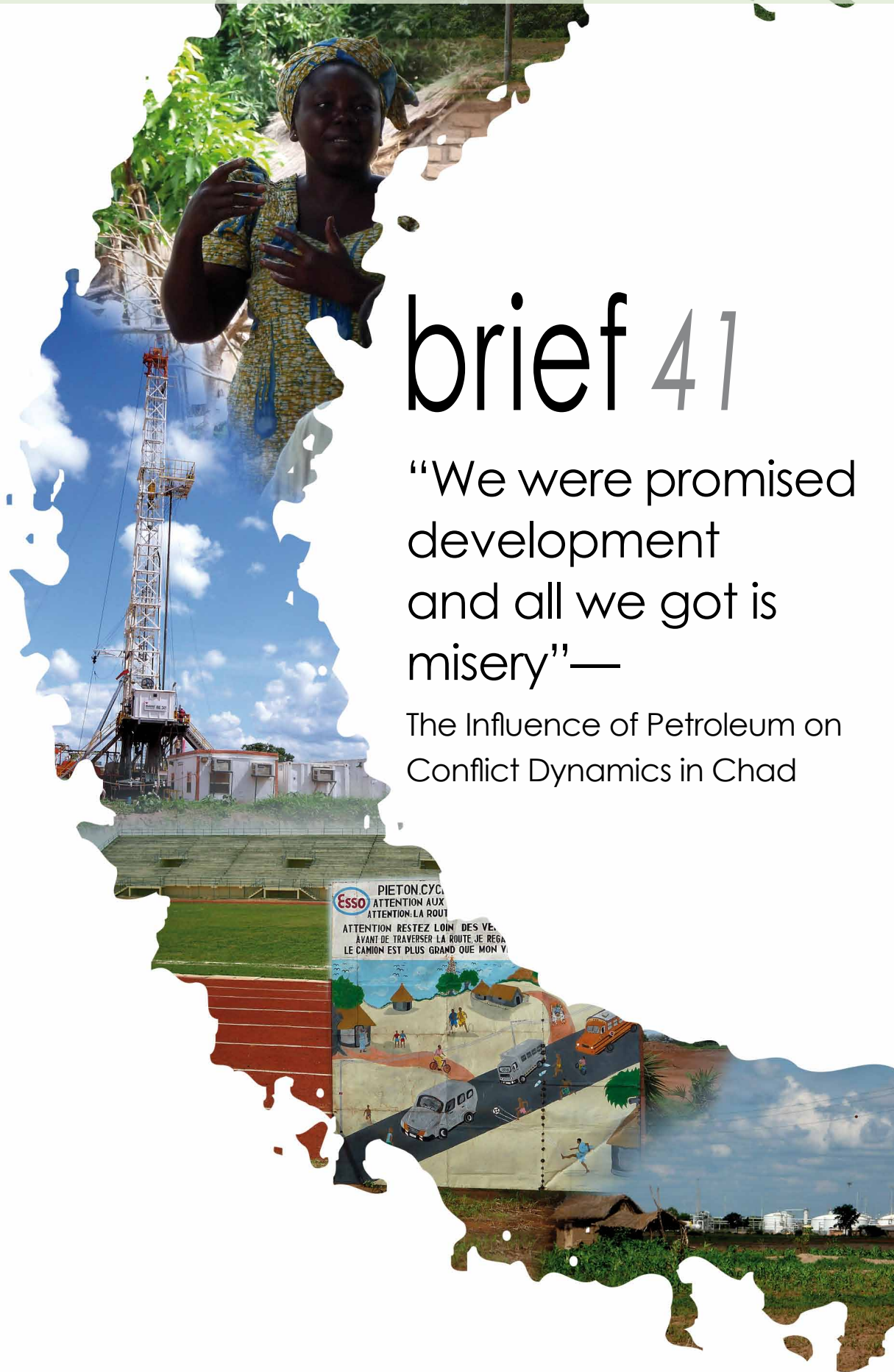




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brief 41

“We were promised development and all we got is misery” —

The Influence of Petroleum on Conflict Dynamics in Chad

Esso
PIETON, CYCLO, ATTENTION AUX
ATTENTION: LA ROUTE
ATTENTION RESTEZ LOIN DES VEHICULES
AVANT DE TRAVERSER LA ROUTE JE REGARDE
LE CAMION EST PLUS GRAND QUE MON VEHICULE

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Droits de l'homme – Industries extractives – Promotion de la Paix



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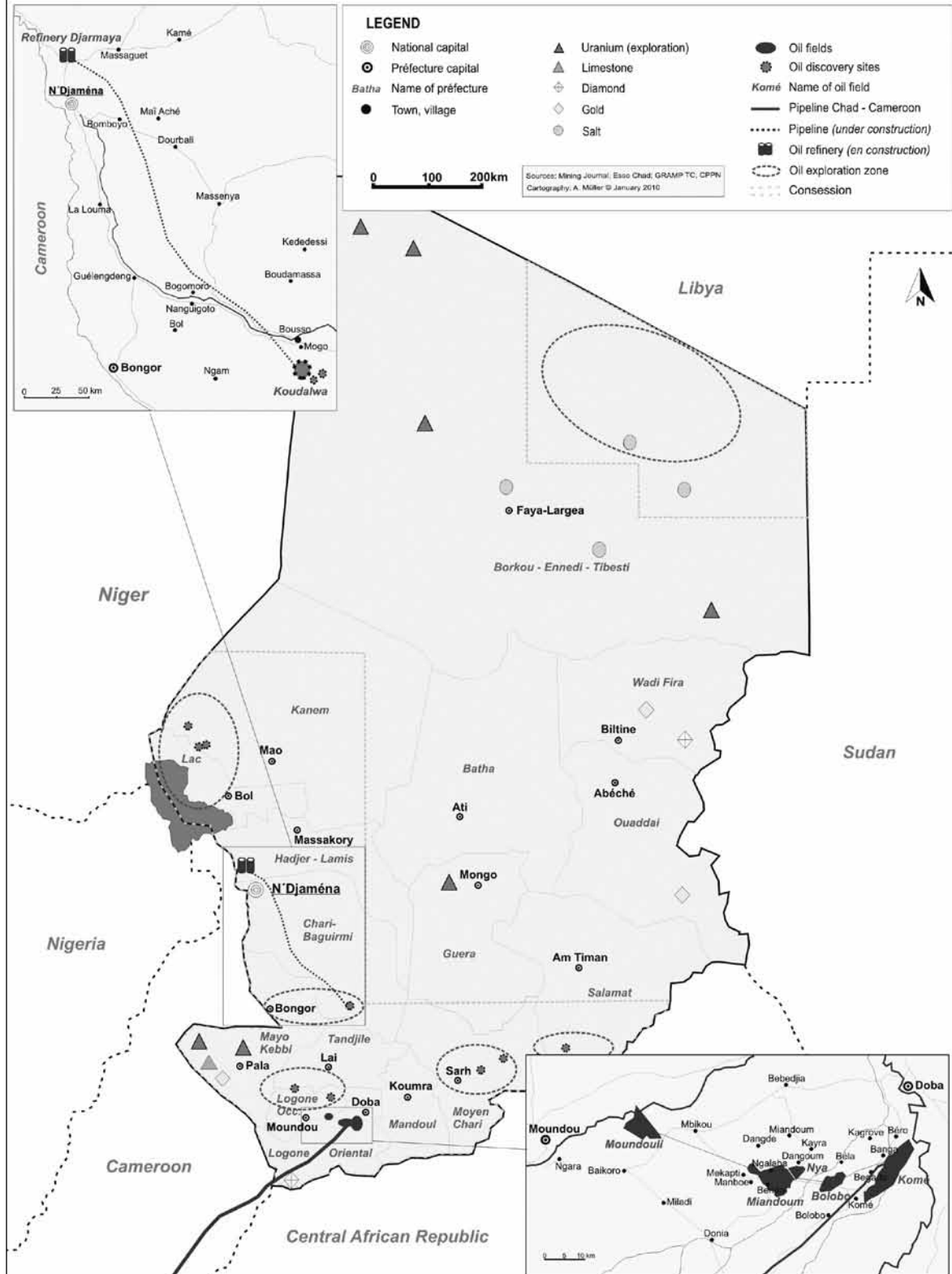
Claudia Frank
Lena Guesnet

List of Acronyms and Abbreviations

AG Tschad	Arbeitsgruppe Tschad (German NGO Working Group for Chad)
AFJT	Association des Femmes Juristes du Tchad/ Association of Women Lawyers in Chad
ANT	Armée Nationale du Tchad/ Chadian National Army
APLFT	Association pour la Promotion des Libertés Fondamentales au Tchad/ Association for the Promotion of Fundamental Rights in Chad
ATADER	Association Tchadienne des Acteurs du Développement Rural/ Chadian Association of Rural Development Actors
ATNV	Association Tchadienne pour la Non Violence/ Chadian Association for Non-Violence
ATPDH	Association Tchadienne pour la Promotion des Droits de l'Homme/ Chadian Association for the Promotion of Human Rights
BCC	Banque Commercial du Chari (a commercial bank in Chad)
BEAC	Banque des Etats de l'Afrique Centrale (Central Bank of Chad)
CADH	Collectif des Associations des Droits de l'Homme/ Platform of Human Rights Associations
CAR	Central African Republic
CCSRP	Collège de Contrôle et de Surveillance des Ressources Pétrolières/ Committee for the Control and Supervision of Oil Revenues
CEFOD	Centre d'Etude pour la Formation et le Développement au Tchad/ Center for Development Study and Training
CENI	Commission Electorale Nationale Indépendante/ Independent National Electoral Commission
CNPC	China National Petroleum Corporation
CNT	Concorde Nationale du Tchad (rebel movement)
Cotontchad	Société Cotonnière du Tchad (parastatal cotton company)
CPDC	Coordination des Partis Politiques pour la Défense de la Constitution (gathering of opposition parties to defend the constitution)
CPPL	Commission Permanente Pétrole Locale/ Permanent Local Oil Commission
CPPN	Commission Permanente Pétrole N'Djaména/ Permanent Oil Commission N'Djaména
CRASH	Centre de Recherches en Anthropologie et Sciences Humaines (Chadian institute of applied social sciences)
CRCP	Chad Resettlement and Compensation Plan
CREMP/MKO	Collectif pour la Réflexion et l'Exploitation des Minerais au Mayo Kebbi Ouest/ Collective for Reflection and Exploitation of Minerals in Western Mayo Kebbi
CRO	Community Relations Officer
CSAPR	Comité de suivi de l'appel à la paix et à la réconciliation nationale au Tchad (Chadian civil society network for peace and reconciliation)
CSNPD	Comité de sursaut national pour la paix et la démocratie/ Committee of National Revival for Peace and Democracy (rebel movement)
CSOs	Civil Society Organizations
CTNSC	Comité Technique National de Suivi et Contrôle/ National Technical Committee for Monitoring and Control
DDS	Direction de la Documentation et de la Sécurité (Chadian Secret Services under President Habré)
EC	European Commission
ECMG	External Compliance Monitoring Group
EEPCI	Esso Exploration and Production Chad Inc.
EIA	Environmental Impact Assessment
EIB	European Investment Bank
EIR	Extractive Industries Review

EMP	Environmental Management Plan
EPOZOP	Entente des Populations de la Zone Pétrolière (Network of community-based organizations)
EUFOR	European Union Force
FARF	Forces Armées pour une République Fédérale/ Armed Forces for a Federal Republic (rebel movement)
FROLINAT	Front de Liberation Nationale du Tchad/ National Liberation Front of Chad (rebel movement)
GDP	Gross Domestic Product
GEEP	Projet de Gestion de l'Economie à l'Ere Pétrolière/ Management of the Petroleum Economy Project
GRAMP-TC	Groupe de Recherches Alternatives et de Monitoring du Projet Pétrole Tchad-Cameroun/ Alternative Research and Monitoring Group of the Oil Project Chad-Cameroon
HDI	Human Development Index
HPI-1	Human Poverty Index
IAG	International Advisory Group
IBRD	International Bank for Reconstruction and Development
IDPs	Internally displaced persons
IFC	International Finance Corporation (World Bank Group)
IMF	International Monetary Fund
JEM	Justice and Equality Movement (Sudanese rebel movement)
LCC	Local community contacts
LUMAP	Land Use Mitigation Action Plan
MINURCAT	United Nations Mission in Central African Republic and Chad
MPS	Mouvement Patriotique du Salut (ruling party)
NGO	Non-Governmental Organization
NPRS	National Poverty Reduction Strategy
PILC	Public Interest Law Center
PSMCBP	Petroleum Sector Management Capacity-Building Project
RESAP-MC	Réseau de Suivi des Activités Pétrolières du Moyen Chari/ Network for Monitoring of Oil Activities in Moyen Chari
RFC	Rassemblement des Forces pour le Changement/ Assembly of the Forces for Change (rebel movement)
SHT	Société des Hydrocarbures du Tchad (Chadian National Oil Company)
SNER	Société Nouvelle d'Etudes et de Réalisation (the former national road maintenance company)
STEE	Société Tchadienne d'Eau et d'Electricité (water and electricity company)
TOTCO	Chad Oil Transportation Company S.A.
UFDD	Union des Forces pour la Démocratie et le Développement/ Union of Forces for Democracy and Development (rebel movement)
UFR	Union des Forces de la Résistance/ Union of Resistance Forces (rebel movement)
UN	United Nations
UNAMID	United Nations-African Union Mission in Darfur
UNDP	United Nations Development Programme
WMP	Water Monitoring Program

Extractive Industries in Chad



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Executive Summary

Chad—before and after the implementation of the Chad-Cameroon Oil Pipeline project—is a poor, undemocratic and conflict-ridden country. The promise had been that oil exploitation in the Doba basin, in the south of the country, would bring about a bright future and would finally lift the entire nation out of poverty. Almost ten years after the official opening of the valve of the Doba crude oil, poverty continues to be rampant. Furthermore, President Déby has established himself as an authoritarian ruler amidst ongoing violent contestations of his rule by various rebel groups.

Based on desk studies and field research, this *brief* analyzes the impact of oil revenues on potential conflict at the production site, on conflicts around the governance of oil revenues and on conflict-finances.

The Chad-Cameroon Oil Pipeline Project was a project supported by the World Bank, which had promised that the development of Chadian oil would lead to poverty alleviation and wanted to make it a model project in the extractive industry sector. As this *brief* demonstrates, in spite of this intention, revenues from oil exploitation were poorly governed and only insufficiently invested into development sectors, such as health and education. The people living in the oil producing region in southern Chad bear the brunt of the negative impacts by the oil activities. Their land is being taken by the consortium, infrastructures are being built for the oil development, but barely for the population, they have to endure worsened living conditions (dust, health risks, etc.) and poorly-carried out compensation measures.

Instead of bringing development to the people in the Doba oil basin and the whole of Chad, oil revenues are being used to fuel a patronage system, which strengthens the power-grip of the current government and especially the Head of State, President Déby. Oil revenues can be said to directly contribute to keep Déby in power—by financing his fight against rebellions and the co-optation of armed and unarmed political opponents.

At the same time, some rebel groups might see the oil wealth as an additional incentive to seize state power. Due to the negative socio-economic and environmental consequences of oil exploitation and their unsatisfactory mitigation, multifaceted conflict potential in the oil producing region exists. Nevertheless, the outbreak of violent conflict is unlikely as the area is closely monitored by security personnel.

Acknowledgments

The authors extend their gratitude to all individuals who have contributed to the realization of this *brief*—first and foremost all interviewees and organizations in Chad and Germany who offered their knowledge and ideas, as well as logistical support. Particular thanks are due to the reviewers of drafts of the text for their valuable comments.

The study was conducted within the framework of the international campaign 'Fatal Transactions' (funded by the European Union) and in collaboration with the German NGO AG *Tschad*.

All views expressed in this *brief* are the authors' alone. Comments and feedback are welcome and can be addressed to Claudia Frank at frank@ag-tschad.org and Lena Guesnet at guesnet@bicc.de.

Violent crackdowns of previous rebellions in the now oil producing region are still vivid in local memory and avert new violent conflict.

This *brief* addresses the question of how the development of oil production in Chad has influenced conflict dynamics at the local and national level, bearing in mind the regional conflict system involving Chad, Sudan and the Central African Republic.

It further sheds light on the role of the World Bank, as its involvement was crucial for the realization of the project. It concludes that the Chad-Cameroon Oil Pipeline project should not have taken place within the setting of lack of democracy, poor governance and ongoing violent conflict in Chad. Instead of serving as a model project, the example of oil exploitation in Chad can inform future extractive industry projects about the pitfalls of such an undertaking and the necessary prerequisites to be in place beforehand.

Introduction

Chad is a landlocked country in north-central Africa, one of the poorest of the planet and conflict¹ ridden since its independence from France in 1960. President Déby has been ruling Chad since 1990, but his authoritarian regime is contested by various rebel groups who attacked the capital N'Djaména twice in the past four years. These power struggles have hampered socio-economic development in Chad, which ranks 132 out of 135 countries on the UNDP Human Poverty Index (HPI-1)². Life expectancy stands at 47.7 years and 80 percent of the population live below the poverty line of less than one US Dollar a day (US State Department, 2009). (For more data, see Table 1.) At the same time, Chad is endowed with substantial reserves of petroleum.

Geographically, Chad is often counted among the Gulf of Guinea region of Central and West Africa, which hosts 45 percent of Africa's known oil reserves. This oil has made the countries of the region more and more attractive to global players like Europe and the United States, but also to threshold countries such as China, Russia and India. For the United States, oil from the Gulf of Guinea plays an important role for the diversification of energy suppliers and imports from this region are set to cover 25 percent of the US energy needs by 2015 (Ayangafac, 2009, p. 4).

So, can Chad profit from the increased demand and turn oil into an engine of poverty alleviation in the country? Framework conditions seemed to point to this as in early 2000, the World Bank agreed to support a project by which the Doba oil basin in the south of Chad was to be exploited and the crude oil transported through a 1,070 km export pipeline (the so-called Chad-Cameroon Oil Pipeline project) to an offshore port in Cameroon. The private consortium to invest in this biggest infrastructure project in Sub-Saharan Africa consisted of ExxonMobil, Chevron and Petronas. Since the potential negative economic, political, environmental and social effects of oil exploration were known, the World Bank decided to make the Chad-Cameroon Oil Pipeline project a model project to prove that the resource curse can be avoided and investment in oil can yield positive



Source: UN Cartographic Section, Africa, Map No. 4045, Rev. 4, January 2004

results in terms of poverty reduction and development (IEG, 2009, p. xix; 9; 24; IAG, 2009b, p.1; BIC, 2009; Polgreen, 2008). "The success of the Doba project will be measured by poverty reduction rather than by barrels of oil produced or millions of dollars received by Chad from oil exports" (WB, 2000, p. 13).

The idea was to lift the Chadian people out of poverty, provide them with basic health care and education through a wise management and distribution of the oil revenues, ensured by means of rules and regulations foreseen in a Petroleum Revenue Management Program. When the Board of Directors of the World Bank approved the project on 6 June 2000, the World Bank praised it as "an unprecedented framework to transform oil wealth into direct benefits for the poor, the vulnerable and the environment" (WB, 2000).

The following sections of this *brief* will show, however, that this goal was extremely difficult to realize. In the end, the World Bank withdrew its support arguing that Chad did not comply with the requirements of the project (WB, 2008).

The supposed model project thus failed to live up to its promises of using oil revenues for development. But to many observers, this failure did not come as a surprise. Gilbert Maoundonodji, coordinator of GRAMP-TC (an

¹ There are various definitions of conflict. The term conflict can refer to a range of situations in which differing needs, interests or values stand opposed. Conflict can occur between individuals, groups, or states and can be latent or manifest, carried out violently or by other means. As such, conflict itself is neither positive nor negative, but the basis for change. The intention of this *brief* is mostly to identify potential for violent conflict.

² The HPI-1 measures the number of people "living a long and healthy life, having access to education, and a decent standard of living" (UNDP, 2009).

Table 1: Socio-economic data for Chad

General information	
Official name	Republic of Chad
Capital	N'Djaména
Surface area	1,284,634 km ²
Population (July 2009 est.)	10,329,208
Annual growth rate (2009 est.)	2.069%
Religions	Muslim 51%, Christian 35%, animist 7%, other indigenous beliefs 7%
Economy	
GDP, current prices (2008 est.)	US \$16.26 billion
GDP per capita income (2008 est.)	US \$1,600
Gini index	39.8: "The Gini index lies between 0 and 100. A value of 0 represents absolute equality and 100 absolute inequality" (UNDP, 2009). Rank 175 of 182 countries
Population living below poverty line (2001 est.)	80%
Work force (2006 est.)	3.747 million
Agriculture	more than 80%; largely subsistence agriculture
Education and health	
Literacy (age 15 and over can read and write French or Arabic, 2003 est.)	48%
Life expectancy (2009 est.)	47.7 years
Infant mortality rate (2008 est.)	98.69 deaths/1,000 live births

Source: All data except Gini index are from US State Department, 2009.

independent oil pipeline monitoring group) states, "(f)rom the outset of the project, civil society groups said the basis of the agreement was distorted, and the World Bank could not make big changes in an environment where most promises are not kept" (Irin, 2008a).

This *brief* therefore seeks to understand the reasons for the failure of the model project and the consequences oil exploitation has had on Chad. Important areas of interest therefore are governance conditions and the conflict setting in Chad. Special attention will be given to the question of how the development of oil production in Chad has influenced conflict dynamics at the local and national level, bearing in mind the regional conflict system involving Chad, Sudan and the Central African Republic (CAR).

Background information to the Chadian conflict setting is provided in Section 1, followed by a brief description of the resource curse and the effects of an oil economy (Section 2). Section 3 describes the model project as it was planned and points out some

of the inherent difficulties and important changes made to it. It also provides an overview of revenue generated by the oil exploitation for Chad.

In Section 4, the effects of oil revenues on three interrelated levels of conflict are described. First, impacts of the oil project at the local level of the oil producing area are presented and the conflict potential depicted (Section 4.1). Second, the management of oil revenues at the national level is analyzed in view of its consequences on the national conflict setting (Section 4.2). Third, the use of oil revenues to directly finance violent conflict is exposed (Section 4.3). Section 5 discusses impacts of new oil fields operated by a Chinese company.

The *brief* is based on a desk study in combination with field research undertaken in July 2009. During this research trip, 45 interviews were held with key individuals both in the Chadian capital N'Djaména and in the oil zone: in the towns of Doba and Moundou, and with groups of villagers in Béro, Komé, Ngalaba, and Miandoum.

1

Conflict Background



1.1 A history of conflicts in Chad

Conflicts in Chad did not erupt with the discovery and exploitation of oil. On the contrary, the country has been marked by a “profound and enduring” crisis (ICG, 2008, p. 1). Since independence from France in 1960, Chad has been faced with internal conflict, which can be described as a cycle of violent power struggles in which presidents are brought down by an armed opposition and replaced by the leader of that armed group. The new president will concentrate power in the hand of his own ethnic base and rule for his cronies, disregarding the needs of the country and population at large. When opposition to the regime emerges, the regime reacts with more repression, creating further grievances. In addition, differences emerge within the regime, weakening it from the inside. This is the time for yet another rebel group to take over power, which mostly happens violently (Berg, 2008, p. 12).

Through these decade-long power struggles a dividing line developed: as presidents ruled supported by their respective ethnic group, origin became a predominant matter and a North-South divide gained importance in the country, which is populated by Christian African ethnic groups in the south and Muslim Arab groups in the north.³

Already first President François Tombalbaye, a southerner, who came to power in 1960, and whose rule was characterized by authoritarianism and continuing discrimination of the central areas and the north of the country, provoked violent contestations of power. The first armed resistance movement, FROLINAT (*Front de Libération Nationale du Tchad*, mostly Muslim northerners) was established in 1966 to oust Tombalbaye. Within a few years, the revolt in the north developed into a guerilla war. The antagonism between the north and the south was exacerbated in the civil war of 1979–1982, which can be seen as a turning point in Chad's history when for the first time a northerner became president. “Since the civil war of 1979 the antagonism between North and South seems irreversible” (Berg, 2008, p. 13) and the conflict has become more deadly. When Hissène Habré took power in 1982, a rule of terror descended onto the country. A commission of inquiry, which investigated his rule after he was brought down by current President Idriss Déby found that Habré's regime committed 40,000 politically motivated murders and numerous

³ French colonial rule somewhat favored this division by focusing on the “useful Chad” (*le Tchad utile*), meaning the development of the fertile south of the country to the detriment of the north.

cases of torture. In 2005, a Belgian judge issued an arrest warrant, accusing Habré of crimes against humanity, war crimes and torture (HRW, 2009a).⁴

Looking at the history of conflicts in Chad, it “may be best analyzed by thinking of war and peace in terms of a continuum: periods of uneasy peace are interrupted by sudden outbreaks of violence” (Debos, 2008, p. 236).

1.2 The current conflict set-up

1.2.1 Dawn of democracy?

Idriss Déby, leader of the MPS (*Mouvement Patriotique du Salut*) took power ousting Habré in a *coup d'état* in 1990. As many more rebel groups, his group had been hosted by Sudan for several years. Déby received additional support from France (Bayart, 2008; see Box 3). Upon his violent arrival as President of Chad, he promised to bring about freedom and democracy. He set out to investigate the human rights abuses under his predecessor and abolished the infamous DDS secret services (*Direction de la Documentation et de la Sécurité*), which had committed many of the atrocities of the previous regime.

He allowed the creation of political parties in 1991 with the first pluralist presidential elections held in 1996, followed by legislative elections in 1997. However, both elections were marked by serious irregularities (US State Department, 2009). Despite the formal liberalization of the political environment, “political parties had little maneuvering space and few resources to influence and shape the political transition. Déby considered them merely a functionalist partner to enhance his legitimacy” (Ayangafac, 2009, p. 5). Today, there are between 70 (Freedom House, 2009) and 110 political parties (Déby in Yérim Seck, 2009b), of which only the presidential MPS is represented outside of the capital and is able to conduct electoral campaigns. The other parties remain weak because of a lack of organization and structure as well as funds (authors' interview, Dr. Leopold-Theodor Heldman, German ambassador; authors' interview, Pierre-Christophe Chatzisavas, EC; Ayangafac, 2009, p. 5). A number

⁴ Habré had already been indicted by Senegal in 2000, but courts then found that he could not be tried in Senegal. Following the international arrest warrant by Belgium, Senegal asked the African Union to recommend a way forward. The African Union, in 2006, asked Senegal to try Habré “on behalf of Africa”. Senegal has since changed its laws to allow for prosecution but has taken no other action, saying it needs to receive US \$27 million to fund the process upfront (HRW, 2009a).

of Chadian political parties “were created by the government to divide the opposition” (Freedom House, 2009).

None of the elections held under Déby have fulfilled international standards: as they were manipulated and boycotted they cannot be termed free and fair. The last presidential elections were held in 2006, after a change in the constitution⁵ allowed for a third mandate for the president. As elections before, these presidential elections saw massive fraud and were therefore boycotted by the opposition (Bayart, 2008; Freedom House, 2009). The parliamentary elections scheduled for the same year were postponed—a lack of funds was given as the reason for this. The mandates of parliamentarians have therefore been prolonged by constitutional law, first in 2006 for 18 months and again in 2007 following the Agreement of 13 August (see Box), extending the mandates until the next elections are held.⁶ While the deputies do have a legal mandate, they are no longer seen as legitimate representatives of the population (Ndjénodji, 2009a, p. 3; authors' interview, Delphine Djiraibe, CSAPR, PILC). In addition, 90 percent of deputies in the national assembly are members of the presidential party MPS and the assembly is thus “not playing its role of controlling the action of the executive”. Instead its decisions reflect “the will of the President of the republic” (authors' interview, *ibid*⁷).

International observers see Chadian civil society as rather developed and dynamic (authors' interview, Jean-Robert Moret, Resident Director of Coopération Suisse; Berg, 2008); at the same time, civil society faces suspicion and repression by the authorities. For instance, the labor unions' success in obtaining a salary increase of 15 percent did not come without a difficult struggle, which started in 2005 and saw unionists being intimidated. During a general strike in 2007, organized by a coalition of unions, the government allegedly bribed one union to break the strike, co-opting its leader into government (ITUC, no date). Other civil society groups met with similar difficulties: ATPDH (the human rights group *Association Tchadienne pour la Promotion des Droits de l'Homme*) had obtained authorization to organize a march against expensive

⁵ The constitutional referendum on the question of removing term limits of the presidency was held on 6 June 2005 amidst irregularities. It was boycotted by part of the opposition, which founded the *Coordination des Partis politiques pour la Défense de la Constitution* (CPDC).

⁶ The next presidential elections are scheduled for 2011, while the National Assembly shall be elected in 2010 (AFP, 2009c).

⁷ All quotations from interviews and other French sources are translated into English by the authors.

Box 1: Agreement of 13 August 2007

On 13 August 2007, under the auspices of the European Union, the government and the political opposition parties, which had joined forces in the CPDC (*Coordination des Partis Politiques pour la Défense de la Constitution*), signed an agreement, the purpose of which was to strengthen the democratization process in Chad. The Agreement focuses upon a comprehensive reform of the electoral system, which foresees an independent electoral commission with equal representation of government and opposition members, as well as the postponement of the upcoming elections from the end of 2007 to 2009. This Agreement is in the center of the international community's strategy for a democratic transition in Chad so far. Progress in the implementation of the Agreement of 13 August 2007 has been made, even if slowly.

A general population census—which is the basis for voter registration and constituency delimitation—was completed on 30 June 2009. The data has been accepted by the parties to the Agreement. In July, the Independent National Electoral Commission (CENI) was set up with 30 members after consensus between the government and opposition parties. The Head of the Electoral Commission was appointed on 16 July (UNSC, 2009a, p. 1).

While electoral reforms are detailed in the Agreement of 13 August, other important topics are only named in its Section 4, “demilitarization and depoliticization of the administration and reform of the judiciary and armed forces” (*ibid*, p. 2). With little attention given to these important aspects, no “significant progress” is made (CSAPR, 2009). In the eyes of the CSAPR (*Comité de suivi de l'appel à la paix et à la réconciliation nationale au Tchad*)—a civil society network working for peace and reconciliation—this Agreement can thus not serve as a sufficient basis to reach lasting peace, if it solely concentrates on elections. Furthermore, CSAPR points to the urgent need to include civil society in such political negotiations (CSAPR, 2007).

life in 2007. But the Minister of the Interior annulled this authorization, telling the organizers that all marches are prohibited—except those to support Déby. Should they march regardless, he would send his people who would shoot at them (authors' interview, Jacqueline Moudeina, ATPDH).

Until today, demonstrations remain prohibited⁸, with the notable exception of state-organized manifestations of support to the President, as they were imposed in May 2009 (Oyamta, 2009). Civil society groups participating in such demonstrations are called the “alternative” civil society, or “Déby’s civil society”⁹, which is instated by people close to the government (authors’ interview, Jacqueline Moudeina, ATPDH; authors’ interview, Allatah Ngariban, Université Populaire). This phenomenon is similar to the creation of political parties by the government.

Civil society activists have been living with intimidations for years (authors’ interview, Jacqueline Moudeina, ATPDH; authors’ interview, Delphine Djiraibe, CSAPR, PILC).¹⁰ In the immediate aftermath of the rebel attack on N’Djaména in February 2008 (see Box 2), serious human rights abuses took place, which also targeted opposition and civil society leaders—alleging their cooperation with the armed opposition. Since these events, members of civil society organizations feel more vulnerable and see that their freedom to operate has further reduced (authors’ interview, CADH). Examples for such increased vulnerability are Massalbaye Tenebaye, President of the human rights organization LTDH (*Ligue Tchadienne des Droits de l’Homme*) who, only recently, was seriously threatened and UST leader Michel Barka who survived an attempted murder (OMCT, 2009).

Since 2008, Chad is ranked among the world’s most repressive regimes and societies (Freedom House, 2008). With very narrow democratic space and a tight grip onto power by the President, the engagement of opposition parties and civil society organizations working for a more participatory and peaceful Chad is

a difficult undertaking. Other opponents have chosen violent contestation, taking up arms to change the leadership of the country, eyeing lucrative positions for themselves.

1.2.2. Corruption and patronage

Corruption is rampant in Chad. In October 2005, Chad was ranked the most corrupt country on the Corruption Perception Index of Transparency International¹¹. In October 2009, Chad came out 175th of 180 countries surveyed. Corruption is most visible in the infrastructure sector (see Section 4.2), but also extends into the judiciary, which is “highly corrupted” (authors’ interview, Jacqueline Moudeina, ATPDH; authors’ interview, Delphine Djiraibe, CSAPR, PILC) and can be described as dysfunctional due to a lack in staff and infrastructure (Pacte international relatif aux droits civils et politiques, 2009). Furthermore, its independence from the executive is not granted (authors’ interview, Jacqueline Moudeina, ATPDH; authors’ interview, Delphine Djiraibe, CSAPR, PILC; Gary and Reisch, 2005, p. 89).¹²

Corrupt practices are part of a **patronage system**, on which President Déby relies to stay in power: “Since his usurpation of power in 1990, Idriss Déby has built an elaborate system of patronage, where governmental positions are systematically given to members of his clan as well as to co-opted former enemies for their personal enrichment” (Giroux et al., 2009, p. 9).

Just like other Chadian presidents before him, Déby has thereby concentrated power within the hands of his own ethnic group (the Zaghawa¹³), and extended the patronage system to include former opponents, in that way securing their loyalty and support. Positions handed out in this way are in the government, the military or public sector companies, like Cotontchad (cotton company *Société cotonnière du Tchad*), STEE (water and electricity provider *Société Tchadienne d’Eau et d’Electricité*) and SNER (*Société Nouvelle d’Etudes et de Réalisation*, the former National

⁸ In January 2009, protests against a sudden ban of the the sale and use of charcoal and high food prices was met with violence by security forces (EIU, 2009, p. 15). The ban of charcoal was said to be a measure to protect the environment. This had a major impact on low and middle income households who rely on charcoal for cooking. Alternative fuels are scarce, and their prices soared following the ban. “The prohibition has also disrupted the livelihoods of large numbers of people; in addition to those employed in the distribution and retailing of charcoal, researchers estimate that income from wood and charcoal production accounts for 40–50 percent of the revenue of many poor, rural households around the capital” (ibid).

⁹ When writing about civil society in this brief, the “real”, independent civil society is meant.

¹⁰ In 2001, Jacqueline Moudeina who protested against the conduct of the presidential elections of May that year was the victim of a hand grenade attack during a peaceful demonstration (authors’ interview, Jacqueline Moudeina; HRW, 2005). Intimidating phone calls during the night are a common experience by lawyers taking up sensitive issues (authors’ interview, Jacqueline Moudeina, ATPDH; authors’ interview, Delphine Djiraibe, CSAPR, PILC).

¹¹ www.transparency.org

¹² Due to this dire situation, the population does not trust the judiciary and in reaction, “takes justice into their own hands” (authors’ interview, Jacqueline Moudeina, ATPDH). This can have devastating effects when taking into account the high proliferation of weapons in the country (according to a 2005 UNDP study, there were two weapons per head of population in Chad) (authors’ interview, Delphine Djiraibe, CSAPR, PILC).

¹³ Zaghawa is the most commonly used name, but they are also known as Beri. They are not a homogenous group, but rather divided into subgroups and clans. President Déby is from the subgroup of the Bideyat and the clan of the Kolyala (Tubiana, 2008, p. 26; Giroux et al, 2009, p. 11).



Road Maintenance Company) (ICG, 2008, p. 3). The revenues oil has washed into the Chadian state have helped sustain this system and further allowed to use enormous resources to fight off rebels still disputing the regime (see Sections 4.2 and 4.3).

1.2.3. Violent contestations

The attack on 2 February 2008 by several rebel groups was the most threatening attack in the last three years, as it succeeded in reaching the capital, bringing fighting right in front of the presidential palace (see Box 2).

The latest round of fighting in Chad took place in early May 2009, right after the withdrawal of the European

Box 2: The rebel attack of February 2008

In early 2008, an alliance of rebel groups¹ succeeded to cross Chad and reach the capital N'Djaména. On 2 and 3 February, fighting took place right in the capital, often in populated neighborhoods and neither the army nor the rebel groups paid attention to the risks of killing innocent civilians. The Commission of Inquiry appointed to investigate the events accused the army of "disproportionate and indiscriminate" use of force and the rebels of having put "property and lives of the civilian population at risk" (Commission d'Enquête, 2008, p. 160; 159). 730 people—most of them civilians—were killed during the fighting in N'Djaména and 50,000 fled the capital into Cameroon (ai, 2008; Commission d'Enquête, 2008, p. 4; APLFT, 2008; LTDH, 2008).

In the end, the Chadian army was able to repel the attack—with the help of military equipment obtained with oil revenues and due to the support from France (see Box 3).

During the attacks on N'Djaména, three opposition leaders disappeared: former Chadian President Lol Mahamat Choua, Member of Parliament Ngarlegy Yorongar and Ibni Oumar Mahamat Saleh, who was the leader of the Party for Freedom and Development and of the coalition of opposition parties who signed the 13 August 2007 Agreement. The latter is believed to have died as a result of his treatment in custody. As a response to international pressure, the Chadian authorities set up a National Commission of Inquiry to investigate the grave human rights violations (arbitrary arrest, torture and forced disappearance) after the attempted coup. The commission included international observers and independent civil society organizations and published a report² in which it stressed the responsibility of the Chadian state for the disappearance of political opponent Ibni Oumar Mahamat Saleh and other violations committed in February 2008 (Commission d'Enquête, 2008). However, no trials have been opened against those accused in the report and the follow-up committee recommended in the report is composed of 10 ministers and the Prime Minister—"a lack of independence that suggests limited political willingness to push investigations forward" (HRW, 2009b).

The state of emergency declared after the February 2008 attacks additionally served as a pretext for the adoption of a Regulation on the Press Regime (*Ordonnance No. 5*) on 26 February, which notably made the creation of newspapers more difficult and which also introduced new press offenses such as "collaborating with the enemy", "damaging State security", "offence against the Head of State" or the criminalization of words inciting "tribal, racial or religious hatred", all of which are liable to sentences of up to five years' imprisonment and fines of FCFA 2,500,000 (around US \$5,540) (International Federation for Human Rights, 2009; ai, 2008, p. 27).

¹ These groups were Union of Forces for Democracy and Development, Union of Forces for Democracy and Development-Fundamental and Rally of Democratic Forces.

² The commission report, published in September 2008, is available online at <http://www.fidh.org/IMG/pdf/Rapportcommissiondenquete.pdf>.

Box 3: Influence of France

The fact that the rebel attack on N'Djaména in February 2008 did not end in disaster for President Déby is owed to a large extent to logistical, reconnaissance, and intelligence support provided by France. As Déby was running out of ammunition, France facilitated an emergency delivery from Libya (ICG, 2008, p. 18f; Wezeman, 2009, p. 4). According to Bayart, "the chain of command went directly from Nicolas Sarkozy and his special general staff to the French military officers on the ground" (2008). Within its *Epervier* mission, France has constantly sustained a military base in Chad since 1986, with around 1,200 troops. The mission is based on a bilateral agreement in which France provides Chad with logistical, sanitary and intelligence support (Government of France, 2009). France uses the base for air force training.

President Déby has profited from support by France since 1990. Even though relations have cooled down recently, he continues to be a trusted partner, liked for his stand against international terrorism and fundamentalist Islam, and seen as a stabilizing factor in a region torn by war and insecurity. Recently, France made an effort to polish the democratic image of Chad by supporting the negotiations which led to the Agreement of 13 August 2007. However, "by promoting a political agreement with the opposition that is limited to electoral issues and that extends the mandate of the National Assembly by two years, Paris succeeded in protecting and prolonging the Déby regime, without the latter having to pay any real political price" (ICG, 2008, p. 18).

The French strategy towards Chad has to be seen in the broader setting of French power politics. France maintains close relations with its former African colonies; this zone of influence has become known as *Françafrique*. Via this policy, France searches to create diplomatic support on the international arena as well as to secure privileged access to resources and markets. Despite changes announced by President Sarkozy in his South Africa speech on 28 February 2008, observers doubt whether France is really about to change its Africa policy (Mehler and Werner, 2008).

A French strategy guideline document on its policy towards the exploitation of mineral resources and development in Africa states,

(i)n Africa, French companies hold leading positions (oil, uranium, nickel, manganese). Deeply involved in local economies, they are major stakeholders in those economies and their development. France also offers training courses in earth sciences and oil and mining engineering that are open to non-nationals. Our research institutes (Ecoles des Mines, Agency for Geological and Mining Research (BRGM), Research Institute for Development - IRD) are well placed to support the acquisition of the new knowledge required to exploit and manage Africa's resources (CICID, 2008, p. 29).

Recently, Sarkozy has been campaigning in Niger, Gabon, the Central African Republic (CAR), and DR Congo for the state-owned corporate AREVA group and the construction of nuclear power plants. AREVA acquired uranium exploration licenses in Chad in 2007. Another successful French company in Chad is SOGEMA (part of the French VINCI Construction Filiales Internationales), which acquires a great deal of road construction contracts (see Section 4.2.3).

The military component of the French Africa policy has always been of immense importance. Chad is one of eight African countries¹ holding bilateral military agreements with confidentiality clauses. The above-described immediate assistance is provided to the Chadian president by the French military without prior consultation with the National Assembly, the European Union or the African Union, which underlines the exceptional role of France in Chad.

For more information on direct support by France to President Déby, see: Keaten, 2008; AFP, 2008; ICG, 2008; Lewis, 2009; Wezemann, 2009.

For more information on relations between France and Chad, see: ICG, 2008; Tubiana, 2008; Verschave, 1999.

For more information on French-African relations, see: Mehler and Werner, 2008.

¹ The other countries are Cameroon, Côte d'Ivoire, Seychelles, Togo, Gabon, the Central African Republic, and Zimbabwe. In total, France cooperates militarily with 20 Sub-Saharan African countries.

EUFOR mission (see Box 5), when three columns of the rebel coalition UFR (*Union des Forces de la Résistance*) attacked Chadian territory and were fought back by the Chadian National Army (ANT). The fighting lasted three days and cost the lives of 22 government soldiers and 225 rebels, according to government sources (UNSC, 2009a).

Following the conflict pattern of the country and in reaction to the restricted power circle, President Déby's rule is being challenged by armed opposition groups which originate in all ethnic groups of the country, including his own. In fact, several of the many Chadian rebel groups fighting Déby are made up of mostly Zaghawa, and often come from within the family circle of the president¹⁴. In 2004, discontent grew among the Zaghawa for at least three reasons: One was Déby's personal hold on power and his willingness to change the constitution in order to stay in office, thereby frustrating aspirations by some of his followers. Second, they were discontent about how oil revenues were distributed (Marchal, 2006, p. 475; Tubiana, 2008, p. 12f; Berg, 2008, p. 33; Giroux et al., 2009, p. 7). The third reason was Déby's stand on the Darfur crisis. Having been supported by Khartoum himself when overthrowing Habré, Déby first helped Sudan in fighting Sudanese rebels operating from Chadian territory by sending troops and helicopters. But from an ethnic viewpoint, he was fighting his own kin, as the Sudanese rebel movement JEM (Justice and Equality Movement) is largely made up of Zaghawa from Darfur. Chadian Zaghawa thus turned against Déby and gave support to the rebels. Many members of the presidential guard and close counselors quit their positions and joined Chadian rebel movements. When Khartoum realized that Déby was unable to control his followers, it turned against him and supported Chadian rebel groups operating from Sudan. Déby in turn then started supporting the Sudanese Zaghawa rebel movements (Berg, 2008, p. 15, 33f; Tubiana, 2008, p. 12f).¹⁵ This **proxy war** continues to this day (Tubiana, 2008, p. 15; 57; Marchal 2009; Behrends, 2007; 2008a).

This regional dimension to the Chadian conflict exacerbates the internal crisis (ICG, 2008, p. i).¹⁶ It

¹⁴ The current leader of the Union of Resistance Forces/ *l'Union des forces de la résistance (UFR)*, a coalition of eight rebel groups formed in January 2009, is Timane Erdimi, a nephew of Déby.

¹⁵ Therefore, Khartoum now sees removing Déby from power as one step towards a military solution in Darfur (Tubiana, 2008, p. 15).

¹⁶ In eastern Chad, the consequences are dire. "Eastern Chad continues to face a grave humanitarian crisis. Aid is provided to 260,000 Sudanese refugees in 12 camps, 70,600 Central African Republic refugees and 171,000 internally displaced persons in

needs to be highlighted that while the Darfur crisis has an influence on conflict in Chad, the Chadian conflict is not a result of a spillover from the Darfur conflict into Chad (Behrends, 2007, p. 100f; Marchal, 2006). First and foremost, causes for the repeated attacks of the government by rebel groups are those internal reasons described above.

In eastern Chad, local conflict escalated due to the violence brought by Sudanese Janjaweed since 2005. Following their attacks on villages, self-defense militias were created, which in turn started attacking neighboring villages for long-existing (often cattle-related) conflicts over land and water.¹⁷ The different militia groups received support and armaments from the Chadian and Sudanese governments and their respective rebel groups. With the inter-communal tension intensified and the militias outside of control by Chad or Sudan, any future peace deal faces major difficulties in the east of Chad (Marchal, 2006; Styan, 2008, p. 17; Tubiana, 2008, p. 50).¹⁸

The regional dimension, in which the Chadian conflict takes place, can be seen as a **system of conflict** (Berg, 2008, p. 34). Not only does this system of conflict affect Chad and Sudan, it also includes the Central African Republic (CAR). Analysts note:

the conflict dynamics within this tormented triangle reveal a web of state and non-state actors that strategically utilize regional alliances and fluid borders to obtain or maintain power. (...) each state has a history of domestic cleavages that have led to conflict. These local conflicts create regional turbulence, with conflict in Sudan influencing turmoil in neighboring Chad and CAR and vice versa (Giroux et al, 2009, p. 8; cf. Handy, 2009).¹⁹

Rebel groups in Chad abound; since independence around 33 rebel groups have formed (Ayangafac, 2009, p. 5). Trying to keep track of the different movements and their alliances is both difficult and

38 sites, as well as approximately 155,000 members of the host population most affected by conflict" (UNSC, 2009a).

¹⁷ This violence has driven 180,000 people out of their homes (Berg, 2008, p. 34).

¹⁸ Prior to the armed conflicts cross-border movements, loyalties and trade characterized the border regions. Now "banditry, trafficking and cross-border raiding are all escalating among the region's armed groups" (Styan, 2008, p. 17). For more on the history and conflicts in eastern Chad, see ICG, 2009a; Behrends, 2007.

¹⁹ For more on the position of the CAR, see also Small Arms Survey, 2007.

Box 4: Weapons transfers

"The flow of arms between Sudan and Chad goes both ways. The UN panel of experts investigating the implementation of the UN arms embargo on Darfur was told by a number of governments that some of the weapons found in Darfur had been supplied from their countries to the Government of Chad. Although the UN panel could not determine how these weapons had made their way from the arsenals of the Chadian government to Darfur, it was established that close relations exist between the government of Chad and [one of] the main rebel group[s] in Darfur, the Justice and Equality Movement (JEM). The panel concluded that Déby's half-brother, Daoussa Déby, played a central role in providing support to rebel groups in Darfur, including by facilitating the provision of or directly providing weapons and military vehicles and it recommended that Daoussa Déby be subject to UN sanctions for violating the arms embargo on Darfur" (Wezeman, 2009, p. 8f; cf. UN Panel of Experts, 2009).

in vain, as groupings shift constantly.²⁰ The weakness of Chadian rebels lies in their inability to unite. Their movements are divided by ethnic lines and power struggles. Despite efforts from Sudan to unify them, and despite numerous efforts to form alliances, in the end their **factionalism**²¹ remains and was one important reason for their failure in the February 2008 attack as they were not able to agree on a division of power amongst them once Déby were to be overthrown (ICG, 2008, p. 15; Giroux et al, 2009, p. 1).

Furthermore, Déby's strategy of undermining their unity by negotiating with individual rebel factions seems successful. This strategy was first used by his predecessor Hissène Habré. Habré and Déby struck peace deals with some rebel groups or their factions, who would receive rewards in the form of "money and status: countless former rebels in Chad have become ministers" (Tubiana, 2008, p. 43). The rebel fighters are taken into the national army. As one opposing group is granted participation and access to enrichment opportunities, the president can concentrate on combating other armed groups. However, the rebels can use this time to regroup and rearm and wait for

²⁰ For an overview of rebel groups in Chad and Darfur/ Sudan, see: Tubiana, 2008, p. 62f.

²¹ For the reasons of this fragmentation within the Chadian rebel groups, see: Debos, 2008, p. 232.

an opportune moment to fight government again (Berg, 2008, p. 13f).

These "**fluid loyalties**" (Debos, 2008) are another feature of the Chadian conflict: the actors in the conflict "move from one camp to another and radically change their discourse depending on their own personal strategies and circumstances" (ICG, 2008, p. 8). Hence, the integration of large numbers of rebels into the national army does not mean that they will stay there. In effect, "(r)egular forces have (...) become a good place to wait for the next war" (Debos, 2008, p. 236). The dysfunction of the army offers similar possibilities for personal gain as the life as a rebel or road-bandit—other options open to men at arms. As such, economic interests play an important role for the combatants in the region: they would rather fight for different causes throughout their life than lose their job as fighters. Consequently, those in need of fighters have an easy time recruiting, if the pay is right—revenues from oil can be helpful in this regard and Déby has been able to use those newly available funds to co-opt rebel leaders into his regime. For those fighting Déby, seizing state power is made more attractive by the perspective of simultaneously gaining control over the wealth from the oil sector (see Section 4.2).



1.3 Peace attempts

Some observers have argued that the conflict in Chad can only be resolved when leaving behind the state-based approach towards armed conflict and take the regional system of conflicts into account. At the same time, local causes for conflict need to be

Box 5: EUFOR and MINURCAT

International missions have become relevant actors in the internal Chadian conflict. In March 2009, the United Nations Mission in Central African Republic and Chad (MINURCAT) took over from the European Union Force (EUFOR) which had begun 12 months earlier. The international community, and especially France and the European Union, have become involved in the region, deploying missions to the east of Chad and north-eastern CAR in an effort to contribute to conflict resolution in Darfur. The mandate of the European mission was “to contribute to protecting civilians in danger, particularly refugees and displaced persons,” and “to facilitate the delivery of humanitarian aid” (European Union, 2009). The primary objective of MINURCAT is to work towards a situation in which refugees from Darfur, and CAR, and Chadian displaced persons are able to return to their homes, while at the same time contributing to more stability in Chad.

But however neutral and humanitarian the official mandate may be, in practice EUFOR’s presence clearly assisted Déby in stabilizing his regime and by doing so sidelined with him in the eyes of the Chadian population. The Chadian government saw EUFOR as a support to police the eastern border (even if this was not within EUFOR’s mandate) and to take care of the refugees in the east (Tubiana, 2008, p. 18).

As the international community’s predominant interest lies with finding a solution for the Darfur conflict and because of a lack of understanding of the regional system of conflicts, the mandate of EUFOR did not address the root causes of conflict in eastern Chad.¹ The international community feared a spillover from Darfur, negative consequences for UNAMID (United Nations-African Union Mission in Darfur) and a spread of Muslim fundamentalism (Tubiana, 2008, p. 19). The context of a larger Chadian power struggle received little attention and the recommendation to accompany any military mission with a political process was ignored. This was not least due to French influence, which

lobbied against a political mandate for EUFOR and any political conditionality towards the Chadian government (ICG, 2008, p. 18)—in line with its friendly relationship with Déby. France is willing to get the Europeans on board when it comes to (financial) burden sharing (author’s interview, Matthias Basedau, Institute of African Affairs, GIGA) and when it remains in control of the process—as in the case of EUFOR. Other European countries should be careful in this regard: the massive involvement of France in EUFOR has limited the mission’s credibility and rebel groups perceived EUFOR as a warring party. Even if it was a French idea in the beginning, the European Union is responsible for its decision to deploy the mission.

The same problems persist with MINURCAT, which has the same mandate of protecting refugees but lacks the mandate to resolve the Chadian crisis (ICG, 2009a, p. iif). Déby gave his consent “in the hope that it will consolidate state control in the east of the country” (EIU, 2009a, p. 6).

In view of their mandate, EUFOR and MINURCAT have failed, as the humanitarian situation for refugees and displaced has not been ameliorated and humanitarian personnel is increasingly being attacked. Members of the Red Cross were abducted in Sudan and Chad in October and November 2009 (ICG, 2009a, p. 18; ICRC, 2009; OCHA Chad, 2009). The abductors’ group ‘Freedom Eagles of Africa’ who kidnapped ICRC staff (and staff of the relief agency Triangle in CAR) was reported to have said, “(w)e want France to change policy in the region” (AFP, 2009b).

Overall, levels of criminality and banditry in the east are on the rise (ICG, 2009a, p. 19), which could be linked to the ‘humanitarian impact’ of the missions on the ground: locals see their living conditions worsen due to rising costs for accommodation, cereals, water, and electricity and part of the population now welcomes thefts of humanitarian vehicles (Irin, 2009).

For an evaluation of the EUFOR mission, including French interests, see: Tull, 2008.

¹ The benchmarking process for a withdrawal of MINURCAT now takes into account the regional level to address the crisis. See Criterion 7 for the UN General Secretary’s propositions (UNSC, 2009a, p. 22).

addressed (Berg, 2008, p. 34; Giroux et al., 2009, p. 16f; Tubiana, 2008, p. 57).

The peace deals signed so far between Déby and some rebel groups²², as well as those signed with neighboring Sudan have not brought about peace. Whereas former rebels have been integrated into the army and their leaders obtained lucrative positions in government or parastatals, so far, no former rebel group has transformed into a political party, as foreseen in the deals. "(T)he lack of political will on the part of the regime is obvious, rebel leaders usually have neither the means nor the commitment required to join the non-violent political opposition" (Debos, 2008, p. 234). This seems to confirm that one of the primary interests of fighters and their leaders lies with personal enrichment rather than bringing about democratic change.

Chad and Sudan have been involved in peace talks and have already signed agreements, but their implementation is constantly jeopardized by ongoing strife. In the Dakar non-aggression pact of 13 March 2008 and in the Doha Agreement of 3 May 2009, both countries committed to "refrain from the use of force against each other and to cease providing support to armed opposition groups" (UNSC, 2009b).²³ However, following the rebel attacks on Chad in May 2009, "relations between Chad and the Sudan deteriorated further, as both governments accused each other of supporting rival armed opposition groups" (ibid).

²² After peace negotiations, the government and the rebel groups UFDD, RFC, and CNT reached an agreement on 27 October 2007, called the Syrte Agreement. However, the interpretation of this Agreement differed significantly on both sides and within a month it became obsolete, as UFDD and RFC engaged in fighting in November (ICG, 2008, p. 14f).

²³ Together with the Dakar Contact Group, both countries should work towards "normalizing relations, ceasing support for armed groups, strengthening actions to combat armed trafficking in the region, the establishment of effective joint border monitoring, and cooperating through diplomatic means to establish peace and stability in Darfur and the wider region" (UNSC, 2009b). Chad and Sudan had already signed a similar agreement in Libya on 8 February 2006, known as the Tripoli Agreement, in which they committed to refrain from destabilizing the other country and to resume relations (UNSC, 2006).

2

Managing Oil Wealth



Before taking a look at the effects of oil exploitation on Chad and its conflict dynamics in Section 4, this section provides the background on an oil economy in fragile states in general.

2.1 Effects of resource wealth in fragile states

In the following, the special characteristics of oil richness will be explained in more detail. However, wealth in natural resources—be they diamonds, timber, coltan, gold, copper or indeed oil—can have a negative effect on a country; a phenomenon called the ‘resource curse’. Instead of blessing a country with economic growth and social development, natural resource wealth may rather hinder these and even make a country more vulnerable to violent conflict. This thesis was prominently advanced in a World Bank report written by Collier and Hoeffler²⁴, stating that the higher the resource dependency of a country, the higher the risk of civil war and low development.

The understanding that revenues generated from natural resources can play a role in conflicts brought an important new aspect into conflict research. However, the role of natural resources needed to be differentiated and attention was given to the underlying mechanisms of how the wealth generated by natural resources can lead to and/or fuel ongoing conflict (cf. Stevens, 2003; Dunning, 2005; Snyder and Bhavani, 2005; Basedau, 2005). Research showed that it is not the resources themselves that curse a country, but that the governance of the revenues generated from such natural resources can lead to conflict. Therefore, we can talk of a “political problem, deriving from choices made by a government or governing elite” (Schure, 2007, p. 8).

Another aspect, which needs to be taken into account is the type of resource, as the mode of exploitation differs between point-source resources with intensive production—such as minerals and oil—and diffuse resources characterized by extensive production—such as agricultural produce²⁵ (Franke et al., 2007, p. 9;

Schure, 2007, p.17). The mode of exploitation has a decisive influence on how easily the resource can be looted by insurgents and thus on conflict types (Ross, 2004; Snyder and Bhavani, 2005; Fearon, 2005).

For the analysis of the Chadian conflict, three interrelated levels of resource-related violent conflict, defined by Paes, will be analyzed:

Revenue transparency and governance:

This dimension addresses the question on how revenues from the extraction of natural resources are being spent by the state. Violence is often triggered by conflict between different groups over the distribution of revenues between political constituencies, leading to coup d'états at the center and/or attempts at secession in resource-rich areas.

Resource-fuelled violent conflict:

In contrast to the above, where resource rents are distributed by the state and therefore political power is the key to access, this level of conflict includes violent conflicts during which rebel groups are able to control natural resources on the periphery which can—like alluvial diamonds—be exploited with a minimum of capital and know-how. Where this is the case, political power might still be the ultimate aim of an armed group, but resource exploitation during an ongoing conflict provides the necessary financial means to import goods such as arms, ammunition, food and fuel, while also providing financial incentives for the fighters.

Production-side conflict dynamics:

This includes conflicts between private companies and local communities often triggered by issues such as the compensation for expropriated land and environmental damage, hiring practices and other socio-economic changes brought by the onset of extraction activities. While local communities initially expect positive changes (such as job creation and the provision of services), relations often sour when it becomes obvious that not all dreams become reality. When company and government representatives do not properly address these grievances, they can lead to local

²⁴ This report was published shortly after the approval for the Chad-Cameroon Oil Pipeline was given by the Board of Directors of the World Bank.

²⁵ In the case of Côte d'Ivoire, the government used revenues from the country's large cocoa production to finance its fight against rebel forces who had seized the northern part of the country. There, the rebels established a taxation system which led to millions of US dollars of income to sustain their fight (see Guesnet, Mueller, and Schure, 2009).

acts of violence. Ultimately (...) these local conflicts can turn into calls for secession and the outbreak of civil war (Paes in Guesnet, Paes and Schure, 2009, p. 5).

As the causes for production-side conflict dynamics show, next to economic and political consequences, the effect of oil extraction on the environment and socio-economic aspects need to be taken into account, too, in order to fully understand conflict in fragile oil-rich states. Furthermore, resource richness can sustain illegitimate governments in their fight against opponents interested in gaining power and accessing the country's coffers.

2.2 The petro-state

In his book "Oil and Politics in the Gulf of Guinea" Soares de Oliveira describes the decisive impact petroleum has on economies and societies. He identifies four consequences of oil production on the economy, which have been experienced by most oil producing countries²⁶ in the world.

Dutch Disease²⁷: The influx of hard currency through the export of a primary commodity brings about an appreciation of the national currency, which makes investment in other productive sectors less worthwhile. Thus industrialization and diversification of the economy are not pursued. Agriculture is neglected for cheaper imports and the rural population looks for jobs in urban centers. Unfortunately, the oil industry does not provide a large number of jobs for local people. While the national economy sees a decline in productive activity, the state grows more dependent on the income from the sole oil sector and concomitantly more vulnerable to a slump in oil prices.

Rentier context: Oil revenues create or exacerbate a situation in which the state predominantly relies on this source of income (economic rent). And since all revenue created goes solely into the hands of the state and is disproportionately distributed to an inner circle of close allies (chosen for their ethnic, religious, family or other affiliation), the attractiveness of seizing

power increases. In order to visibly redistribute the oil income, states often increase the civil service apparatus or undertake infrastructure-building projects. Again, often a restricted number of insiders benefit from contracts for the latter.

Macro-economic instability: The volatility of the oil price is often not taken into account by governments. All too often, the national budget is based on assumptions of a high oil price and thus high income for the country, which may not be met by reality. Another problem is general poor planning and executing capacity within the government. Especially when it comes to absorbing the amounts of money created by oil production, many countries face difficulties, which can lead to an overheating of their economy.

A further effect of the oil revenues is the **contracting of unmanageable debt burdens**, which seem to be manageable during a time of high oil revenue, but become a serious threat to the economy in times of a slump in oil prices. With the backup of proven oil reserves, petro-states are nevertheless able to acquire more credits in the international finance system (Soares de Oliveira, 2007, p. 33f).

Political consequences are even more important than the economic effects as oil revenues have an impact on "institutions, mentalities and the quality of governance" (ibid, p. 35). "An immediate consequence of oil revenues is the increase in state power and the absolute social, economic and political centrality it acquires" (ibid, p. 36). With the new oil wealth, a state is suddenly able to invest, which typically leads to a boom in infrastructure projects, but also a raise in security expenditure and the creation of parastatals. Among the latter is the national oil company, which quickly develops into a key actor in a petro-state, not only as an employer, but more importantly as a political actor and cash-cow. Second, with oil as its primary revenue, the state becomes disentangled from society: not being dependent on taxation, one important link for the democratic representation of the people is broken (ibid).

The consequences of a petro-state are dire and can lead to state failure. "The petro-state at the brink of failure is highly indebted, with a vast unemployed urban working class and restive youth, a large and intermittently paid civil service, a neglected countryside and an inequitable pattern of wealth distribution" (ibid, p. 37).

²⁶ Notable exceptions are Norway, the province of Alberta (Canada), the state of Alaska (United States) and partly Indonesia, which provide examples of positive experiences with petroleum (Soares de Oliveira, 2007, p. 32f).

²⁷ The adverse effect of natural resource wealth on the economy was first analyzed for the case of the Netherlands, where natural gas was found in the 1950s.

Due to the distortion of the economy and the dissatisfaction of its population, the risk for a petro-state to experience civil war or secession attempts by those regions hosting natural resource deposits is far higher than for a non-oil state. These struggles are mostly directed against the state, as the goal of rebels or other opponents is to grasp state power in order to benefit from the oil wealth (ibid, p. 37f; Fearon and Laitin, 2003; Ross, 2001).

2.3 The need for good governance

Taking stock of the overall negative consequences oil-rich states have experienced and looking at the few positive examples found mostly in Norway and the Province of Alberta (Canada), the prerequisites to absorb oil wealth seem to be a strong democracy and adherence to the rule of law. Such governance fundamentals are often not given in the context of developing countries (Soares de Oliveira, 2007, p. 32f). The problem is further exacerbated as, according to Ross (2001, p. 356) and other scholars, oil wealth hinders democracy.²⁸ Furthermore, this effect is greater in poorer states and a rise in oil exports is more damaging to a small oil producer than to a big exporter. The democratization of a poor country, exporting a small amount of oil is thus seriously threatened.

In addition, Ross finds some evidence for causal mechanisms between oil and authoritarianism. "A rentier effect, through which governments use low tax rates and high spending to dampen pressures for democracy; A repression effect, by which governments build up their internal security forces to ward off democratic pressures; And a modernization effect, in which the failure of the population to move into industrial and service sector jobs renders them less likely to push for democracy" (Ross, 2001, p. 356f).

In a 2003 report, a World Bank-commissioned study gave clear recommendations to the World Bank to not engage in large extractive (oil, gas, and mining) industry projects in countries with a record of poor governance. Governance and management capacity need to be built prior to a major influx of resource wealth to ensure the protection of the population and the environment. Overall, three main conditions were identified, which need to exist before major investment in the extractive industry sector can start:

- pro-poor public and corporate governance, including proactive planning and management to maximize poverty alleviation through sustainable development;
- much more effective social and environmental policies; and
- respect for human rights (EIR, 2003).

On pro-poor governance, the report details that all stakeholders should be involved in a transparent development of criteria for governance competence. The criteria of governance should be measured along some minimum criteria, such as the quality of the rule of law; the absence of armed conflict or of a high risk of such conflict; respect for labor standards and human rights; recognition of and willingness to protect the rights of indigenous peoples; and government capacity to promote sustainable development through economic diversification. It further sees a greater need to engage in dialogue "with communities and groups directly affected by projects in order to obtain their prior and informed consent" (EIR, 2003, p. 5).²⁹

The rules for any natural resource exploitation project are set in a regulatory framework which defines the responsibilities for each of the actors involved, i.e. the private sector and the government. But having a good regulatory framework in place is not enough—its implementation needs to be assured and controlled. Numerous challenges can hamper the implementation of the rules: lack of human resources, lack of competence, but also lack of political will. Hence, good governance is the prerequisite without which even a regulatory framework may not guarantee the good management of the natural resources sector.

²⁸ On the effect of oil wealth on institution-building, see: Karl and Garry, 2003; Yates, 1996.

²⁹ In the context of mining, which can be extended to the context of oil exploitation, Bass et al., 2003 define prior informed consent as „the right of a local community to be informed about mining operations on a full and timely basis and to approve a mining operation prior to the commencement of operation. This includes participation in setting the terms and conditions addressing the economic, social, and environmental impacts of all phases of mining and post-mining operations.“

3

The Chad-Cameroon Oil Pipeline Project



This section aims to give an overview of the regulatory framework intended to ensure good governance of the oil revenues from the Chadian Doba basin.

3.1 Oil exploration and exploitation in southern Chad

Exploration in the Doba basin, situated in southern Chad, has been taking place since 1969, carried out by the US American oil company CONOCO. The oil fields of Komé, Miandoum and Bolobo—all situated in the Doba basin—were discovered in 1988 (SHT, 2008).

Between 1993 and 1999, the Chadian government entered into discussions with a consortium of international oil companies, the World Bank and other donors, as well as the government of Cameroon about exploiting this oil wealth. As Chad is a landlocked country, an important question was how to transport the crude oil to a suitable seaport for export. It was agreed that a pipeline should take the Chadian oil to Kribi, at the Cameroonian Atlantic coast, over a distance of 1,070 km.³⁰ The projected cost of the pipeline was US \$3.7 billion, making it the largest private sector investment at the time in Sub-Saharan Africa.³¹ This investment would never have been realized without the financial backing of the World Bank. Even though the World Bank Group provided only around US \$300 million in loans (see Box 6) it was this financial and, more importantly, political backing which gave the project the go-ahead, as it lent crucial credibility to the overall undertaking. This led other institutions to support it.³²

At first, a consortium consisting of ExxonMobil (US), Shell (Netherlands) and Elf (France) was interested in exploiting the Doba basin. In November 1999, Shell and Elf left the consortium and were replaced in April 2000 by Petronas (Malaysia) and Chevron (US). The final consortium consists of three multinational corporations with ExxonMobil holding 40 percent, Petronas 35 percent and Chevron 25 percent of

private equity. The oilfield operator on behalf of the consortium is Esso Exploration and Production Chad Inc. (EPCIC, commonly referred to as Esso in Chad). The owner-operator of the Chadian part of the pipeline is TOTCO, of which 15 percent are held by the Chadian state and 85 percent by the consortium.

The World Bank estimated oil revenues for Chad from the Doba basin to amount to US \$2 billion in total, or US \$80 million on average per year over a 25-year production period³³ (Wurthmann, 2006, p. 10). Even though Chad initially received only 12.5 percent³⁴ of the value of oil exported by the consortium, the revenue generated was huge by the standards of Chad which up until then had an annual budget of just FCFA 200 billion (US \$456 million) (Oyamta, 2009). The World Bank expected oil revenues to boost the Chadian income by one-third (WB, 2006, p. 21).

Since the potential negative economic, political, environmental and social effects of oil exploration were known, the World Bank decided to make the Chad-Cameroon Oil Pipeline project a model project to prove that the resource curse can be avoided and investment in oil can yield positive results in terms of poverty reduction and development (IEG, 2009, p. xix, 9, 24; IAG, 2009b, p. 1; BIC, 2009; Polgreen, 2008). The idea was to lift the Chadian people out of poverty, provide them with basic health care and education through a wise management and distribution of the oil revenues, ensured by means of rules and regulations foreseen in a Petroleum Revenue Management Program. When the Board of Directors of the World Bank approved the project on 6 June 2000, the World Bank praised it as “an unprecedented framework to transform oil wealth into direct benefits for the poor, the vulnerable and the environment” (WB, 2000b).

Within the Chad-Cameroon Oil Pipeline project³⁵, four components were supported by the World Bank in Chad:

³⁰ The pipeline covers a distance of 190 km within Chad whereas in Cameroon it runs for 880 km. The pipeline embankment is 30 meters wide.

³¹ By 2008, investment costs had reached US \$6.5 billion (IAG, 2009a, p. 4).

³² “The Bank Group’s support has been a key element in catalyzing the involvement of the Private Sponsors, who have stated that they would be unwilling to proceed with the project without the Bank Group’s participation, given the significance they attach to the mitigation of political risks provided by the Bank Group’s involvement” (WB, 2000a, p. 22).

³³ <http://go.worldbank.org/UHZL4T6B50>.

³⁴ 12.5 percent is exceptionally low and with the price assumed in the Project Appraisal Document of the World Bank, “Chad’s financial returns from the project would have been practically nonexistent today, taking the discount and transport costs into account (...). In its 2002 report, the Inspection Panel expressed concerns about whether Chad was receiving a fair share of the revenues” (IAG, 2009b, p. 20; WB Inspection Panel, 2002, p. 70). The share was increased to 14.25 percent in 2004 and lately the government agreed with the consortium to further increase royalties to 19.5 percent starting from January 2010 (EIU, 2009b, p. 21).

³⁵ This publication focuses solely on Chad and leaves out the Cameroonian side of the project.

The first finances construction of field and export systems including drilling of production wells and water re-injection wells; infrastructure facilities comprising a central treating facility, electric power generation plant, an airfield and office buildings; a pipeline and pumping station; and infrastructure upgrades. The second component designs and implements a sound petroleum revenue management program. The third component supports private investment and commercial financing. The fourth implements an environmental management plan (WB, 2000a, Abstract).

A major step to guarantee good management of the great amount of new funds flowing into Chad was taken when Law 001/PR/99 (Law 001)

on Petroleum Revenue Management was passed in 1999. This law foresaw clear safeguards to make sure that 80 percent of the direct revenues will be spent on poverty reduction. This law and the control mechanisms established alongside were seen by the international community as a true commitment by the government to good oil revenue management (ICG, 2008, p. 4). However, Civil society groups already cautioned against too much optimism: "Under the constant threat of brutal government repression, it is highly unlikely that the citizens of Chad will reap any benefits from the World Bank's proposed oil pipeline if it goes forward now and clearly, they stand to be harmed if they try to voice their concerns" (Djiraibe, in Center for International Environmental Law, 2000). They asked for "legal and administrative frameworks (...) to be established and democratic institutions developed before investment in a project of such a magnitude could benefit" the population (Djiraibe et al., 2004, p. 6).

Box 6: Financing a project: The Chad-Cameroon Oil Pipeline project

World Bank Group participation in an oil project opens doors to other financing sources, as in the case of the \$4.2 billion Chad-Cameroon Oil Pipeline project.

Project finance includes:

- World Bank Group
 - IBRD loans to Chad and Cameroon US \$92.9 million
 - IFC loan US \$200 million
- European Investment Bank US \$41.5 million
- Export Credit Agencies
 - US EXIM Bank US \$200 million
 - COFACE (France) US \$200 million
 - African Ex-Im Bank US \$500 million
- More than half of the total project cost was met by the equity partners—ExxonMobil, Chevron and Petronas—who covered the full cost of oil field development and one-third of the export facilities.
- Remaining financing was provided by commercial arranging banks:
 - ABN-Amro
 - Credit Agricole Indosuez

Note: Project costs were originally estimated at US \$3.7 billion. In an October 2004 presentation, ExxonMobil stated that the total project cost was US \$4.2 billion.

Source: Gary and Reisch, 2005, p. 6.

3.2 The initial flow of oil money

In line with the agreement between the World Bank and Chad, oil revenues were distributed in the following manner (see Figure 1): First they are stored in a transit account, from which the debt service to World Bank (in this case to the International Bank for Reconstruction and Development (IBRD) which is part of the World Bank Group) and EIB (European Investment Bank) is deducted. From the overall revenues, comprising royalties, taxes and dividends only the indirect revenues (i.e. taxes, duties) go directly to the Chadian treasury for government expenditures. The direct revenues (royalties, dividends) are transferred on an escrow account at Citibank in London. From this money, 10 percent are set aside in a future generations fund, on deposit account at Citibank and 90 percent pass through two commercial banks, Commercial Bank Tchad (CBT) and *Société Générale Tchadienne de Banque*

(SGTB) before going on revenue allocation accounts at the Central Bank in Chad (BEAC). The remaining funds are distributed to seven priority sectors (80%), the producing region (5%) and to current government costs (15%). Law 001 defines the following priority sectors: Public health, Social affairs, Education, Infrastructure, Rural development (agriculture and livestock), Environment, and Water resources.

3.3 Capacity-building

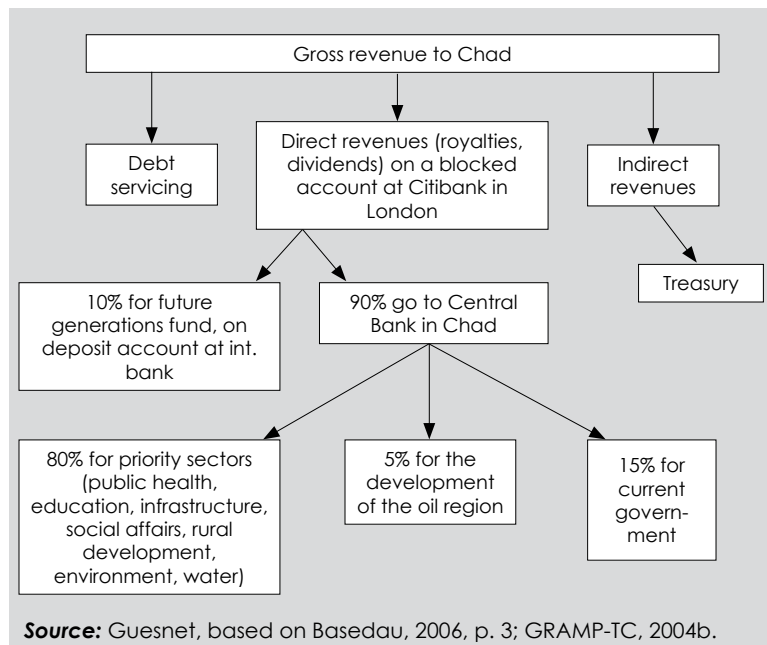
After criticism by civil society groups who advocated for a moratorium on oil exploitation until the institutional capacity was in place, the World Bank reacted by integrating two capacity-building programs into the project. The Management of the Petroleum Economy Project (GEEP) aimed at enabling the Chadian administration to manage the impending petroleum income, strengthening its public fiscal management and the control institutions, and ensure pro-poor spending (IDA, 2000a).

Under the Petroleum Sector Management Capacity-Building Project (PSMCBP), the social and environmental dimension of the oil project were to be taken into account, with the intent "to improve the environmental, social, legal and regulatory framework" in the hydrocarbons sector and capacitate the oversight institutions (IDA, 2000b, p. 19).

The programs were meant to take place in parallel with the building of the pipeline and development of the oil basin, but this was not a formal requirement and could thus not be enforced (IAG, 2009b, p. 21). In the end, construction progressed much faster than foreseen and was finished a year ahead of schedule, while capacity-building was lacking behind. This "two-speed" phenomenon³⁶ and the eventual failure of the capacity-building programs (IAG, 2009b, p. 21; Horta et al., 2007, p. 10f) has serious implications on

³⁶ This two-speed progress was already pointed out by the IAG in their very first report, "There is an increasing disequilibrium between the pace at which consortium operations are taking place, which follows its proposed timetable, and the pace at which the governments [of Chad and Cameroon], the public institutions, the World Bank and civil society are able to act" (IAG, 2001, p. 6). It therefore "called for a slow down in construction activities to allow for the social and environmental project components to catch up" (IAG, 2001, p. 3).

Figure 1: The initial flow of oil revenues (Law 001)



the actual management of oil revenues and the mitigation of socio-economic and environmental impacts of the oil project in Chad (see Section 4).

In addition, it leaves the government unable to monitor the accuracy of financial information provided by the consortium. For example, the Ministry of Petroleum and the Ministry of Finance receive production figures and investment costs from the consortium, on the basis of which the share of Chad in oil revenue is calculated. But there is no capacity in the ministries to verify these figures and thus the government has no control over the exactness of what Chad receives in oil revenues (IAG, 2009a, p. 12).³⁷

With the final withdrawal of the World Bank in 2008 (see Box 7), these projects are no longer pursued. The numerous delays in their implementation were caused among other reasons by a "lack of support and willingness on the part of the relevant political authorities" and "sometimes lax or inappropriate management" by the World Bank. Part of the funds made available for capacity-building ended up in studies and constructions (IAG, 2009b, p. 10).

³⁷ The consortium states that total investment has nearly doubled initial estimates, reaching US \$6.6 billion (IAG, 2009b, p. 22).

3.4 Oversight institutions

Several control mechanisms and institutions were created to ensure that the rules of revenue management as well as social and environmental standards were followed.

At the national level, the *Collège de Contrôle et de Surveillance des Ressources Pétrolières* (CCSRP)³⁸ was mandated to “ensure transparency in the management of petroleum revenues, in the single objective to reduce poverty among the Chadian population” (CCSRP leaflet, no date). The procedure to be followed by the government was therefore to submit all projects planned under the priority sectors to be financed from direct³⁹ oil revenues to the CCSR, which can approve or reject disbursements. Afterwards, it can audit the financed investments. In its annual report, the CCSR reports its activities and makes recommendations.

The *Comité Technique National de Suivi et de Contrôle* (CTNSC), an interministerial body, was entrusted with monitoring the environmental and social consequences of the oil exploitation. It also had the task to implement the planned capacity-building program in Chad.

The International Advisory Group (IAG) was to exercise oversight of the entire project by observing social and environmental consequences, “revenue management, good governance and safety issues” (IAG, 2009b, p. 36).

In the framework of the legally binding Environmental Management Plan (EMP), the External Compliance Monitoring Group (ECMG) was responsible for monitoring and evaluating the performance of the oil transporting company (TOTCO), the consortium and the Chadian and Cameroonian governments.

Additionally, the World Bank facilitated the involvement of national NGOs, like GRAMP-TC with whom the international oversight bodies met on their visits. National NGOs in turn facilitated meetings with the local population of enclaved villages, like that of Ngalaba in 2003 (GRAMP-TC, 2003, p. 22).

³⁸ For the CCSR-reports see www.ccsr.org.

³⁹ After the change in Law 001, the CCSR is mandated to control direct and indirect oil revenues.

Box 7: The withdrawal of the World Bank

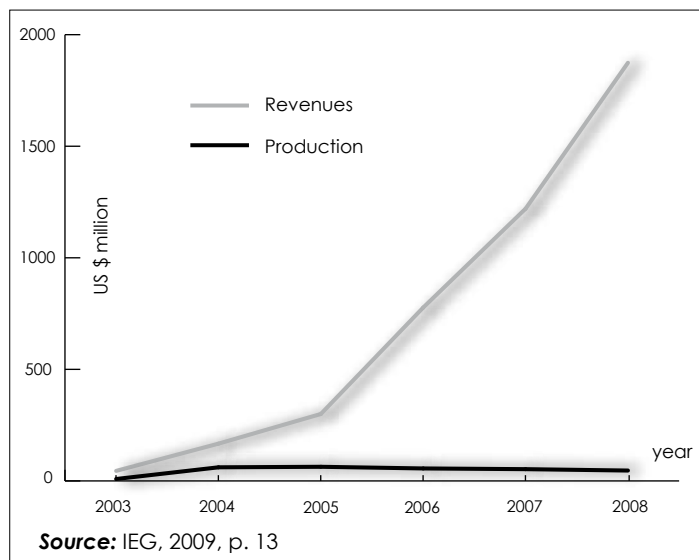
On 8 September 2008, the World Bank withdrew from the Chad-Cameroon Oil Pipeline project. It justified this move referring to the major changes that had been made by the government of Chad to the provisions securing a fair distribution of the oil revenues. The difficulties the World Bank blamed as reasons for pulling out had been known for twelve years, and civil society groups had been warning about them all along: the lack of capacity and of political will on the side of the Chadian government were undermining the aim of using oil revenues for poverty alleviation. Civil society groups had therefore called for a moratorium until basic conditions were met by Chad. Nevertheless, “(t)he World Bank made a gamble. (...) It knew the situation in Chad going in, but it argued it could build the capacity of the Chadian government and the governance situation would improve alongside the oil boom. But what we have seen in Chad and in so many other places, it is that boom and that flow of revenue undermines governance rather than improving it” (Ian Gary, Oxfam America specialist in managing mineral resources, in Polgreen, 2008). The final withdrawal of the World Bank is thus judged by civil society observers as hardly surprising, as Antoine Béringar emphasizes: “We knew from the very beginning how this would end. (...) Chad is a corrupt country with no real democracy. The government has simply enriched itself” (Polgreen, 2008).

3.5 Inherent shortcomings

This model of oil revenue distribution did represent an innovative attempt of ensuring good governance of the newly acquired wealth in creating a number of regulations binding those involved in the project. Especially Law 001 with its rules on revenue expenditure was considered an example for transparency and pro-poor spending. In theory, this made the Chad-Cameroon Oil Project one of the best regulated projects in the extractive sector. However, the restrictions of Law 001 are criticized by the director of the newly created National Oil Company (*Société des Hydrocarbures du Tchad*, SHT), Ahmat Acyl, “(w)e are the only country in the world which cannot do what it wants with the resources generated from its primary commodities” (cited in Yérim Seck, 2009a).

On the other hand, under Law 001 the government in fact had total freedom in managing one important part of the oil revenues: the indirect taxes, tolls/duties or bonus payments paid directly to the government. This is seen as an important shortcoming of the overall framework, as there are no safeguards to prevent misuse by the government. This holds in fact true for all other state income, but as the indirect petroleum revenues are the greatest share of income, they reinforce the problem. The fears of observers seem confirmed, as the indirect revenues “are managed in the biggest opacity” (Youssef Moussa, president of *l'Initiative Tchadienne de Lutte contre la Corruption et le Détournement*, cited in Yérim Seck, 2009a) (see Section 4.2).

Figure 2: Chadian oil production and revenues



This is a serious concern, as it turned out that indirect revenues soon surpassed the direct revenues managed under Law 001. Of the overall US \$3.3 billion government revenues generated by oil until June 2008, indirect revenues (taxes) accounted for 57 percent or US \$1.9 billion whereas direct revenues (royalties) represented 38 percent or US \$1.2 billion. The remainder came from fees, permits and duties (US \$111 million) as well as pipeline-related income (US \$47 million) (Pegg, 2009, p. 316). For example, the corporate income tax⁴⁰ alone washed in FCFA 132.5 billion (US \$302 million) in 2007, exceeding for the first time the income from royalties (Yérim Seck, 2009a;

authors' interview, Senoussi Mahamat Ali, former Secretary General, Ministry of Finances).

Furthermore, Law 001 allowed for a change in priority sectors after five years and was only applicable to revenues generated in the original oil fields, not for those under exploration and coming on-stream in the future, like those in the Bongor and Lake Chad basin. Nevertheless, the World Bank promised that all oil flowing through the Chad-Cameroon pipeline has to adhere to the same social and environmental standards—a promise it soon had to admit was not tenable.

The most important shortcoming of all the oversight institutions is that their recommendations remained non-binding and without the “authority to enforce compliance” (Gary and Reisch, 2005, p. 89). More often than not, their constructive criticism was not followed up and the same recommendations were repeated over the years.

Despite the fact that the CCSRP is financially dependent on the government, it has not received much support. On the contrary, the government successfully tried to undermine the independence of the *Collège* (see Section 4.2).

The CTNSC never really become functional, as recruitment took until the end of 2002 and capacity-building remained inadequate. In 2007, it “died a slow death” (IAG, 2009b, p. 14).⁴¹

As for the international advisory and monitoring bodies, their oversight function was only carried out in certain intervals. As they did not have permanent representatives on the ground, they relied on information gathered during regular field trips. Exerting pressure on the government and oil operators to follow their recommendations was made more difficult by this set-up, too.

“If laws could make a difference in this country, we would already be well advanced. But the problem lies in implementation” (authors' interview, Laguerre Dionro Djérandi, CRASH).

⁴⁰ Corporate income tax only needed to be paid after the investment cost was amortized (authors' interview, Senoussi Mahamat Ali, former Secretary General, Ministry of Finances).

⁴¹ In 2009, it seems to have been rehabilitated with two staff (authors' interview, Rimtébaye Nassingar, CPPN).

3.6 First changes in the model project

"In all conscience, out of love and faithfulness to our people, with no external pressure, we freely made the decision to manage the oil revenues in a scrupulous and transparent way, through the law relating to the management of the oil revenues. This law is unique, one of a kind." (Chadian President Déby at the oil project inauguration ceremony, 10 October 2003 in Gary and Reisch, 2005, p. 76.)

Despite these shortcomings, the framework ruling the management of Chad's oil revenues was supposed to warrant transparency and a spending policy inspired by the aim of poverty reduction. Realistically, though, it became clear that the Chadian government had accepted the conditions imposed on it in order to tap into its oil wealth as quickly as possible. As soon as oil and money were flowing, the government began to change the rules—the balance of power had changed (IAG, 2009b, p. 21; Pegg, 2009, p. 313).

The impression of the government's good will to commit to transparent and good management of the oil revenues to fight poverty and further the development of the nation was shattered when the government undertook to change the provisions of Law 001 at the end of 2005. Law 002 (No. 002/PR/06) was adopted on 11 January 2006 and softens the safeguards, putting an end to the principle of using oil revenues for development purposes and making it possible to use the income for security purposes (see Figure 3).

In its Articles 3 and 9, the amended law invalidates the Future Generations Fund, and stipulates that all revenue accumulated so far (US \$36 million) goes to the escrow account. Article 7 adds new priority sectors to the existing ones and stipulates that more sectors can be added by presidential decree. The new sectors are "energy and oil", "justice", "security" and "territorial administration". Its Article 8 doubles the percentage of revenues to be used for current state expenditure to 30 percent.

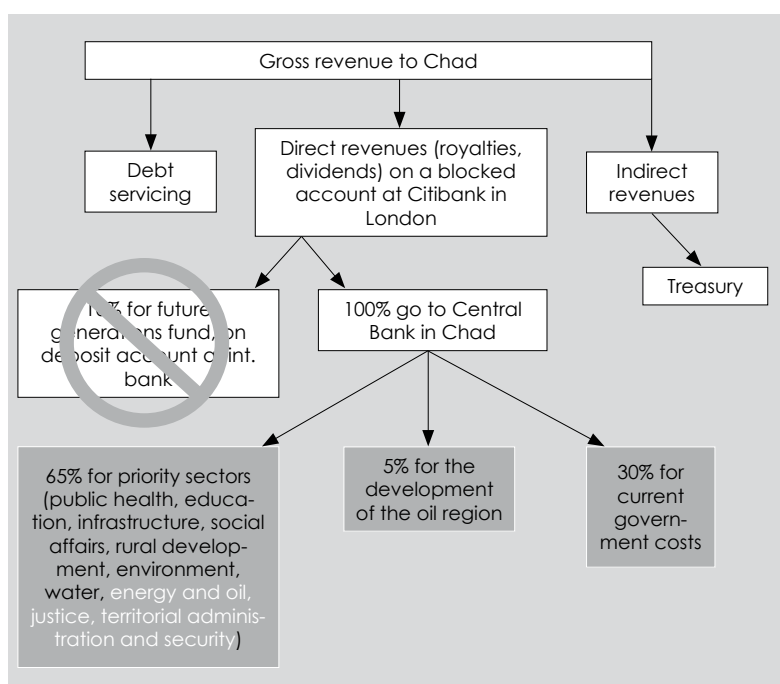
In Article 16, it changes the composition of the CCSRP (see Section 4.2) and extends the mandate of its members from three to nine years.

Not only does the new law allow for greater freedom in spending oil revenues for security concerns it also foresees an all-time option to add other priority sectors should the need arise. Therefore, the government was ready to broaden the scope of the law to all future oil fields.

Déby signed Law 002 days after the World Bank reacted to the projected changes by suspending all development credits, representing US \$124 million (well above the additional gains of US \$36 million from the dissolution of the Future Generation Fund). After the new law came into effect, the World Bank froze the blocked account at Citibank London. However, in July of the same year, the World Bank agreed to the changes undertaken by Chad—after Chad had threatened to stop all oil exports. In this test of strength, Chad lost US \$124 million in credits and the cancellation of an estimated debt burden of US \$1.3 billion was suspended (Yérim Seck, 2009a). But it gained the freedom to manage the oil wealth to its liking.

According to Senoussi Mahamat Ali, former Secretary General at the Ministry of Finances (authors' interview), the government changed the law on expenditure in order to ensure good social coverage for the current generation, as this will impact all future generations. However, the World Bank interpreted the changes differently and came to the conclusion that since "the

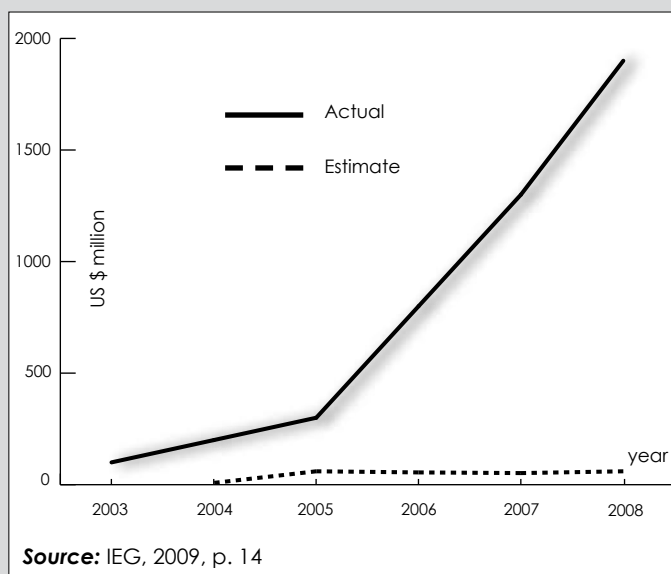
Figure 3: The flow of oil revenues according to Law 002



Box 8: Actual oil revenues

The revenues received by the Chadian government rapidly exceeded all expectations: instead of the yearly average of US \$80 million, Chad earned \$131 million in net revenues in 2004. This was due in part to higher oil prices and advantageous exchange rates.¹

Figure 4: Chadian estimated and actual oil revenues



The highest yield yet to be achieved came with the rising oil prices² in 2008: compared to 2007, oil revenues increased by almost 54 percent, reaching US \$1.87 billion (Mobbs, 2008; EIU, 2009, p. 16). This is despite a drop in production during 2008 to an average 127,000 bbl/d (barrels per day), down 13 percent against 2007 production of 144,000 bbl/d (EIU, 2009, p. 16).³ However, these revenues appear to encompass a one-off payment of taxes by the consortium (ibid, 2009, p. 16).

According to estimates given by the consortium, Chad received US \$4.3 billion in oil revenues in total between 2003 and 2008. This means that within "five years, Chad has received more than 250 percent of the revenues expected over 25 years" (IAG, 2009b, p. 20).

Oil revenues accounted for 80 percent of total revenues for Chad in 2008 (Mobbs, 2008), indicating that diversification of the economy has not taken place. In addition, around half of its GDP (Gross Domestic Product) is produced by oil (EIU, 2009, p. 9). The IMF is worried "over the degree to which Chad's underlying fiscal position has weakened since oil exports began. IMF figures suggest that the non-oil primary deficit deteriorated from four percent of non-oil GDP in 2004, when oil production came on stream, to an estimated 28 percent in 2008" (ibid, 2009, p. 15).

With the withdrawal of the World Bank, an important source of information for oil revenues received by Chad no longer exists. The government has not taken up the publication of these data on its homepage. All information on oil revenues now come from Esso and the CCSRP (IAG, 2009a, p. 20).

¹ <http://go.worldbank.org/UH4L4T6B50>.

² The high oil price boosted "year-on-year royalties by 75% and corporate income taxes by 31%" (EIU, 2009, p. 16).

³ Oil production in the Doba basin is faced with geological difficulties (occurrence of water and sediment in the oil deposits) which the consortium meets with high-pressure water-injection wells. After five years of production, "around two-thirds of the proven oil deposits remain to be pumped" (EIU, 2009, p. 16).

government did not allocate adequate resources critical for poverty reduction to education, health, infrastructure, rural development and governance (...) the Bank (...) could not continue to support this project under these circumstances" (WB, 2008). Chad agreed to pay back the US \$124 million World Bank funding in advance. As of 8 September 2008, the World Bank is no longer involved in the project.

4

The Impact of Oil on Conflict Dynamics



4.1 The dimension of production site conflict dynamics

"We are at the start (...) of a journey which will make this project not just a connection between two countries or a route to world markets but also a pipeline to a better life." (Callisto Madavo, World Bank Vice-President Africa, Komé groundbreaking ceremony, 18 October 2000, available at www.esso.com.)

"The development of the crude oil will benefit the entire Chadian nation. However, the residents of the oil area will specifically benefit from it, notably through the regional development plan." (Chadian President Déby at the oil project inauguration ceremony, 10 October 2003, Gary and Reisch, 2005, p. 76.)

Prior to the start of oil exploitation, expectations in the population living in the future oil producing region were high. They had been promised a better life, by their government, the oil companies and the World Bank, which stated, "(t)ogether, we need to demonstrate that petroleum resources can be used to lift our people out of deep poverty, while protecting the environment and respecting the rights of communities and individuals"⁴². As civil society groups warned about the possible negative consequences and demanded a moratorium, they were faced with suspicion by Esso, government and World Bank agents (GRAMP-TC, 2003, p. 9) and the anger of parts of the population who wanted to see the promised development materialize quickly (authors' interview, Martin Petry, Ressources pour la Paix).

There has indeed been some development—in the form of better housing or stretches of paved roads for instance—as a result of individual and community compensation paid by the consortium and through the activities of the *Comité provisoire de gestion des revenus pétroliers affectés à la région productrice*, in short, the 'five percent committee', whose task it was to distribute the five percent of national oil revenue allocated to the producing region (see Section 4.1.3). Despite these developments, the affected population is not satisfied with the situation and upon a closer look, numerous insufficiencies exist (GRAMP-TC, 2004a, p. 31; GRAMP-TC, 2008, p. 9; Horta et al., 2007, p. 11f;

IAG, 2006). Even the World Bank acknowledges the inadequacy of spending for poverty alleviation and the misallocation of funds:

There are improvements. Roads are paved, educational and health infrastructures are built, but they don't contribute to development actions. You have schools which are built without desks, health buildings without equipment, nor personnel, nor drugs⁴³ (Geoffrey H. Bergen, resident representative of the World Bank in Chad, in Banhoudel, 2008b).

The few figures available about poverty indicators in the oil region show the lack of development in the southern areas of Chad. 70.3 percent of the population are poor⁴⁴—compared to 55 percent of the total Chadian population who live below the national poverty line (FCFA144,570 or US \$329.30 annually). In the region of Logone Oriental—in which the oil producing Doba basin is situated—91 percent of the working population is active in the primary sector (agriculture, forestry, fishing, hunt, and livestock), 2.7 percent in commerce and 1.9 percent in services. Despite the fact that Chad has become an oil exporter, 68.6 percent of its population use oil lamps as lighting source at home and 88.5 percent use wood or charcoal as energy supply for cooking. While an overall 67.1 percent are illiterate whereof 58.8 percent did not receive any education at all, in the oil region net school enrollment rates belong to the highest of the country (Logone Oriental 59.1 percent, Moyen Chari 57.7 percent, Logone Occidental 60.2 percent) (République du Tchad, 2006⁴⁵)—the quality of teaching in Chad has, however, deteriorated over the years (IEG, 2009, p. xiii).

In order to mitigate possible negative impacts on the local population and their environment a project of the magnitude of the exploitation of the Doba basin and the building of a 1,070 km-long export pipeline in one of the poorest regions of the world needs careful planning. The first step is to conduct **baseline studies** for measuring changes. As concerns poverty indicators and environmental monitoring, the

⁴³ While this observation is made with regard to the situation at the national level, it holds true for the oil producing region, too.

⁴⁴ The percentages of poor for the regions around the oil exploitation in the Doba basin are: Logone Oriental 12.4%, Moyen Chari 18.9%, Mayo Kebbi 17.9% (République du Tchad, 2006).

⁴⁵ This report, known as ECOSIT II serves as data base for the implementation of the National Poverty Reduction Strategy giving indicators to measure poverty. Beforehand no such indicators had been available as data of ECOSIT I (1995/96) were not sufficient.

⁴² www.esso.com.

studies were not properly conducted in Chad. It is true that an **Environmental Management Plan (EMP)**, encompassing environmental and social impact mitigation, was published by the consortium in 1999, the studies it relied upon and the process leading up to its adoption, however, are not only criticized by civil society organizations, but also by the International Advisory Group (IAG), which states, "the absence of some baseline studies, or their lack of depth, and the resulting dearth of information and related standards in the EMP, made monitoring, evaluating and mitigating the Project's impact in the field more difficult and also meant that some of the Project's direct and indirect effects will never be fully known" (IAG, 2009b, p. 8).⁴⁶

Not only did the management plan fail, the planned **capacity-building programs**, which were meant to strengthen good revenue governance and legislation on the environment in Chad and monitoring capacity by the government and its bodies were yet another failure having an impact on the mitigation of negative consequences of the oil development project. These programs were also meant to ensure compliance with social and environmental rules established by the project (IEG, 2009). Since these programs were "not successfully implemented" (IAG, 2009b, p. 10) (see Section 3.3), to this day the government is not able to fulfill its monitoring role.



Due to poor planning and implementation and the inadequacy of the designed safeguards, **grievances among the local population** occurred and continue

⁴⁶ Furthermore, the actual evolvement of the oil exploration has broadened and is now covering a bigger than expected area. The effects of this are studied simultaneously to ongoing activity (IAG, 2009b, p. 8).

to arise. The resulting potential for conflict is addressed in this section, looking at causes of conflict between the local population and the consortium, between the local population and the government and conflict potential within the population itself. As these categories overlap, the following section considers conflict potential between the population and the consortium, while pointing out main responsibility of the government at the same time.

4.1.1 Local population versus the consortium

"The success of the partnerships underlying this project will be expressed not in the rates of oil production, nor in the levels of eventual revenues for the two countries, but in firm conviction that all voices have been heard and a belief by all Chadians and Cameroonians that this project belongs to them." (Callisto Madavo, World Bank Vice-President Africa, Komé groundbreaking ceremony, 18 October 2000, available at www.esso.com.)

Inclusion of the population

As the local population bears the brunt of negative social, economic and environmental impacts caused by a large-scale project such as the development of the Doba oil basin, inclusion of the local population and their organizations is of major importance throughout the planning and implementation of the project. As the Extractive Industries Review has pointed out, those directly affected by extractive industries projects have to be involved in a consent process and in decision-making to obtain their "free prior and informed consent" (EIR, 2003, p. 3). "Such processes should really be open ended, not only dealing with the 'how' of a project, but also with 'whether' the project should actually be pursued" (Boege et al., 2006, p. 80).⁴⁷ In addition, mechanisms to seek redress should be installed. Only in this way can grievances be avoided or mitigated, thereby diminishing potential for conflict⁴⁸.

⁴⁷ To give local constituencies the chance to productively involve themselves, "(p)olicies and procedural rules will have to be developed that address questions such as: Who is eligible for participation in community consultations and decision-making? What is the minimum consensus necessary to proceed? In order to guarantee utmost transparency, consultations need to be documented and documentation made accessible to all stakeholders" (Boege et al., 2006, p. 80).

⁴⁸ Conflicts arising from local grievances can indeed harm the operating company, as the example of Shell in Nigeria clearly exemplifies.

Information disclosure to and sensitization of the population were important demands by civil society groups in Chad and their international partners (Petry et al., 2005, p. 111; 124f). Instead of adhering to these principles, local NGOs were "(f)aced at first with a failure to listen, and sometimes a lack of consideration, on the part of those involved in the Project."⁴⁹ But they "were able to gradually assert their status as true partners, able to help highlight some of the Project's shortcomings and convey the problems raised by the public, some of which were corrected" (IAG, 2009b, p. 18).

The difficulties of finding interlocutors for their grievances can still be felt within the population (authors' interviews in Komé, Béro, Ngalaba and Miandoum). Despite the dispatch of Local Community Contacts (LCC), who were replaced by Community Relations Officers (CROs) later, complaints by the population are not being followed up. The villagers see the reason for this in the frequent change of staff and the lack of written reports and agreements to follow-up upon. They are left with a feeling that they have to start from scratch each time a CRO visits them and do not see any perspective of finding redress.

The issue is complicated further by the common practice of subcontracting companies (such as for earth works), making it increasingly difficult for the population to know who to turn to when problems arise, such as left-open carriers, which fill with water, offering both a breeding ground for mosquitoes, and turning into traps where children and livestock can drown (authors' interview, Djikolmbaye Joseph, Radio 'La voix du paysan'). Responsibilities are easily shifted between Esso (the operating company on behalf of the consortium) and the hired company. Seeking redress through the judiciary system is first of all difficult due to the lack of lawyers and the costs associated, and second often enough in vain because of the rampant corruption: "We know that there is no real justice in Chad. (...) The one who has money always wins the case" (authors' interview, Justice et Paix, Doba).

Yet another factor for unaddressed grievances was the eagerness of the Chadian government to get oil

Box 9: Communication with communities

Prior to the start of oil extraction, information meetings for the communities were not only attended by the population, but also by military personnel. In light of the violent clamp down of an ongoing rebellion in the oil region, this had an intimidating effect on the population. "People did not always feel comfortable expressing themselves freely in the presence of armed gendarmes. (...) It was felt they might have been a hindrance to the communications being encouraged" (Esso, no date, pp. 9–33). "It therefore was not surprising that a member of parliament, Yorongar Ngarléjy, was imprisoned after questioning the adequacy of the compensation and pointing to possible corruption" (Horta et al., 1999, p. 8).

In its first publication, the IAG reported, "(e)ffective communication with all those that have a legitimate interest remains a serious problem, especially with those whose means of livelihood could be affected for better or worse by the project" (IAG, 2001, p. 3). It criticized the "absence of clear information and of communications between all interested parties: government, consortium, private sector, civil society, press" (ibid, p. 10) and specified that "it is not enough to announce, explanations and dialogue are required" (ibid, p. 11).

For the first half of 2009, Esso reports 173 community meetings held. The recommendation of regular joint consultations between civil society, the consortium and the government to discuss progress and find solutions for problems has not been followed to this day (ibid, p. 13).

exploitation started quickly and receive the increased revenues. Engaging in communication strategies, seeking consent from the population and working out plans for community development were considered a waste of time. The government (and the consortium) prefer the paternalistic approach of handing out 'presents' to the population⁵⁰. Despite their unwillingness, the government and the consortium are responsible for the well-being and protection of the population.⁵¹

⁴⁹ "Leaked internal memoranda exchanged in 1999 between the World Bank's then vice president for environmentally and socially sustainable development and the then vice president for Africa show the Bank was more concerned about protecting its image than engaging in a substantive debate. The memos describe plans to send "listening missions" (...) to NGOs in several countries in order to buy time while the Bank convinced the key decision-makers and opinion-makers" (Horta et al., 2007, p. 22).

⁵⁰ Constructions are mostly said to be offered as 'presents' by the president, whereas they are paid for with the money from the nation's natural resources (authors' interview, ex-member of CCSRP Thérèse Mekombe, AFJT).

⁵¹ Amongst other treaties and the constitution, Chad has ratified the International Covenant on Economic, Social and Cultural Rights (ICESCR) and is legally bound to respect the therein defined rights. As concerns the consortium, private operators have the

Seizure of land

One of the most immediate impacts on the local population is the occupation of land by the oil infrastructure. The development of the oil basin did not only involve the drilling of oil wells and the construction of the pipeline. Infrastructure for the oil project includes an operation center, high-voltage electricity lines⁵², storage, workers' camp, roads, bridges and an airstrip.

287 oil wells, which are connected through secondary pipelines to the export Chad-Cameroon pipeline were foreseen to be located in Komé, Bolobo, and Miandoum. In addition to these original oil fields, three satellite fields have been added: Moundouli, Nya and Maikeri (see Map on Extractive Industries in Chad, p. 6).

As the drilling of oil wells is still ongoing, the number of existing and prospected oil wells remains unknown to the population and civil society organizations and possibly even to the government, because no one but the oil consortium has the capacity to monitor the actual number of oil wells. While the government ascertains that there are less than 500 oil wells⁵³, IAG speaks of 545 wells at the end of 2008, and expects the total to reach 800 in the three original oil fields alone (Komé, Bolobo, Miandoum) (IAG 2009a). In the opinion of the coordinator of the 'five percent committee' in Doba there are already "some 1,000 oil wells" (authors' interview, Masrangar Mbairedoum Lucas). Official figures by Esso state that by mid-2009 there were 521 oil wells and that up to 45 more were planned to be drilled before the end of the year. In addition to the oil wells, oil production levels are maintained through a high pressure water injection program, for which 50 injection wells have so far been established (Esso, 2009, p. 5; ECMG, 2009, p. 36).



In any case, the number of actual and projected oil wells is well above the 287 wells originally projected and catered for in the Environmental Management Plan (EMP). With each of the oil wells occupying a surface of half a hectare (which is larger than international standard), and needing to be connected via pipelines, the overall land used for the oil exploration is thus significantly higher and raises the question of the possibility to mitigate the adverse effects on the environment and the population without having an adapted EMP in place (IAG, 2006, p. 4; ECMG, 2007, p. 7f; 31f).⁵⁴

An especially worrying trend observed by CPPL (*Commission Permanente Pétrole Locale*) is that now up to ten villages are completely surrounded by oil wells instead of fields and thus threatened to be delocalized. Such a situation was not foreseen in any of the initial plans, even though CPPL had warned of this risk before—expecting three villages to disappear (authors' interview with members of CPPL, Moundou).

Taking permanent and temporary land use by Esso into account, the oil project claims to use a total of 2,431 hectares in the Doba production zone. In 2005 though, ECMG (External Compliance Monitoring Group) noted serious non-compliance with the EMP as "the permanent land take is about twice as big as the EMP estimates" of 2,133 hectares (ECMG, 2005, p. 5). Since 2006, Esso has been returning part of the temporarily occupied land to its previous owners. In this way, 955 hectares have been restored for farming (Esso, 2009, p. 39). Whether this land is as productive as it was remains to be seen and would require pluriannual studies (IAG, 2009a, p. 4).

responsibility to 'do no harm' and engage in pro-active behavior to prevent conflict potentials, mitigate existing violent conflict and stabilize fragile peace situations—only then can they state to take Corporate Social Responsibility (CSR) and Corporate Citizenship seriously (Boege et al., 2006, p. 10). In its Corporate Citizenship Report, the consortium leader ExxonMobil (Esso in Chad), commits to "retain a systematic focus on corporate governance, ethics, safety, environmental performance" (ExxonMobil, 2008, p. 1).

⁵² Electricity for the oil activities is produced by four generators with a total capacity of 120 megawatts exceeding the capacity of energy production of the entire country by more than four times (Gary and Reisch, 2004, p. 25). Despite this enormous capacity to generate electricity for the oil infrastructure, the villages in the oil production zone do not have access to electricity.

⁵³ Panel discussion at the 1st Stuttgart Development Forum. Statement by the Secretary General of the Petroleum Ministry, 13 March 2009.

⁵⁴ The EMP limited permanent land use by the operator to 754 ha, but already in 2006 did the project use a total of 1,347 ha (IAG, 2006, p. 4).

The people living in the oil producing area are predominantly subsistence farmers, relying on the yields of their fields. Taking away those fields or resettling them thus has a major influence on their way of life, as they lose their main means of survival and have to buy the food they previously produced. Moreover, a great number of pastoralists rely on the region for their semi-nomadic lifestyle (transhumance⁵⁵). With a livestock of about 10 million cattle, camel, goats, and sheep Chad is the country of pastoralist subsistence strategy.⁵⁶ Oil production facilities and infrastructure block the passage of nomads and thus contribute to the end of their traditional way of life.

With the population increasing over time, and more and more land being occupied by oil exploitation, the pressure on land is ever rising and violent conflicts between pastoralists and peasants are escalating and growing in number (see Section 4.1.3). The consortium and the World Bank did not seem to be aware of these social conflicts and did not take into account the specifics of farming and cattle-breeding in the region: periodically fallow fields are not considered as part of agricultural surface and the sedentary lifestyle is widely ignored. This ignorance made them believe in the capabilities of 'local cultures' to integrate displaced people under the current harsh conditions in rural areas in the Sahel (see Box 11 below).

Despite these important impacts on the inhabitants, they remain in the dark regarding the plans of the oil consortium and the government about ongoing land seizure and possible mitigation plans (authors' interview with members of CPPL, Moundou). This situation creates fears about the future and a sense of lack of perspective, especially in the young generation who says, "we are completely desperate" (authors' interview, president of a youth association). The redress foreseen for these grievances lies in compensation.

⁵⁵ Transhumance describes the seasonal movement of cattle breeders, which is an ancient way of life and still extremely well adapted to the fragile ecological system of the Sahel.

⁵⁶ An important part of the Chadian economy still relies on pastoralism and the valorization of livestock breeding products. Pastoralist practices in the entire Sahel region, but also in North Africa and the Middle East have ancient roots. Recently, changes have occurred, with cattle movements towards the South, growing sedentarization and the combination of pastoralism with pluvial agriculture. 'Traditional' pastoralism and later transhumant agropastoralism (Banzhaf et al., 2005, p. 108) exist side by side. External factors, such as population growth and complete neglect of pastoralist activities over years by national agricultural politics as well as insecurity in southern and eastern Chad can turn formerly economically independent pastoralists into IDPs living on international humanitarian assistance.

Individual and community compensation

The objective of compensation measures is to restore the standard of living of affected people, compensating damages and nuisances. To mitigate the socio-economic impacts of loss of land, the **Chad Compensation and Resettlement Plan (CRCP)** was developed on the basis of the original assumptions of land use in the EMP. This plan was evaluated in 2006, when the number of oil wells already exceeded the initial figure and consequently a Land Use Mitigation Action Plan (LUMAP) was developed and is currently being implemented, aiming at maintaining the livelihoods of farms.

Box 10: Compensation matters

To achieve fair compensation for land lost to the oil exploitation and other damages sustained is an ongoing struggle between the population and the consortium. Since the start of oil exploration in the late 1990s, national and international civil society groups have been trying to get a fair deal for the local population and have been faced with opposition by the consortium and the Chadian government.

Mango trees—One way of settling a dispute

In 1998, Esso paid first compensations without involving the population in negotiations beforehand. Instead, Esso fixed compensation rates as follows: for a banana plant, a peasant could receive US \$0.55, for an oil palm tree US \$2.15, for cocoa and coffee plants US \$2.64 maximum and for orange, mango, and avocado trees US \$5.96 each. The transaction was sealed with a receipt and a photograph, by which the recipient renounced any future supplementary claim. But peasants knew the value of these plants by far exceeded the ridiculous amounts offered by Esso, and NGOs in Chad and Cameroon supported the local population in 375 villages along the pipeline in their fight for just compensation. Djerlar Miankéol (coordinator of CPPL) recalculated the value of mango trees, which can reach 100 years of age, and reached the sum of US \$1,635. In the end, this price was accepted by Esso (see Morgenrath, 2009; Petry et al., 2005).

For an account of civil society engagement to receive the best deal for the affected populations and remind the consortium, the government and the World Bank of their obligations, see Petry et al., 2005.

Box 11: Resettlement

The 2004 GRAMP-TC report confronts the project's concept of reinstatement with reality. The concept—as such an interesting approach—is composed of five domains referring to:

- (1) the use of new farmland,
- (2) reinstatement of households,
- (3) training in non agricultural domains,
- (4) training in new agricultural technologies, and
- (5) the support of the operator to warrant a job to eligible persons.

The environmental impact assessment (EIA) ascertains that reinstatement would be part of local cultures and therefore no specific measures need to be taken by the project, plainly speaking that the local communities will resolve the problem of where to resettle the dislocated households themselves. This explains the minimalist approach of the project when it came to dealing with the originally estimated 150 households to be resettled.

In reality, households in the *canton* of Béro experienced the successive expropriation of land and extreme increases in prices because of the presence of the international 'petroleum club', coupled with the need to purchase cereals which they previously had produced themselves and labor migration into the oil producing region. After having been expropriated up to six times, these peasants are obliged to rent land—a still unknown phenomenon in Béro in 2004. With the changing agro-climatic conditions and the population growth this led to an ever rising pressure on cultivated land. Agriculture in Chad is still not based on modern technology and no intensification program is yet designed for the villages encircled by oil fields. In a context of alternation of cultures and fallow land, pastoralist-peasant-conflicts, and the absence of dung use, the yields of land have been decreasing since 2001 and local inhabitants are threatened in their very existence. Households have lost their means of production by the resettlement and compensation practice. GRAMP-TC claims that the project's failure to create economically viable livelihoods for displaced households was inherent to perceptions and the concept of reinstatement right from the beginning (GRAMP-TC, 2004a, p. 26f).

This is symptomatic of the way the operator deals with impacts on the local level: as original assumptions don't stand against reality, they need to be adjusted while operations are already under way and the population is already suffering. In its last report, the ECMG notes that impact assessments concerning new infilling⁵⁷ are carried out ex-post, there is no overall assessment and "the criteria according to which this acceptability [of the impact] has been assessed have not been presented" (ECMG, 2009, p. 39). CSOs and the external monitoring bodies had been calling for better planning and made recommendations

⁵⁷ Adding new wells in the original oil fields.

while they were monitoring implementation, but had no strong leverage on the operator and the government (IAG, 2009b, p. 41f; Horta et al., 2007, p. 23).

There have been numerous problems surrounding the issue of compensation. For individuals to seek redress, they have to bring forward their complaints to the community officers representing the operator and the consortium. The complaint can either be accepted, leading to compensation or rejected, in which case the individual is left without an option of appeal. Most of the disagreements between Esso and the population arose over the assessments of damages. Moreover, an enforcement mechanism for the compensation granted is lacking. The delay experienced in receiving compensation is one of the most frequent additional source of grievance for the population (IAG, 2009b, p. 16; ai, 2005, p. 35).

Compensation was provided to individuals and communities and was given in cash or in kind to the former and in kind to the latter. Cash compensation, which was paid in a single installment and

was not accompanied by any assistance programs led to major frustrations. Many of the persons who previously lived on less than one dollar a day (= FCFA 438) and suddenly received unimaginable sums of money (up to FCFA three million) did not know how to cope with this new wealth and did not invest it in new fields or new means of gaining a living. A recurrent phenomenon was that the money had disappeared within weeks. Those trying to save the money for later did not have access to banks or micro credit schemes and thus often buried it—only to find that it was rotting quickly (authors' telephone interview, Remadji Hoinathy; authors' interview

Dingamadji Alexandre Rodrique; IAG, 2009b, p. 16). Over time, many of those compensated have therefore found themselves in greater poverty than before and feel unjustly treated by the consortium and the government (GRAMP-TC, 2004a, p. 31; authors' interview with villagers in Béro). Later, Esso provided those eligible for cash compensations with lessons on how to manage money. These lessons are well attended—not only by those who had to take part (authors' interview, *ibid*). Nevertheless, those who lost their land and spent their compensation money are left more vulnerable than before (authors' telephone interview, Remadji Hoinathy; authors' e-mail correspondence, Axel Mueller).

For in-kind compensations, problems mostly were due to the low quality of the material provided (GRAMP-TC, 2008, p. 10f), with bicycles, water wells and other items quickly breaking. Even houses, as those constructed by the subcontractor ACODE in 2002 for 26 displaced households, were in a state of dilapidation only two years later (ECMG, 2001, p. 12; GRAMP-TC, 2004a, p. 28). Furthermore, the stated value of materials or buildings provided exceeded their true value (authors' e-mail correspondence, Axel Mueller). Such compensations can hardly be termed fair.



Esso states having compensated land loss with payments and in-kind transfers worth US \$1.3 million in 2007. Since the beginning of the project, the overall value of compensation to individuals amounts to US \$23.4 million according to Esso (2008, p. 27).

Some improvement can be noted, as villages affected by the development of the new satellite fields are allowed to identify their community compensation freely, instead of having to choose from options listed in a catalogue drawn up by Esso (IAG, 2009a, p. 6).

Environmental consequences

In line with World Bank safeguard policies of the time, an Environmental Assessment was carried out in 1998. However, it neglected the cumulative effects of the project and did not include a regional environmental assessment. This was criticized by the Inspection Panel⁵⁸ in 2002 (WB Inspection Panel, 2002, p.13). According to World Bank management, cumulative and regional impacts were to be addressed in the Regional Development Plan—despite having been written, this report is not available until today (Horta, 2003; IAG, 2009b, p. 8). Later, the consortium generated an Environmental Impact Assessment (EIA).⁵⁹

The Chadian Law on the Environment has never been enacted; an indication of a clear lack of political interest in the matter (authors' interview, ex-member of CCSRP Thérèse Mekombe, AFJT). The only document prescribing rules to protect the environment is thus the Environmental Management Plan (EMP), which only covers the original oil fields.

The EMP has to be respected by the operators (TOTCO and Esso) and the government in its regulatory position alike. Due to a lack of capacity and political will, the national authorities have never properly fulfilled this task (see IAG reports; Section 4.1.2 below) and with the withdrawal of the World Bank in 2008, monitoring of environmental standards has almost stopped. The only monitoring activity takes place once a year when the ECMG sends a control mission,

⁵⁸ On 22 March 2001, deputy Ngarlely Yarongar, on behalf of himself and residents of the oil region, submitted a request for inspection to the World Bank's Inspection Panel. The Inspection Panel investigated allegations in seven areas: environment, involuntary resettlement and compensation, indigenous peoples, cultural property, use of oil revenues, governance and human rights.

⁵⁹ An executive summary and update is available online, while the overall environmental documentation consists of 18 volumes (see http://www.esso.com/Chad-English/PA/Newsroom/TD_Documentation_Assessment.asp).

due to the ongoing participation by IFC (International Finance Corporation, World Bank Group). However, this is seen as “insufficient to follow the situation on-the-ground and to ensure that mitigation measures are properly implemented” (EDF, 2008). Nevertheless, the reports of the ECMG are valuable contributions, in which breaches of the EMP are documented. As for the matters mentioned before, the environmental problems pointed out in these reports and recommendations made are rarely followed up by the responsible institutions. Thus, the issues mentioned here have been on the agenda for years.

Due to the larger than expected use of land (see above), the overall ecological footprint is larger than catered for in the EMP. Other concerns are:

Dust: For a long time, dust control measures have not been implemented, which had a negative impact on air quality and vegetation as well as public health (respiratory diseases, etc.) and road security (ECMG, 2005, p. 5). Peasants see the yields of their mango trees diminish and attribute it to the layers of dust hampering photosynthesis (Morgenrath, 2009). Dust is mostly generated by traffic on dirt roads and was supposed to be controlled by spraying water on those roads. Currently, more roads are being tarmacked (ECMG, 2009, p. 12).

Water: To comply with water protection requirements, a Water Monitoring Program (WMP) is in place, which ECMG rates as being implemented satisfactorily (ECMG, 2009, p. 13). Earlier reports noticed that the consumption of water by the oil project was not monitored closely enough to know its impact on water reserves. At the time the impact was thought to be substantial, as the dispersion of dust was only mitigated by spraying water on the dirt roads—this represented the highest use of water by the oil project (ECMG, 2002, p. 32f). Water sources destroyed by the project were supposed to be restored, but the wells built by the consortium did not always function properly (GRAMP-TC, 2004a, p. 18). Moreover, pollution of the Pendé River by motor oil from trucks crossing on their way to Doba was reported (GRAMP-TC, 2003, p. 20).

Toxic waste: Any kind of plastic or industrial waste has been buried, including vehicles, batteries, truck and car tires, lubricating oil, and filters, while infirmity waste was incinerated (GRAMP-TC, 2003, p. 15f; GRAMP-TC, 2002, p. 28). The incinerator for hazardous waste was last fully operational in November 2004 (ECMG, 2005, p. 31) and is continuously experiencing

problems (ECMG, 2009, p. 21). In 2009, ECMG noticed a level II non-compliance⁶⁰ with EMP requirements with regard to the disposal of 3,300 cubic meters of oil-contaminated soil (ibid, p. 25).

Villagers report that toxic waste has been buried or incinerated close to their communities making cattle grazing there impossible. In Komé village, young villagers repeatedly demonstrated in front of the gates of the local Esso office. In March 2008, a number of them were arrested. However, with intervention by CPPN (*Commission Permanente Pétrole N'Djaména*), they were subsequently released (authors' e-mail correspondence, Axel Mueller).

Gas flaring: Under the EMP, gas flaring has to be kept to a minimum, while its recovery and utilization as fuel should be maximized. For a long time, this requirement was not met, but updated data shows “that one month after the Miandoum compression station has become operative (March of 2008) the Project has always met the target level of 1.1 mcf/d” (ECMG, 2009, p. 30). In January 2008, gas flaring was still taking place at four mcf/d (million cubic feet per day) (IAG, 2009a, p. 8).

Although in comparison with flaring rates in Nigeria (2.5 billion cf/d in 2000) this may not seem a lot, the emission of carbon dioxide and oil derivatives are, together with dust, the main types of air pollution. Local inhabitants and NGOs fear that they are causing the changing micro-climate (GRAMP-TC, 2003, p. 19; GRAMP-TC, 2004a, p. 19, 32).

Oil spills: One of the biggest environmental risks associated with petroleum is the possibility of leakages. Prior to the start of oil operations, a detailed oil spill response plan must therefore be in place and operational. National and international CSOs have been calling for this crucial requirement to be respected—to no avail: after being drawn up with years of delay, to this day, the national oil spill response plan has not been enacted by the Chadian government. Later, Esso developed a General Oil Spill Response Plan.⁶¹

⁶⁰ This level of non-compliance refers to a situation “that has not yet resulted in clearly identified damage or irreversible impact to a sensitive or important resource, but requires expeditious corrective action and site-specific attention to prevent such effects” (ECMG, 2009, p. 25).

⁶¹ http://www.esso.com/Chad-English/PA/Newsroom/TD_Documentation_General.asp.

In the view of IAG, "(f)ortunately, oil spills (...) from the pipeline in Chad in August 2008 were small and were handled adequately by the Consortium, which activated its own specific oil spill response plans" (IAG, 2009b, p. 10). However, this "small" oil spill leaked 34 barrels of oil (5,405 liters) (ECMG, 2009, p. 26).

On 11 October 2009, a peasant discovered another oil spill close to the village of Béro 2. Esso employees arrived at the village on 15 October, "cordoned off the area and 'cleaned' it up before any outside observers could see the damage" (Schwartz and Nodem, 2009) and compensated the villager whose fallow land was contaminated with a rucksack. The spill happened on a pipeline linking an oil well to the main pipeline. Despite sophisticated technology, all oil spills so far have not been detected by Esso but by peasants living nearby (CPPL Moundou, 2009).

What will remain unknown are leakages in the underground pipeline, where oil does not show on the surface but instead penetrates the groundwater directly. The problem here is that, though an electronic control system of the pipeline exists, it only registers significant amounts of crude oil. If the leakage does not reach the required quantity it is simply not recorded (authors' interview, Martin Zint).

Employment

One of the big hopes of not only the local population was to find employment in the oil industry. This led to a huge influx of people from other regions in Chad and from other countries of the region. Local peasants abandoned their fields to seek work with the oil project, e.g. to assist in seismic tests (GRAMP-TC, 2005, p.17). During the construction phase, up to 7,800 Chadian workers were employed by ESSO (Koczy, 2007). But the expectation of steady employment never came true. The majority of contracts were short-term and in 2008 less than 1,000 Chadian citizens worked in the oil sector, practically all of them occupying subordinate positions (ICG, 2008, p. 4). In addition, working conditions were dire as compensations in case of occupational accidents were not paid, contracted working hours not adhered to, proper notice of cancellation not respected, and locals were discriminated in their pay compared to expatriates (IAG, 2002; GRAMP-TC, 2004a, p. 35–45).

Local economic operators were unhappy with the low business opportunities that went along the oil project. Instead of relying on services by local companies, the consortium mostly dealt with subcontractors from

Europe and the United States. In reaction to local protests and pressures by authorities and the World Bank, a local business opportunities program was set up and has started to yield results "with local economic operators being hired for work previously contracted out to foreign companies" (IAG 2009b, p. 28).

Migration—Rising food prices and health

During construction, communities in the oil region had been overrun by the influx of migrant populations. People looking for jobs installed themselves in camps close to the workers' camps of Komé and Gadjibian. In these settlements people were waiting for work for months.

Box 12: Strike averted

In April 2009, workers for Esso were threatening to go on strike, demanding a 200 percent salary increase. Later they reduced their claim to 100 percent, but Esso only offered 15 percent. The Prime Minister was asked to mediate in the dispute. The negotiations led to Esso offering 25 percent over four years, coupled with advantages. The Prime Minister then announced the result of the negotiations to the workers (authors' interview, Advisor to the Prime Minister).

The influx of migrants and expatriate oil employees with higher purchasing power led to increased demand of products, escalating the local cost of living. Between January 2000 and January 2002, the prices for cereals at least doubled (GRAMP-TC, 2002, p. 22; 27; IAG, 2002, p. 8). Neither the consortium nor the government have undertaken measures to mitigate the adverse effects of rising food prices on the local population. For instance, the rate of compensations has not adjusted to the new situation (authors' interview with villagers in Béro).

Other consequences of the arrival of migrants were rising crime rates, and alcoholism (authors' e-mail correspondence, Axel Mueller). The public health situation became precarious due to sexually transmitted diseases, including HIV/AIDS. The risk for this development had been highlighted by civil society who had asked for sensitization campaigns and appropriate measures to be taken (AG Erdölprojekt-Tschad-Kamerun, 2003, p. 29). This advice was not heeded and the current AIDS rate in the oil

Box 13: An emerging active civil society around Doba

A side effect of oil exploitation in Doba has been the emergence of an active local civil society concentrating on the fair exploitation of resources, and corporate social responsibility by means of research, advocacy and lobbying on the national and international level. They gained expertise during the exchanges and arguments with the state and non-state actors involved in the project.

Community-based organizations and groups in the producing region joined forces and formed *Entente des Populations de la Zone Pétrolière* (EPOZOP) and the Network for Monitoring of Oil Activities in Moyen Chari (RESAP-MC), raising awareness among the population on how to defend their rights. They also provided escorts for protection against harassment by security agents. The *Commission Permanente Pétrole Locale* (CPPL) on the regional level in Moundou coordinates civil society activists in the region, while its counterpart, the *Commission Permanente Pétrole N'Djaména* (CPPN), covers the national level. CPPN's members are the Federation of Women's organizations, lawyer's associations, and human rights organizations who share both the technical and financial burden according to their field of expertise.

The *Bureau d'Études et de Liaison d'Action Caritative et de Développement* (Belacd) Doba is the local development structure of the Diocese in Doba. It is to note that the Catholic Church in Chad and the Doba Bishop especially continue to publicly criticize the oil exploitation, as poverty alleviation as the main objective has been far from being achieved. The Church-owned radio station 'La voix du paysan' (Voice of the peasant) daily passes the message about recent developments in the oil producing area to its local audience. In an

interview, the Vicar General told the authors that their requests for financing medicine for the local hospital submitted to the 'five percent committee' have not even been acknowledged, let alone considered (authors' interview, Vicar General, Diocese Doba).

Detailed information and insight on non compliance with social and environmental norms has been provided by the Alternative Research and Monitoring Group of the Oil Project Chad-Cameroon (*Groupe de Recherches Alternatives et de Monitoring du Projet Pétrole Tchad-Cameroun/ GRAMP-TC*) during construction phase and after completion. For insights into the local ecosystem and ways of production and a detailed documentation of compensation practice the lecture of GRAMP-TC's reports is highly recommended (see Bibliography).

The Collective for Reflection and Exploitation of Minerals in Western Mayo Kebbi (CREMP/MKO) is engaged in fact-finding and sensitization activities for the local population around the upcoming exploitation of uranium in Mayo Kebbi. In the new oil fields in the Bongor basin, the Network of Civil Society Organizations in support of local populations in Mayo-Kebbi (Mayo Kebbi-ROSCAP/MK) monitors the construction work done by CNPC and its sub-contractors.

During the production phase in Doba, Chadian NGOs joined the international Publish What You Pay coalition and are currently putting pressure on the Ministry for Petroleum for Chad to become an EITI candidate country (authors' e-mail correspondence, Rimtébaye Nassingar, CPPN, 2009).

zone is believed to be nine percent compared to three percent in the rest of Chad (authors' interview, Djikolmbaye Joseph, Radio 'La voix du paysan').⁶²

Prostitution, especially of minors, was a problem during the construction phase (IAG, 2001, p. 6; GRAMP-TC,

⁶² In general, AIDS rates are higher in the urban centers of N'Djaména, Bongor, Moundou and Sarh with levels between 5 and 9.9 percent (WHO and UNAIDS, 2008).

2002, p. 12) and during the construction of oil wells in the satellite fields (GRAMP-TC, 2005, p.18). The most common threat to the health of the local inhabitants, however, were respiratory diseases such as influenza and persistent colds (GRAMP-TC, 2002, p. 11; 2004a, p. 19).⁶³

⁶³ The John Hopkins University Population Center is conducting a longitudinal study on how the experiences of the low-income households described in this *brief* will be influenced by the public investment of oil revenues in the health sector; see Leonard, 2003 and 2007.

Post-project development

Within the first six years, one-third of the proven oil deposits in the Doba basin were exploited (EIU, 2009a, p. 16). With ever declining rates of oil exploitation (to an average of 127,200 barrels per day (bbl/d) in 2008, down from 144,000 bbl/d in 2007 (ibid), the question arises whether indeed the entire exploitation period will last 25 years as projected. For now, no information hereupon could be obtained and it remains an open question whether planning for the time after oil exploitation in the Doba basin should start.

4.1.2 Conflict between the population and the government

“Alarming absence of government in the field”⁶⁴

The Chadian government does not exercise its role of regulatory authority entrusted in it in the setup of the oil project and encoded in the new Petroleum Code of 2007 (Article 41). Instead it shows a clear lack of interest in ensuring the proper behavior of the oil operators in the field: the Committee charged with monitoring and control of the environmental aspects (CTNSC) was dissolved by the government in 2007 and the Ministry of Petroleum has scaled down its monitoring from a permanent monitoring unit to occasional field visits. Despite numerous appeals by the IAG since 2005, the government has not allocated budgets to the Ministries of Petroleum and Environment for monitoring activities.

The government is therefore not in a position to provide ongoing environmental and technical monitoring for oil activities in the area, and cannot assure its citizens that these activities are being conducted in accordance with the country and EMP's social and environmental standards (IAG, 2009a, p. 10).

This is why the IAG urgently calls upon the government to “reestablish a permanent presence at the oil sites and its role as supervisor of the operators” (ibid). In the meantime, the population is left alone to face the oil companies (authors' interview with members of CPPL, Moundou). Oversight of the behavior of local authorities is also needed. It seems to be recurrent procedure that *canton* chiefs take 10 percent from the compensation sum destined for a villager.

⁶⁴ Title used by IAG, 2009a, p. 10.

Although President Déby banned this practice in 2001, the problem was reported to IAG in 2005 and 2007 (IAG, 2009b, p. 17).

Five percent of revenues—Investment in development?

The petroleum revenue management program foresees five percent of the royalties to be allocated to the producing region (see Section 3.2) in order to balance negative impacts of the oil activities and contribute to poverty reduction in the affected zone.

The committee managing these funds was supposed to include representatives of local, decentralized government units. As the planned decentralization has not yet been implemented, a temporary ‘five percent committee’ (the *Comité Provisoire de Gestion des Revenues Pétroliers Affectés à la Région Productrice*) was gradually installed from January 2005 onwards. Until then, no activity had been undertaken to bring development projects to the region affected by oil activities. When the first FCFA 3.6 billion (US \$8 million) were approved by the Committee and the CCSRP, their opaque disbursement took place without any participation by the concerned communities, “to fulfill the executive branch's wishes to complete the “urgent measures” that had been previously scheduled” and priority was given to the urban centers of Bébédjia and Doba (IAG, 2005, p. 16).

This goes counter to the idea of ensuring wise investment by spending revenues on the basis of the regional development plan, which had been elaborated in a highly participatory process in 2006. While this plan should have been in place prior to the start of revenues flowing in, it is not executed until this day as it has still not been approved by the government. In the meantime, the ‘five percent committee’ works according to a five-year plan, which the coordinator of the Committee ascertains is “top secret”. The reason given by the coordinator is that changes may occur during the implementation of the plan and they want to avoid having to justify them in front of the population. An example of a change in the program is the construction of a university in Doba, which was decided by the President and imposed on the Committee (authors' interview, Masrangar Mbairedoum Lucas, coordinator of the ‘five percent committee’). Another unplanned program decided by the President is the creation of micro-credit facilities.⁶⁵

⁶⁵ A group of trading women was able to make their voices heard by Ms Déby who informed her husband about the need for

Box 14: Select objects built by the 'five percent committee'

1 medical health center: FCFA 411,263.000 = US \$935,000
1 district hospital: FCFA 779,529.073 = US \$1.8 million
1 sports stadium in Doba: FCFA 2 billion = US \$4.5 million

(Authors' interview, Masrangar Mbairédoum Lucas, coordinator of the 'five percent committee')

Between 2004 and 2008, the 'five percent committee' managed the disbursement of FCFA 28 billion (US \$59 million) (GRAMP-TC, 2008, p. 6). Looking at its overall activities and results⁶⁶, the Committee predominantly has infrastructure projects built, such as health centers, schools or water supplies as well as questionable prestige objects such as a stadium and a university (see Box 13). By February 2007, a total of seven projects were completed in Doba and Bébédja (ICG, 2008, p. 4).



Nevertheless, the coordinator asserts that it also consults with the population and their local authorities (*canton* chief, land chief, village chief) asking them to choose from a list of possible projects in their area. In his view "it is the needs of the population. We don't impose anything on them" (authors' interview, Masrangar Mbairédoum Lucas, coordinator of the 'five percent committee')—a view that is difficult to share when looking at the investment in the aforementioned stadium and university.

As the IAG notes, the 'five percent committee' "has difficulty standing up to the central authorities and has not yet adopted a clear policy doctrine that

credit infrastructure for these women. He then "imposed a fund for giving loans to women on us" (authors' interview, Masrangar Mbairédoum Lucas, coordinator of the 'five percent committee').

⁶⁶ The report on realizations is not shared with the public either (authors' interview, Masrangar Mbairédoum Lucas).

would allow it to finance the projects it wants based on requests from local populations, as a supplement to ministry projects funded by the national budget" (IAG, 2009b, p. 24). This lack of independence has to be seen in light of the treatment of the Committee by state authorities. The first Committee was dissolved in 2007, for their management "did not please the President" (authors' interview, Masrangar Mbairédoum Lucas, coordinator of the 'five percent committee'). On the same occasion, the President changed the composition of the Committee: instead of nine members, it was reduced to five⁶⁷.

The new members are all chosen by the state⁶⁸ allegedly because the state knows best who is appropriate (*ibid*)—the traditional chief chosen is illiterate and cannot submit propositions (authors' interview, Djikolmbaye Joseph, Radio 'La voix du paysan'). And the civil society representative now comes from a recently created association, which is "in the state machinery" (authors' interview, Masrangar Mbairédoum Lucas, coordinator of the 'five percent committee')—real⁶⁹ civil society is thus no longer represented in the Committee (authors' interview, Djikolmbaye Joseph, Radio 'La voix du paysan'). As a result, the Committee can be seen as close to the ruling party and the president, who can in turn take influence on its activities; in the words of Masrangar Mbairédoum Lucas, "The Head of State asks us to implement—we implement" (authors' interview). This is a clear breach of the intended participatory and transparent management of the five percent revenues earmarked for the producing region.

Looking at the infrastructure built, the often poor quality of the work combined with inflated costs is highly problematic and points to the connection with wastage and corruption in the building business (see Section 4.2). The 'five percent committee' is responsible for the monitoring of the constructions—

⁶⁷ The original setup included: two state representatives, three regional deputies, two civil society representatives, and two traditional chiefs. The new setup consists of one state representative, two regional deputies, one civil society representative, and one traditional chief.

⁶⁸ The dependence on the good will of the Head of State and the uncertainty when he will dissolve the committee again or redistribute some of its positions leads to behaviour patterns where "it is not only necessary to do good management, but also to eat quickly" (authors' interview, ex-member of CCSRP Thérèse Mekombe, AFJT). The involvement in corrupt practices is often described as 'eating' in many African countries.

⁶⁹ As opposed to 'alternative' civil society which is the state-organized variety, see Section 2 in this *brief*.

the coordinator assures he and two engineers carry out this task. Local NGOs, however, observed that projects are mostly not controlled and get accreditation despite obvious defects, like cracks in newly built schools which indicate the use of low quality cement (authors' interview with members of CPPL, Moundou; ECMG, 2005, p. 13). Because of this mismanagement, only 30 percent of the infrastructure can be used. However, the lack of an overall regional plan has yet another negative impact, as the buildings provided by the Committee remain unused, since the government does not send teachers, doctors or equipment. Moreover, there is a clear imbalance between projects benefiting rural and urban populations, as most projects are built in urban centers of the oil region (the same problems occur at the national level, see Section 4.2).

A civil society forum was organized in September 2008 to evaluate the five percent allocated to the producing region of Logone Oriental. Problems the communities are confronted with are:

- the absence of the authorities and the Committee members,
- the selection criteria for the members of the Committee,
- the non-implication of the beneficiaries,
- the non-application of the Local Development Plan and the manual of procedure for the management of the five percent,
- the exclusion of communities (Komé, Béro, Miaoundoum),
- the selection criteria for benefiting communities,
- the tendering procedure,
- no assistance to communities of Kara, Doba affected by heavy flooding during the rainy season (GRAMP-TC, 2008, p. 10f).

Securing the oil region

Despite the grievances existing in the oil region, the risk of an outbreak of violent conflict is low—mostly because of previous experience of harsh oppression by the government and tight security in the oil region.

Before the Doba region developed into an oil producing region, the rebel movements CSNPD (Committee of National Revival for Peace and Democracy) and FARF (Armed Forces for a Federal Republic) were active in the area. The government's violent repression of these rebellions targeted the

local population accused of collaborating with the rebels and subjected them to systematic human rights violations. "When there were rebels close to a village, the military came, they didn't make a difference, they just destroyed houses and everything" (authors' interview, Justice et Paix). This happened in the 1980s under President Habré while Déby was Chief of General Staff, and continued after Déby seized power—now with more urgency, as oil production was not to be hindered by civil strife. Between 1992 and 1994, at least 600 people were extrajudicially executed (ai, 2005, p. 16). During the 'pacification' of the future oil region in 1997 and 1998, Amnesty International documented massacres of unarmed civilians during which more than 300 people were killed and more arrested and abused. Among those killed in 1998 were 16 local chiefs (ibid, 1997; 1998).

To this day, the oil producing region is highly militarized with the presence of *gendarmerie* and other security agents, the imposition of a curfew and the obligation to acquire a permit to circulate in the area (GRAMP-TC, 2004a, p. 32; IAG, 2008, p. 24; Pegg 2009, p. 315). Security agents are involved in arbitrary arrests and abuses of the population (authors' interview, Justice et Paix). This situation has been ongoing although it had been taken up in the first IAG report: "The circulation of weapons of war and of uniformed persons that seem to commit numerous exactions constitutes a source of concern for the populations (...). The fact that certain exactions are committed by persons in uniform, whether they are military or not, is prejudicial to the authority of the State" (IAG, 2001, p. 14). Local inhabitants report that the security situation has deteriorated since 2008, as military personnel patrolling the area is mistreating the population. When going to the fields, farmers are intercepted by the security agents, people are being arrested, chained and beaten. In cases of theft, e.g. of copper from the oil installations, the facts are not properly investigated, but rather security agents punish people from the nearest village (authors' telephone interview, Remadji Hoinathy). IAG describes "sometimes excessive and arbitrary government action: arrests and random searches ordered by sub-prefects, travel restrictions, public humiliation of heads of families, death threats against NGO representatives, etc." (IAG, 2009b, p. 30). All these abuses happen with impunity for the perpetrators (authors' interview, Justice et Paix).

Locally, this situation is interpreted as a clear message by the government to remind people not to rebel (authors' telephone interview, Remadji Hoinathy).

And the population is acutely aware of the way rebellion had previously been met by the central government and is still very afraid of any military personnel—in the upcountry, people even run away from every approaching vehicle, thinking it is the military (authors' interview, Justice et Paix).

"... turning towards you, my fellow citizens generally and those in the oil area in particular, I say that this Chadian oil must be a source of harmony and reconciliation between the sons and the daughters of Chad." (Chadian President Déby at the oil project inauguration ceremony, 10 October 2003, Gary and Reisch, 2005.)

4.1.3 Community conflicts

Oil production has changed the face of the oil producing region and affected the way of life of the inhabitants. The ecological, socio-economic and security consequences experienced by the population have also had an impact on social life within the villages in the oil zone.

The seizure of land and compensation payments have led to a monetization of society and new concepts of land possession.

With petroleum, behaviors have completely changed. Conflicts have been on the rise. We meet land conflicts in the whole exploitation zone. Previously it was as if people had not discovered the value of land. Now, with the compensations by Esso, people know that it can bring money. In Béro, they have gained millions. So people start saying this is my land, the land of my ancestors. And conflicts are born (authors' interview, Justice et Paix).

The social change led to a deterioration of solidarity, and the sudden claims on formerly possessed land caused conflicts within or between families (GRAMP-TC, 2005, p. 17).⁷⁰

The prospect of easy money and the decreasing availability of land have changed behavior patterns: young people are idle while waiting to be employed by the oil project (authors' interview with villagers in Béro). For girls, early marriages have become more common as there is no other perspective for them

(authors' interview, young woman belonging to a youth association). Especially women complain about their husband's waste of compensation money (authors' interview with villagers in Béro).

Previously existing conflicts about land use between cattle herders and farmers have become more acute due to the rising pressure on land, following the occupation of large surfaces by the oil project and growing population numbers owed to migration and natural growth. Traditional paths for transhumance are often blocked and cattle are sometimes driven through planted fields. Local NGOs trying to mediate in these conflicts report that these conflicts have already turned violent and resulted in deaths (authors' interview, Justice et Paix).

Local conflicts between pastoralists and farmers are also interpreted along ethnic and religious lines, reflecting the north-south divide of the country (see Section 2). In the eyes of farmers in the oil region, pastoralists are Muslim and thus close to the ruling elite which leads to disputes being settled in their favor (authors' interview, villagers Komé). This view is sustained by the fact that members of urban elites and *chefs de brigade* (who are often Muslim or belong to the President's ethnic group) acquired flocks which they leave in the care of minors roaming the pastures in southern Chad. Redress for damages caused by these herds is especially hard to obtain (authors' interviews, Justice et Paix; villagers Komé).

The situation is made more volatile by the presence of small arms and light weapons (SALW) in the region—which are not only held by the army and police, but also by the population. Frequently, it seems to be dismissed military personnel who hold these weapons. Some of the cattle drivers who were traditionally armed with knives, now carry firearms which are "often (...) given to them by certain army chiefs who entrusted their cattle to them" (authors' interview, Justice et Paix; Behrends, 2008b, p. 170).

⁷⁰ These problems arise due to customary and modern land law existing in parallel without being harmonized.

Box 15: A view from below

Some villagers now say that all the Chad-Cameroon Oil Pipeline project has brought is more misery (authors' interview, villagers Miandomou). "Positive impacts from petroleum? No, it didn't help us at all. We used to live better than we do now. We were sleeping in straw huts. Now food is more expensive. The price of a chicken went up from FCFA 125 to FCFA 5,000! With the oil project, people from everywhere are coming here, looking for money. There are illnesses like HIV/AIDS. The poor peasant just doesn't have food. There is no health center. If there is change, it's only in buildings, thanks to individual compensation. The *canton* of Béro does not reflect what a region where black gold is exploited should look like" (authors' interview, villagers in Béro).

4.2 Power stabilization through oil revenues

"There is no other country in the world which makes better use of its petroleum revenues than Chad. Transparency is absolute" (Chadian President Déby in Yérim Seck, 2009b).

4.2.1 Pro-poor spending?

As laid out in Section 2, the way in which oil revenues are allocated within a country—including the way allocation is decided upon and the way it is carried out—can have important consequences on conflict dynamics at the national level.

With a legal framework in place, capacity-building scheduled and with the World Bank at the side of the government, hopes for transparent and good governance of the oil revenues were (too) high at the beginning of the oil project. The aim was to prove that the 'resource curse' could be overcome by good governance. On the other hand, the government's commitment to distribute the proceeds towards poverty alleviation and thus having the majority of Chadian citizens profit from this, seemed low from the start. This was demonstrated when several million dollars of a signature bonus paid by the consortium were used to purchase weapons in 2000 (Banhoudel, 2008a) (see Section 4.3), and in 2006 when the government changed Law 001 into Law 002 allowing

for spending in new priority sectors outside the realm of poverty alleviation. Today, IMF and IAG agree that there is some progress, but even more remains to be done, if the windfalls from oil production are to contribute to economic growth and poverty reduction (IMF, 2009a; 2009b; IAG, 2009a, p. 21).

"(...) the oil development will contribute to establishing national infrastructures, accelerating rural development, modernizing agriculture and herding and increasing their outputs, promoting national companies, ensuring the good functioning and the performance of the government, guaranteeing the social well-being of our people, in short, enabling at last the socio-economical takeoff of Chad while offering the chance of a decent life to future generations." (Chadian President Déby at the oil project inauguration ceremony, 10 October 2003, www.esso.com.)

It is difficult to assess whether the overall aim of poverty alleviation through the good governance of oil revenues in Chad has been achieved, because "(d)ata on poverty and human development are few, many out of date and some unreliable" (IEG, 2009, p. 22). It is therefore not possible to know whether human development has improved or worsened with the petroleum revenues. Available data show a mixed picture "with an increase in access to clean water and a reduction in incidence of HIV/AIDS, but a rise in infant and child mortality; an increase in primary education enrollment but a deterioration of educational quality" (IEG, 2009, p. xiii). The World Bank's Program Performance Assessment Report criticizes that "(p)overly developments were not adequately monitored, a serious shortcoming for a program whose main objective was poverty reduction through the use of oil revenue" (IEG, 2009, p. xiii).

4.2.2 Absorption capacity

One of the causes of less than optimal spending of oil revenues lies with the ministries responsible for the priority sectors, who manage the priority spending of 80 percent of the direct income but do not have the capacity for planning and absorption of the credits (authors' interview, Senoussi Mahamat Ali, former Secretary General, Ministry of Finances). The situation is characterized by poor budget planning and weak monitoring of budget execution, leading to low efficiency of public spending. It is common to use exceptional budgetary procedures, leading to 66 percent of expenditure being realized outside the national budget (IMF, 2009b, p. 5; authors'

interview, Dr. Leopold-Theodor Heldman, German ambassador). Even though a national budget is ratified, it is usually reviewed with a *loi rectificative*, or—if there is urgency—by presidential decree.⁷¹ The IMF expected this to be the case in 2009 again, with higher expenditures in the security and investment sectors (IMF 2009c). Even more problematic is the habit of “signing of contracts without budgetary cover [which] has become widespread” and “disables financial control on budget execution (and thus accounting and payment controls as well)” (IEG, 2009, p. 19). These expenses mostly occur in the security sector (authors’ interview, ex-member of CCSRP Thérèse Mekombe, AFJT).



Just as in the case of oil revenues earmarked for the development of the oil region, investment at the national scale takes place outside any proper planning. At times, there was not even a National Poverty Reduction Strategy (NPRS) and now that there is a revised NPRS, the projects paid for by the oil revenues are not realized according to it (IAG, 2009b, p. 24). This is partly due to budget instabilities, which have seen revenue attributed to the priority sectors shift to security expenditure (authors’ interview, Senoussi Mahamat Ali, Ex-Secretary General, Ministry of Finance).

Some progress has been achieved in some of the priority sectors, with an improved application of budget management procedures. For example, there were 1,200 km of paved roads in 2008 in Chad, compared to 300 km in 2001 (IEG, 2009, p. 19). The

⁷¹ Authors’ interviews, German ambassador Dr. Leopold-Theodor Heldman; Jean-Robert Moret, Resident Director of Coopération Suisse; Ex-Secretary General, Ministry of Finance Senoussi Mahamat Ali; ex-member of CCSRP Thérèse Mekombe, AFJT.

Ministry of Education has lately concentrated on equipping those infrastructure projects already undertaken. School enrollment has reached 87.5 percent in 2008. However, 72 percent of all teachers are non-credential and hired by the community (through parents’ associations). And due to constructions outside of a national strategy, “some communities have empty classrooms while others lack school capacity and have been forced to build straw shelters” (IEG, 2009, p. 20). Furthermore, construction costs were excessive (*ibid*) and equipment is being bought at high unit costs (IAG, 2009a, p. 17f).⁷²

In the health sector, the situation worsened despite repeated increases in the Ministry of Health’s budget: indicators of infant, child and maternal mortality have all deteriorated since 2004 (IAG, 2009a, p. 18)⁷³. This may be caused by the fact that the Ministry’s budget is not handed down to local health facilities—in 2004, local health centers received less than one percent of the non-wage resources allocated to them (Wane, 2008). All of “the 14 hospitals and 85 health centers that were built will be unable to render any service for years”, as they lack essential staff, equipment and medicines (IEG, 2009, p. 20). The judgment of the IEG is devastating. “(T)he entirety of the construction cost can be said to be wasted and the cost effectiveness of the investment is zero” (IEG, 2009, p. 20). Therefore, the IAG still sees the urgent need for capacity-building in the fields of budget and finance management, program planning and management and streamlining of the NPRS (IAG, 2009b, p. 25). As mentioned earlier, this capacity development should have taken place at the beginning of the millennium before oil money started flowing (see Section 3.3).

4.2.3 Corrupt building frenzy

Since 2004, most investments paid for by oil revenues have been infrastructure projects, be they in the transportation sector (road development) or the human resource sector (education and health infrastructure). Only since 2007 have resources been devoted to the important economic sector of agricultural production (herding and farming), in view of diversifying the Chadian economy. Still, basic needs of the population continue to be ignored—such as

⁷² “For example, the average cost of a primary classroom block has been CFAF 30 million (about US \$64,000), extremely high by comparison to either international or regional norms and double the cost of construction financed through the state budget rather than through oil revenue” (IEG, 2009, p. 20).

⁷³ In the UNICEF’s ranking of child mortality under the age of five, Chad comes third, with only Sierra Leone and Afghanistan showing higher mortality rates (UNICEF, 2009).

the need for potable and agricultural water (IAG, 2009b, p. 23f). Another important part of the budget is spent on wages, with salaries which increased by 12 percent in 2009 (Yérim Seck, 2009b). The share that is being spent on military expenditure is discussed in Section 4.3.

The infrastructure sector as the most active sector, is also the one in which the malfunctions of oil money distribution are best visible. Not only do investments in infrastructure not follow any national planning rather than occurring along the priorities of the NPRS, but instead, the President decides about the investment. "Just look around and you will comprehend the building activities by the Head of State in terms of infrastructure and projects financed thanks to the petroleum revenues and you will understand that we are not affected by that illness [resource curse]" (Director General of SHT in SHT, 2008). Indeed, huge investments are being realized, with roads tarred, and schools, hospitals and other public buildings sprouting. But as shown above, these activities have little if any positive impact on poverty alleviation and, additionally, they predominantly have taken place in the capital and other urban centers with very little impact on the life of average Chadians. Instead of contributing to the development of the nation as a whole, these infrastructure projects are intended to contribute to the good image of Chad, and can be seen as a blind building frenzy, typical of petro-states.

"We are wondering for whom development is undertaken. For whom roads and nice villas are built if the population has to die of hunger and illnesses because they don't have access to health care" (authors' interview, Delphine Djiraiibe, CSAPP, PILC).

The construction sector hosts more problems, which does not come as a surprise knowing that Chad is one of the most corrupt countries in the world (see Section 2)⁷⁴. The high costs attributed to the infrastructure built indicate corrupt practices such as inflated costs and embezzlement (ICG, 2009, p. 8; authors' interview, Soumaine Adoum, Intermon-Oxfam, NDJ). Contracts are increasingly awarded without a tender process: in 2005 one-third of all contracts were solesource contracts, in 2008 their number had reached almost half of all contracts (IEG, 2009, p. 19). Thereby, road projects are mostly awarded to SNER (*Société Nouvelle d'Etudes et de Réalisation*),

⁷⁴ When the oil project started, Chad was ranked the third most corrupt country and still the World Bank believed that the oil money would not be lost to corruption (Keenan, 2008, p. 171).

a company owned by a half brother to the President, which has become "one of the preferred instruments for channeling and using oil revenues allocated to the infrastructure sector" (ICG, 2008, p. 3). SNER in turn often subcontracts SOGEA SATOM, instead of carrying out the work itself (authors' interview, Soumaine Adoum, Intermon-Oxfam; Thérèse Mekombe, AFJT). These practices have an effect on the quality of the constructions. As documented by the CCSRP, many of the projects already show defects upon reception and ministries do not properly control ongoing work and the quality of delivered buildings. The CCSRP has come across cases in which the building company disappeared without carrying out the work entrusted to it (authors' interview, Kanayo Djetodjide Fidèle, member of CCSRP; IEG, 2009, p. 19). A school in Biltine, in eastern Chad, was never constructed but the Ministry of Education still issued official papers of reception of the building (Banhoudel, 2008c).

With infrastructure development at the heart of expenditure at the national level, the Ministry of Infrastructure has turned into the centerpiece of a non-transparent system of allocating the national budget. All building projects envisaged by other ministries are executed by the Ministry of Infrastructure, as the government estimates the capacity in the other ministries to be too low (ICG, 2009b, p. 16).

Box 16: Budgets of select ministries

Ministry of Finance:	US \$306 million
Ministry of Infrastructure:	US \$294 million
Ministry of National Defense:	US \$218 million
Ministry of Education:	US \$188 million
Ministry of Health:	US \$119 million

Source: ICG, 2009b, p. 10

Moreover, the opacity in the allocation and use of revenues permits personal enrichment; the minority in power profits to a large extent. As Youssouf Moussa, president of *l'Initiative Tchadienne de Lutte contre la Corruption et le Détournement*, queries, "(...) how can one explain that some ministers receiving FCFA 1.2 million in monthly salary are able to construct castles which cost around FCFA 1 billion?" (cited in Yérim Seck, 2009a). Those benefiting from this system can be seen as clients of the regime who are allowed to take advantage of their position for their personal enrichment. In turn, they are indebted to their patrons (see below). The opening of more and more

infrastructure projects has to be seen against this background of corruption: the more construction sites there are, the more money is in the corruption circuit (authors' interview, Delphine Djiraibe, CSAPR, PILC).

Those losing out on the ongoing construction boom are those who are evicted from their homes to give way to new buildings. Human rights organizations consider some of these expulsions to be forced evictions (ai, 2008). Furthermore, local human rights organizations have noticed that expulsions were "centered on districts suspected of collusion with the rebels" (authors' interview, Jacqueline Moudeina, ATPDH).

4.2.4 Oversight: The CCSRP

Initially, the spending of oil revenues was to be monitored by a control institution, the *Collège de Contrôle et de Suivi des Ressources Pétrolières* (CCSRP). Under Law 001 it was mandated to carry out *ex-ante* and *ex-post* audits on direct oil revenue spending. With Law 002, this was expanded to controlling indirect oil revenues and revenues from future production in new oil fields (see Section 3). However, the government hindered the smooth functioning of this institution right from the start. While the CCSRP was defined as an important component in the initial Law 001 of 1999, the decree to establish the institution was only issued in March 2001. Delays were also caused by the government when it came to providing office space. As the CCSRP's budget is part of the government budget, the latter has often used the financial dependence of the *Collège* to obstruct its work, making the funds available with delays of months at a time (AG Erdölprojekt-Tschad-Kamerun, 2003, p. 22).

Another challenge for the work of the *Collège* is the limited time frame granted to probe expenditure projects: within five days, the CCSRP has to approve or reject the projects, otherwise they are automatically approved (Zint, 2004; ICG, 2009b, p. 16).

Government interference in the composition of the CCSRP was common. The first representative of the Supreme Court was quickly co-opted by the government and appointed mayor of N'Djaména (AG Erdölprojekt-Tschad-Kamerun, 2003, p. 22). Then "the government did everything to replace the civil society members who ensured rigorous control" (authors' interview, Rimtébaye Nassingar, CPPN). With the change of Law 001, a new composition of the CCSRP was enacted: instead of the original

design with nine members, of whom four represented the government and parliament, four civil society organizations and one the Supreme Court, the *Collège* was now to be composed of one attorney at the Supreme Court, one member of parliament, one member of the economic, social and cultural council, the national director of the Central Bank in Chad (BEAC), the director general of the treasury, one representative of religious denominations, one NGO representative, one labor union representative and one representative of human rights organizations. Taking advantage of the renewal in membership, the government notified the civil society groups sitting on the CCSRP that they needed to send a new representative. This was a violation of the law, which prescribed a drawing by lots of those members of the CCSRP that were to rotate and thus to be replaced. In reaction, the representation of human rights organizations and of the labor unions refused to comply with the government's request.

In the end, "except for the chairman, all members were replaced in 2008 by direct government appointment without consultation with the organizations they are supposed to represent" (IEG, 2009, p. 28). This has led to a situation in which the representatives of the labor union and the human rights organizations do not belong to "real" civil society, but to the "governmental civil society"—a parallel civil society made up of persons close to the government (authors' interview, ex-member of CCSRP Thérèse Mekombe, AFJT) (see Section 2).⁷⁵ Therefore, the majority in the CCSRP is now represented by the government side and there is no real representation of civil society anymore (ibid).

With its independence being compromised (authors' interview, Pierre-Christophe Chatzisavas, EC), the CCSRP does not have the control effect it should have. Despite these difficulties, the *Collège* "attempted faithfully to fulfil its mandate, and had status and credibility" (IEG, 2009, p. 27) and continues to publish reports detailing shortcomings in the expenditure management. In 2007, the *Collège* rejected 88 out of 922 projects presented by the government, stating that they were outside of the priority sectors (Yérim Seck, 2009a).

Mostly, the CCSRP decries a lack in oversight by the ministries commissioning works, leading to poor quality in some cases and no delivery at all in others. Even

⁷⁵ The new human rights organization sitting in the *Collège* is CASCIDHO—a governmental CSO, which claims to be an umbrella organization of 400 member organizations throughout the country (authors' interview, Jacqueline Moudeina, ATPDH).

though the *Collège* has limited resources at its disposal to undertake field missions to check on constructions, it has described a great number of such problems and informed the concerned ministries. But mostly, no follow-up is given to the problems pointed out by the *Collège*. The only time it can take action itself is when it notices irregularities in time and can then react by suspending payments to the company (authors' interview, Kanayo Djetodjide Fidèle, member of CCSRP).

While the irregularities noticed by the CCSRP—such as inflated prices and poor quality of buildings—hint to corrupt practices, it is not in a position to gather proof that this is indeed the case. All the *Collège* can do is to submit their observations to the government and the Supreme Court, with the latter in charge of opening a case and gathering evidence for possible crimes committed (authors' interview, ex-member of CCSRP Thérèse Mekombe, AFJT). In cases where work was carried out poorly or not at all, it lies with the ministry who commissioned this work to sue the company (authors' interview, Kanayo Djetodjide Fidèle, member of CCSRP). The CCSRP has no mandate to go to the courts itself, which is “a bit of a handicap. But it wouldn't be a problem if the Ministry of Morality and the Supreme Court were doing their work of control”—the biggest problem of Chad is impunity, which is connected to the fact that those supposed to implement works are ‘friends’ of those in power. “The president has to change this” (authors' interview, *ibid*). At the same time, the president of the CCSRP is quoted as admitting that his institution only has very limited control over part of the revenues, the bulk of income being directly managed by the President and his Minister of Finance (Yérim Seck, 2009a).

“(U)nfortunately we did not see many of our observations emerge when the budget was adopted” (authors' interview, ex-member of CCSRP Thérèse Mekombe, AFJT; authors' interview, Antoine Bérélingar, CEFOD) despite the fact that the *Collège* commented on it after having received the draft. In the words of IAG, “it is unfortunate that Chad's government does not systematically act on the CCSRP's recommendations and observations” (IAG, 2009b, p. 22).

Overall, the CCSRP—despite its unique oversight mandate—can be seen as a toothless tiger, since its recommendations and criticism do not need to be taken up by the concerned ministries or the government and no sanction mechanism is in place. Effectively, the government has succeeded in taking

away the authority of the sole institution, which was supposed to control the distribution of oil revenues.

4.2.5 Clientelism, patronage, and co-optation

The observed malfunctions in the way oil revenues are managed and used cannot solely be attributed to a lack of capacity. More importantly, one needs to look at the interests of the ruling elite in maintaining a certain level of opacity to allow it to use the oil proceeds to secure its power position. One important aspect was to make sure that oil windfalls could be used to strengthen national defense. This was made possible through the change in Law 001 and by not respecting the control institution CCSRP (see Section 4.3).

The system to maintain Déby in power consists of patronage, clientelism and co-optation, based on (the above described) corrupt practices surrounding the distribution of state revenues—which originate to a huge extent from the oil sector. As laid out in Section 1, President Déby relies on this system to maintain his power base. Just as he tries to secure the loyalty of his clan by handing out good jobs to family members, he uses this patronage to bind former opponents to his rule. This system extends to the co-optation of former rebel leaders who are not only offered amnesty, but lucrative posts, too (ICG, 2009b, p. 18; authors' interview, Delphine Djiraibe, CSAPR, PILC).⁷⁶ In this way, President Déby has been able to “militarily maintain (...) the upper hand” despite the fragmentations in his Zaghawa power base and the numerous coup attempts (Styan, 2008, p. 17).

Part of the capacity shortcomings in public offices result from this patronage system, as positions are often reshuffled to give newcomers the opportunity to enrich themselves. By 2004, President Déby had reshuffled the cabinet more often than all his predecessors together during the 30 years since independence (Gary and Reisch, 2004, p. 18). This game of musical chairs hinders direly needed capacity-building. In addition, the newcomers know that they won't sit on their position for all too long and might concentrate on ‘eating’⁷⁷ instead of working (authors' interview, ex-member of CCSRP Thérèse Mekombe, AFJT).

The oil revenues allow President Déby to employ this expensive and economically inefficient system

⁷⁶ Due to this system of cooptation, the number of officers and sergeants in the Chadian army equalled that of troopers in 2006 (Gerdesmeier, 2008, p. 3).

⁷⁷ The involvement in corrupt practices is often described as ‘eating’ in many African countries.

of corrupting and co-opting his opponents—and to militarily fight those he cannot buy (ICG, 2009b, p. 7f). Oil revenues have thus become “a source of military reinforcement, clientelism and political co-optation” (ICG, 2009b, p. 1), thereby helping to stabilize the Déby regime.

4.2.6 Société des Hydrocarbures du Tchad



In the system of power stabilization and opaque management of the oil revenues, the *Société des Hydrocarbures du Tchad* (SHT) is set to become an important actor. As the national oil company, it is supposed to be involved in the complete hydrocarbons sector, from exploration to the sale of refined products.

The decision to create a national oil company for Chad was taken in July 2006. SHT became operational in September 2007 and is tasked with gradually taking over the management of all aspects of the petroleum sector in Chad, and to ensure state participation in:

- prospection, research, development, production and transport of oil and gas,
- distribution of finished products, commercialization of oil and gas,
- education of national staff.

To begin with, SHT is holding 40 percent of shares in the refinery project with CNPC (see Section 5) and after negotiations with the Doba consortium, SHT will independently manage 40,000 bbl/d of hydrocarbons from the Doba basin, with the permission to trade the oil on international markets from July 2009 onwards (EIU, 2009b, p. 21).

Unfortunately, the experience in other oil-rich states of the Gulf of Guinea and beyond, cautions against optimism with regard to national oil companies: they easily turn into yet another institution in which corruption is rife, control is exerted by the national elite which uses it for patronage and clientelism and they

become states-within-states (McPherson, in Soares de Oliveira, 2007, p. 89; Gary and Karl, 2003, p. 25f) (see Section 2).

As patronage is already common in other parastatal companies in Chad there is reason to believe that SHT will become part of this system and the threat of an even further reduction of independent control remains. “(T)he risk exists that SHT will replace the CCSRP” (authors’ interview, Advisor to the Prime Minister).

4.2.7 The effects on conflict dynamics

The population of Chad is aware of the big construction works undertaken by the President, but sees living conditions stagnating. Instead of reaping the benefits of having become an oil exporting country, the population is faced with a deepening social crisis (ICG, 2006). At the same time, space granted to publicly voice discontent has been tightened—especially after the February 2008 events. Civil society organizations assert that public manifestations are no longer possible (see Section 1).

Nonetheless there is “widespread frustration with the country’s unequal wealth distribution—particularly oil wealth—and lack of democracy” in the Chadian population (Tubiana, 2008, p. 10). While such feelings won’t directly lead to violent conflict, this frustration has translated into widespread pillaging and destruction in the aftermath of the February 2008 attack on N’Djaména: contrary to previous pillaging for valuable objects, in 2008 the population took onto state symbols and destroyed national archives and documents. Among the latter were papers about development projects which were shredded while chanting “it’s money from the petroleum”—showing their exasperation of being excluded from national wealth (Bawoyeu in an interview with Gondjé, no date).

Those opponents to Déby’s rule who are vying for state control are not least attracted by the oil wealth accruing in state coffers. As this wealth is not redistributed to the population at large (and with many in the rebellions more interested in their personal enrichment), seizing power is seen as the most effective way to gain access to these riches (Marchal, 2006, p. 475; Tubiana, 2008, p. 12ff; Berg, 2008, p. 33; Giroux et al., 2009, p. 7).

At least one case suggests that access to the oil revenues can have a major influence on the decision

to join the armed opposition: Déby's nephew Tom Erdimi who had been removed from the post of advisor to the oil project in 2004 subsequently joined the rebellion, together with his twin brother Timane who currently leads the rebel alliance UFR (Union of Resistance Forces) (AFP, 2009a).

On the other hand, the oil revenues provide the backbone for Déby's patronage rule and allowed him to stay in power for 19 years despite the unending rebellions (see below).

4.3 Oil for arms

While none of the Chadian rebel movements has access to the oil resources, Déby and his authoritarian regime have secured all control over the use of oil revenues. There is overwhelming evidence that revenues from oil have been used by the regime to strengthen its military might. This is admitted by the President himself. Faced with increasing rebel activity directed against his power from 2004 onwards, Déby needed more resources to fight back. This is the cause for the changes in Law 001 and in the attribution of the oil wealth. According to the President, he needs "the 'future generations fund' in order to arm Chad, face the rebel aggressions and strengthen the functioning of our administration which is presently marred. A nation without a present cannot dream about a future" (Déby cited in Yérim Seck, 2009a).

The use of the new oil revenues for weapons purchases started even before actual oil production: As early as in 2000 the government received a bonus paid by the consortium of US \$25 million of which it took US \$4.5 to buy military equipment to fight a rebellion in the northern Tibesti region (Nguiffo and Breitkopf, 2001, p. 12; Banhoudel, 2008a). Between 2000 and 2009, annual military expenditure has shot up from US \$14 million (FCFA 6.5 billion) to US \$315 million (FCFA 147 billion). This increase was mainly made possible by the massive influx of oil revenues from 2003 onwards (ICG, 2009b, p. 13). When Déby's power position wavered in 2004, he raised the wages of the military by 30 percent (EIU, 2004, p. 21). Since the rebel attacks in 2006, expenditure on security has risen again, and continued to do so to this day (EIU, 2009a, p. 8).

Comparing the period before oil revenues came into Chad (1999–2003) with the period since oil revenues started flowing (2004–2008), SIPRI estimates that arms imports were five times higher in the oil years (Wezeman, 2009, p. 3). Whilst Chad remains one of

the poorest countries on earth, it has attained rank 27 of military expenditure, having spent 4.2 percent of its GDP on weapons in 2006. This is one rank in front of the United States (4.06%) (CIA, 2009). According to IMF estimates, Chad will spend 12 percent of its GDP on weapons purchases in 2008 (Irin, 2008b).⁷⁸

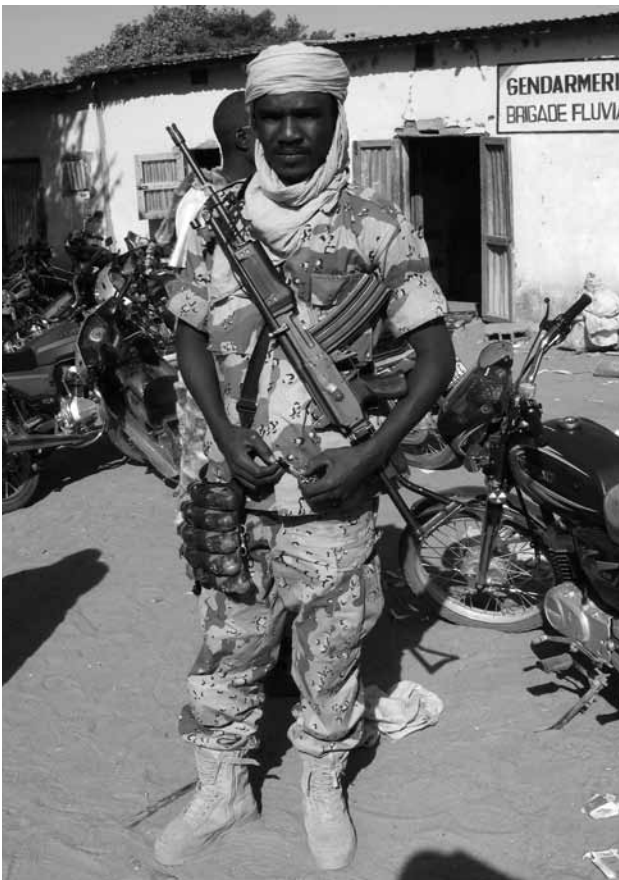
The President assures that "not a single gun is acquired clandestinely. The security expenditure, foreseen in the law on petroleum revenue management, is submitted to the CCSRP. After approval by this independent organ (...) they are then discussed and adopted by the National Assembly" (Déby cited in Yérim Seck, 2009a). But in fact, these expenses are decided upon by the president and underlie *secret-défense*, which prohibits the National Assembly and the Ministry of Finance to reveal anything about these arms purchases—which are not submitted to the CCSRP.⁷⁹ The exact amounts spent on the war effort remain thus unknown and open to speculation (ICG, 2009b, p. 14). According to Senoussi Mahamat Ali, former Secretary General, Ministry of Finances, the defense against the attack in February 2008 alone directly absorbed FCFA 160 billion (US \$349,177,000) (authors' interview).

The overall high security spending is caused not only by the purchase of military equipment, which has developed the Chadian army into one of the best-equipped armies in Sub-Saharan Africa. There have also been several increases in the number of military personnel, accompanied by higher expenditure on goods and services to support the troops. Furthermore, salaries for military personnel have been increased, accounting for half of the overall "increase of the wage bill, which went from five percent of non-oil GDP in 2000 to nine-and-a quarter percent in 2008" (IMF, 2009a, p. 7; p. 25; Yérim Seck, 2009a).

⁷⁸ The BICC Global Militarization Index (GMI), looks at "military expenditure in relation to GDP and health services, the ratio of (para)military personnel, reserve forces, and physicians in relation to total population, heavy weapons (armoured vehicles, artillery, combat aircraft and major fighting ships) in relation to population" (www.bicc.de). In this analysis, Chad attains 270 out of 1,000 points and ranks 100 out of 151 countries evaluated.

⁷⁹ To determine which of the revenues the government uses to purchase weapons is difficult, as the control function of the CCSRP, which since 2006 has oversight over both, direct and indirect revenues, has been sidelined. While the direct revenues are earmarked at 80 percent for development, the indirect revenues do not underlie such rules, and amount to more than half of the government's income from oil. Former member of CCSRP, Thérèse Mekombe, points out the importance of differentiating between the new priority sector of "security" and actual defense. According to her, security spending, (prisons or big motorcycles for the police) has been authorized by the CCSRP. But purchasing weapons falls under national defense and is not part of the priority sectors (authors' interview, Thérèse Mekombe).

This high security spending is undoubtedly made possible by the oil windfalls, which have thus directly contributed to the financing of an ongoing armed struggle by a non-democratic government. President Déby was able to take this income to strengthen his military deterrence and tighten his authoritarian grip on power instead of opening up to a meaningful political dialogue with his opponents (ICG, 2009b, p.1).



Box 17: The origin of weapons transferred to Chad

Chad has received weapons from the Ukraine, France, Libya, Belgium, China, the United States, Israel, Switzerland, Serbia and Portugal (Wezeman, 2009, p. 9).

Direct weapons transfers from member states of the European Union to Chad are politically risky, as they could violate the European Code of Conduct on Arms Exports (see www.ruestungsexport.de). Nevertheless, arms exports by France have risen from €100,000 in 2006 to deliveries worth €5.4 million in 2007 (Wezeman, 2009, p. 4).

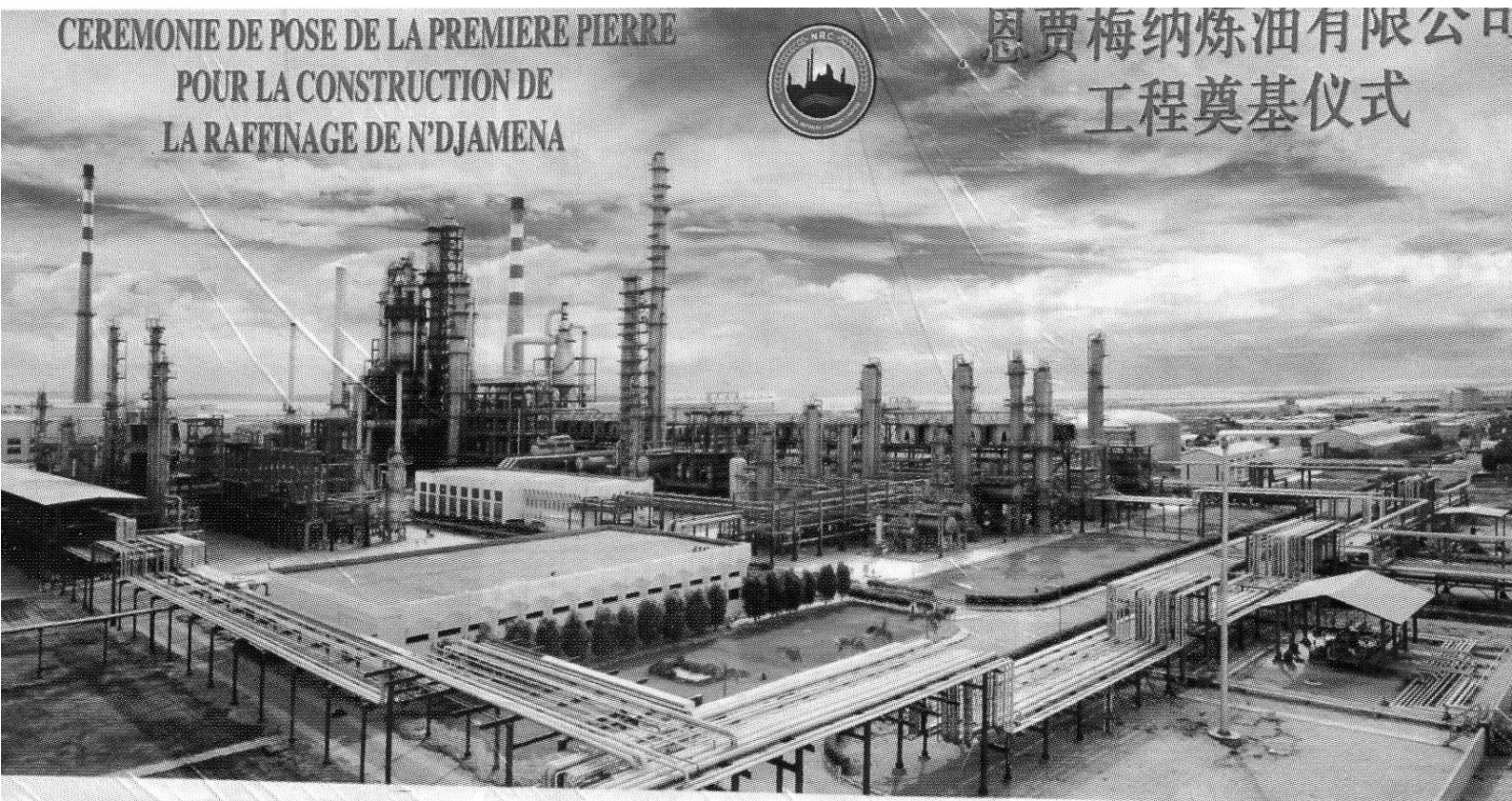
China and Chad formally agreed to cooperate militarily in 2007, despite the fact that China is a major weapons supplier to Sudan. In 2007, China supplied 10 unspecified light armored vehicles to Chad. "Unconfirmed reports claim that Chinese military advisors were present in N'Djaména in early 2008 and that in late 2008 a Chinese shipment of armored vehicles together with 50 containers of arms and ammunition arrived in Cameroon for further delivery to Chad" (ibid, p. 6).

Additionally, weapons are being smuggled over the borders. The UN mission MINURCAT does not have the mandate to monitor the borders, as this would hinder weapons transfers to the Sudanese rebels who are supported by Déby (Berg, 2008, p. 40, see also ICG, 2009b; Mampaey, 2008).

For the cost of one MI 8 transport helicopter 32 schools could have been built. For the cost of one MI 24 attack helicopter, one could pay for four regional hospitals (Oyamta, 2009).

5

New oil fields in Chad



'The human being comes first and prevention is our priority' says the slogan of the China National Petroleum Corporation (CNPC) in the corridors of its headquarters in N'Djaména.⁸⁰ The construction of a new pipeline from the Bongor basin to a refinery near the capital N'Djaména is causing concerns among the local population (L'Observateur, 2009) and letting people doubt if the promises of the slogan hold true. Construction is only about to start and yet it is making the headlines. CNPC already has the reputation of having a restrictive disclosure policy and of non compliance with environmental and social standards.

The state-owned CNPC, number eight of the world's main companies in the oil and gas sector (BGR, 2008) has been operating in Chad since January 2007. It acquired the so-called Permit H-License for research and exploitation for seven oil fields in the Bongor and Lake Chad basins (see Map on p. 57)⁸¹, totaling 54 million acres, which was sold by the Canadian company EnCana (EnCana, 2007) for approximately US \$202.5 million on 1 October 2006.

186 explorative oil wells have already been drilled. In April 2009, CNPC announced that its Prosopis-1 well in the Rônier field of the Bongor basin had produced 7,558 barrels of crude oil per day (bbl/d) and 46,000 cubic meters of natural gas per day during tests. The Bongor basin is expected to eventually produce up to 60,000 bbl/d of crude oil.

CNPC has started work on a major oil pipeline in Chad, which will be used to transport crude oil from Koudalwa in the Bongor basin to the Djarmaya refinery, located about 30 km north of the country's capital N'Djaména. The foundation stone was laid on 2 July 2009 and work is scheduled to be completed by 2013. The pipeline will cover 320 km and the oil is going to be exploited from the oil fields Rônier and Mimosa—two of the seven oil fields purchased by CNPC. The cost and the capacity of the pipeline remain unknown.

Work on the Djarmaya refinery already started in October 2008. The project is a 60/40 joint venture between CNPC and the Chadian state oil company *Société des Hydrocarbures du Tchad* (SHT). When completed in 2011, the refinery is expected to produce 5,131,000 bbl/d of gasoline and diesel, 146,600 bbl/d of kerosene, and 260,000 bbl/d of liquefied petroleum

gas to cover the demand of the local Chadian market. A power plant is planned to supply the refinery and the city of N'Djaména with a current of annually 20 MW each (authors' interview Odette Tombalbaye, Mahamat Masri, CNPC; Industrial Info Resources, 2008; Torbo Djarma, 2008).

5.1 Carte blanche for non compliance with environmental standards

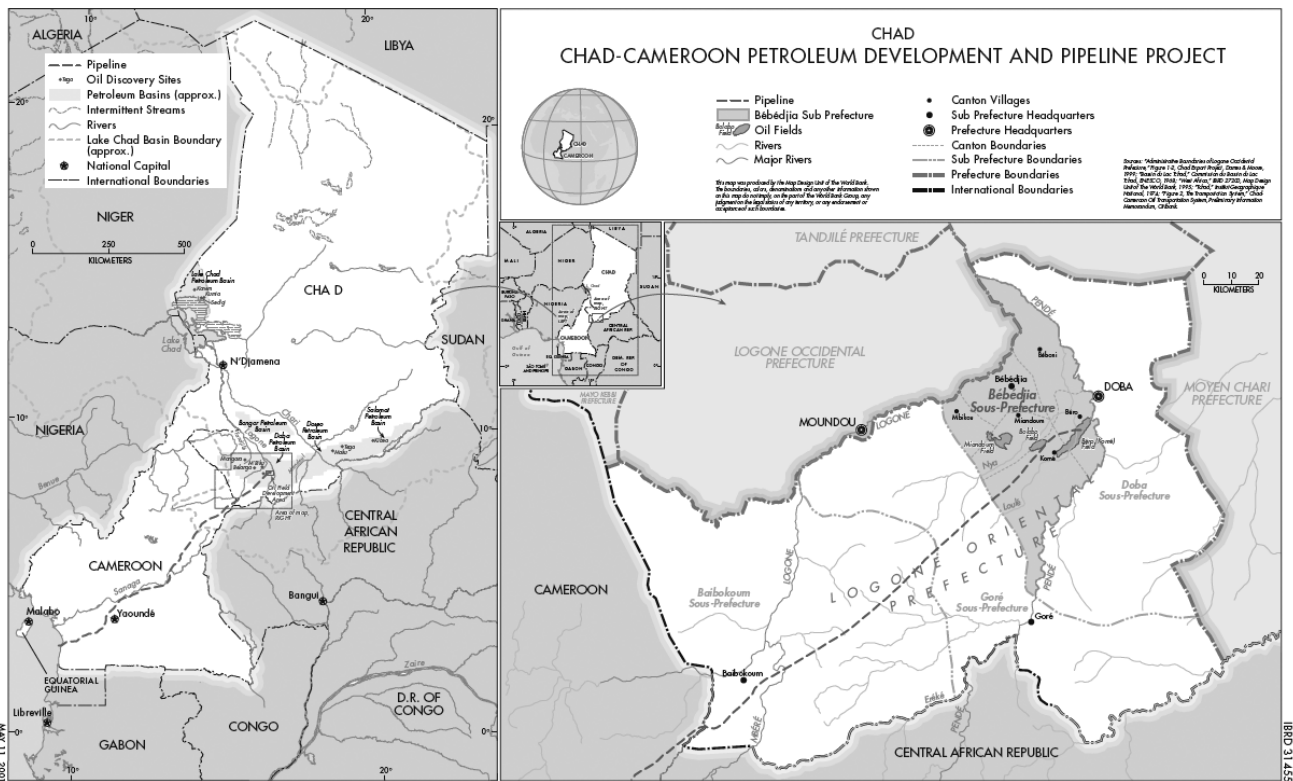
The amended Law 002 is applicable to all hydrocarbon resources in Chad. Therefore, the environmental and social standards of the Doba projects have to be implemented in the new oil fields. CNPC conducted a socio-economic study as well as an environmental impact assessment (EIA), which includes an environmental management plan (EMP). Both have been submitted to the Ministry of the Environment for approval. Both documents were going to be discussed publicly with the local stakeholders during workshops to be held in Summer 2009, said CNPC's corporate social responsibility and environment officers and confirmed that civil society organizations were to participate in these events (authors' interview Odette Tombalbaye, Mahamat Masri, CNPC). Until November 2009, the EIA had not been disclosed. Even though CNPC is still awaiting approval of its EIA, the foundation stone for the pipeline was laid in early July and construction was only put on hold because of the rainy season.

The rainy season, responsible for severe flooding, is one factor contributing to serious environmental problems. The Bongor oil basin, located between the Logone and Chari Rivers in the flood plain area faces even more possible environmental risks than the Doba oil fields. Despite the reduction of the water flow over the past 30 years (due to dams, irrigation in the upper Chari and desertification), each year large areas are flooded. Risks will have to be controlled both for local extraction of oil in the middle of a flood plain and for the various pipelines (local service pipelines, Koudalwa pipeline to the new Djarmaya refinery, pipeline for oil export—towards the Chad-Cameroon pipeline or towards Niger, Nigeria or even Sudan). The refinery project itself is located 20 km east of the Chari River.

During the field research, the authors were told informally by an advisor to the Prime Minister that CNPC was provided with a carte blanche by the government for their (in)activities concerning environmental protection.

⁸⁰ "L'homme a la primauté, la prévention est la priorité." Company slogan as displayed on 28 July 2009.

⁸¹ The oil fields are Sedigi, Kanem and Kumia in the Lake Chad basin and Rônier, Mimosa, Baobab and Kubla in the Bongor basin.



Source: International Bank for Reconstruction and Development, The World Bank

5.2 Opaque information policy

“CNPC is not going to exploit the Sedigi field in the Lake Chad basin,” says SHT-technical advisor, Boukar Michel without further comments. The 60/40 joint venture contract agreed upon between the consortium partners CNPC and SHT while published in SHT brochures and conference presentations are unknown to CNPC agents. The General Director would not inform the local personnel, they say. An authors’ request for an interview with the General Director was refused. This unwillingness to disclose information reminds many of the Chadian activists of the early days of the Doba project in the late 1990s. Questions were not welcome.

Contrary to official CNPC statements, briefings or workshops with the local population in the Bongor basin have not taken place (CPPN, 2009). Out of a total of eight CNPC mediators and interlocutors charged with maintaining contact between CNPC and the population, only three are known to the civil society network CPPN Coordinator (authors’ interview, Rimtébaye Nassingar, CPPN). CNPC does not deal with CSO representatives. It negotiates directly with the affected population who are often illiterate and not aware of their rights. So, little documented information

is available about the situation in the villages. The win-win approach for both contract parties—as promoted by CNPC—seems to completely exclude the population. The ignorance of the farmers and the total lack of preparation for the potential amount of money they could receive in compensation are posing a real challenge. Lessons learned from the Doba basin show that cash compensations are a delicate matter and should be avoided or carefully accompanied by business training to the recipients who have never handled larger amounts of money.

CPPN and the diocesan Justice and Peace Commission of the Chadian Bishop’s Conference conducted an environmental study during the rainy season, in August 2009. 102 km of the total 320 km pipeline⁸² were evaluated and the findings documented. The Ba-ili dam in Damsro, seven km out of Koudalwa and other bypasses of rivers, logging operations for the pipeline track, noise of and dust raised by construction vehicles; all this already has a major impact on living conditions and on the environment—fishermen already complain about a decline in fishing.

⁸² The 102 km start at Koudalwa and end at Kiao, crossing the four cantons of Ba-ili, Bogmaro, Bousso, and Gourgang.

This study documented plant and animal species, which are about to disappear. The locals who have lived on fishing and hunting are scared of how this exploitation project will be affecting them. The above-mentioned dam in Koudalwa led to a decreasing water level, which meant that locals were no longer able to leave their village by boat (*pirogue*) during the rainy season. They were isolated for several weeks (CPPN, 2009).

Already, a series of fatal accidents has been reported: a student, two women, and a pastoralist died after falling into open, non secured pits (Ndjénodji, 2009b). This is a sign both for lacking security measures and information that was not provided to the local population. An arising conflict between CNPC and the inhabitants of the village of Mafling—known for its sacred wall protecting them—about the dislocation of this very wall and the cutting down of trees to which sacrifices are offered (CPPN, 2009) highlights the fact that CNPC neither respects local beliefs and practices nor is interested in preserving local cultural heritage.

The practice of subcontracting further obstructs clear responsibilities. CNPC is collaborating with several subcontractors: CNPC's Bureau of Geophysical Prospecting (BGP) carries out seismic research, wells are drilled by GWC, a Chinese enterprise which had worked with EnCana before. The China National Logging Corporation (CNLC) carries out the tests by open air drill sample burning, which in general worsens the medical condition of the locals but particularly affects the respiratory system of children (Ndjénodji, 2009b, p.15). SOGEA SATOM, a French company, which receives most of the road projects in Chad, is tasked with road construction.

5.3 The social dimension

5.3.1 The Chadian workforce is not qualified

The Chadian mining code puts an emphasis on the employment and professional training of Chadian personnel in any mining activities (Government of Chad, 1995). By the Summer of 2009, 20 CNPC employees were of Chadian origin. As the local residents had hoped for job opportunities, this unsatisfying outcome led to threats from the local population to kidnap or kill CNPC personnel. As a reaction to these threats, CNPC developed an employment test, which only a few candidates

Box 18: Available oil basins and legal framework

The geographical map of Chad has been separated into blocks by the Ministry of Petroleum and Energy.

The Erdis basin has been the repeated subject of research and restitution to the government. Up to now, the deposits did not seem to allow for commercial exploitation. Still, the new state-owned oil company SHT is campaigning to attract investors, indicating that the oil fields in the Lake Chad basin (Sedigi, Kanem, Kumia) and the blocks of Djado, Manga, Siltou, Faya Largeaue, and Moussoro are available.

In January 2006, a fifth exploration permit, which covers three blocks in Doba and Lake Chad was issued to a consortium of which OPIC AFRICA, a Taiwanese corporation, is the operator (Torbo Djarma, 2008). Permits for deposits in Lake Chad, Bongor and Salamat were restituted by China National Petroleum Corporation International (CNPCI) in 2008 and the basin of Madiago again by CNPCI and CLIVIDEN (part of former EnCana permit).

The zone of Borogop and part of Madiago Blocks have been restituted by the Esso Consortium. It seems that the consortia present in Chad today do not intend to extend their investment onto other areas.

As the authorities want to gain more profit from the petroleum exploitation, a new legal framework (*Loi Relative aux Hydrocarbures*) was adopted in 2007 to improve the general management and allow for the award of production-sharing contracts (*partage de production*) in the Chadian oil and gas sector. This new regulation now excludes preliminary authorization of exploitation for reasons of national interest. The process of returning surfaces shall be covered in the petroleum contract or the convention in contractual terms to be discussed between the partners.

An exploitation or concession authorization is granted for a period of 25 years for liquid hydrocarbons and for 30 years for gaseous hydrocarbons with a possible extension of ten years. The law prescribes royalties on production to be at least 16.5 percent for liquid hydrocarbons, and five to ten percent for gaseous hydrocarbons. It foresees a modular process for business tax, which varies between 40 and 75 percent. The new law takes into account the sectors of stockpiling and the distribution of finished products.

Box 19: China's interest in Chadian oil

In 2006, Chad cut off diplomatic ties with Taiwan in recognition of Beijing's One China Policy and as a precondition for resuming Chadian-Chinese relations, paving the way for Chinese investments in the country. In January 2007, CNPC bought oil fields in the Lake Chad and Bongor basins. With the Chinese re-entering the Chadian stage and bilateral economic agreements signed shortly afterwards, the influence of the World Bank was reduced even more and it lost almost all its leverage.

Crude oil from the African continent is planned to cover about 25 percent of the Chinese demand (FriEnt, 2008). Recently, the Chinese hunger for natural resources has been covered internationally (Liebert, 2009; Croll et al., 2008) and the Chinese investment in Chad is part of this worldwide search. Yet, Sudanese oil production will always exceed Chadian production. While in 2006, it was assumed that China could seek to invest in Chad's energy sector and possibly construct a pipeline between Chad and Sudan to export crude oil via Port Sudan, perception now has changed. The uncertain future of Sudan after the referendum of 2011 or precisely the pro-Western position of Southern Sudan seems to motivate CNPC to look for alternatives. Export of Chadian and South Sudanese crude oil via the Chad-Cameroon oil pipeline is surely an option. There were talks between CNPC and the Doba consortium in July 2009 (authors' interview, Boukar Michel and Kasser Younous, SHT).

Big Brother—The Chinese model of development

As a matter of fact, the Chinese do not consider themselves as purely economic investors. They intend to bring about development with the first on-site processing facility of crude oil—something 'the West' was not capable of or willing to do. It is China, which is going to construct the Djarmaya refinery and it is China again, which tarmacked the road in front of Esso's headquarters in N'Djaména.

According to Prof. Xuewu Gu, the Chinese interest in investing in Africa, and in Chad's energy sector especially, is driven by four main factors:

National interest: In accordance with the One China Policy, the People's Republic is aiming for the international isolation of Taiwan. Having Chad cut its diplomatic ties with Taiwan in 2006 and re-establishing ties with China is a diplomatic success for Beijing.

Economic interest: China is looking for new markets and trying to secure access to new energy resources. Both can be found on the African continent. At present Sudan is an important supplier of crude oil and China the biggest trading partner of African countries, ranking even before the United States.

Geopolitical interest: Africa is of importance to China as a global player. It is looking for African allies to push back European and US American influence.

Development: The Chinese role model of development favors economic reform followed then by democratization and good governance. China is presenting itself to African leaders as a partner, who prioritizes negotiations instead of sanctions (FriEnt, 2008).

Predominantly Chinese workers

Reproaches from different African countries with a rapidly growing Chinese community were discussed at the latest China-Africa Forum in Egypt (Drechsler, 2009). The Chinese are accused of overstocking local markets with cheap manufactured goods and ruining local business with price dumping. Although widespread criticism related to employment and social investment led to increased Chinese investment in infrastructure and social projects¹, Chinese politics in Chad, to many of the nationals, seems to be much more imperialistic for the above-mentioned reasons (ibid).

Contributing to regional conflict resolution

Even though it does not seem to be likely, China's influence in Africa could still help resolve the difficulties between neighbors Chad and Sudan. Good relations with both, N'Djaména and Khartoum, can be an important diplomatic resource (Pearmain, 2006)².

¹ A US \$10 billion loan will be granted by the Chinese government to African countries from 2010–2012 (Drechsler, 2009).

² For more on China-Africa relations, see Croll et al., 2008; Liebert, 2009).

Box 20: Overview of other natural resources

There is little information available on natural resource deposits in Chad in general. Often the local population is confronted by foreigners doing exploration research near their villages without having the faintest idea where they are from or for what purpose they came; neither do they receive information about the outcome of the activities observed. While the Petroleum Revenue Management Law 001 and its amendment 002 define the allocation of petroleum revenues, mining of solid materials is regulated by the Mining Code.

Gold: Artisanal mining

Gold was discovered with the assistance of the United Nations Development Programme (UNDP). In 1995, INMED, a Canadian company, held exploration permits for an area south of Lake Léré whereas Afko Corea, a South Korean company, explored the region of Pala. At the time of writing, gold is exploited by artisanal miners in Fiangar, Mayo-Kebbi. The 500 miners are mostly of Chadian origin, but some are from Mali and Burkina Faso. Exports pass via Saudi-Arabia. Advisor to the Minister, Dr. Hamid Birdjo, would welcome if access to the mines was regulated by security agents (*brigade minier*) and the export itself controlled by the Chadian state.

Apart from Pala (in the villages of Gamboké, Goueigoudoum, Massonebare, Mbibou) and Léré, mineralization was found in Mourbame, all in Mayo-Kebbi. Only Massonebare and Gouelgoudoum deposits have been drilled. Gold mineralization was also found in Ouaddaï (Mining Journal Chad, 2009).

Other mineral commodities

The Grand Nord is rich in minerals, like wolfram and tantalite. But due to security reasons companies prefer to invest in southern Chad. Alluvial diamonds have been found in Am Zoer, Abéché, Guera, Goz Beida, Ouaddaï and Biltine—the insecure areas in eastern Chad. Other mineral commodities found are

clay, lime, limestone, salt, sand, soda ash, and stone (Mobbs, 2008). A cement factory operated by CNPC is under construction in Pala.

Generally, it is believed that there are still undiscovered metal deposits in Chad and the Chadian government is keen to update its data and to compile an inventory of mineral resources (Mining Journal Chad, 2009).

Uranium: Operators and conflicts

Mayo-Kebbi is a region where farming, cattle breeding, fishing, and handicraft are dominant subsistence strategies. Interestingly, it was the UNDP who first conducted exploration research on uranium in 1977, in Madajang, and Léré zones (CREMP/MKO, 2009). In 2007, research by aerial photographs was carried out in the zones of Léré and Pala by the South African company Global Blue Marine covering two different areas: Madajang-Zabili (Léré) of approximately 193 km² and Gamboké (Pala) of about 333 km². In both zones, more than 86 drillings of 36 to 130 m depth were undertaken in 2008. Samples were sent for confirmation to laboratories abroad. In August 2009, mining activities were again observed in Madajang and Zabili (Léré). According to Dr. Hamid Birdjo, Advisor to the Minister, Chad Mining Service (CMS), which conducted test drillings, would be Global Blue Marine's national affiliate company (authors' interview). In contrast, Signet Mining Services state that CMS is their affiliate—and will enter into a 90/10 joint venture with them and the Chadian state as soon as production starts¹. CMS holds six concessions, three of them in the Léré project with an area of 330 km² licensed. Its headquarters are based in N'Djaména and a field camp in Léré. A technical review was said to be conducted in November 2008. The current exploration campaign shall be completed by mid-2010.

¹ For details see <http://www.signetmining.com>, 18 November, 2009.

UraMin, another South African company, also held exploration permits in 2007, in Madagzang, Sodje, Mbaye, Yedri Ténére and Fada Itou (Mobbs, 2008). In June 2007, the French AREVA NC acquired UraMin (WISE, 2008, p. 14).

The selection process for operators does not always follow the principle that “a company should be chosen for its reputation. It happens that the company arrives via the intermediary of the presidency” (authors' interview, Dr. Hamid Birdjo, Advisor to the Minister, Ministry of Mines). In July 2009, Dr. Birdjo told the authors that Chad Mining was currently conducting the EIA. Local civil society activists like CREMP/MKO claim that neither the EIA nor any other contract or public document is accessible.

Further non-compliance with environmental and social standards include:

- Exploration is kept secret and results remain undisclosed. No information is given to the local population, and no official information is shared with local authorities or CSOs. The general impression is that mining permits of different holders overlap.
- No information with regard to social and environmental responsibilities of companies has been disclosed. Some of the villages affected by uranium exploration have developed their own management plans to deal with the situation.
- There has been no (prior) consultation with the population in the affected areas.
- There is no protection of the affected communities, which are not prepared for the health risks of potential uranium exploitation, for instance.
- Rumors are afloat giving rise to hopes that there will be employment among the resident population. The possible type of work, however, is not known to them.
- Casual manual labor is used without compliance with international norms of radioprotection.

- Destruction of fields and common natural resources was compensated at lowest prices without referring to any official document (CREMP/MKO, 2009).

The destruction of farm land and pastoralist zones leads to an escalation of community conflicts because land is getting ever scarcer. People are threatened by administrative authorities. The above shows that very much the same dynamics seem to develop around uranium extraction as in the oil sector.

To analyze the challenges faced due to uranium exploitation, a regional workshop was held in September 2009. CSO activists from four countries (Chad, Cameroon, the Central African Republic and Niger) gathered close to N'Djaména and drew up the Bakara Declaration. They criticized the following:

- Opacity reigns around the awarding of contracts in the mining sector and with regard to the exploitation of uranium especially. The same applies to the calculation and the management of revenues generated;
- There is a lack of transparency and it is difficult to gain access to information both from the extractive industries and the government, when it comes to linking public risks to the exploitation of uranium;
- State institutions in charge of supervising the exploitation of this strategic and dangerous resource are weak and there is insufficient control of exploitation activities in the sector;
- There are enormous risks involved regarding the health of the miners, their families and the resident populations².

² The Declaration is available at <<http://www.peaceresources.net/files/docs/publications/declaration%20Bakara%20final.pdf>>.

passed. Other locals will be temporarily employed for unskilled work during construction. The low figure of Chadian employees is due to insufficient professional training of the Chadian candidates. CNPC is aware of its responsibility to qualify potential employees (authors' interview, Rimtébaye Nassingar, CPPN; Odette Tombalbaye, Mahamat Masri).

Several cases of violations of the Chadian code of labor have been filed with the court of justice. Employees face humiliating assessments before being employed as well as aggressive behavior by their superiors (Ndjénodji, 2009b).

5.3.2 Poverty reduction through local social investment

CNPC has planned to provide the local population with electricity and school buildings. In Massaguet, Bongor, Djarmaye, schools have already been constructed as well as roads in the capital. No funds are foreseen for micro credits or income-generating activities.

The oil deposit in the Bongor basin will be managed according to Law 002 (see Section 3). Therefore, the five percent rate of revenues to be allocated to the producing region applies. So far no 'five percent committee' or any other structure in the new producing region charged with planning of social investment has been established. The *Collège de Contrôle* (CCSRP) still has only *de facto* oversight over the direct revenues (Le Bec, 2009). The government must have received bonuses from the CNPC according to national legislation (Mining Code) when contracts were concluded and in connection with the advancement of the refinery and pipeline construction. One can deduct therefore, that the *Collège* has not been provided with such information—as foreseen by the amended Law 002—nor on what basis investment in the region was financed by CNPC.

5.3.3 Compensation

Concerning compensation, CNPC oriented itself towards the assessment base developed for the Doba oil project. Specific suggestions for compensation according to the different vegetation zone in Bongor and a different subsistence strategy would be given in the impact study.

But payment of compensation is already underway. The *Commisson Permanente Pétrole N'Djaména* (CPPN) actively raising awareness among the local

population has collaborated with the local rectory since 2007 and reinforced its activities in 2008. A list of compensated farmers—including names and amounts received—were shown to them. CNPC paid FCFA 73 (US \$0.15) instead of the negotiated but nonetheless ridiculous FCFA 140 (US \$0.30) for one m² of land, which by no means represent the real economic value. For some of their fields the farmers were not compensated at all as the Chinese consider only farmed but not fallow land. The socio-economic impact will be disastrous (CPPN, 2009).

There are reports of cases when CNPC had distributed only wheelbarrows and the so-called '*porte-tous*' (a local chariot or hand truck) as in-kind compensations (Ndjénodji, 2009b, p. 15). Information from the ground discloses that CNPC paid US \$119 for a Nere tree, even though the compensation, according to the official assessment base, provides for US \$372. "They will tell you that it is going to be rectified in the future," says Nelngar Maxime, from local NGO GRAMP-TC.



As if the situation was not bad enough for the population, local cantonal chiefs or land chiefs are being accused of taking about 20 percent of the compensation, thereby contributing to the suffering of their communities. The current abuses are scandalous and openly contested by some peasants (La Voix, 2009) while others do not dare to dispute.⁸³ These practices destroy social cohesion and trust in the impartiality of traditional chiefs. As a result, increasingly they are not called upon as mediators to settle disputes.

⁸³ The monthly journal *Tchad et Culture* documented several cases of abuse in its April 2009 edition (p. 14). See this also for documentation on non compliance with social and environmental regulations by CNPC (www.cefod.org).

5.3.4 Displacement

The weekly paper *Le Progrès*, said to be close to the government, reported on 28 July 2009 that delocalization of villages and settlements has started to allow for the construction of the Djarmaya refinery. SHT Assistant Director, Dr. Mahamat Kasser Younous, expressed his incomprehension towards the unfounded complaints of the local population (authors' interview). In October 2009, the BBC reported on the resettlement of 10 villages in Koudalwa, while 26 villages lie on the denoted line of the future pipeline (see Map on p. 6; BBC, 2009). According to CPPN, villages and settlements that are up to five km away from each side of the pipeline have to be dislocated.

What remains is the uneasy feeling that CNPC is exploiting natural resources to serve their own strategic and economic purpose, and the Chadian government is gaining profit out of it without benefits for the local population. Although the Chinese operator and the Chadian government expressed the goal to follow environmental guidelines, the available documentation shows that environmental rules, imposed by the consortium and the World Bank for the Chad-Cameroon project are no longer the standard. Since the exploitation of the Doba basin, new international standards have been adopted: the International Financial Corporation (IFC) performance standards complemented by Environmental, Health, and Safety (EHS) guidelines for the oil and gas sector as well as industrial activities such as refinery construction and transportation. These documents would be an excellent additional reference to measure any environmental impact. The problem, however, resides less in a lack of expertise but rather in the missing political will.

Conclusion

Effects of oil on Chad—Has the resource curse been overcome?

As this *brief* has demonstrated, the model project intended to turn Chad's oil wealth into an unmitigated blessing for its population has not succeeded. While the revenues from petroleum could largely pay for a transformation of the Chadian economy, leading to food self-sufficiency and a reduction of rampant poverty, Chad continues to be among the poorest countries in the world, ranked 170 out of 177 countries on the Human Development Index (UNDP, 2008)—down from rank 165 in the 2003 report (before Chad began to export oil).⁸⁴ Thus, "the World Bank Group's broad objective of helping Chad reduce poverty and improve governance was not met. Measured against this objective, the overall program outcome was unsatisfactory" (IEG, 2009, p. xiii).



Instead of investing in the Chadian people and by circumventing control mechanisms and institutions, President Déby has used revenues from national oil resources to maintain power and to stabilize his regime. Not only did he employ the money to sustain an elaborate patronage system to uphold loyalty in his backyard but also to purchase military equipment to fight rebel movements contesting his rule. This can be seen as the most decisive effect of oil wealth on conflict dynamics in Chad: the revenues allowed the president to keep a firm grip on power despite the fact that conflicts over access to power, which have prevailed in Chad since independence, are still ongoing.

⁸⁴ Rankings are not only about the situation in one given country, but are influenced by the performance of the other countries ranked.

Chad is ruled in an authoritarian and exclusive way; posts and wealth are distributed predominantly within a restricted inner circle. As rebels are often co-opted into the inner circle, joining a rebel movement can be a real option to gain access to power-positions and means of personal enrichment.

As oil revenues are accruing into the state treasury and are managed by the same inner circle, such motivations might be higher than before. However, Section 1 shows that the main reasons why the Zaghawa took up arms against Déby lay with his stand towards the conflict in Darfur as well as with his will to stay in power indefinitely—as demonstrated by the change in the constitution of 2005. These reasons have led to defections by those wanting to support Zaghawa kinsmen in Darfur and by those who had aspired at the position of president.

The militarization of the country by means of revenues from the oil sector indicates that the dimension of resource-financed conflict has materialized whereas the dimension of conflicts related to the management of oil wealth itself seems to play a less important role in Chad. As was shown, oil is adding an incentive but not providing the primary reason for armed contestations against the regime. Lacking redistribution of the wealth and corruption give rise to discontent among the Chadian population but this is not expressed violently. On the level of production-site conflict, conflict potential exists among the population, which is, however, unlikely to lead to violent conflict as the population does not want to see previous repressions repeated.

While the governance of oil wealth itself is not a primary reason for violent conflict, the revenues allow the regime to ignore pressure for democratization, to rather continue with the dysfunctional administration and judiciary, and to seek to acquire more oil funds by enlarging the petroleum sector—contracting the China National Petroleum Corporation (CNPC) for the exploitation of the Bongor basin—rather than investing into the diversification of the national economy.

Today, Chad shows all the characteristics of a petro-state with the respective effects of a push-back of democratization, repression by security forces and lacking economic and social modernization. This is typical of a rentier context, which is also characterized by high dependency on rents from one resource. In the case of Chad, 80 percent of the annual budget rely on oil revenues; combined with the planning and

execution deficits in the Chadian administration, this situation leads to macro-economic instability.

The decentralization process, an aspect of internal democratization, is way behind schedule. Decentralization could have positive effects on the governance of the five percent of oil revenues earmarked for the oil producing region as they are supposed to be governed by decentralized institutions—as long as these do not exist, the problematic interim structure remains in place (see Section 4.1). Decentralization does not make much sense, however, if it is not accompanied by a proper devolution of powers to the sub-national administrative entities. So far, Déby has merely created new sub-regions and named local chiefs (*chef de canton*) that have no democratic grounding in the respective region. Being prolonged administrative arms of the central government, these decentralized political entities do not promise improvement towards a more accountable management of the oil revenues, nor for a better democratic representation at the local level (authors' interview, Patrice Bendounga, ATNV). The general risk that decentralization offers an incentive for resource-rich parts of the country to vie for outright autonomy from the central government does not seem to be a current risk in Chad.⁸⁵

The overall situation in Chad, characterized by authoritarianism, poverty and violent conflict, requires urgent changes. Civil society organizations issued an appeal for peace and reconciliation in 2002. They united in a follow-up committee (*Comité de suivi de l'appel à la paix et à la réconciliation nationale au Tchad* (CSAPR)) which is calling for a comprehensive national dialogue in order to reach a stable peace in Chad.

In view of the numerous failed peace agreements, there clearly is a need for a new approach, leaving behind co-optation and compartmentalization tactics and moving on to an integrated approach,

⁸⁵ The example of Nigeria shows that it is not enough to simply delegate the governance of parts of the oil revenues to sub-national administrative entities in order to ensure a better management of these resources. Although the oil-bearing state governments in the Niger Delta now receive 13 percent from the federal budget as 'derivation' money, the oil wealth barely trickles down to the people and does little to produce development in the region (infrastructure, health, education). The state governments—although elected and not imposed by the central government—are as rife with corruption as the Nigerian central government. Moreover, local governments often lack the capacity to deal with the oil revenues. Contrary to Nigeria, for example, where the attempted secession of Biafra in the 1960s was also related to oil production in that region, Chad has been under a centralized rule since colonial times. Furthermore, past crackdowns on rebellions in the oil-rich south seem to have a lasting impact in preventing future rebellion in that region.

mainly through negotiations with all actors involved. As ICG proposes, this can take place along three tracks:

- political negotiations with unarmed opposition and civil society,
- negotiations with the armed rebels, and
- negotiations between Chad and Sudan.

The Chadian civil society network CSAPR on the other hand recommends a national dialogue and regional conference. Such a national dialogue should involve the government and the President, the political opposition, civil society organizations and the armed groups—as also recommended by the UN Secretary General (UNSC, 2009c, p. 14). Civil society in Chad calls for an international mediator, designated by the European Union and the African Union and endowed with a UN mandate to initiate and monitor such a dialogue process. The outcome of the process should be a global peace agreement, substituting the many fragmented deals signed with rebel groups and only partially implemented to this date. In this single and sound agreement, fundamental questions relating to governance, security, resource governance and national reconciliation have to be discussed (CSAPR, 2009; www.initiative-paix-tchad.org; Oyamta, 2009).

The national dialogue, together with the process initiated by the Agreement of 13 August 2007 (see Section 1) will have to lead to fundamental changes in the leadership of Chad. While some progress can be noted in the preparation of free, fair, inclusive and transparent elections (see Section 1), the implementation of the Agreement's important aspects, the "demilitarization and depoliticization of the administration and reform of the judiciary and armed forces" has stalled (UNSC, 2009a, p. 1). It is questionable, whether the current regime has any interest in executing these reforms, and the recommendation to enter into a DD&R (disarmament, demobilization, and reintegration) process⁸⁶ without bearing this in mind could lead to the same failures as previously experienced by Chad and other countries. In Chad, the army has often been considered as a mere transit stop before returning to a rebel group. Defections after integration into the army can further be linked to insufficient promotion prospects, as former rebels remain stigmatized, or to questionable loyalty of whole brigades as rebel groups are 'integrated' into the national army without breaking up their command

⁸⁶ ICG recommends a DD&R process with a joint military commission to monitor progress and solve occurring problems (ICG, 2008, p. 36).

structures⁸⁷. To avoid this, a security sector reform, in which the entire armed forces are dissolved to create a wholly new national army and security forces might be the better option.⁸⁸ These armed forces should be representative of the Chadian population as a whole and its members should pass a vetting process to ensure that persons with a record of human rights abuses do not enter the new army. The case of Liberia after 2003 is a good example (cf. ICG, 2009c; Mehler, 2009).

At the regional level, CSAPR observes that the agreements signed between Chad and Sudan in 2006, 2008, and 2009 contain important elements (non-interference in internal affairs, no support to armed groups combating the respective governments, and abstention of the use of force). However, these deals are not implemented and relations between both countries are still not back to normal. CSAPR sees the reason for this in the lack of political will as the warring parties are taking advantage of the *status quo*. CSAPR recommends a regional conference involving political and civil society actors from Chad, Sudan and the Central African Republic (CAR) to improve relations between the three countries (CSAPR, 2009; Oyamta, 2009). The objective should be to “address and seek to eliminate the support provided by Sudan and Chad to armed groups in each other’s country, improve security and protection for civilians along their common borders, attempt to halt arms trafficking and address the negative ramifications of these regional disputes for the CAR” (ICG, 2008, ii). In addition, tribal leaders in the cross-border region should be involved in the peace process as tribal militia constitute an important source of insecurity in eastern Chad and are out of the reach of government control (Giroux et al, 2009, p. 16).

A model for others?

“We should never have called this a development project” Ron Royal, President of Esso Chad, statement made to members of the *Bundestag*, Ute Koczy and Bärbel Kofler, during their visit to Chad and Cameroon, 19–27 January 2007 (Horta et al., 2007, p. 11).

Instead of being the model project on which future oil and other natural resource projects can be based,

⁸⁷ The example of the Democratic Republic of the Congo is a case in point for the latter.

⁸⁸ Besides a new leadership, another prerequisite of such an undertaking is of course a respected peace agreement with all rebel groups and Sudan, as outlined above.

the case of Chad can inform future extractive industry undertakings about what should be avoided and done differently.

The most obvious conclusion to be drawn from the experience of oil exploitation in Chad is that certain preconditions have to be in place, if oil wealth is to contribute to poverty alleviation and the peaceful development of a nation.

These conclusions were also drawn by the World Bank’s Extractive Industries Review:

The Review’s central conclusion suggests that the extractive industries can only be an engine of equitable growth and poverty alleviation if certain basic conditions are in place *before* oil or mineral wealth is tapped, including: respect for human rights; consent of locally affected communities; adequate government capacity to enforce laws, monitor and regulate the extractive sectors; and demonstrated government and corporate commitment to transparency. This principal finding was derived largely from the Review’s observations about the absence of “enabling conditions” in Chad, prior to the initiation of the oil pipeline project (Gary and Reisch, 2005, p. 6f).

It is therefore not surprising that the proclaimed model project went awry. Preconditions in Chad were clearly indicating that a project of the magnitude of the development of the Doba oil basin with its export pipeline was beyond government capacity. Furthermore, the government’s low adherence to human rights and rule of law and its authoritarianism forbade any hope for a fair distribution of the oil windfalls and belief in serious political will to work for social change and good governance. The World Bank’s technocratic “quick-fix” for these governance problems (Gary and Reisch, 2005, p. 88) was unable to lead to a redress for this deeply rooted situation.

The World Bank’s Program Performance Assessment Report (final evaluation) identifies the problem of government commitment as the main reason for the failure of the project in terms of its objective to reduce poverty. This is a valid point, as the government has demonstrated its own objectives to be “regime maintenance and security spending” (IEG, 2009, p. xv) and not to lift its people out of poverty. However, the World Bank should have recognized this attitude of the government beforehand and taken the concerns

of civil society groups more seriously by considering their proposed moratorium to ensure governance and oversight capacity and work towards stronger political commitment. As the World Bank evaluators note, leverage was lost as soon as the oil money started flowing.⁸⁹ This should not have come as a surprise. The negative consequences could have been prevented by having safeguards and capacities in place in advance. The World Bank's planning on this point was unrealistic and implementation made worse by insufficiencies on the World Bank's side combined with lack of commitment by the Chadian authorities.

The warning of the World Bank's Extractive Industries Review (EIR) became true in Chad:

Should progress in attracting investment outstrip progress in establishing governance prerequisites for good development outcomes, the Bank risks facilitating the wastage of a country's non-renewable resources, as well as contributing to environmental damage, violence and weakening of the quality of governance itself. Moreover, when investment is increased in a poor governance environment, subsequent reforms are likely to become even more difficult (World Bank Operations Evaluation Department, 2003, p. 13).

Next to government capacity, good standards need to be in place to protect the environment and the affected population. A mere presence of the texts does not suffice; they have to be enacted into national law and be applied. During application, the standards have to be measured; an important prerequisite for this is the existence of a substantial baseline study. None of this happened when the Doba basin was being developed.

In order to design good standards and to ensure their implementation, civil society groups should be included right from the start. Today, a range of principles for good corporate behavior exist and the World Bank has further developed its standards⁹⁰.

⁸⁹ "(t)he strong assertions of ownership and commitment of the Government of Chad at the start of the program proved inoperative when the oil revenue started flowing" (WB, 2009, p. xvi).

⁹⁰ The World Bank, with the International Finance Corporation (IFC), updated their Environmental, Health, and Safety Guidelines (EHS Guidelines) (IFC, 2007). Private banks can subscribe to the Equator principles (www.equator-principles.com). Internationally, companies can adhere to the United Nations Global Compact, which covers issues in the areas of human rights, labor, environment and anti-corruption (www.unglobalcompact.org). In addition,

Nevertheless, the inclusion of national civil society representing the affected population is necessary to ensure these standards make sense in the particular setting of a new project.

Furthermore, the local population must be involved and properly informed as early as possible. To achieve this, information in their language, regular meetings and easy contacts between the population and the private operator are necessary. Companies and governments should refrain from promising unrealistic development prospects to mostly utterly poor local residents.

In compensation matters, too, the population should be consulted and mitigation measures should be designed together with them to ensure that in-cash compensation is invested wisely and that in-kind compensation is in line with local needs. Instead of viewing the population and their representatives as adversaries, there should be cooperation between all actors concerned: CSOs, the government and the companies planning to exploit the country's natural resources. In this way, conflicts, repression, and human rights violations can be prevented.

"We are being betrayed. I don't know if it is the state betraying us. The companies told us that the petroleum will develop us, like the US, France—we awaited this development, but to our big surprise they destroy our trees, the roads pollute our fields and we live in dust, the health situation gets worse. There are a lot of children dying, many families are mourning their children because of the pollution of the environment" (authors' interview with villagers in Béro).

To ensure accountability on the side of the government, especially with regard to how revenues from natural resource exploitation are used, a transparent and strong oversight system has to be installed. This does not only include the fact that information has to be made easily available to the general public and has to be presented so that everyone can understand it but also truly independent work of oversight institutions (eg. no financial dependency on the government).

there are the OECD Guidelines for Multinational Enterprises, the UN Norms on the Responsibilities of Transnational Corporations and Other Business Enterprises with Regard to Human Rights and the Voluntary Principles on Security and Human Rights. The International Organisation for Standardization (ISO) is currently designing a norm on Corporate Social Responsibility (CSR). International Alert has developed "Red Flags" pointing to legal risks for companies operating in high-risk zones and a guide on "Conflict-Sensitive Business Practice: Guidance for Extractive Industries" (www.international-alert.org). In many African countries, the Extractive Industries Transparency Initiative (EITI) is gaining in importance.

And, last but not least, findings and recommendations by oversight bodies have to be taken seriously and implemented. If not, the oversight bodies themselves should be able to apply sanction mechanisms and start legal action.

The Extractive Industries Transparency Initiative (EITI) has gained influence globally in the last years and Chad has been looking at the option of joining the EITI, under which revenues from extractive industries would be published by the government and private operators. The international EITI secretariat believes that Chad may be presented as EITI candidate country at the international board's meeting in February 2010 (authors' e-mail correspondence with Tim Bittiger)⁹¹. However, EITI does not look at the expenditure side. The role of the Chadian *Collège de Contrôle et de Surveillance des Ressources Pétrolières* would remain and could, for other countries, be an inspiration to form further oversight mechanisms.

The dire lessons from the Chad-Cameroon Oil Pipeline project should be a warning to the World Bank—and indeed other financial institutions, such as the EIB—to proceed differently in future endeavors.

The EIR had recommended that the World Bank refrain from investing in large infrastructure projects altogether, especially in the energy and extractive sector. Despite the negative experiences in Chad, the World Bank is not drawing this conclusion. As prospects are that the World Bank will continue to engage in large infrastructure projects, including in the extractive sector, it is important to apply the lessons learned from the Chad experience.

The World Bank's own final review of the project recognizes some errors committed by the World Bank but does not go far enough as it mostly puts the blame with the government. Furthermore, the main argument to justify the World Bank's involvement is that the oil would have been developed sooner or later and then without the safeguards of the World Bank. While this might be true, it does not free the World Bank of its low performance.

How realistic was the initial setup of the oil revenue management? Since the Chadian government was involved in violent conflict even prior to the start of the oil project, expecting it to not use the fresh funds for defense purposes could be seen as overly optimistic,

⁹¹ The European Delegation in Chad identified EITI membership as one of the milestones for the oil sector reform which is part of the European Development Fund. It is also willing to support the initiative in financial terms once established.

maybe even naive. The World Bank itself therefore concludes that less rigid, more flexible rules would have been better. However, the analyses presented in this *brief* show that financial institutions should not support projects in cases where there are no

criteria of governance adequacy (...) such as the quality of the rule of law; the absence of armed conflict or of a high risk of such conflict; respect for labour standards and human rights; recognition of and willingness to protect the rights of indigenous peoples; and government capacity to promote sustainable development through economic diversification (Extractive Industries Review, 2003, Executive Summary, p. 5).⁹²

Should financial institutions still want to get involved in an extractive industries project with major impacts on the political, economical, social and environmental situation of a country, their aim cannot merely be to perform better than others. The World Bank and other international financial institutions⁹³ should respect the highest social and environmental standards. They should also be aware that their involvement can cause or exacerbate conflict.⁹⁴ A decision not to get involved may ultimately be a better choice.

With the oil from the Doba basin flowing, the Chadian government is aiming at prolonging the oil boom by bringing more oil fields on stream. How successful it will be remains to be seen. But regardless of whether the oil bonanza has just started or will soon be over: the importance of improving the governance of the oil sector at all levels remains. The lessons to be learned from the Doba oil project could serve as a useful basis to ensure better performance not only in the new oil fields under exploitation by CNPC but also in the forthcoming uranium mining and in any future extractive industry's enterprise. This, however, would require a major change in governance practices and in priorities within the ruling elite and does thus not seem likely in the near future.

⁹² Furthermore, the World Bank's regional conflict analysis follows the spill over approach when referring to the Sudanese-Chadian-relations, which is not helpful for the understanding of the intertwined conflicts and motivations of Chad to keep up the *status quo*.

⁹³ Indeed, the European Investment Bank continues to be involved in the Chad-Cameroon Oil Pipeline project, but has not issued any statement following the withdrawal and final evaluation of the World Bank. For more information on EIB performances see the Counter Balance NGO Network, who received the last official letter from the bank with regard to the Doba-project on 24 October 2008 (<http://www.counterbalance-eib.org/>).

⁹⁴ The World Bank's Program Performance Assessment Report sees a link between the oil windfalls and "a resurgence of civil conflict and a worsening of governance" (IEG, 2009, p. 35).

Annex

List of interviews

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Antoine Bérilengar	CEFOD	N'Djaména	14
Rimfébaye Nassingar	CPPN	N'Djaména	
Dr. Leopold-Theodor Heldman	German ambassador to Chad	N'Djaména	
Jean-Robert Moret	Resident Director of Coopération Suisse	N'Djaména	
Patrice Bendounga	ATNV	Moundou	15
Martin Petry	Groupe Ressources pour la Paix	Moundou	
Nadji Nelambaye and representatives of member organizations	CPPL	Moundou	16
Sylvestre Doumde	Vicar General of Doba	Doba	17
Masrangar Mbairédoum Lucas	Coordinator of 'five percent committee'	Doba	
Djikolmbaye Joseph	Coordinator of Radio 'La voix du paysan'	Doba	
Dingamadji Alexandre Rodrique	Sociologist	Doba	
Père Georges Maoundodingam and Daoud Teïndouba Beldoum	Justice et Paix	Doba	
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Senoussi Mahamat Ali	Technical Advisor at the Banque Commercial du Chari; former Secretary General, Ministry of Finance	N'Djaména	
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Djérakoubou Nazaire	Swissaid	N'Djaména	
Tabo Symphorien Ndong	Assistant to the Resident Representative, IMF	N'Djaména	23
Odette Tolmbaye, Mahamat Masi	CNPC	N'Djaména	24

Authors' interview with	Position and/or institution	Location	Date in 2009 (July)
Antoine Bérilengar, Frédéric Mékondo Banhoudel	CEFOD	N'Djaména	
Laguerre Dionro Djérandi (doctoral candidate) and Khalil Alio (Secretary General)	CRASH (Centre de Recherches en Anthropologie et Sciences Humaines)	N'Djaména	
Dr. Birdjo	Advisor to the Minister, Ministry for Mines and Geology	N'Djaména	25
Soumaine Adoum	Program Manager 'Good Governance and Extractives' at Intermon-Oxfam	N'Djaména	27
Edmond Bagde Dingamhoudou	Communication Officer, World Bank	N'Djaména	
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Jacqueline Moudeina	ATPDH	N'Djaména	
Thérèse Mékombé	AFJT	N'Djaména	
	Advisor to the Prime Minister	N'Djaména	
Delphine Djiraibé	CSAPR, PILC	N'Djaména	29
Kanayo Djetodjide Fidèle	Representative for development NGOs in CCSRP	N'Djaména	
Allatah Ngariban	Consultant; Université Populaire	N'Djaména	21 September
Dr. Matthias Basedau	Institute of African Affairs, GIGA (German Institute of Global and Area Studies)		19 May
Remadji Hoinathy	Doctoral candidate, CRASH; Martin Luther University Halle-Wittenberg		26 June
Martin Zint	Former coordinator of AG Erdöl Tschad-Kamerun		3 September
Axel Mueller	Technical assistant for extractive industries, AGEH (Arbeitsgemeinschaft für Entwicklungshilfe e. V.)		27 November
Tim Bittiger	Regional Director for Francophone Africa, EITI (Extractive Industries Transparency Initiative)		30 November

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