have instead led to development chaos riddled with poverty, corruption, human rights abuse, dictatorial regimes and civil wars. Whatever reason is advanced for using natural resources, as a potential vehicle for poverty alleviation and development remains an illusion void of any visible reality. While the viability of natural resources, such as oil, as a contributor to development will not be discussed; this study will consider and question the increasing role of both private sector enterprises like oil companies, banks and public sector financing in oil development and how this contribute to the odious debt burden of most African countries.

Empirical evidence by world renowned economist, Jeffrey Sachs using available data of 87 countries remarked in 1995 that developing countries hugely dependent on natural resources tend to be poorer than countries which are not. Still along the same analysis of the above remark by Jeffrey Sachs, it could be deduced that the debt burden of most African oil exporting countries, was contracted during the oil boom years of 1970s. The relative high prices enjoyed by oil exporters led to the following scenario which had a direct relationship with the present debt burden:

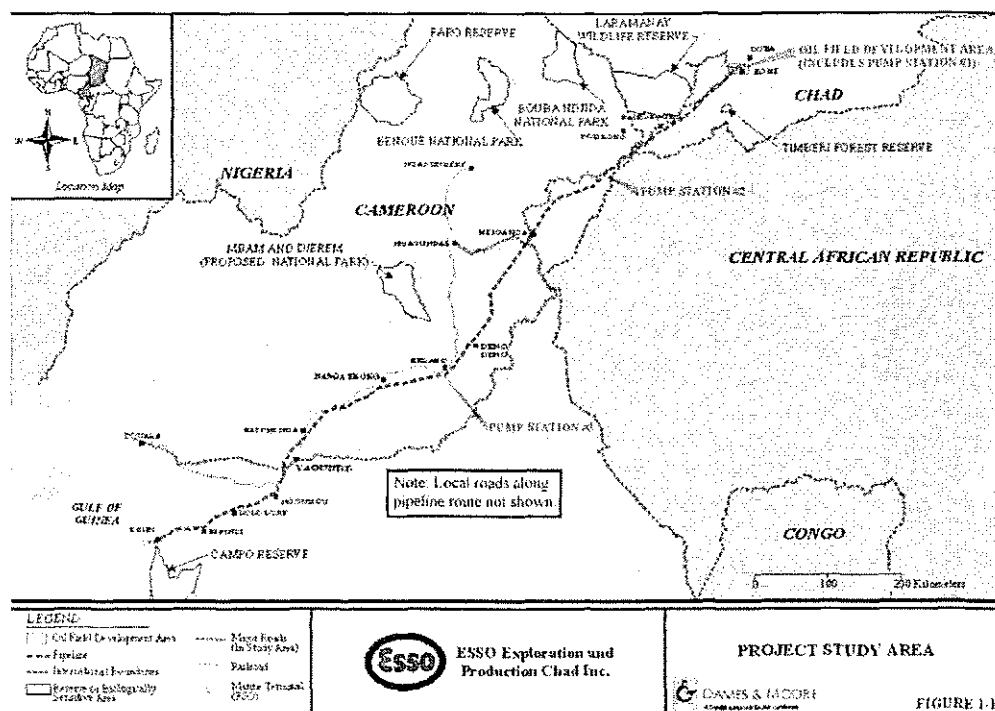
- Increased oil revenues allowed oil-exporting countries to increase their spending dramatically in anticipation of continued higher export earnings.
- Increased oil revenues improved the credit ratings of oil exporting countries internationally, giving them access to vast amounts of capital at relatively low interest rates.
- Increased oil revenues have greatly increased human rights violation, conflicts and instability in Africa. A striking example is the recurrent conflict in the Ogoni region of Nigeria that has seen the death of several poor people amongst them the renowned activist Ken Sara Wiwa. Other conflicts like the long civil war in Angola and Sudan, rebellion and insurgent outburst in Chad and Nigeria are all related to the management and distribution of oil revenues.

In recent times global focus on Africa has been on the Gulf of Guinea, which has emerged as a new destination for new investments in the extractive industry sector by both the industrial economies of the west, and new emerging economies like China. The rush for the Gulf of Guinea's newly found wealth is spurred by the constant political instability in the Middle East, which hitherto has remained a traditional oil supplier to both the USA and Europe. The Gulf of Guinea today prides itself as the new haven for oil multinationals with the discovery of oil in countries considered before now as not having any economic potential. The entry of countries like Chad and Equatorial Guinea demonstrates the geo-political importance of the region to the energy market. It is therefore in the above-mentioned context that we place the Chad-Cameroon oil pipeline project for which both host governments contracted huge loans.

4 Description and Rationale of the Chad-cameroon Pipeline Project

The Exxon-Mobil, Petronas and Chevron Consortium are developing oil fields in Doba, southern Chad. The project comprised the construction of a 1,070-kilometer pipeline from the oil fields to Cameroon's Atlantic coast at Kribi, three related pumping stations, ancillary facilities, infrastructure improvements, and installation of an offshore Floating Storage and Offloading vessel with an 11-kilometer submarine pipeline from the coastline near Kribi to the vessel. The Consortium and the Governments of Chad and Cameroon prepared the Pipeline Project, with the assistance of the World Bank, IFC and other public and private lenders, from 1993 to 1999. The Consortium and the Government of Chad established the TOTCO (Tchad Oil Transportation Company S.A) and the Consortium and the Governments of Chad and Cameroon established COTCO (Cameroon Oil Transportation Company S.A). These two joint venture companies own and operate the Chad and Cameroon portions of the Export System. Esso Export and Production Chad, Inc. is the Petroleum Development and Pipeline Project's manager and operator, responsible for overall coordination of the Pipeline Project.

Figure 1: The Chad-Cameroon Pipeline route



Source: Exxon-Mobil website

The Chad-Cameroon oil development and pipeline project remains the single largest private investment in sub-Saharan Africa. It involves the exploitation of three hundred oil wells in the southern region of Chad transported along a 1070 km pipeline. The pipeline is expected to carry about one billion barrels of crude oil over thirty years through the 1,070 km pipeline to the Atlantic coastal town of Kribi in Cameroon. The project total cost at the initiation stage of the project was estimated at about \$ 3.5 billion, however in an October 2004 presentation, ExxonMobil put the project total cost at \$ 4.2 billion. The major characteristics of the project apart from the pipeline included three pump stations and a marine terminal equipped with an offshore floating loading facility vessel that will transport the oil to the international market. The pipeline cuts across Cameroon's tropical rainforest, which serve as home to the indigenous pygmy communities of Cameroon, and as a haven for certain rare plant and wildlife species.

The project rationale that necessitated the World Bank's participation was to use the project as an example of how oil exploitation could lead to development, enhanced transparency and public participation. The Bank's consistent rationale for its involvement in this gigantic project and in other oil or resource extraction in developing countries is that it can contribute to poverty reduction by generating economic growth.

It has premised its participation on the following points⁽¹⁾:

- Enhanced economic growth,
- Increased government revenues that can be used to finance poverty alleviation initiatives and the provision of essential public services
- Create jobs
- Facilitate the transfer of technology
- Lead to the improvement or construction of essential infrastructure
- Catalyze the growth of lateral or downstream industries

Critics have described the bank's projections in support of the Chad-Cameroon Pipeline Project and other oil projects as being at odds with realities of oil projects and in most cases inconsistent with the Bank's stated mandate of poverty alleviation. Since late 2000, the Doba Basin oil project has stimulated major investments into Chad and it is expected to double government tax revenues by 2004. It is hoped that this project will serve as a catalyst for the entire economy by helping to reduce energy costs and attract additional trade and investment in other sectors. The question remains whether Chad will continue to consolidate its economic reforms and invest its oil revenues wisely in order to encourage a wider range of economic initiatives.

Recent political controversy surrounding, the dispute between the World Bank and the Government of Chad over the latter's decision to redirect oil revenues from poverty alleviation to security spending, the contested 2001 presidential election and a continuing rebellion in northern Chad have continued to dampen Chad's economic prospects by exposing the weaknesses in Chad's political institutions.

4.1 Financing the Chad-Cameroon Oil Pipeline Project

The Chad-Cameroon Oil Development and Pipeline Project has been described as the biggest single private investment in Sub-Saharan Africa and a glaring example of public-private partnership initiative. The project witnessed the participation of varied stakeholders from both the private and public sectors with divergent interests and goals. For the World Bank, an institution which brands itself as having a development mandate, this was a good opportunity for Chad and Cameroon to enhance their development. The private and public sector lending arms of the Bank (IFC and IBRD) were approached as far back as in 1992 i.e. four years after the oil consortium had signed the exploitation convention with Chad i.e. in 1988 and when negotiations were being initiated between the governments of Cameroon and Chad. Other Bank's institutions involved in different types of negotiations either with the governments or the consortium were the IDA and MIGA.

The consortium sourced the bulk of financing for the project principally through international financial markets, leveraged mainly by World Bank's participation. The private sponsors were ExxonMobile of the United States (the operator, with 40 percent of the private equity), Petronas of Malaysia (35 percent), and Chevron of the United States (25 percent).

The objectives of CAPECE are to: assist the Government of Cameroon to develop and establish a national capacity for the environmental management and monitoring of the Pipeline Project; and on a medium-to long-term basis, to help ensure the environmental sustainability of future projects, programmes and policies in the petroleum sector in Cameroon. Public funding for the project was only 4% but was significant, especially considering the poor credit rating of Cameroon and Chad at that time.

Negotiations for the World Bank participation in the Chad-Cameroon project that started in 1992 were motivated on the need to help facilitate the consortium raise money from the international financial markets and as a political insurance. However, there was also the need for Cameroon and Chad to participate in the project as equity holders in the two oil transportation subsidiary companies created in a bid to operate the single oil transportation system. The upstream company was the Tchad Oil Transportation Company (TOTCO) and downstream in Cameroon was the created the Cameroon Oil Transportation Company (COTCO). In 1997 the Government of Cameroon and COTCO signed a Convention of Establishment that was approved as Cameroonian Law No. 97-16 on 7 August 1997. COTCO is a private company based on equity participation between Cameroon and Chad on the one hand and the consortium comprising of ExxonMobil, Chevron and Petronas.

1. Scott Pegg (2003), "Poverty Reduction or Poverty Exacerbation? World Bank Group support for Extractive Industries in Africa" Sponsored by Oxfam, FoU International, Environmental Defense, CRS and Bank Information Center.

Cameroon equity holding in COTCO is very small as to the more than 50% by the consortium. Cameroon's participation was enabled by a 2001 IBRD loan of about USD 53.4 million (Loan No. 7020).

At the same time another public sector loan was negotiated and contracted with the European Investment Bank (EIB) of about USD 29.6 million. Apart from loans to help acquire equity in the oil transport companies, other loans were contracted to help the government of Cameroon build its capacity as to help monitor and mitigate the environmental and social impacts of the project

Apart from loans from the public financing institutions such as the IBRD and the IDA, the EIB, the African Development Bank through its Exim Bank, export credit agencies the IFC also made a USD 100 million loan to the consortium and helped leverage another USD 300 million syndicated loan from the international financial markets with the participation of major private commercial banks. The World Bank's total financial commitment in the project was about USD 259 million. There have been several questions as to whether it was worthwhile for governments of the two host countries to contract such heavy debts for projects that hold little benefits for the local populations and the environment and largely a private sector project

More than half of the total cost of the project was met by the oil consortium or equity partners ExxonMobile, Chevron and Patronas, which covered the full cost of oil field development and one third of the export facilities. The pipeline evolved into a 4.2 billion USD project, the largest investment in sub-Saharan Africa at the time, with contributions from the World Bank group (IBRD loans to Chad and Cameroon 92.9 million USD, IFC loan 200 million USD), EIB 41.5 million USD, Export Credit Agencies (US EXIM Bank with 200 million USD, COFACE (France) with 200 million USD, African Ex-Im Bank with 500 million USD).

4.2 Loan Financing for Cameroon

In June 6, 2000 Cameroon received loan approvals from the International Bank for Reconstruction and Development (IBRD) and the International Financial Corporation (IFC) respectively to finance the Petroleum Development and Pipeline Project (Loan No. 7020-CM) and the Petroleum Environment Capacity Enhancement (CAPECE) Project (Credit No. 3372-CM). The Petroleum Development and Pipeline Project (Loan No. 7020-CM) of about US\$53.4 million was to finance Cameroon's equity participation in the Cameroon Oil Transportation Company (COTCO), where it holds less than 20% of the Company's total equity shares.

4.2.1 The Petroleum Environment Capacity Enhancement (CAPECE) Project Loan

Problematic within the context of the present study is the CAPECE Project loan which amount to about US\$5.77 million. The CAPECE Project was to build the government of Cameroon's capacity to protect and mitigate the social and environmental impacts of the pipeline project. It included the following components:

- a. *Strengthening of the local institutional, regulatory and legal framework.* This was supposed to help in the drafting, dissemination and enforcement of implementing regulations for environmental legislation: strengthening the enforcement capacity of all agencies involved in the EMP implementation and monitoring, through technical advisory services for drafting and implementing environmental legislation and administrative procedures, including the training of staff, other stakeholders and judicial and legal officers and public information campaigns. It was also helped to establish a long-term vision study which was supposed to identify and evaluate the options for an effective and sustainable environmental regulatory framework for the petroleum sector, through the provision of technical advisory services.
- b. *Strengthening coordinating capacities for environmental management.* This was supposed to strengthen the capacity for central coordination of the Permanent Secretariat of the Pipeline Steering and Monitoring Committee (PSMC) and three PSMC Field Units, which report directly to the PSMC Permanent Secretariat.
- c. *Public intervention capacity for environmental management.* This objective was centred on three main areas: public health management, Government Oil Spill Response Planning and Implementation and the decentralized services of the administrative services of the various ministries in the vicinity of the pipeline constructed under the Pipeline Development Project (PDP).
- d. *Project management, monitoring and evaluation.* This last objective was focused on two main areas which included the establishment of an International Advisory Panel tasked to prepare and disseminate reports related to biophysical environment, marine biology, socio-economy and environmental health; and the establishment and maintenance of a project management, monitoring and evaluation system and an environmental management information system to respond to the needs of the PSMC.

Though these four-point objectives seem laudable, its fulfilment leaves very less to be desired and questions in essence the *raison d'être* of the loan.

5 The Economic and Legal Framework of the Pipeline

The oil development and pipeline project was regarded as the only possible realistic way for Chad to improve the quality of life of its citizens and for Cameroon to use the transit fees and royalties for its poverty alleviation programs.² It is estimated the life span of the project was 25-30 years, and the commencement of revenue flows started in 2003, with an initial payment of \$ 6.5 million into Chad's escrow account at Citibank in London. Over the life span of the project, it is estimated that the project could bring Chad revenues of about \$200 million per annum, resulting in a doubling of the country's budget. World Bank reports portray a much bigger Chadian boom coupled with the increasing Chad's portion of the revenue paid into the escrow account. Ten percent of the received revenue is to be deposited in a Future Generations Fund, while 72% is to be for capital investment in the five designated social priority sectors; education, health and social services, rural development, infrastructure, and environmental and water resources and 5% to the oil producing region.

According to the project documents, it is expected to stimulate private commercial investment in the petroleum sector in the two countries. Some of the projected economic benefits apart from that to the governments were that the project would generate employment for the local communities particularly those traversed by the pipeline. For Cameroon, the estimated royalties of about \$42 per barrel are expected to help swell the government's budget. As of September 2006, Cameroon is estimated to have received almost 36 billion Francs CFA paid directly into the Central Treasury. However, these two governments lack any effective governance machinery to ensure that the expected revenues from the project trickle down to the poor. In Chad, the Bank initiated an innovative program, an oil revenue management law that was adopted and enacted into law by the Chadian National Assembly in 1999. The adoption of this law was a major clause in the loan agreement signed between Chad and the Bank. For the Bank, the Chad-Cameroon oil development and pipeline project was to serve as a new model of using oil and gas projects to attain poverty alleviation goals.

Key features of the system include the following:

- All direct revenues (royalties and dividends) are paid by the ExxonMobil consortium into Chadian government-controlled escrow accounts at Citibank in London. Indirect revenues (income taxes on the oil companies, customs duties, and all other fees and charges) are paid directly into Chad's treasury.
- After debt payments to the World Bank and European Investment Bank are withdrawn from the Citibank account, the remaining direct revenues are allocated as follows: 10% to a Future Generations Fund to save for the post-oil era in Chad, 72% to capital investments in five "priority sectors" to fight poverty: education, health and social services, rural development, infrastructure, and environmental and water resources, 4.5% to the oil-producing region in southern Chad as additional, earmarked funding, and 13.5% to Chad's treasury for discretionary spending until 2007. Thereafter, these funds will be divided among priority sectors.
- A joint government-civil society Petroleum Revenue Oversight and Control Committee a.k.a. the Collège established with the authority to approve or reject specific projects financed by direct oil revenues.

In Cameroon, there was no similar mechanism put into place to monitor the project's revenue. However, it is not clear whether the Comité Pilotage et de suivi des pipelines (C.P.S.P) or Pipeline Monitoring Steering Committee, set up by the Cameroonian government to monitor and represent government's interest was to equally monitor the revenue flow or it was still the prerogative of the National Hydrocarbon Corporation (SNH) which coincidentally houses the CPSP. SNH management of oil revenues in Cameroon has also been a problematic issue lacking in all aspects of transparency. The Corporation's first stage in ensuring transparency in the oil sector followed the formal adhesion of Cameroon onto the EITI. However, whatever plans were put in place were considered by critics as short-lived especially regarding that governance in the two countries has remained very obscure especially regarding the management of public funds. These critics were proved right when in late 2005 the Chadian government for instance decided to amend the Revenue Management Law and thereby jeopardizing the whole essence of the project.

² See project rationale above at section 2.

For Chad and Cameroon, the project presents a good economic and development opportunity in advancing the plight of millions of their people in dire poverty situations. Thus these countries had a crucial stake at both the pre-construction phase period to ensure the project took off with little or no hitches.

At the background of the project, the government of Cameroon undertook the development and adoption of a plethora of new laws. In Cameroon the effectiveness of these new legal instruments to adequately ensure that the project remains sane in light of environmental, economic and social concerns remain problematic. In Cameroon the design of the project was to take into consideration the main legal instruments that are to be applicable to all such projects. The 1996 Environmental Management Framework Law, the 1998 Petroleum Code and the law on the transportation of hydrocarbons remained vital to the regulation of the project. However, the international short falls of the laws and the Host State Agreements (HSA) signed between the project sponsors and the respective governments, made it difficult for the effective implementation of the laws³. For instance the HSA made it difficult for any of the governments to change the regulatory environment around the project except with the consent of the consortium. Another instance is the COTCO Convention of Establishment with the Government of Cameroon signed on July 14 1997. The Convention is drafted in such a way that it undermines the country's national law and its ambiguous provisions on the application of international laws leave little policy space for the host country.

3. The applications of international agreements duly ratified by Cameroon are directly applicable as domestic laws under the Cameroonian and Chadian legal structure. The possibilities of domesticating international treaties are enshrined in the constitutions of the two countries and all that is required is for the international treaties to be presented to the National Assemblies and thereafter are enacted as national laws by the presidents. See in this regard the Cameroon revised January 18 1996 Constitution. In the Chad-Cameroon pipeline, the project agreements are subject to special legal, tax, customs and exchange control regimes. For instance Article 30 of the COTCO-Cameroon Convention clearly states which national laws are to be applicable to the project. National laws and regulations will be applicable only where they are consistent with the project agreements and this therefore exonerates the oil consortium from applying laws that may have adverse effects to their investment especially where they conflict with the terms of the project agreements and in such cases the agreements override the national laws. See the Amnesty International report, "Contracting out of Human Rights: The Chad-Cameroon Pipeline Project" September 2005.

6 Social and Economic Implications of the Pipeline

Oil exploitation and human rights have traditionally had an uneasy relationship. Oil companies have always been denounced for their complicity in human rights violations throughout Africa. The participation of the World Bank in the CCPP is considered as a turning point in the Bank's relationship to human rights and private sector led investment. However, the Chad-Cameroon project failed to depart from past oil experiences. When the project was put forward for approval to the Bank's Board of Directors NGOs globally requested the Bank to put a moratorium on the project to allow a proper assessment of the human rights situation in the two countries.

The human rights problems generated by the project directly or indirectly impacted on the ability of the traversed communities to freely enjoy their socio-economic rights. In a request to the World Bank Inspection Panel submitted by the Centre for Environment and Development (CED) in September 2002, a wide range of human rights abuse cases emanating from the project were raised. The Inspection Panel Investigation report released after a field visit to Cameroon in February 2003 to some extent confirmed most of these cases.

The none or insufficient compensation for the expropriation of land, on which the local communities or individuals hold customary rights and registered land deeds, remains a problem which years after completion of the construction phase of the project still is unsettled. According to the CED Inspection Panel Request of September 2002, at Makoure, a village close to the pipeline terminal in Kribi, Mr. Bissadibang's plantation of exotic forest species destroyed to make way for the pipeline was ruled out from the individual compensation process. Following an assessment report by the Cameroonian Ministry of Environment and Forestry the destroyed value of the wood was estimated as being between CFA F 1 500 000 and 6 500 000 (US\$ 2,150 and US\$ 9,285). COTCO acting on behalf of the consortium accepted the assessment report and only paid about CFA F 650,000 and the concerned accepted this amount which also included food and alcohol after being coerced in the presence of COTCO by the administration in signing a contract considered "fair and genuine...satisfactory and sufficient"⁽⁴⁾. Other cases of human rights abuse include the non-respect of the rights of workers and the provision of inadequate equipment for the workers which had been the root causes of several industrial accidents during the construction phase of the project. In the Obala Zone for instance two welders working for one of COTCO sub contractor; Willbros lost their sights and after initial treatment by COTCO they were all abandoned without any further treatment⁽⁵⁾.

Most of the abuses suffered by the workers of the pipeline are abuses sanctioned by the Cameroon Labour Code adopted by Law No. 92/007 of August 14 1992. In many of the cases registered for instance the workers had no employment contract and therefore subjected to indiscriminate termination of their contracts without any redress. The 1992 Labour Law was therefore made redundant in its application to the pipeline project even though its application in Cameroon is universal. The concept of trade union recognized under the Code was outlawed in the pipeline project and where workers in demanding for either better wages or improvement in their working conditions were often considered as disturbing public peace. A classical example was an agreement signed between Doba Logistics Company, a sub contractor of the consortium and its employees to have the workers' working conditions improved. However, two months after the signing, the company declined to respect its obligations and this led to an industrial strike by the workers, an act permissible by the Cameroonian labour code but instead of engaging in constructive negotiations, the company in contravention of the laws of the host state country decided to dismiss some of the workers. In other instances forces of law and order were called in to quell down the strike as was the case in Ngoumou in January 2003 when some of the ex-workers of Willbros who were abusively dismissed demanded for their rights to be paid⁽⁶⁾.

The employment advantages promised to the local communities remained illusory and there have been conflicting view points of what the communities really benefited from the project. According to a 2003 report⁽⁷⁾ by the Centre for Environment and Development, the situation of those employed by the sub contractors of COTCO is far from being an acclaimed success story as claimed by the consortium. According to the report, the employment opportunities that were heralded before the commencement of the project and even after were seriously blown out of proportion by the consortium as the actual employment rate in the field was not realistic.

4. Request for inspection submitted by the Centre for Environment and Development (CED) Yaounde acting on behalf of affected communities and individuals along the pipeline trajectory. This Request also included other specific cases of specific abuses.

6. Edith Abidogo, "Pipeline Tchad-Cameroon" Dossier de Presse Bujinga 1997-2004.

6. "Pipeline, les gendarmes violentent des curiers" in Edith Abidogo "Pipeline Tchad-Cameroon, Dossier de Presse Bujinga 1997-2004".

7. "Travelling peoples' lives: how the World Bank Finance Community disruption

EssoChad, subsidiary of ExxonMobil and representative of the consortium in the host states on its part alleges that in terms of employment, the project between 2005 and mid 2006 had employed about 6,400 Chadian nationals and 1,300 Cameroonian nationals indicating a percentage workforce of 92%. It however fails to mention that more than 70% of these employments were temporal and with duration of from one day to at most three months.

6.1 The Non-respect of the Rights of the Indigenous Peoples

The Chad-Cameroon pipeline traverses the tropical forest of Cameroon, a home to the semi-nomadic Bakola/Bagyeli pygmy communities. These communities live within 2km of the pipeline route in settled communities interspersed with Bantu Villages with whom they share a long-term relationship. Because of the peculiar nature of this sensitive group of peoples and in conformity with the World Bank Operational Directive OD 4.20, the consortium together with the government of Cameroon was urged to prepare an Indigenous Peoples' Plan (IPP) which is presented in the Environmental Management Plan (EMP). The Plan states that the "[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 a result of studies and in consultations sponsored by the project..." The IPP was meant to provide a development framework for these vulnerable peoples who have been subjected to mistreatment by their Bantu neighbours. The IPP had to be developed within the framework of the CAPECE Project and to be implemented by FEDEC. However, this Plan at its initial stage faced serious problems which could be attributed to the delay of the launching the activities of FEDEC and according to the Inspection Request submitted to the Panel the pygmies were unable to benefit from the mitigation measures envisaged under the project. Critical of the IPP preparation was the absence of any effective inclusion of the pygmies and the baseline data survey ignores the occupation of the Bakola/Bagyeli occupation and the use of forest resources outside the pipeline right-of-way⁽⁹⁾.

Though most of the problems suffered by the pygmies could be attributed to the late implementation of the IPP, there are other problems suffered by the pygmies independent of the IPP. The pygmies generally were not included in the compensation plan and in most cases where their lands were expropriated the compensations were paid to their Bantu neighbours. Though the Cameroonian land law recognizes the concept of customary rights to land, for the pygmies this was discarded. The CED Panel Request raised this as a critical issue to be considered by the Inspection Panel. In one example highlighted in the request of where a pygmy whose food crop farm was destroyed, no compensation was paid to him while his Bantus neighbours received compensation for their destroyed crops though in most cases too not adequate. These peoples had also lost valuable livelihood resources such as the drying up or pollution of rivers and streams which serve as sources of drinking water and fishing and as a result of noise during construction causing disturbance to wildlife, the main activity of these peoples which is hunting has been seriously affected.

6.2 The Issue of Compensation

Both national and international law recognizes that any expropriation must be carried out only after adequate compensation has been paid out to the victims. In Cameroon, the Ministry of Agriculture and other legal texts such as the 1994 Forestry law have enshrined this principle in a 1981 legal text; the 1996 Environmental Management Law and other specific texts recognize this legal principle.

On the insistence of both national and international NGOs, COTCO and TOTCO drew up a comprehensive compensation plan to compensate all those affected by the project. However, the inherent weakness of the compensation plan was its failure to consider the market value of property lost by local communities. It also did not prepare communities on how to use the lump sums given to them as compensation. As such the amounts given to people for life time investments were squandered within a short period of time in consumer goods and initiatives like buying household wares and getting married to more women. Three years after the payment of these compensations, beneficiaries are poorer than they were before the project came.

In an established database of outstanding claims of compensation by some of Cameroonian NGOs working with most of the affected communities indicate that at the close of the construction phase of the project there are still almost 276 cases of either none or inadequate compensation pending with COTCO. In most cases COTCO has discarded some of the claims as invalid and has been very slow in dealing with even the cases it considers as valid; an approach that seemingly is to fatigue the claimants especially as it entails expenditure such as transportation costs for the claimants to travel almost 400 km to COTCO headquarters in Douala.

The compensation plan also envisaged regional or community compensations that were to serve the benefit of the whole communities. The choice of projects was supposed to be that of the affected communities and depending on their most pressing needs. However, COTCO was keen in deciding for the communities irrespective of their priority needs. An instance of what may be termed as misplaced priority for some of the communities is the case of the Village of Saballi which after broad community consultation decided to use their regional compensation for the electrification of their village. COTCO however insisted for a community hall despite the fact that the village with a very small population already had a community hall. This community and those around Kribi are still claiming compensation for the destruction of a reef that harboured lots of fish, which have greatly reduced the catch of local fishermen.

6.3 The Health Impact

Large infrastructure projects have been proven of having the potentials to exacerbate health problems in and around the project area. The Chad-Cameroon oil pipeline had not proven contrary to this assertion as demonstrated by several field reports that set out to investigate the health situations along the pipeline⁽¹⁰⁾. These reports provide evidence of the worsening health situations of the affected populations attributed to the direct consequences of the pipeline. Some of the health problems arise from both environmental negative impacts such as pollution of water sources upon which communities depend. The pollution of river sources did expose the inhabitants to water borne related diseases such as typhoid, malaria with the creation of standing waters, diarrhoea and skin diseases. For instance in Mbikiliki, a village in the south of Cameroon, the pipeline traverses the village stream which has served as water source for the village. The destruction of the stream did cause a major health crisis in the village and even though the project sponsors were informed of the situation and their promise to redress the situation has remained unfulfilled. In Mpangoe village the construction of the pipeline trajectory had to disrupt the course of a stream creating stagnant water in front of the compound of Chief Savah.

Photo 1: Stagnant water between the Pressure reduction station and the House of Chief Savah in Mpangoe



Photo by Samuel Nnah, survey data

There has also been a widespread of sexually transmissible diseases along the pipeline route and there have been speculations for instance that the HIV/AIDS rate along the pipeline project surpasses the national prevalence rate estimated to be about 5.4%⁽¹¹⁾.

10. 'Big Oil and Health: Lessons from the Chad-Cameroon Pipeline' Princeton University-Woodrow Wilson School of Public and International Affairs, April 2004
11. 'HIV and AIDS in Africa' available online at <http://www.even.org/africa/film>

The increase in HIV and AIDS along the pipeline could be explained with the large influx of migrant workers during the construction phase of the project and the widespread of prostitution especially among minors in the villages. The consortium had even before the commencement of the project paid less regard to health as evident of its three-page health impact assessment released in 1991 and which was discarded by the World Bank as insufficient. A study conducted in 2001 by the Swiss Tropical Institute quotes a sero prevalence of 8 and 15% in Sarh and Kelou, two villages close to the pipeline⁽¹²⁾. There have been established cases of foreign employers working with some of the sub contracting companies of COTCO involved in prostitution with minors. Under both Cameroonian international law such cases are considered criminal and liable for prosecution but where such cases were identified the accused according to the villagers interviewed were simply repatriated out of the country rather than face any prosecution. The spread of HIV and AIDS and other diseases now common in the area could link as a direct consequence of the project though in most political discourses this has been far from being ascertained. For instance while acknowledging the increase in HIV and AIDS in areas traversed by the pipeline in Chad, the Chadian Minister of Health is reluctant to establish a clear nexus to the project⁽¹³⁾.

6.4 The Environmental Impact

The environmental impacts of huge infrastructure projects such as the Chad-Cameroon Pipeline could not be undermined. Coupled with infrastructure development is the inherent environmental impact of fossil fuels such as its contribution to climate change. This among others was the reasons for the Bank Extractive Industry Review (EIR) Commission recommendation that the Bank need to consider its role in the extractive industry. At the inception of the project, NGOs and some foreign governments such as the Dutch and German governments raised concerns over the inadequacies of the environmental impact assessment that was released by the consortium. In response to these concerns the consortium released new environmental studies that attempted to consider some of the raised concerns such as the rerouting of the pipeline from ecological fragile areas. It could be deduced that some of the environmental problems caused by the project could be directly linked to the insufficient application of the World Bank Operational Directive OD 4.01 on Environmental Impact Assessment. In both the request for inspection and the investigation report of the Inspection Panel in 2003, this aspect was largely decried. The Inspection Panel in their report cites the non-application of the Paragraph 13 of OD 4.01 which requires that for large projects, there is need for an independent Panel of Experts. In the Chad-Cameroon Oil Pipeline Project no such Panel was put in place during both the preparation and approval of the Environmental Assessment and Environmental Management Plan and thus the EMP released in 1999 had never been subjected to any independent review. Neither the IAG nor ECMG, which constitute part of the World Bank supervision role, could qualify as fulfilling the role of the IPE.

One of the most significant of the environmental impacts is the destruction of biodiversity. Despite rerouting the pipeline, a great proportion of it still cuts through Cameroon's tropical forest, an area rich in biodiversity. This has instead increased the rate of logging and disappearance of species considered as exotic. For instance species such as Azobe, bubinga, moabi, iroko, bibolo, kossipos, ayous with important economic values are greatly disappearing in the regions traversed by the project. Though the environmental assessment provides for the creation of two national parks as for the lost of biodiversity, the Mbam et Djerem and Campo Ma'an national parks, the biodiversity around the Atlantic Littoral coast which host the pipeline terminal is still under threat. The pipeline has also help facilitate and increase the rate in the trade in bush meat especially of protected species, a practice outlawed by the Cameroonian wildlife legislation. The mitigation measure proposed by the EA studies on inhibiting the trade in bush meat was a prohibition of employees of the pipeline from hunting bush meat during working hours or while staying at the workers' camp⁽¹⁴⁾. This mitigation measure seems very unsatisfactory and leaves less to be desired especially as enforceability remains vague.

One of the greatest environmental damage, which also qualifies as a social impact, is the destruction of a natural reef, a natural habitat of fish during the construction of the pipeline terminal. The destruction of this reef has caused the disappearance of several fish species and has also impacted upon the fishing activity of the local populations around Kribi. Despite a promise to artificially reconstruct the reef, little or nothing has been realized according to recent field reports. Also the marine ecological setting was greatly disturbed during construction and even with the flow of oil as oil spills are not favourable to fish growth. Another potential environmental impact is that of oil spillage that could cause uncalculated environmental damage to the sea and destruction to marine life around the pipeline terminal in Kribi.

12. *Ibid* at 12 above.

13. *Ibid*

14. Kadiria Horta et al (1998). "The Chad-Cameroon Oil and Pipeline Project: Putting People and the Environment at Risk." ATPDDH, CED and E3

It is worth noting that the creation of the Campo Ma'an National Park to mitigate biodiversity loss along the pipeline route, itself created more social problems. The indigenous Bagyeli Pygmies who were living in the forest now erected into a National Park were asked to leave the forest with no compensation or resettlement plan.

6.4.1 The Oil Spill Response Plan

The pipeline would hold 250 000 barrels of oil for a total length of 1050 km with one stop valve every 35 km. In case of spilling of total oil volume contained in pipeline section separated by two stop valves a total of 8333 barrels will spill.

International standards require that for oil pipeline projects there is a need for the response plans to be approved before the commissioning of the pipeline. However, in the Chad-Cameroon Pipeline Project the response plan, which was to be released at the same time with the EA studies in 1999, was still awaited at the time the first oil barrels were pumped into the pipeline. According to the World Bank's African Office the oil spill plans which include both area specific oil-spill response plans (ASOSRPs) and national oil-spill response plans (NOSRPs) as of the end of December were neither available nor approved. The released draft COTCO plan has been criticized as riddled with inadequacies and in contravention of a raft of international regulations⁽¹⁵⁾. The Plan has not been subjected to any independent external review and only ExxonMobil's associated company [Oil Spill Response UK Ltd] has approved the project. The National Oil Spill Response Plan was to be developed within the framework of the CAPECE Project and the delay in the implementation of CAPECE could consequently be linked to the delay in the preparation and approval of the NOSRP prepared by the government.

¹⁵ Jeremy H. Keenan (2005). 'Chad-Cameroon Oil Pipeline, World Bank and ExxonMobil in Last Chance Sabotage' Review of African Political Economy Nov. 104:339-477

7 Conclusion

This study raises a couple of questions as to the loans contracted by Cameroon to participate in the project. The full failure or delay in the implementation of the CAPECE project has been considered either as directly or indirectly contributing to most of the socio-economic and environmental problems generated by the pipeline project.

The delay in the implementation of the CAPECE project could not be blamed alone on the government of Cameroon's lapses but also on the Bank, which until 2003 had only disbursed about 10% of the relevant Bank credit that was to finance the CAPECE project. This meant that it was impossible for the CPSP to maintain a permanent field presence during the construction phase. The delay or failure in the implementation of the CAPECE project was in gross violation of OD 4.01 Paragraph 12 on the strengthening of the environmental capacity for the government to effectively assess construction impacts during the implementation and monitoring phase of the project. Cameroon continues to use most of its oil revenue for the servicing of its external and domestic debts as was the case for 2004. An October 2005 audit by the government estimated its domestic debts and arrears to equal to about 1.5 billion francs CFA(16).

The CAPECE loan is a good case for the fair and transparent arbitration tribunal. The people of Cameroon should not repay the loans on the grounds that it has failed to serve its interest in building capacity to help mitigate the negative impacts of the project. The institutional legal architecture that was supposed to help confine some of the problems remains debatable such as the *environmental impact assessment decrees of application* approved only in 2005 demonstrate the inadequacies of CAPECE. The Bank also failed to monitor the effective implementation of its own policies by the consortium despite recommendations by its own designed institutions such as the IAG, the Inspection Panel and the ECMG.

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