



CATHOLIC RELIEF SERVICES STATEMENT ON THE LAUNCH OF CHAD-CAMEROON OIL PIPELINE PROJECT

BALTIMORE, Oct. 9, 2003—Last week, the first oil tanker left the waters off Kribi, Cameroon, its belly filled with 950,000 barrels of crude and the hopes of millions of Chadians to whom the oil belongs.

But fragile are the hopes that the \$2 to 6 billion in oil revenues estimated to flow into Chad over the next 30 years will lift people out of poverty. Despite a much-heralded plan designed with World Bank assistance to use petrodollars to alleviate poverty, concerns remain over the design and practical application of the system in Chad, a country with extremely weak institutions and a history of civil war.

Until oil revenues flow into the country in 2004, and until these revenues are allocated and effectively spent to make concrete improvements in the lives of the poor, Catholic Relief Services believes the project remains an untested “model.”

The project includes a World Bank-required revenue management law that mandates Chad funnel oil revenues into four areas: a Future Generations Fund; priority development projects such as health, education, water, etc.; a special fund to compensate the oil-producing Doba region in the south; and general government coffers. The law also establishes a Petroleum Revenue Oversight Committee made up of government and civil society members, who will oversee and approve the spending of these oil monies.

It is promising on paper, and the World Bank’s involvement in the project is an innovative experiment that deserves close attention. But even if followed exactly as designed, the \$3.7 billion project that built 665 miles of pipeline from Chad to the coast of Cameroon has major flaws and gaps. These must be addressed if petrodollars are to benefit the people:

- The revenue management law only covers three oil fields in the Doba region, even though there are high expectations of finding more oil elsewhere. Thus, a significant amount of oil revenues may soon fall outside this mandate. Exploration and production of all the oil—which would use the same World Bank-back pipeline—must be held to the same social and environmental safeguards as the Doba fields.
- The plan does not cover indirect revenues such as taxes and customs duties generated by the project—revenues that represent a significant source of earnings over the life of the project.
- The mandate targeting funds for development programs in the Doba oil region can be changed by presidential decree five years after the law’s passage—in January 2004, just when oil revenues begin to flow.
- The Revenue Oversight Committee has limited capacity to perform its role. It needs capacity building, training and an independent funding source, particularly for civil society members.
- Regional development plans and spending plans for priority sectors still are not in place. Neither are democratically chosen local governance institutions that would enable quality spending of Chad’s petrodollars.
- In Cameroon, *no revenue management system is in place*. While Cameroon’s earnings are lower, the opportunity was lost to improve overall budget transparency in a country listed number one in Transparency International’s corruption perception index in 1998 and 1999.

This project may indeed prove to have some positive lessons for Chad and other exporters in Africa or, as some have speculated, in Iraq. But as the pipeline is officially inaugurated this Friday, CRS remains concerned that there will be little but moral suasion to keep Chad from making the same oil-revenue mismanagement mistakes as its neighbors like Nigeria, where citizens live on less than \$1 day despite more than \$350 billion in oil revenues over the last 30 years.

The revenue management plan is being tested in a country with serious governance and human rights problems. The U.S. State Department 2002 Human Rights Report said of Chad: “*The Government’s human rights record remained poor and it committed serious human rights abuses . . . Security forces committed extrajudicial killings and continued to use arbitrary arrest and detention.*” In late 2000, the government of Chad spent the first \$4.5 million of a \$25 million signing bonus paid for by the international oil consortium—ExxonMobil, ChevronTexaco and Malaysia’s Petronas—not on health or other development priorities but on military weapons.

State capacity and good governance are not pipelines; they cannot be built in the same time frame. It will take continued high-level effort and attention from the World Bank, IMF, U.S. and other Northern governments, and the Chadian government and civil society groups to ensure that this project meets its stated objective: reducing poverty in one of the poorest countries in the world.

As part of our mission to serve the poor, CRS has been involved in the pipeline project since 1999, monitoring its construction and supporting civil society groups in their capacity to hold their governments accountable for responsible oil revenue management. Like our partners in Chad and Cameroon, we do not oppose the exploitation of oil outright; instead, we work to ensure the resource is justly and responsibly managed to alleviate poverty and establish a better life for the people. CRS is marking its 60th year as the official international humanitarian agency of the U.S. Catholic community. The agency provides assistance to people in more than 90 countries and territories on the basis of need, not race, creed or nationality.

See CRS’ analysis of the Chad-Cameroon project in our report released in June, *Bottom of the Barrel: Africa’s Oil Boom and the Poor*, at www.catholicrelief.org/africanoil.cfm.

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