

THE CHAD-CAMEROON PIPELINE: A NEW MODEL FOR NATURAL RESOURCE DEVELOPMENT

HEARING
BEFORE THE
SUBCOMMITTEE ON AFRICA
OF THE
COMMITTEE ON
INTERNATIONAL RELATIONS
HOUSE OF REPRESENTATIVES
ONE HUNDRED SEVENTH CONGRESS
SECOND SESSION

APRIL 18, 2002

Serial No. 107-75

Printed for the use of the Committee on International Relations



Available via the World Wide Web: http://www.house.gov/international_relations

U.S. GOVERNMENT PRINTING OFFICE

78-803PDF

WASHINGTON : 2002

For sale by the Superintendent of Documents, U.S. Government Printing Office
Internet: bookstore.gpo.gov Phone: toll free (866) 512-1800; DC area (202) 512-1800
Fax: (202) 512-2250 Mail: Stop SSOP, Washington, DC 20402-0001

COMMITTEE ON INTERNATIONAL RELATIONS

HENRY J. HYDE, Illinois, *Chairman*

BENJAMIN A. GILMAN, New York	TOM LANTOS, California
JAMES A. LEACH, Iowa	HOWARD L. BERMAN, California
DOUG BEREUTER, Nebraska	GARY L. ACKERMAN, New York
CHRISTOPHER H. SMITH, New Jersey	ENI F.H. FALEOMAVAEGA, American Samoa
DAN BURTON, Indiana	DONALD M. PAYNE, New Jersey
ELTON GALLEGLY, California	ROBERT MENENDEZ, New Jersey
ILEANA ROS-LEHTINEN, Florida	SHERROD BROWN, Ohio
CASS BALENGER, North Carolina	CYNTHIA A. MCKINNEY, Georgia
DANA ROHRABACHER, California	EARL F. HILLIARD, Alabama
EDWARD R. ROYCE, California	BRAD SHERMAN, California
PETER T. KING, New York	ROBERT WEXLER, Florida
STEVE CHABOT, Ohio	JIM DAVIS, Florida
AMO HOUGHTON, New York	ELIOT L. ENGEL, New York
JOHN M. McHUGH, New York	WILLIAM D. DELAHUNT, Massachusetts
JOHN COOKSEY, Louisiana	GREGORY W. MEEKS, New York
THOMAS G. TANCREDO, Colorado	BARBARA LEE, California
RON PAUL, Texas	JOSEPH CROWLEY, New York
NICK SMITH, Michigan	JOSEPH M. HOEFFEL, Pennsylvania
JOSEPH R. PITTS, Pennsylvania	EARL BLUMENAUER, Oregon
DARRELL E. ISSA, California	SHELLEY BERKLEY, Nevada
ERIC CANTOR, Virginia	GRACE NAPOLITANO, California
JEFF FLAKE, Arizona	ADAM B. SCHIFF, California
BRIAN D. KERNS, Indiana	DIANE E. WATSON, California
JO ANN DAVIS, Virginia	
MARK GREEN, Wisconsin	

THOMAS E. MOONEY, SR., *Staff Director/General Counsel*

ROBERT R. KING, *Democratic Staff Director*

SUBCOMMITTEE ON AFRICA

EDWARD R. ROYCE, California, *Chairman*

AMO HOUGHTON, New York	DONALD M. PAYNE, New Jersey
THOMAS G. TANCREDO, Colorado	GREGORY W. MEEKS, New York
JEFF FLAKE, Arizona	BARBARA LEE, California
BRIAN D. KERNS, Indiana	EARL F. HILLIARD, Alabama

THOMAS P. SHEEHY, *Subcommittee Staff Director*

CHARISSE GLASSMAN, *Democratic Professional Staff Member*

MALIK M. CHAKA, *Professional Staff Member*

ALYSSA JORGENSEN, *Staff Associate*

CONTENTS

	Page
WITNESSES	
Tom Walters, Vice President for Development in Africa, ExxonMobil Corporation	5
Donald Norland (Ret.), Former U.S. Ambassador to the Republic of Chad	10
Peter Rosenblum, Director, Human Rights Program, Harvard Law School	15
His Excellency Ahmedou Ould-Abdallah (Ret.), Executive Director, Global Coalition for Africa	22
LETTERS, STATEMENTS, ETC., SUBMITTED FOR THE HEARING	
Tom Walters: Prepared statement	7
Donald Norland: Prepared statement	12
Peter Rosenblum: Prepared statement	17
His Excellency Ahmedou Ould-Abdallah: Prepared statement	23

**THE CHAD-CAMEROON PIPELINE:
A NEW MODEL FOR NATURAL
RESOURCE DEVELOPMENT**

THURSDAY, APRIL 18, 2002

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON AFRICA,
COMMITTEE ON INTERNATIONAL RELATIONS,
Washington, DC.

The Subcommittee met, pursuant to call, at 2:11 p.m. in Room 2172, Rayburn House Office Building, Hon. Edward R. Royce [Chairman of the Subcommittee] presiding.

Mr. ROYCE. This hearing on the Subcommittee on Africa will come to order at this time.

The development of natural resources in Africa in too many cases brought little benefit in terms of national development. Often revenues are squandered on prestige projects, or they are pilfered by corrupt officials or used by undemocratic governments to repress political opponents. And I think for our Ranking Member Don Payne and myself, the headlines today bring this home.

One of the questions we had when we were in Nigeria, and we were there during the election as oversight observers, the question was what happened to the money that General Abacha looted out of the currency. And I think General Abubakar had a direct request: Help us find these funds. Well, today in the front page of the paper is a story in Nigeria where \$1 billion was found in Swiss accounts, which will now be returned to the people of Nigeria. But I think it makes the point that this is one of the reasons that living standards in Nigeria are not what they should be, they are, in fact, lower than what they were 25 years ago, and we contrast that with the \$300 billion in oil revenue generated since then.

So if done wrong, natural resource development can have several effects; one, severe damage to the environment. In the worst case these revenues have fueled wars as in the case with the oil revenues and the diamond revenues in Angola.

While African countries, among the world's poorest, should develop their natural resources, there is a strong need for better management. And the goal that many Africans have is to see that their continent's abundant natural resources end up being a blessing, end up being a means to build infrastructure, and provide for education, and health services, and not end up being a curse.

Africans realize that business as usual must change. The Chad-Cameroon pipeline project, which broke ground in 2000, represents an innovative approach to natural resources development. This

partnership between energy companies, the World Bank and the Governments of Chad and Cameroon is unprecedented. It aims to maximize the development benefits of Chadian oil while avoiding the pitfalls that have plagued energy development elsewhere.

Today we will hear of the immediate benefits to Chad and Cameroon. We will hear about the jobs created, the infrastructure improvements, and the revenue to be generated for these two countries, which in the case of Chad will be some 3 billion over its 25- to 30-year production period.

This revenue will make up nearly half of the national budget of Chad, one of the poorest countries in the world, where today one in five children die before the age of 5. And the question for us is, will this begin to change now in Chad as a result of this formula, of this arrangement? The Government of Chad, at the World Bank's urging, has instituted a legal framework in which 72 percent of Chad's project revenue is to be devoted to education, health, other social services, and infrastructure, while 10 percent will be held in trust for future generations when this project revenue is expired. Five percent of revenue is earmarked for additional resources for the oil-producing Doba region of Chad in an effort to minimize the type of regional grievances, mainly the region feeling shorted on benefits; just what Nigeria's oil-producing Delta region has experienced in the past.

An oversight committee including Chadian civil society will monitor product revenue. The World Bank will play a role in auditing oil accounts, which, in a striking departure for the norm of the developing world, are to be made public. This should help deter corruption.

The people of Chad have an interest in seeing that this plan is carried through so that oil revenues improve their lives. This project faces many challenges. Political instability in Chad is a concern, evidenced by its poor human rights record in the past. We do not want oil revenue financing political pressure. There is the issue of whether the Government of Chad has the institutional capabilities, or even if it has the political will, to use oil revenue in the agreed-to manner; that is, to address social needs.

It does appear that the project's construction phase, the laying of the pipeline and building of facilities, is running ahead of the development of Chad's government's institutional capabilities. It will be the role of the World Bank and the United States to help Chad's government honor its commitment even if some in the government should resist.

The U.S. has many interests in the success of this project. At 3.7 billion it will be the largest U.S. investment in Africa. Our country has a growing interest in Africa's energy development. By 2015, up to 25 percent of U.S. oil imports are expected to come from Africa. This gives us an even stronger interest in seeing that Africa's energy-producing nations overcome corruption and the other challenges that this project aims to tackle, including the challenge of providing environmental protection. By doing so, Africans would be better off, and the U.S. Energy supply would be more secure. This project holds the promise of teaching us lessons and establishing precedents important to Africa and to the United States. Today we will hear how well it is progressing.

And I will now turn to the Ranking Member, Mr. Donald Payne of New Jersey, for his opening statement.

Mr. PAYNE. Thank you very much, Mr. Chairman, and thank you for calling this very timely hearing on the Chad-Cameroon pipeline project.

You certainly clearly spoke about the problems that we have seen. As you have indicated, the Government of Nigeria will get back more than 1 billion from the Swiss Federal Office of Justice that was announced yesterday, as you know, but that is just a part of it. It has been alleged that 2.2 billion have been siphoned off by General Abacha, and some unconfirmed reports say perhaps as much as 4 billion. This is really a sad commentary on the resources that many countries have and the sad state of affairs in those countries because of the lack of distribution or the use for any real positive, productive programs for the people of their countries.

And so I, too, want to associate my remarks with the Chairman and even mention Angola, where 27 years of civil war, much of the government's resources funds have been used to buy weapons for the MPLA; and then the diamonds for UNITA being sold; and the problem in Congo, Brazzaville, where we have seen civil strifes. And we can go on and on about countries like Equatorial Guinea and Sierra Leone where the diamonds have fueled very brutal civil wars to the point where we have had the blood diamonds bill.

And we attempted to get a blood oil bill passed for Sudan, but September 11 has changed the thinking on the part of our government as it relates to Khartoum. But we were at the point of hopefully having capital market sanctions on the Talisman Oil Company being the only thing that we feel could shake up the Government of Sudan, which, as a matter of fact, have bought new Blackhawk-type helicopters and fired on a line of 4,000 people in line waiting to get food, killing 40 of them. This was the oil money in Sudan. So who does it benefit?

Let me just say that this 660-mile pipeline project, as we know, has been under way for some time; and the U.S.-based ExxonMobil/Chevron oil consortium will start drilling soon, and we are pleased that the American companies are looking more toward Africa for investment. We think that that will supposedly improve the quality of life in these countries. However, unless it is done right, it will be another Nigeria, another Sudan, and we will be here lashing out at our oil companies for participating with these regimes, as we had to do in Nigeria before the Ogonie—Ken Saro-Wiwa and the other eight Ogonie were hung by the neck until they were dead because they protested about the degradation of the oil fields.

Two years ago the Congressional Black Caucus sent a letter to then Secretary of the Treasury Lawrence Summers, and our letter was in support of the project. We felt that this would be something that would help the quality of life in this region.

While the pipeline represents a major increase in private sector engagement, the project has significant risks if corruption and what has happened in the past happens in this region. They say to be foretold is sort of to be forewarned, and we hope that the Representatives here will really take heed. Chad, as you know, is the fifth poorest country with a gross domestic product of 188 per person. While 64 percent of Chad's population is below the poverty

line, the average Chadian survives on less than 65 cents a day, and the average Cameroonian lives on less than \$2 a day.

Many NGOs, as you know, still oppose the deal. Some environmental groups also argue that real democracy and real governance should precede the private investment. But I am hoping that the companies will have an impact on the government to have them do the right thing.

Terry Lynn Karl, author of *The Paradox of Plenty, Oil Booms in Petrol States*, calls it the Midas touch myth. As we know, the Midas touch was when the king wanted everything to turn to gold. Oil promises to make you rich, but instead it makes you poor. It takes people out of other sectors. Nigeria, again, could have three agricultural crops a year, where in this country, as you know, we just have one. However, no one is in agriculture because everyone feels that the government will benefit from the oil money, and so a tremendous potential for that country is overlooked by the past governments.

We have seen the scenario over and over again on the continent. For example, Nigeria, despite \$300 billion earned from oil revenue, per capita income has dropped 23 percent. In East Africa the Khartoum government continues to use oil to fuel the war and genocidal tactics in the south.

This project is unique in scope, and hopefully people in Chad and Cameroon will benefit directly from the revenues.

In conclusion, let me say that I hope the U.S. Companies, as I indicated before, not just ExxonMobil, on the ground in Africa will invest more in human capital, health care, education, the infrastructure, and I certainly look forward to hearing the testimony of our witnesses.

Thank you, Mr. Chairman.

Mr. ROYCE. Thank you, Mr. Payne.

Now let me introduce our witness here, Ambassador Donald Norland. He has had a distinguished 29-year career in the Foreign Service. He served in 10 African countries, and he was U.S. Ambassador to Botswana, Lesotho, and Swaziland. He was Ambassador to Chad from 1979 to 1981. Ambassador Norland served as Deputy Director of Management Operations at the State Department with the rank of Deputy Assistant Secretary. Since retiring from the Foreign Service, he has taught courses on foreign policy, and he has served as a business consultant.

Mr. Thomas Walters is the Vice President for development in Africa with ExxonMobil. In 2000, he was appointed Vice President for Africa with responsibilities for project development in Chad/Cameroon, Nigeria and Equatorial Guinea. Mr. Walters is currently on special assignment with the ExxonMobil Development Company.

Mr. Peter Rosenblum is the associate director of the human rights program and a lecturer at Harvard Law School. He has been involved in human rights in Africa for more than a decade, working with the Lawyers Committee for Human Rights, Human Rights Watch, the United Nations and other organizations. Mr. Rosenblum first travelled to Cameroon in 1993. He has returned several times. He began working on the Chad-Cameroon Pipeline issue in 1998 when he visited Chad. He has written extensively on this subject.

Ambassador Ahmedou Ould Abdallah is the executive secretary of the Global Coalition for Africa, an innovative intergovernmental forum that brings together top African policymakers and their partners in the international community to build consensus on Africa's priority development issues. He has had a distinguished career as a diplomat and international civil servant. Ambassador Ould Abdallah served as Foreign Minister of Mauritania and as that country's Ambassador to both the United States and the European Union. The Ambassador was also the U.N. Secretary General's Special Representative for Burundi from 1993 to 1995 and served in high-level U.N. Positions dealing with economic and energy issues up to 1991.

I want to thank all of our witnesses for appearing before the Committee today, and I also want to thank our many representatives from the Ambassador Corps that are here today. We have so many ambassadors.

I would like you all to stand at this time. If I could ask the ambassadors, the representatives of these governments to stand.

Thank you so much for being with us, and on the issue of Chad, I do want to recognize especially our Ambassador to Chad, Christopher Goldthwaite, and the Ambassador from Chad to the United States, Ambassador Hassabuallah. Thank you very much for being with us today.

Now, because we have a special tape from Mr. Walters, we will begin with his short statement and the tape that we will show. I will ask the witnesses to keep their presentations to 5 minutes, and we have received your full testimony. We are going to enter that in the record, but we would like you to be concise and hold it to 5 minutes.

So we can start with the tape at this time.

[Whereupon a videotape was played.]

Mr. ROYCE. We are now going to go to Mr. Walters.

Mr. Walters, I will ask you to summarize in 5 minutes. Then we will go to vote, Mr. Payne and I, on final passage, and we will return after at that point to hear the rest of our witnesses. So, Mr. Walters, go ahead.

**STATEMENT OF TOM WALTERS, VICE PRESIDENT FOR
DEVELOPMENT IN AFRICA, EXXONMOBIL CORPORATION**

Mr. WALTERS. Thank you, Mr. Chairman, Ranking Member Mr. Payne and other Members of the Committee.

I am pleased to be here today to provide ExxonMobil's perspective on the Chad-Cameroon oil development project.

We have been working in Chad since 1977, and in 1992 began detailed planning for this project. Through the past 10 years, we have worked diligently and collaboratively with the World Bank Group and the Governments of Chad and Cameroon to bring forward a project that meets the commercial interests of the sponsors as well as the poverty alleviation and development goals of the World Bank Group and the governments.

The project itself will develop several oil fields in southern Chad. To export the crude oil to world markets from the landlocked oil fields, the oil will be transported by a 30-inch underground pipeline

a distance of some of 650 miles to a marine terminal off the coast of Cameroon.

About 1 billion barrels of oil will be produced over the 25- to 30-year life of the project. Production will be at a peak rate of about 225,000 barrels a day. A consortium of subsidiaries of ExxonMobil, Chevron and Malaysia's Petronas are conducting the development, with Esso Chad, an ExxonMobil subsidiary, being designated as operator. We anticipate starting up in 2003.

Total project investment is about \$3.5 billion. The Upstream portion, which consists of the oil field production facilities and wells, will be 100 percent owned by the coventurers. The pipeline will have the minority ownership by the Governments of Chad and Cameroon and will be financed by a combination of equity and loans. About 97 percent of the project funding will come from the coventurers or through market rate loans arranged by the IFC, export credit agencies and commercial sources. The remainder will come from equity investments by the Governments of Chad and Cameroon in the two pipeline companies. To fund their investments the two host countries have received approval for a total of approximately \$140 million in loans from the World Bank and the European Investment Bank.

These financing facilities establish a linkage with the bank so they can provide important support to the development aspects of Chad. For example, the Bank has assisted Chad in developing a unique revenue management plan.

To avoid or mitigate social or environmental impacts, the consortium has worked with a team of scientists and engineers. This team has put together a 19-volume set of documents which form the foundation of the project's environmental and socioeconomic plans. These plans in particular spell out in detail the project's commitments related to environmental and socioeconomic matters, including, for example, establishment of an off-site environmental enhancement program to protect biodiversity and an indigenous people's plan to benefit the Bakola people in coastal Cameroon.

To support successful implementation, an extensive environmental monitoring system is in place. Full-time supervisors and monitors are operating throughout the project area, monitoring the work of our contractors. The results of this monitoring can be found in publicly available documents on a quarterly basis.

The consultation program for this project continues today and is built on a base of public involvement at all levels in the design process that began in 1993. Tens of thousands of people in Chad and Cameroon have had the opportunity to express their views on the project in over 1,800 public meetings. In addition, the consortium has consulted with over 250 nongovernment organizations during the course of the past 8 years. This level of consultation is, we think, unprecedented in Africa and perhaps in the world.

Let me talk briefly about the project's status. Construction is on schedule, with the initial focus in 2001 on infrastructure. This included building 18 work camps and storage yards as well as upgrading roads and bridges, improving existing airstrips and building new ones. The project has now completed the upgrade of about 600 kilometers of road in both Chad and Cameroon. We have also completed a key bridge linking the two countries. The bridge now

forms an important link for both the transportation of project materials and also for other commercial users in the future.

One hundred percent of the line pipe has been manufactured and is now in Cameroon. By June 2002, all pipe will be stockpiled into storage yards awaiting final installation.

Pipeline construction began in November of last year with two construction crews working from Cameroon into Chad. To date we have installed about 25 percent of the pipeline. Drilling of the almost 300 development wells began in Chad in December of 2001, and we have got five new rigs in country to do this drilling work.

The project currently employes about 10,000 people, with 85 percent of these nationals. Once operational, the project will require over 500 full-time employees in addition to several hundred contractors. We recognize the high expectations of local citizens regarding employment and give preference to qualified nationals. We have established training facilities in country as well as providing nationals with specialized training in oil field operations in countries outside of Chad.

With respect to local contracting, our primary contractors have identified numerous local companies for subcontracts from an existing database created during the past few years, as you saw in the film. In 2001, the project spent over \$160 million on required goods and services supplied by over 2,000 local businesses in both countries. Examples of the types of services include trucking, housing, site clearing, and civil works, catering, cars and drivers.

Finally, let me close with some general observations by summarizing the common principles that continue to guide ExxonMobil on this project. I am aware of no other project in Africa or perhaps the world that has conducted public consultation to the level of Chad project. We are proud of what we have been able to accomplish. Some have called the Chad project the new model. I see it as applying ExxonMobil's basic business model, which includes our high standards of safety, health, and environmental management, along with the high standards of business conduct and ethics to the unique issues Chad presents.

For example, in Chad we have the opportunity of applying this model on a clean slate. There was no prior history of development to deal with. We have approached the project with a focus on detailed and rigorous planning, and in cases where existing laws do not govern what we do, we bring international standards into play.

As we invest to meet the world's energy needs, we are mindful of our responsibility to be a corporate citizen. We are committed to developing relationships that are mutually beneficial to the citizens of those countries where we operate, as well as to our shareholders, employees and contractors.

Mr. ROYCE. Thank you very much, Mr. Walters. We appreciate that.

[The prepared statement of Mr. Walters follows:]

PREPARED STATEMENT OF TOM WALTERS, VICE PRESIDENT FOR DEVELOPMENT IN AFRICA, EXXONMOBIL CORPORATION

Thank you Mr. Chairman and Sub-Committee Members. I am pleased to be here today to provide ExxonMobil's perspective on the Chad-Cameroon Oil Development Project.

We have been working in Chad since 1977 and in 1992 began detailed project planning. Through the past 10 years, we have worked diligently and collaboratively with the World Bank Group and the Governments of Chad and Cameroon to bring forward a project that meets the commercial interests of the project sponsors as well as the poverty alleviation and development goals of the World Bank Group and the Governments.

I want to use the time available to cover three areas:

First, to provide you a brief overview of the project including some of its unique features.

Second; to update you on the current status of construction activities.

And finally; to briefly discuss key principles that guide us and others in this project.

Before I begin, I would note that we have submitted to this Committee background information on the Project along with the video to help illustrate several key areas. And of course, I will be pleased to try to answer any questions you may have.

The Chad-Cameroon Project will develop several oilfields in southern Chad. To export the crude oil to world markets from the landlocked oilfields, the oil will be transported by a 30" underground pipeline, a distance of 650 miles to a marine terminal off the coast of Cameroon.

Approximately one billion barrels of oil will be produced over the 25–30 year life of the Project. Production will average 225,000 bbl/day in the early years. A consortium of subsidiaries of ExxonMobil, Chevron and Malaysia's Petronas are conducting the development with Esso Chad, an ExxonMobil subsidiary, designated as operator. The Project schedule anticipates start-up in 2003.

The total Project investment is approximately \$3.5 billion. The Upstream portion, which consists of the oilfield production facilities and wells, will be 100% owned by the co-venturers. The pipeline will have minority ownership by the governments of Chad and Cameroon and will be financed by a combination of equity and loans.

Approximately 97% of the project funding will come from the co-venturers (ExxonMobil, Chevron and Petronas) or through market-rate loans arranged by the International Finance Corporation, export credit agencies and commercial sources.

The remainder will come from equity investments by the governments of Chad and Cameroon in the two pipeline companies. To fund their investments, the two host countries have received approval for a total of approximately \$140 million in loans from the World Bank and the European Investment Bank.

These financing facilities establish a linkage with the World Bank so that it can provide important support to the development aspects of Chad. For example, the Bank has assisted Chad in developing a unique Revenue Management Plan, enacted into law by the Chadian National Assembly and the President. This law provides for long-term management of the project revenues, ensuring these benefits reach the citizens of Chad. A nine-member College of Control and Surveillance has been appointed and are preparing to oversee the funds. This nine-member group includes representatives of the judiciary, senate and finance ministry as well as local NGO's, labor and church representatives.

To avoid or mitigate social and environmental impacts, the consortium has worked with a team of scientists and engineers. A 19-volume set of documents form the foundation of the Project's environmental and socioeconomic plans.

The environmental management plans, in particular, spell out in detail the Project's commitments related to environmental and socio-economic matters, including for example, establishment of an offsite Environmental Enhancement Program to protect biodiversity and an Indigenous Peoples Plan to benefit the Bakola people in coastal Cameroon.

Each of the Project's primary contractors have competed specific environmental management plans to conform with the overall environmental management plan.

To support successful implementation, an extensive environmental monitoring system is in place. Full-time environmental supervisors and monitors are operating throughout the Project area, monitoring the work of our contractors. The results of the monitoring can be found in publicly available quarterly reports.

The consultation program for this Project continues today and is built on a base of public involvement at all levels in the design process that began in 1993.

Tens of thousands of people in Chad and Cameroon have had the opportunity to express their views on the Project in over 1800 public meetings. In addition, the consortium has consulted with over 250 non-government organizations during the course of the past eight years. This level of consultation is unprecedented in Africa and perhaps in the world.

Let me now give you a brief update on the Project's status. . . .

Construction is on schedule with the initial focus in 2001 on infrastructure. This included building 18 work camps and 11 storage yards as well as upgrading roads

and bridges, improving existing airstrips and building new ones. The project has now completed the upgrade of about 600 kms of roads in both Chad and Cameroon.

We have also completed a key bridge linking Chad and Cameroon. This bridge now forms an important link both for the transportation of Project material and also for other commercial users in the future.

One hundred percent of the line pipe has been manufactured and over 90% has arrived in Cameroon. By June 2002, all pipe will be stockpiled in the storage yards awaiting final installation.

Pipeline construction began in November 2001 with two construction crews working from Cameroon into Chad. To date, we have installed about 25% of the 650 mile pipeline. Drilling of the 270 development and exploration wells began in Chad in December 2001. Five new drilling and completion rigs are now in Chad.

The Project currently employs about 10,000 people, with 85% of these Cameroonian or Chadian nationals. Once operational, the project will require over 500 full-time employees in addition to several hundred contractors.

We recognize the high expectations of local citizens regarding employment and give preference to qualified nationals. We have established training facilities in-country as well as providing nationals with specialized training in oilfield operations in countries outside Chad. With respect to local contracting, our primary contractors have identified numerous local companies for subcontracts from an extensive database created during the past few years.

In 2001, the Project spent over \$160 million on required goods and services supplied by over 2200 local businesses in both countries. Examples of the types of services include: trucking, housing, site clearing, civil works, catering, cars and drivers and surveying. Our clear commitment is to give priority to local Chadian and Cameroonian business and we have been pleased by the skills and services available in both countries.

Finally, let me close with some general observations and by summarizing the common principles that continue to guide ExxonMobil on this Project . . .

I am aware of no other project in Africa or perhaps the world that has conducted public consultation to the level of the Chad Project—we are proud of what was accomplished and the input received from local citizens and knowledgeable others, has been invaluable. Some have called the Chad Project a new model; I see it as applying ExxonMobil's basic business model which includes our high standards for safety, health, and environmental management along with the high standards of business conduct and ethics to the unique issues Chad presents. For example, in Chad, we had the opportunity of applying this model on a clean slate. There was no prior history of development to deal with.

We have approached the Chad-Cameroon Project with a focus on detailed and rigorous planning, uncompromising ethical business practices and adherence to all laws while respecting local culture and customs. In the absence of local engineering and construction codes, we have applied U.S. standards to the Chad Project's design and implementation.

As we invest to meet the world's energy needs, we are mindful of our responsibilities as a corporate citizen. We are committed to developing relationships that are mutually beneficial to the citizens of those countries where we operate as well as to our shareholders, employees and contractors.

Our goal is not to assume the role of government, but to support government in its efforts to see that resource development improves the quality of life for its citizens.

We expose leading-edge western business practices to countries like Chad and Cameroon, supporting democratic and capitalistic reforms as well as providing example-setting ethical behaviors.

As we conduct our business, we do so in a manner that recognizes the balanced environmental and economic needs of the community and the country. We achieve this by investing wisely and paying careful attention to environmental protection and mitigation as well as safe work practices. To do this, we need to have the input of local citizens and others knowledgeable on local matters through our comprehensive consultation processes.

The key to our success is our company's philosophy of managing our business for the long-term and applying the highest standards consistently to every aspect of our business.

Thank you for the opportunity to appear today.

Mr. ROYCE. We have been joined by Congressman Hilliard from Alabama.

We are now going to go and make this final vote, and when we return, we will hear from Ambassador Norland. Thank you very much. We will be in recess for a few minutes. Thank you.

[Recess.]

Mr. ROYCE. We will reconvene the Subcommittee hearing at this time. As soon as everyone takes their seats, we are going to hear from Ambassador Donald Norland.

Ambassador Norland, good to see you today, sir. Remember to summarize, though, Ambassador.

**STATEMENT OF DONALD NORLAND (RET.), FORMER U.S.
AMBASSADOR TO THE REPUBLIC OF CHAD**

Mr. NORLAND. Has the clock begun to tick?

I am deeply grateful to you for organizing this hearing and I want to stress something you have already mentioned and that is how timely it is. Indeed, just this week, as my colleague Ambassador Ould-Abdallah will say, some 35 countries, including 10 chiefs of state, met in Dakar for the purpose of promoting private sector investment in Africa under what is called NEPAD, New Economic Partnership for African Development. I venture to say there is not one of those countries that would not enjoy the prospect of being the subject of the kind of hearing you are holding today.

Thanks to the Subcommittee, we are considering the largest private sector investment in Africa that finances the Chad-Cameroon pipeline project, which I will refer to as the Chad oil project in the interest of time. But the most important aspect of this project is not its size. It is the monumental effort of the project partners to address and resolve the persistent problems that have so limited the benefits of billions of dollars spent over the past 4 decades to reduce poverty and achieve economic development.

As the title of this hearing suggests, the systematic way the partners have gone about addressing those issues may well serve as a model for other resource development projects in developing countries. The Exxon Mobil representative has provided details on financing. My focus is on why the oil project is so different, so important, and so hopeful.

The differences begin with the structure, namely a joint venture linking the financing consortium, the World Bank and the government of Chad, in a partnership. Beginning with discussions, as you heard, nearly a decade ago, the consortium reached the conclusion that it was imperative to preempt the crescendo of criticisms that was damaging not just the image of oil companies but actually undermining their operations. The fundamental most distressing problem, which you have already emphasized, you and the Ranking Member, was the diversion of oil revenues into the private accounts of corrupt politicians.

In an unprecedented initiative, as you also highlighted, the consortium turned to the World Bank in developing a system of revenue management designed to assure the revenues would go to the specific purposes directly benefiting the Chadian people.

To achieve these high purposes, it quickly became apparent that another unprecedented attempt would be required, namely, action by the Chadian government in approving legislation that, first, sets forth specific percentages of revenues and the purposes for which

they are to be used, second, it establishes a revenue management authority to oversee the funds which are to be deposited—this is very important—in an offshore bank.

The text of that law, by the way, is available here.

No government has previously agreed to a similar external infringement of its sovereignty. Given the extreme importance and sensitivity of revenue management and the ubiquity of corruption, even these unprecedented steps have not silenced the skeptics.

As a result, a number of additional control mechanisms have been developed. Indeed, no less than eight additional levels of oversight have been established at last count. They include the Chadian Oil Revenues Control and Monitoring Board and International Advisory Group and a resident U.S. Treasury representative who provides technical support. These revenue management innovations will not be put to a test until late 2003 when revenues are expected to flow, but the commission is ready—the management commission has already been named. This level of scrutiny should serve as the standard for similar natural resource projects.

However, every project is unique. The context, parties, and personalities are different, as are the motivations and capabilities. But the Chad oil projects revenue management provisions are not the only reason to underline the extraordinary importance of this project.

First, it is a giant step toward the long-term strategic goal of bringing poor developing countries into the global economic mainstream, the sine qua non for any economic development. Even this investment will not eliminate poverty in Chad. But one thing is certain: Chad can never develop in a backwards, virtually isolated, and out of the global economic mainstream.

It seems particularly unconscionable, therefore, for outsiders surrounded by modern comforts to oppose the project and thereby condemn the people of Chad to a kind of pristine poverty.

Second, September 11 has inspired a rethinking about terrorism and its causes. The Chad oil project is frankly the only hope on the horizon for the nearly 8 million people of Chad to raise them up from their status as the fifth poorest country in the world. Chad, spanning 1100 miles north to south, covers three climatic zones, two major cultural ethnic divisions, accounting for much of the political instability that has characterized its nearly 43 years of independence. No wonder Chad's neighbors see it as a vacuum. Libya on the north and Sudan on the east both have policies and ambitions that are not congenial to U.S. Interests or Chad's well being.

Finally, the Chad oil project takes on new importance in the light of the explosion of Middle East violence, specifically relevance of this project to U.S. Energy policy which is to diversify sources of energy in the interest of U.S. National security. Indeed, it has been reliably reported that for the first time, the two concepts, Africa and U.S. National security, have been used in the same sentence in Pentagon documents.

Finally, speaking as an independent observer, the Chad project, in my opinion, offers real hope for success, more hope than any development model I have seen in serving in 10 African countries over nearly 50 years and observing the economic activities in 30 others.

Thank you, Mr. Chairman. I look forward to answering your questions.

[The prepared statement of Mr. Norland follows:]

PREPARED STATEMENT OF DONALD NORLAND (RET.), FORMER U.S. AMBASSADOR TO
THE REPUBLIC OF CHAD

I am deeply grateful to the House Committee on International Relations, and especially to its subcommittee on Africa, for organizing this hearing. It could hardly be more timely—for a number of reasons.

The most important reasons stem from the heroic effort of the partners in the Chad/Cameroon Pipeline Project to address and resolve the persistent problems that have so limited the benefits of the billions spent over the past four decades, both multilaterally and bilaterally, to reduce poverty and achieve economic development in the poorest countries of the world.

The Chad/Cameroon Pipeline Project has addressed these extraordinarily challenging issues in ways that may well serve as a model for developing natural resources in other countries. (In the interests of time, I'll refer to it as the Chad Oil Project.)

First, it's not the size of the foreign direct investment (FDI), the \$3.7 billion, that distinguishes the Chad Oil Project—although it's the largest such investment in Africa at this time. And the Consortium's investors are well-known: ExxonMobil, with 40%; Petronas, the Malaysian Oil company, contributing 35% and Chevron with 25%. The World Bank has joined with some \$93 million in loans: \$39.5 of it to finance the Chadian participation, and another \$100 million in credits from the IFC and IDA for construction costs, revenue management and other capacity building. Depending upon the price of oil, Chad expects revenues of between \$2 billion (if the price is \$15.25 per barrel) and \$8.5 billion over the next 25 years. Even at the lower figure, the revenues will double the national GDP.

But figures tell us little about why the Chad Oil project is so different—and so hopeful. The differences become apparent when looking at the structure of the project, namely a joint venture linking the Consortium, the World Bank and the Government of Chad in partnership.

Beginning with preliminary discussions nearly a half-dozen years ago, the Consortium reached the conclusion that it was imperative to address—hopefully, to preempt—the crescendo of criticisms that was damaging not just the image of oil companies but, at times, actually undermining their operations.

The fundamental, seemingly perennial—and most distressing—problem was the diversion of oil revenues into the private accounts of corrupt politicians rather than to desperately needed host country budgets for economic development, i.e. for health, education and infrastructure.

In an unprecedented initiative, the private investor Consortium turned to the World Bank for assistance in developing a system of revenue management designed to assure that the revenues would go to specific, designated purposes directly benefiting the Chadian people.

To achieve these high purposes, it quickly became apparent that another unprecedented step would be required, namely action by Chadian government in approving legislation that (1) sets forth specific percentages of revenues and the purposes for which they're to be used, and (2) establishes a revenue management authority to oversee the funds which are to be deposited in an off-shore bank. (The text of the law approved by Chad's National Assembly is available.)

The historic nature of this innovation deserves to be highlighted; no government has previously agreed to a similar external infringement of its sovereignty.

Given the extreme importance and sensitivity of revenue management—and the ubiquity of corruption—it's not surprising that even these unprecedented steps have not silenced the skeptics and critics. As a result, a number of additional revenue control mechanisms have been developed. Indeed no less than eight additional levels of oversight have been established at last count. They include the Chadian "Oil Revenues Control and Monitoring Board," an "International Advisory Group," local and international NGOs, and a U.S. Treasury representative with revenue oversight authority. This is a full-court press to combat the scourge of corruption.

These revenue management innovations won't be put to the test until late 2003 when revenues are expected to flow. But given the level of public and private scrutiny this combination of oversight and monitoring looks promising. Indeed, this level of scrutiny should serve as the standard for similar natural resource projects. However it bears repeating that every project is unique; the context, parties and personalities are different—as are the motivations and capabilities.

HUMAN RIGHTS

Another priority concern of critics, in addition to eradicating corruption, has been the delicate subject of human rights which goes to the very essence of a country's political culture and practices. Because of almost continuous civil war, Chad's history since independence is a succession of coups and counter-coups. It's a case study in political instability and inexperience with democratic practices. Yet the Chad project has been a magnet for outside influences that have accelerated an understanding of, and respect for, human rights and democratic practices.

I can cite three recent incidents that illustrate the point.

First, in 1999, even prior to the Bank's approval of the Chad project, a former deputy in Chad's National Assembly was arrested and detained for nine months, reportedly because he publicly opposed the project. The Bank intervened and obtained his release—a role the Bank later publicly acknowledged. In 2001, that same Chadian deputy again raised grievances (from Chadians residing in the region of the drilling) that they said had been ignored. Those complaints are currently under formal investigation by a Bank team as provided in project agreements.

Second, following Chad's presidential elections in May of 2001, the Chadian police detained the six opposition candidates. The World Bank president telephoned the president of Chad and conveyed the "implicit threat," to cite a press report of June 1, 2001, that the bank would "withdraw support for the project." The opposition leaders were promptly released.

Third, when the Chadian government used \$4.5 million of a \$25 million so-called "signing bonus" to buy arms, the Bank and IMF warned Chad that unless Chad adopted certain agreed budgetary processes for "all revenues," the Bank and IMF "could not propose debt relief for Chad under the HIPC initiative." Chad took the necessary corrective measures and the Bank approved Chad's access to debt relief.

It should be further noted that the people of Chad certainly enjoy a greater degree of press and other freedoms than any country in the region. In August 2000, for example, an independent radio station called "Radio Liberty" was created thanks to contributions from a variety of outside sources, including NGOs. When I attended the first anniversary of the radio's operations last August, the Managing Director told me that he operated without government interference. Last February, the Chadian "High Council of Communications" suspended Radio Liberty broadcasts on grounds that its reports were inciting violence against citizens of Cameroon. As a result of widespread media and other protests, the station resumed its broadcasting schedule as usual in mid-March.

Finally, it's worth noting that President Deby has officially declared that he will not be a candidate for re-election in 2005 when his current (his second) term expires.

Incidentally, in assessing Chad's history of instability, it should be noted that the U.S. itself played a key role in overturning the legitimate government of Chad in 1982—an action described in the U.S. press as the "only" successful U.S. contra movement of the decade.

To people measuring human rights and democratic practices by American or European standards, these examples may seem modest and incremental. But in the context of Chad's realities and conditions in other countries in the region, they constitute a major improvement over pre-project conditions.

ENVIRONMENT

Although critics of the Chad project have focused on the issue of corruption, that has not been the only objection. Based largely on certain bad experiences of other oil projects around the world, the Chad project incurred strong initial opposition on environmental grounds. As a result the Consortium and the World Bank commissioned exhaustive studies on the environmental consequences of the 1070 kilometer (650 mile) pipeline from southern Chad to the port of Kribi on Cameroon's Atlantic coast. The studies, which fill some seventeen volumes, resulted in changes to accommodate environmental groups; for example, they account for the decision to bury the pipeline three feet underground and use especially reinforced pipe. As for the impact on people in the region, the route taken in laying the pipeline was altered to minimize the disruptions of human settlements and a special funds set aside to compensate people in the area where the oil wells are being drilled.

Perhaps most important is the extensive ongoing environmental monitoring funded by the European Investment Bank (EIB.). The agreements provide for regular inspections by an outside "Environmental Management Group" with the specific provision that EIB funding is conditioned on respect for agreed environmental objectives and standards.

The extensive environmental safeguards are impressive—perhaps even unprecedented—and may account for the fact that criticisms from environmentalists have been relatively muted in recent months.

In this connection, one should stress the fact that, in the words of one adversary of the project, “no political group in Chad has campaigned for the abolition of the project.” Indeed in the course of my meetings in Chad last August, not a single Chadian suggested that the project shouldn’t be supported. The criticisms—and they were occasional very vocal—were directed at how the project was being implemented, not the project itself. And a number of changes have been introduced in the past eight months to alleviate those criticisms, actions which augur well for the future.

CONCLUSIONS

The Chad project is a bold new model for collaboration among private investors, the World Bank Group and the government of Chad. But these are not the only key players. Indeed, success will require keeping the project in the spotlight of public attention as well as under constant scrutiny and monitoring by outside groups: NGOs, human rights and environmental organizations and the media. Scrutiny is the key to transparency. Transparency is, in turn, indispensable in guaranteeing that oil resources go—as prescribed by Chadian law and relevant agreements—to projects that reduce poverty while preserving the environment and advancing human rights. In short, to make sure that revenues go to benefit the people of Chad and not to private bank accounts.

This is a complex project that took a half-dozen years to pull together. The technical complexities are monumental—but experts could no doubt solve them elsewhere. The same can’t be said about the political and human aspects of the project that make the project so difficult to replicate.

For example, how many countries would be sufficiently motivated by the promise of a major investment to give up a measure of sovereignty over their resource revenues? How many political leaders are ready to invest major political capital in leading a legislative campaign to meet requirements to do so? Fortunately, the incentives offered by the Chad Project were sufficient to induce Chad’s leaders to take those steps.

At the same time, the World Bank came to realize that it couldn’t carry out its poverty reduction mandate without getting involved in governance. Would it do so again?

In any case, to keep open the option of another “Chad project,” this project must succeed. Its failure would have dire consequences, not just for Chad but for similar investment initiatives in developing countries. It might deter the World Bank from undertaking this unusual role that has been one of “moral guarantor.” Failure would signal a further decline of confidence in Africa as a reliable source of energy.

In sum, the Chad Oil Project embodies too many hopes for Chad and for Africa. It is condemned to succeed.

OTHER REASONS WHY THE CHAD OIL PROJECT IS COMPELLING

The Chad Oil Project’s revenue management, human rights and environmental provisions are not the only reasons to underline the extraordinary importance of the project and why it must succeed.

First, it’s a solid step toward the long-term strategic goal of bringing poor developing countries into the global economic mainstream—the sine qua non for any economic development. While even this \$3.7 billion investment won’t eliminate poverty in Chad, it promises a giant step forward. But one thing is certain, namely that Chad can never expect to develop while mired in a backwater, virtually isolated and far out of the global economic mainstream. In addition, it seems particularly unconscionable for outsiders, surrounded by all the comforts of modern life, to condemn the people of Chad to lives of a kind of pristine poverty by opposing this project.

Second, September 11 has inspired a rethinking about terrorism and its causes. The Chad Oil Project is, frankly, the only hope on the horizon for raising up the nearly eight million people of Chad from their unenviable status as the fifth poorest country in the world. A look at the map reminds us that Chad, spanning 1100 miles north to south, covers three climatic zones and two major cultural/religious divisions, accounting for much of the political instability that has characterized its nearly 42 years of independence. No wonder Chad’s neighbors often seem to view it as a vacuum; indeed, Libya on the north and Sudan on the east, both have policies and ambitions that are not congenial to U.S. interests or Chad’s well-being.

Finally, the Chad Oil Project takes on new importance in the light of the latest explosion of Middle East violence, specifically its relevance to U.S. energy policy

which urges diverse sources of energy in the interest of U.S. national security. Indeed, it's been reliably reported that, for the first time, the two concepts—"Africa" and "U.S. national security"—have been used in the same sentence in Pentagon documents.

Finally, speaking as an independent observer, I believe that the Chad project should be seen—and strongly encouraged—as a bright hope for Africa. Indeed, it embodies more hope than any development model I've seen over nearly fifty years of serving in ten African countries and observing some 30 others at close range.

Mr. ROYCE. Thank you, Ambassador, and now we are going to go to Mr. Peter Rosenblum.

STATEMENT OF PETER ROSENBLUM, DIRECTOR, HUMAN RIGHTS PROGRAM, HARVARD LAW SCHOOL

Mr. ROSENBLUM. Thank you very much. Thank you for having me back here. Every time I come, I think it is probably my last time since I feel like I burn more bridges than I build, and perhaps here as well I will be burning bridges. I do not mean to be the one to spoil the party because I have praised this project in print for much that it represents. But I think it is important to focus on some of the other factors.

Mr. ROYCE. We want to look at the tough questions.

Mr. ROSENBLUM. I think the project does represent a creative and a significant effort to deal with the multiple problems and the potential benefits that exist when valuable natural resources are found in countries characterized by poverty, lack of infrastructure, corruption and fragile political institutions. But I think it is very important for us to recognize that this project will not succeed without new efforts. It is at best a framework in which it may be possible to erect the necessary structures for protection. But at the current time, the substantive protections are weak. Moreover, they depend to a large degree on the good will of the government of Chad and the ad hoc interventions of the World Bank. This is not likely to change without new initiatives. The United States is an important member of the World Bank and the home to the principal oil companies in the project; it has an extremely important role to play.

It is important to recall the recent history of Chad. It is one that includes civil war, vast abuses of human rights, the intervention of great powers, and rivalries that take a regional and ethnic form. It is oversimplified, but it is still very relevant to think of Chad as a country in which a militarized north rules over a sedentary south. It is relevant to take into account the ethnic and religious divisions—the Arabized Muslim north, the Christian animist south. Chad is not Sudan. It is not Nigeria. But there is much in common, including the risk that a militarized north is going to become dependent on a disenfranchised south.

The guarantees negotiated by the Bank and implemented in the Chadian revenue management plan promises a certain amount of transparency. They promise important, though vague, funding commitments and an infrastructure oversight. However, the effective implementation still depends on the good will of the government, on the deliberative capacity of the Chadian parliament and on the willingness of the World Bank to ensure its fulfillment. What do we know so far? We know the government has not shown that good

will, that the parliament does not function openly, and that the World Bank's record has been spotty and ad hoc.

Notwithstanding the film that we have seen here today, we also know that the oil consortium has a reputation on the ground for belligerent disregard of the community structures and it puts their sincerity into question.

The World Bank's role is particularly complicated. Despite important advances in the project, the bank remains resistant to engaging in active oversight. In part this is a function of how unsuited the bank is to its role. Its institutional culture is built around successful lending to governments, and it is not clear that it can or that it should be the primary agency charged with monitoring the implementation of the project goals.

At the Harvard Human Rights Clinical program, where I work, we have been following the project for some time. We identified problems with the revenue management plan when it was adopted—its limited field of application, the fact that allocations are left to the parliament, and that there are no benchmarks for such allocations in terms of the region or sector. The plan is entirely blind to the questions of ethnicity, race and religion and the historical divisions in the country that have led to prolonged civil war throughout the modern history of the country.

We focused in particular on the oversight committee ("College de Control"). Again this is something that in principle we should celebrate—an effort to create a mixed body of government and non-governmental experts who will oversee the expenditures of revenue from the oil program. But there have been problems, both in setting the committee up and in enabling it to act independently.

Again, the government of Chad has failed to demonstrate the necessary good will to enable the oversight committee to play the role that it could play under the law. It was only after major intervention by the World Bank that the government took the steps necessary to form the oversight committee. When it came time to establish internal regulations, the government proposed that the oversight committee meet twice a year, and rejected the internal regulations that were drafted by the members of the committee.

The World Bank did intervene. Different rules were adopted. But then the next thing that happened is that the government refused to allocate space or to allocate a budget to the oversight committee so that it could operate. All this is occurring in the context of a law which can be changed by fiat of the President after 5 years. The most celebrated provisions of the law are not subject to the parliament which voted for them in the first place.

I think it is important to say a word or two generally about the human rights situation in the country. There have been important improvements in Chad over the last decade in terms of traditional liberties—in terms of freedom of speech, freedom of the press and freedom of the air waves, and freedom of association. But the presidential elections of last year were a major and surprising setback. At that time the same freedoms were restrained. The independent radios were stopped from reporting on the campaign of the President, just as, at this moment, they are being stopped from reporting on the legislative campaign that is underway in the country. One of the independent radio stations in N'Djamena, Radio Liberty,

was shut down for 2 to 3 weeks, and there have been threats against much of the independent press.

How can we rely on parliament elected under such conditions, and on government that, up until now, has manipulated those elections? We have not seen any sign of the government's willingness to take action without the World Bank intervening to hit them with a rod? How often can we expect James Wolfensohn to get on the phone to ensure that Deby will release the detainees that are illegally arrested, allow the radio stations to function, allow democracy to take its place?

I would like to conclude with a couple of recommendations where I think it is important for us to focus. We should be focusing on how to institutionalize the role of the civil society in this project so that we can get beyond these ad hoc interventions of Mr. Wolfensohn, well intentioned as they might be, and get to a point where the civil society of Chad is able to act in order to ensure that the pipeline meets the aspirations of the population. I think we should massively reinforce the work of the Chadian oversight committee so it can hire professionals and monitor the project. I think we should work with the World Bank to ensure that the international advisory group is a permanent group that can then communicate directly with the population in Chad and interface well with the other Chadian institutions, including the oversight committee.

Finally, I think we should recognize the limits of what the World Bank can do. It is not a human rights organization. The World Bank has trouble enough making or remaking economies. It cannot remake democracies. That is the work of others. It is the work of others together with the Chadians. It is a work in which the United States has more experience in encouraging local initiatives than the World Bank.

We should look to the fact that in Chad today, there is less international reporting on human rights than there was 2 years ago, 3 years ago or 4 years ago. The United Nations Commission on Human Rights once had a rapporteur. Her last report in 1998 said that the political space in Chad was getting smaller and smaller, the space for pluralism and diversity was shrinking in the country. Her mandate ended and since then we have had no significant international reporting on the events in the country, and I think it is something we can look to, and we in the United States could significantly help.

[The prepared statement of Mr. Rosenblum follows:]

PREPARED STATEMENT OF PETER ROSENBLUM, DIRECTOR, HUMAN RIGHTS PROGRAM,
HARVARD LAW SCHOOL

The Chad-Cameroon oil project represents a creative and significant effort to deal with the multiple problems and potential benefits that exist when valuable natural resources are found in countries characterized by poverty, lack of infrastructure, and corrupt and fragile political institutions.

Even as construction moves forward, however, the project still provides only a rough outline for protecting the interests of the population; it is at best a framework in which it may still be possible to erect the necessary structures of protection. At the current time, the substantive protections in the project are weak; they depend on goodwill and greatly strengthened capacities. This is not likely to change without new initiatives and redoubled efforts on the part of all parties. The government of the United States, as an important participant in the World Bank, home to the prin-

cial oil companies in the project, and ally of Chad, has an extremely important role to play.

BACKGROUND TO THE PROJECT

It is important to recall the recent history of Chad, one that includes civil war, gross violations of human rights, the intervention of Great Powers, and rivalries that take a regional and ethnic form. It is oversimplified, but still relevant, to think of Chad as a country in which a militarized North rules over a sedentary South. It is also important to take into account ethnic and religious divisions: the predominantly Muslim North in contrast to the predominantly Christian and animist South. Chad is not Sudan and it is not Nigeria, but there is much in common, including the risk that a militarized North will become dependent on oil from a disenfranchised South.

The Chad-Cameroon oil project was conditioned on the Chadian government's willingness and ability to direct revenues toward social and economic infrastructure. This represented an important change in World Bank "conditionality," even though the Bank may be uncomfortable with the term. Rather than demanding cutbacks in government programs and social expenditures, the Bank effectively required the opposite. Through the Revenue Management Plan, adopted in Chad with the active involvement of the World Bank, the government of Chad committed itself to ensuring that the direct oil revenues would be invested for the short-term and long-term benefit of the population.

There were, of course, special reasons for the Bank's willingness to engage in this process. It was providing a moral guarantee for what was otherwise a private investment. The Bank's imprimatur provided the kind of protection that no amount of political risk insurance could provide. To my knowledge, no one has yet analyzed the savings to the oil companies, but we can speculate that the cost of borrowing was significantly reduced by the Bank's approval of the project.

In the event that the project fails to deliver the promised benefits, the oil companies will be able to pass much of the blame to the World Bank. In Nigeria, for example, there was no buffer between oil companies like Chevron or Shell and the people of the Niger Delta. In Chad, however, no matter what goes wrong, the World Bank will be on the front line.

However, it is also true that the Bank was in a position to make demands on the country that an oil company could not, and should not, make. The Bank accepted the challenge and worked creatively to come up with a plan that broke new ground: a plan that would correct for past failures and provide hope that mineral wealth could be converted into long-term benefits. As some Bank staff members have acknowledged, the Bank did not do this entirely of its own accord; the tremendous pressure brought to bear by international and Chadian NGOs forced the Bank to break its own mold.

REQUIREMENTS FOR THE PROJECT'S SUCCESS

The guarantees negotiated by the Bank and implemented in the Chadian Revenue Management Plan promise a certain amount of transparency, important (though vague) funding commitments, and an inchoate structure of oversight. However, the effective implementation of these guarantees depends on the goodwill of the Chadian government, the deliberative capacity of Chad's Parliament, and the willingness of the World Bank to ensure the satisfaction of these requirements.

Thus far, the government has not shown the necessary good will; the Parliament does not function openly; and the World Bank's record has been uneven. Additionally, the Oil Consortium's reputation for belligerent disregard of community structures puts its sincerity in doubt.

The World Bank's role is particularly complicated. Despite important advances in the project, the Bank remains extremely resistant to engaging in active oversight. In part, this is a function of the Bank's unsuitability for this role. Its institutional culture is built around successful lending to governments, and it is not clear that it can, or should, be the primary agency responsible for monitoring the implementation of the project goals.

Constraints on the World Bank

The Chad-Cameroon project has put the Bank in an unprecedented and awkward position of monitoring the government's political comportment and relations to the country's population. This conflicts with the Bank's historical barriers to addressing political questions, not to mention its internal culture of deference to state actors. Even some Bank staff members have expressed skepticism about the Bank's ability to fulfill this role: "When the government violates its undertakings," said one Bank

official after the Project was approved, "I'm not sure the Bank will be willing to play hardball."

In fact, Bank officials have already been required to intervene on several occasions. The President of the Bank stepped in to encourage the President of Chad to release major political opponents from detention. Bank officials also took an active role in trying to convince the government to fulfill its obligations under the Revenue Management Plan.

However, this is not a role that comes easily to the Bank, nor is it one that can be institutionalized. Although the Bank was helpful in addressing moments of crisis it has not effectively responded to manipulation of the political system. For example, the Bank could not prevent massive vote fraud and political repression during the presidential elections of 2001, and it was also unable to improve the prospects for the legislative elections of April 2002.

As many Bank officials acknowledge, tremendous public advocacy is necessary to ensure the Bank's vigilance. One official admitted as much to an NGO economist after she had inquired how the Bank would ensure Chad's compliance after the failure of a similar case, the Lesotho Highlands Water Project. The official responded that in this case, NGO pressure would ensure that Chad-Cameroon would be treated differently.

However, neither domestic nor international NGOs currently have the means of insuring systematic oversight and monitoring. And despite assurances to the contrary, Bank officials, are not always receptive to external criticism.

We at Harvard had a taste of Bank defensiveness when we submitted the Harvard Memorandum that analyzes the Revenue Management Plan. A number of Bank officials, who are also alumni of the Harvard Law School, called the office of the Dean of the Law School to complain. Three officials came to Harvard personally to discuss the matter. One of them, a senior official in the legal department of the Bank, told us, essentially, that Africa "didn't need a group of Westerners parachuting in to tell them what to do." I introduced him to the students who had worked on the project, one-third of whom were from sub-Saharan Africa.

It is important to encourage the Bank to change its internal culture so that it can reach out to NGOs and develop tools that would enable it to relate to civil society and monitor the day-to-day compliance of the government. However, it is also important to recognize the limits of the Bank's capacity and to work towards developing alternative structures that could provide the necessary systematic oversight.

THE REVENUE MANAGEMENT PLAN

The Revenue Management Plan of January 1999 is the centerpiece of Chad's effort to prove its *bona fide* commitment to turn oil revenue into sustainable development. There are major limits to this law:

Its field of application is limited to the Doba oil. There is no guarantee that future oil exploitation will be subject to similar controls.

It relies on Parliament and the government to determine allocations according to region and sector. This would not be a problem in some countries, but is cause for concern in a country where ethnic divisions and favoritism have been endemic to governance and where the Parliament has not been allowed to operate freely.

It contains a mysterious and dangerous provision that allows the President to change the allocation rules without parliamentary input, five years after adoption of the law. This is particularly dangerous, because the provision will become effective after the oil begins to flow in earnest. It is mysterious because parliamentarians insist that it was added after the law was already voted into existence.

Oversight Committee

One essential element of the Plan is the establishment of an Oversight Committee that is composed of both governmental and non-governmental members. In the Harvard Memorandum, we suggested that a well-functioning Oversight Committee could help compensate for many other weaknesses of the Project. However, we noted the problematic aspects of the Committee, particularly its composition and the effectiveness of its powers. The Committee membership was predominantly composed of either government appointees or political figures dependent on the government's approval. Its overall mandate, while commendable, is hampered by an absence of explicit powers of intervention necessary to ensure effectiveness.

There are precedents for the Oversight Committee even in Chad. Unfortunately, they are not good ones. The National Human Rights Commission was another experiment in administrative oversight by an independent body composed of members from government and civil society. Over several years, the government has effectively eviscerated the Human Rights Commission through the co-opting of members and control of budget. If left to its own devices, the government appears intent on

assuring the same fate for the Oversight Committee. The World Bank had to intervene to ensure that the Committee would be set up. Still, the Committee has no access to funds or offices. Finally, the government has already transferred one of the Committee's more outspoken members to a different post.

Over the past several months, my students have interviewed many members of the Oversight Committee and have analyzed all available documents. The good news is that the members of the Committee take their role seriously and have worked together across political lines. The bad news is that they are doing this in the face of resistance from the government, rather than cooperation and encouragement.

The problems began with the nomination of members. When I visited Chad in the fall of 2000, the story of the \$25 million so-called "signing bonus" had recently emerged. The World Bank, to its credit, was urging the government to begin implementing the Revenue Management Plan and, in particular, to put into place the Oversight Committee. The government resisted, claiming, *inter alia*, that there was a conflict within the civil society over the membership of the Oversight Committee. In interviews with civil society, there was no sign of conflict; moreover, no government officials had discussed any such conflict with those members nominated by civil society. The World Bank representative and U.S. Embassy staff repeated the government's accusations. What was most disturbing, however, was that no one from either institution had spoken to the people concerned.

In December 2000, the Oversight committee was formally named, and after long delays, seized the initiative and began to meet on its own to draft regulations. The government rejected the members' draft and issued its own draft, which would have undermined the independence and operational activities of the Committee. Among other things, the government draft apparently offered the Committee the opportunity to meet only twice a year.

The Bank intervened in time, and new regulations were issued. Nevertheless, the regulations still do not provide the real power to compel transparency or to stop inappropriate expenditures. (For example, they have no equivalent to subpoena power.)

As for the independence of the Committee, there are already indications of the problems that are likely to arise in the future. Members of the Committee report that the government has tried to pressure them to approve expenditures from the bonus funds. Again, the good news is that they were able to resist, but the government has not yet backed down.

A second telling incident concerns the Committee member appointed by the Supreme Court. In the Harvard Memorandum, we noted that judges should not be counted among the independent members of the Committee. This is confirmed by the human rights reports of the U.S. Department of State, which frankly acknowledge the conditions under which judges operate.

I have met with the members of the Supreme Court of Chad. There are a number of very credible judges on the court, though there are also others such as the young prosecutor who zealously pursued the incarceration of the dissident parliamentarian, Ngorléjy Yorongar. One of the more outspoken (and apparently effective) members of the Oversight Committee, however, was also a Supreme Court judge, Hassana Abdoulaye. Last fall, he had to leave the Court when he was "promoted" to the post of mayor of the capital city. To many observers, this was a direct message to the Oversight Committee.

A budget for the Committee of only 100 Million CFA was voted upon, although the World Bank has reportedly suggested a budget of three times that amount. In the any event, the Committee has not gained access to the funds.

FACTORIZING IN HUMAN RIGHTS

Credible human rights observers concur that human rights in Chad are severely limited: the legal system operates under the thumb of the executive, and free speech and association are frequently curtailed. Political power is dominated by a small coterie of people with familial, regional, and ethnic connections. Chadians, for all practical purposes, lack the fundamental right to elect a government of their choice.

This affects the project at several levels:

- It directly undermines the ability of human rights groups and other civil society associations to pursue serious monitoring. For example, the Government of Chad continues to block the operation of EPOZOP (Entente des populations de la zone petroliere), an organization with strong links to local communities.
- It risks rendering the Parliament illegitimate in representing the interests of the population. Since the allocation of revenues depends on Parliament, the power of monitoring is limited by laws.

- It undermines the credibility of the World Bank, which continues to rely on the government for implementation of all aspects of the project.

While there was progress for basic liberties on many fronts in Chad during the late 1990's, the presidential elections of last year represented a major setback. It was as if the President was sending the message that he would accept liberalization—more free press, more rights of association—as long as it did not affect the political balance of the country. The weak response of the international community, in particular the World Bank's untimely decision to grant debt relief, ultimately sent a message to the government and the population that the elections would not affect the status quo.

One aspect of the progress of recent years was the legalization of independent radio stations, including "Liberty," the station of the civil society in Ndjamena. However, the government closed the station for many weeks, apparently because of its reporting on student protests in Cameroon. During both presidential and legislative elections, the independent radio stations have not been allowed to report on the political campaigns.

Ethnic Divisions and Potential Conflict

Throughout the history of modern Chad, leaders have manipulated ethnic, regional, and religious identity in the service of political power. This manipulation has featured as an element in all of the rebellions and civil wars. Nevertheless, the World Bank treats Chad as a "post-conflict" society and appears to overlook the considerable potential for conflict and manipulation of ethnic divisions in programs designed to serve the country. Before the Project was approved, for example, a Bank economist acknowledged that most, if not all, of those who were receiving technical training from the Bank belonged to the same ethnic group as that of the President.

Lack of Systematic Reporting on Human Rights

In the period leading up to the adoption of the Oil Project, the United Nations Commission on Human Rights undertook annual reports on human rights conditions in Chad. In the final report of 1998, the Rapporteur focused on the diminishing space for pluralistic political debate in the country. When her mandate ended, the US State Department was left as the only international agency reporting on human rights in Chad.

CONCLUSIONS

The Chad-Cameroon Project represents an important step towards recognizing the responsibility of governments for ensuring that natural resource development leads to benefits for the entire population and also for the World Bank in acknowledging the need for serious and systematic participation and oversight in projects. However, it is unlikely to succeed without serious new efforts that go beyond what the World Bank has been able to contribute so far.

In the short term, there is a pressing need for:

- US commitment to implementing the recommendations of the International Advisory Group, and in particular, confronting the growing delay in implementing those aspects of the Project intended to build civil society capacity and to ensure proper oversight of the project.
- More systematic monitoring of every stage of implementation with permanent links between local monitors, international organizations, and the government of Chad. This might include.
 - Massive reinforcement of the Oversight Committee under the Revenue Management Plan to enable the hiring of full time staff and acquisition of necessary technical expertise; and
 - A permanent role for the International Advisory Group, so that it can interface effectively and continuously with the local population, the Oversight Committee, and the World Bank.
- International human rights monitoring. The World Bank is not the appropriate institution to engage in or support systematic monitoring of human rights, but the need for monitoring is vital. The need could be filled by the UN Office of the High Commissioner for Human Rights, or possibly, by an international human rights NGO, with experience both in monitoring and capacity building.

If the project fails, it will escape no one's notice that the project had the strong backing of the U.S. The principal companies involved are U.S. companies. The World Bank would never have approved the project without strong U.S. support. In

the long term, it is essential for the United States to recognize its role and responsibility in ensuring the success of the Project for the people of Chad.

Mr. ROYCE. Thank you, Mr. Rosenblum. We are now going to go to Ambassador Ahmedou Ould-Abdallah for his report. Now, Mr. Ould-Abdallah, if you want to give us your report.

STATEMENT OF HIS EXCELLENCY AHMEDOU OULD-ABDALLAH (RET.), EXECUTIVE DIRECTOR, GLOBAL COALITION FOR AFRICA

Mr. OULD-ABDALLAH. Thank you, Mr. Chairman, thank you Congressman Payne. As mentioned earlier, I just came back yesterday from South Africa, where I was with the negotiating group on the future of Congo, and I made a 2-day stopover in Dakar where a number of heads of state were meeting. The meeting on the new Partnership for Africa Development (NEPAD) was on how to promote private sector in Africa, how to make conditions attractive for private sector in Africa. This, Mr. Chairman, is very important and I think this hearing should be put in the international context where we are now in Africa.

There is still much abuse of human rights. There is corruption and poverty. But overall, today in Africa there is an extraordinary expansion of freedoms, of the press, of association that have more democratic values. It is not perfect, but I think that the interconnectivity with Internet has boosted freedoms and we are making progress in Africa. We even have a more peaceful alternation of power.

Recently Ghana has changed its President without problems and so have Senegal and Botswana. So the pipeline project should be addressed not in the context of Africa of 1960s and 1970s, but Africa of the 2000s.

Mr. Chairman, in my opinion, Chad is part of this positive evolution. I believe that its government is part of this evolution by the very fact that it has endorsed the difficult conditions regulating the redistribution of revenues like the 10 percent allocated to the producing region, 80 percent to be devoted to health education and poverty eradication.

Mr. ROYCE. Ambassador, why don't you pull the microphone a little closer to you.

Mr. OULD-ABDALLAH. So I think the government has accepted something very difficult to endorse a few years ago by any African government and I am sure that it is not by ruse, but simply because the world has changed and also because pressure of the press, of NGO's, and the fear of hearings like yours cannot be ignored any longer.

The World Bank is a useful partner and especially its President's personal commitment is a strong signal. Though it is a very small partner, the World Bank is helping to strengthen transparencies of the projects its funding of small organizations not only of the press but Chamber of Commerce, local businesses, etc. It is only when the civil society organizations are strong that democracy takes root and becomes more durable and sustains good governance.

Mr. Chairman, I would like just to congratulate you and thank you and your colleagues for convening this hearing. Everyone will agree with me that in many of our continent—countries—oil has

not been a source of prosperity. It has led to wars, to civil strife and to poverty. But this is due more to bad governance and mismanagement, than to the “curse” of natural resources themselves. So your hearing is sending a strong message, first for transparency at governance level, and second at private sector level, because bad governance is not restricted to only governments as many big corporations have not behaved well and they have to behave better in the future.

Your hearing is an invitation to the private sector, particularly American private sector, to look at Africa as a new destination for private investment and where good business can be done. And this is the message African leaders sent to your country this week from Dakar during the conference of NEPAD.

Before concluding, Mr. President, though they have certainly their benefit in it, ExxonMobile and the World Bank deserve the thanks of Africans for not having given up on Chad despite many difficulties and continued causes of instability. Personally I see the critics of the project, whether from our side or from inside Chad, as something normal and they may help, but without this project, I do not know where Chad would be going.

The management of this particular project could serve as a model for future oil exploration and indeed all private sector activities. I believe personally in continuous effort and I am sure that soon the case of Chad will be followed by other countries, maybe Angola and Nigeria. However, two warnings. First, we should not overload a poor country with many regulations and many conditionalities. In trying to protect too much, we might weaken the institutions and the government. I do not like to be misunderstood. We should not give up on conditionalities, but too many regulations kill the benefit of a project and develop conditions for corrupt practices.

Finally, Mr. President, the remarks whether Chad or Cameroon are mismanaged are legitimate. However, no high level institution like yours would have paid any attention to Chad’s domestic problems if it were not for this project. And I think that if it were only for that reason, to draw attention of high level personalities like you and your colleagues, this project deserves support and attention. Thank you, Mr. Chairman.

[The prepared statement of Mr. Ould-Abdallah follows:]

PREPARED STATEMENT OF HIS EXCELLENCY AHMEDOU OULD-ABDALLAH (RET.),
EXECUTIVE DIRECTOR, GLOBAL COALITION FOR AFRICA

Mr. Chairman, Members of Congress, Ladies and Gentlemen.

As you know this hearing was scheduled for September 11, 2001. I therefore would like to take this opportunity to ask that once again we condemn the attacks and have a thought for the victims of the tragic events of that day and for their families.

Mr. Chairman, let me also thank you for inviting me to testify at this hearing before the House International Relations Subcommittee on Africa. The selection of the subject “*Chad-Cameroon Pipeline: A New Model for Natural Resource Development*” is indeed important and timely. First it draws attention to the single largest private sector investment in Sub-Saharan Africa (USD 3.7 bn). In addition, it reminds the people and governments of Africa, and especially those of Chad—the oil producer—that the world is definitively in a new era of transparency, openness and public scrutiny. Furthermore, at this particular international juncture, when official aid is in decline and foreign direct investment in Africa is still very low, the whole framework of the project—its funding, management and overall results—deserves your continued interest and attention. Its successful implementation will encourage populations and investors to believe anew in Africa. I just returned yesterday from

Dakar, Senegal, where I took part in an international conference on the role of the private sector in African development and entitled "Partnership with the Private Sector for financing Africa's Growth through the New Partnership for Africa's Development (NEPAD)."⁷

Mr. Chairman, as you may know, NEPAD is an African initiative devoted to facilitating integration of the continent into the global economy. It is supported by the US and its colleagues of the G-8. A successful implementation of the Chad-Cameroon pipeline project could rightly be considered as one of the first concrete operation of the NEPAD. This hearing is important because it can help to send a clear signal and a serious message to three groups concerned with African development: the private sector—both domestic and international—African governments, and thirdly their development partners—in particular the international financial institutions, the World Bank, the IMF, and the European Investment Bank. The message is that now there is a new paradigm for oil development in Africa. Obscure decision making processes, lack of political and economic predictability, and weak law enforcement are no longer acceptable to either the international community or to local populations. For the last four decades, such practices have prevented Africa from being a favored destination of foreign direct investment. Despite many business opportunities, in many countries, in many different fields—oil, minerals, agriculture, tourism—the reason external investors have not been forthcoming is due, to a very large extent, to the unpredictability and pervasive corruption in a number of our countries.

Obviously the problem is not confined to Chad, or even to Africa, alone. Around the world we find similar unwelcome behavior but Africa cannot afford it. There is an urgent need for a new approach to oil and energy development in Africa and indeed in the world. It is appalling to note that without a significant exception, oil-producing African countries have not fully benefitted from the generous royalties that have accrued. On the contrary, most of them are in a state of slow decomposition, engaged in civil war, or in the process of post-conflict reconstruction. This is not the curse of natural resources, but rather the result of unchecked mismanagement and subsequent corrupt practices of some governments and investors. Time for change is long overdue. A new paradigm that ensures that resources are made available to states and populations could be in the making as a result of the Chad-Cameroon Pipeline model.

Today, though democracy remains fragile, basic freedoms and civil liberties are expanding throughout the continent with a strong contagious effect. Peaceful political succession to power as in Botswana, Senegal and Ghana, to mention the three latest cases, is becoming more and more common practice. Still, transparency is synonymous with efficiency. The point I would like to make is that continued emphasis on transparency, especially in poor countries, is essential to the well being of all. Transparency and openness give credibility to government institutions and confidence to domestic and external investors. Hence, in my opinion today's hearing is a demonstration of the US Congress commitment to encourage the private sector to start looking more seriously at opportunities in Africa, where things are changing positively, even though slowly. In doing so you are also addressing two of the main root causes of terrorism: political exclusion and poverty.

Mr. Chairman, the Chad-Cameroon pipeline is an excellent example of how a collaborative endeavor of governments, the private sector, and international financial institutions can help to promote transparency for the benefit of the people. Left unchecked, corruption undermines the real gains from political and economic reforms. Good governance calls for concrete action on a daily basis. It is heartening to note that in this project, continuous scrutiny, transparency and oversight by parliaments and civil society, while not an additional burden, are full part of the undertaking.

In Chad, oil was discovered in 1969 more than thirty years ago. Many obstacles prevented its early exploitation—and one of them was certainly continued civil strife. The US Congress' interest in this project has encouraged efficiency in public resources management, and the not often mentioned participation of small local businesses. It ultimately led to the launch of the project a few months ago. It is my understanding that 40% of the pipeline is already completed and that oil may start flowing late in 2003 or beginning of 2004, much earlier than planned. There are now convincing guarantees on the appropriate use of oil revenues essentially for education, health and the environment and not for villas on the Côte d'Azur, or in other temperate climates. Generally, governments attach great importance to their credibility. I am sure that the government of President Deby is now much better informed and more aware of what to avoid doing once an international agreement is signed. I am also confident that he or any successor President would respect their country commitment.

Most partners—private investors (Exxon Mobil, Petronas, ChevronTexaco), the World Bank, the Government of Chad, and civil society organizations seem satisfied with ongoing activities. It is interesting to note that all have accepted the World Bank's leadership and recognized its capacity to follow-up the transparent implementation of the project despite its relatively small financial contribution to the total amount of the investment. This is a positive development for an often criticized institution and should encourage it to remain engaged in this kind of activities. Dissenting calls for continued consultations should be seen as a healthy expression of Africa's newly gained freedoms, and not necessarily as irresponsible obstacles or roadblocks in a rather smooth process. These calls often have the internal dimensions of making a domestic political case, or lobbying for more contracts to be allocated to local businesses. These are legitimate concerns whose satisfaction should expand the constituencies of the project and its internalization by Chadians.

Additionally, we should not ignore that the Chad-Cameroon pipeline is a test case watched by many African people as well as governments. Over the long-term, its effective implementation is of utmost importance to future cooperation between African countries and the international private sector. It will have considerable consequences on the management of natural resources throughout the continent. Therefore, the smooth execution of this collaborative undertaking should continue until and beyond the day oil starts flowing. It deserves continued attention, particularly from the US Congress. The success of this project will attract, encourage, and support present and future investments in Africa. This is a welcome development at a time when more and more Africans see the private sector as a sustainable basis for growth and development on the continent. Therefore, none of the partners should feel free of its commitment. The very credibility of all partners, individually and collectively, is at stake and should be reaffirmed before and after the oil returns have reached their treasuries.

Mr. Chairman, in conclusion, the way the project was negotiated, funded and is now being supervised is a welcome development and an example for future exploitation of Africa's natural resources. The policy of associating civil society, including parliamentarian, NGOs and small businesses in the whole process, has been very constructive. Local legislators should remain involved and briefed on regular basis by government officials. The Government of Chad should be encouraged to remain open and accountable. Exxon Mobil—which never gave up on Chad—and its new associates, Petronas and Chevron Texaco, should also be congratulated for their faith in a poor, landlocked country. Finally, the President of the World Bank deserves credit for his personal commitment to this project, of vital interest to the government and people of Chad. The environmental, governance and financial accountability standards set by the project not only help to ensure that it contributes to the well-being of the people of Chad, but also herald a new and welcome approach to energy development in Africa. Mr. Chairman allow me one last word. Frankly speaking, without this project, very few high level institutions such as the US House of Representatives would have paid a detailed attention to democracy and transparency in Chad and Cameroon. It is therefore thanks to this project that both countries' governance is under a fair scrutiny. If it were only for that precise reason, the pipeline deserves your full support.

I thank you for your attention.

Mr. ROYCE. Thank you, Ambassador, for your testimony. Let me ask you a question, because I think Mr. Rosenblum raises an important point. We are depending here on the ad hoc intervention of the World Bank in every instance. He has laid out how the executive branch has not exactly monitored this. We got your report this morning, Mr. Rosenblum, and you lay out some ways to monitor exactly how this will take place and I think those are important recommendations. I want to endorse some of your recommendations there, but let us talk about that for a moment. For the World Bank to audit the oil accounts in Chad is a new function. How is it going to work? How are we going to make certain that that ad hoc intervention continues to occur?

Your Excellency, what is your observation, Mr. Ould-Abdallah?

Mr. OULD-ABDALLAH. Thank you, Mr. Chairman. Personally I think that because the change in the international environment,

most African governments, including Chad, are more sensitive to hearings and questions like those we are witnessing today.

Mr. ROYCE. So this oversight is going to be of continued ongoing importance.

Mr. OULD-ABDALLAH. I think it will continue whether Deby is President or not. But the oversight is weak because the institutions and persons are still weak and inexperienced. So we need to strengthen them thus to keep helping them through the present arrangement. But if we put more conditionalities, the more corruption you have. We should have conditionalities, but not to overload, especially when the public service is ill-equipped: No computers or adequate staff advisors. They are just weak institutions in Chad, and in Africa.

Mr. ROYCE. What about resources? One of the observations that Peter Rosenblum made is that we could provide financial resources for that very audit condition. Now, that would not take from the budget in Chad if we are setting up a way that the World Bank provides these resources for an auditing country. Maybe we can hear from Mr. Rosenblum for a second about his concept along that line.

Mr. ROSENBLUM. Thank you, Mr. Chairman. I think it is possible to imagine various scenarios that would be economically feasible in which we could be leveraging small amounts of money. There is a great deal of initiative that local groups are willing to take, and I know from my own experience often that the presence of an international organization, whether it is the United Nations High Commissioner for Human Rights or a private NGO like International Human Rights Law Group, when it stations a few people in the country, is often in a position to work in a very productive way in capacity building and training and monitoring the conditions in the country and providing the kind of permanence and constancy that is otherwise missing in these ad hoc arrangements.

And I would only say then again I think it is important to provide that link with the international advisory group, which is such an exciting institutional innovation at the level of the World Bank and has made some wonderful recommendations but lacks that continuity.

Mr. ROYCE. Thinking for a minute about the conditions that we have with the World Bank now, given this monitoring role, do the witnesses here think that we should continue to evolve this structure? Should we continue to improve the monitoring and correct the lack of oversight. Would that be acceptable to other governments in the future? With the World Bank coming in with this as a conditionality, might this develop as a template? And let me ask Don Norland, what is your observation on that?

Mr. NORLAND. As I said in my testimony, each country is different. I, frankly, as I look around Africa am interested in Ambassador Ould-Abdallah's comments. I see very few countries that would be willing to make the same kind of concession of sovereignty that the government of Chad did.

Mr. ROYCE. On the other hand, it is a \$3.5 billion investment. There are going to be a lot of long-term benefits to a country if it accepts that.

Mr. NORLAND. And it has so few options. I think perhaps Mr. Rosenblum underestimates that the government of Chad has to do the right things on this subject, because of the great benefits that are promised.

Mr. ROYCE. Although, he has raised the point that the World Bank has had three occasions to step in and really remind the government.

Mr. NORLAND. Mr. Chairman, I think that the World Bank succeeded in changing the behavior of the government of Chad, the President specifically, on these three occasions is itself significant. I use the word leveraged. The World Bank has leverage that no other organization or entity has. And they have used that leverage—I happen to have the text of the World Bank announcements of the kind of leverage they use.

In the case of the 4.5 million that went to arms 2 years ago, the bank says, it explained to Chad that without the completion of these actions, the two institutions, that is the World Bank and IMF, could not propose debt relief for Chad under the HIPC program. That is leverage.

In the case of the World Bank's action to get 6 opposition candidates released, and I quote now from a press release, Wolfensohn's call carried the implicit threat that the bank withdraw support from a 3.7 billion oil pipeline Exxon Mobil project in Chad.

Those are real powerful incentives to do things differently, and I do believe that we need to review carefully the tremendous effort that the World Bank has made. I have documents here stacked up of the World Bank's effort to institutionalize these arrangements. I think the IAG is a fine organization, but it has been, to a large extent, institutionalized by the World Bank already. And I think there are steps being taken to institutionalize several of the other oversight revenue management institutions.

Mr. ROYCE. Let us just take a second to focus on what else the U.S. Government could do to help in this end. First, Ambassador, if you give me your views on that, and the specifics in terms of what we can do at this moment.

Mr. NORLAND. Well, I hesitate to try to prescribe further actions by the U.S. Government because we do not even have an aid mission in Chad at this time. I do not think our Peace Corps has returned. I look carefully at instruments we could use as leverage to make a serious contribution to the success of this program.

Mr. ROYCE. All very good points.

Mr. NORLAND. I would like very much to see, for example, more training of the key people developing skills to enhance capacity building, as they call it. This is one of the areas where I am confident in saying that the government of Chad welcomes additional U.S. Initiatives. But we have been lacking in the resources that are necessary to take those steps.

Mr. ROYCE. And let me ask Mr. Rosenblum, you laid out some prescriptions, now give us some other thoughts here, if you would.

Mr. ROSENBLUM. Thank you very much. Let me say that I think that this is the kind of conditionality we are talking about here, is conditionality on commitments that the government has already made. This is conditioning money on participation, transparency,

democracy, a functioning parliament. These are things that the government of Chad is already committed to, so this is not beating them with a stick to cut down on their public sector, cut back on health care, other things we saw in the past.

At the same time, the World Bank itself, in monitoring, cannot look at certain things. Capacity training, capacity building is excellent, but when the economists for the World Bank told me very matter of factly that, yes, the people getting capacity training were from the ethnic group of the President and so what, I was shocked, but at the same time the World Bank cannot ask those questions and cannot say what ethnic group are you from, what is happening, where others were trained in human rights monitoring.

I think this is a place where both the U.S., working through the World Bank and working independently, can have an effect. Why not allocate funds such that the World Bank project is linked into the UN High Commissioner for Human Rights? Why not think in terms of some of the NGOs from the United States and elsewhere who have been involved in these kinds of projects and have experience in helping to build the kind of networks? It has a magnifying capacity and it resonates.

Mr. ROYCE. I appreciate all the witnesses and their points. I am going to close with one last question and then go to Don Payne. I will ask Mr. Tom Walters, is there a chance that the oil revenues will flow to a Chad government that is unprepared to honor its commitments? We have talked a little bit about the World Bank's ad hoc involvement here. What is your view and what is your view to date of the World Bank's ability to keep some semblance of commitment to the original agreement?

Mr. WALTERS. We have had a lot of discussion about the oversight groups, and I do not think we really want to lose sight of the magnitude of the oversight that we have on this project relative to for sure anything we have experienced in our company. These groups are in Chad on at least a quarterly basis for one of them, and the IAG, while as it is not a regular process, is regularly active on the ground, you know, looking at this project. There has been a lot of discussion about the bank's ad hoc involvement, but yet the bank has committed funds for capacity building, and those funds are being doled out.

Now on the flip side, it is true, it is going to take a while for the governments to build their capacity. I mean they are starting from scratch in many cases. But the funds, the commitments are there. You know, some discussion about how should the U.S. Government be involved. It has the perfect conduit to work through the World Bank to help bolster all the efforts they have got in place right now.

In the meantime, these oversight groups play a lot of the role that I think many of you would like to see a government provide for a project like this. We provide a lot of that oversight by virtue of checking on our contractors. That is very much documented. That is very much out in the public domain. So I think what it is going to take is all of us working together. I mean a big part of what we think we can bring is a lot of the ethical behavior that we can portray to the government. We have been working with this government now for a good 10 years actively in putting together

these plans. And we do not back down and I think that education is going to have dividends over the long haul.

Mr. ROYCE. Thank you, Mr. Walters. I am going to go to Mr. Payne now, the Ranking Member, for his questions.

Mr. PAYNE. Thank you very much. Let me say that I think that this is a pretty balanced panel. Many instances we just get one side but I would like to commend our former ambassador and Your Excellency's experience in African affairs and to have the representative from the company and also Mr. Rosenblum on his research. So I am very pleased that we have an opportunity to have some of the discussion.

I tend to agree that I think this is somewhat a step in the right direction. I do not believe that we could have had this years ago. As I mentioned, the billion from Obasanjo. I do not know why he would put 2 billion in the bank in Switzerland because I do not know what you do with 2 billion when you do not even leave your compound in Abuja.

However, the fact that at least we have a government for whatever reason agreeing to these kinds of requests. And as you may or may not know, I guess, Mr. Walters, I was very, very critical of Shell and its behavior in Nigeria, the government allowing the military to use their equipment to bring actually some of their speedboats to catch some of the people protesting against the—their behavior in Ogoniland. So I am glad to see that the corporate responsibility in Africa and other developing countries also is stepping up to the plate.

It is difficult for a person to take money illegally for contracts, for example. I am excluding oil companies. I am not saying that is what you do. It is difficult for someone to take the money if no one is offering it to them. So we have to have this transparency of not only the third world leaders who have been accused and have in many instances shown corruption, but the corruptee also. In Germany it is a tax-deductible item that they are trying to change and may have changed, but you just put down how much you paid for the cost of getting that contract and it goes on your cost of doing business and is deductible in other European countries. It is not a crime. Whereas U.S. Companies have had, you know, very strict laws about that. So I think that this whole corporate responsibility is growing.

Secondly, I do agree with practically everything you said, Mr. Rosenblum. However, I do not totally agree that banks cannot really make a difference because they are not equipped to do it. We have seen it in the United States where banks redlined, just would not invest in inner cities during the 1950s and 1960s. They were not going to change. We made public policy. And there are changes now once we made the law. Now they do it because they know it is the right thing to do to end the redlining.

So if you got the money to give, you can make a difference. But I do think that there has to be a component, as you have mentioned. Perhaps they need to have more of a component of social services, human services or to use the many UN agencies that have that capacity and are charged to do that around the world. We even do the human rights watches, the State Department's annual

interview and reports on each country in the world and that is done by our State Department.

So I think that there are a lot of mechanisms that are possibly there to do. I would just perhaps like to ask does anyone know how the people of Chad in general feel about the project? Is it welcomed? I know there has been opposition from outside of the areas that was alluded to in one of the testimonies, but is it something that is welcomed by the people in the area?

And, secondly, I know there has been some work stoppages and I wonder what is the labor situation in light of—or what has provoked the strikes or job actions? Maybe you could do it, Mr. Walters.

Mr. WALTERS. First, if I could answer your question about what do the people of Chad think. I was fortunate in that I was able to go out in October of 2000 at a ground-breaking ceremony that we held in Chad and Cameroon and we were very fortunate to have the Presidents of both countries in attendance at both ground-breaking ceremonies. And in both cases a tremendous outpouring of people showed up at those events and I think it demonstrated to me the fact that from the vast majority of people, this project is very, very welcome. I mean without this project, I think people realize the desperate conditions that they are going to live within.

In terms of the issues, the biggest issue boils down to pay. It is not uncommon at all in Africa and, quite honestly, probably any place we do work, when work is there, people will always think that maybe I deserve a little bit more. Some of the issues around pay were just simple, like defining net pay to people because we withhold money for taxes and that in many of these countries is not common for people to experience. So we went through that education process early on and that resolved a number of the other issues, but I think we will always confront the issue of how much will we be paid for given work.

We do a lot of benchmarking and surveys in these countries to identify a common pay scale so we do not get outside the norm. It can cause problems more than it helps. That is the biggest issue we have on the labor side.

Mr. PAYNE. Let me just sort of conclude, because my time is running out. I would like to ask Ambassador Ould-Abdallah, we have heard this being unique. Maybe the circumstances were just right for these very impoverished countries, but my interest is, well, what about the future, what about other countries? What about the Africa Union or former AU? And I think you alluded to the fact that there was a meeting of some heads of state where they talked about this. Do you think that this is something an African leader like yourself or other prominent African leaders who believe in this could raise as a continuing debate and discussion and to attempt to actually impose this on other countries?

Like we said, we see the starving and the poverty and lack of health care when it could be a little bit better. Oil and diamonds are not going to put food on everyone's table and make roads in every city and clean water. However, it can go toward working against these abject conditions which currently exist.

So do you think that this may resonate, or do you feel there may be a group of leaders or—that can continually point to this and say

this is—that this might be the way to go to get more foreign investment?

Mr. OULD-ABDALLAH. Thank you, Mr. Congressman. Yes, I am convinced that this model is a good example because you have a good oversight in the making. The oversight could be improved on two conditions; one in the short-term if members of the oversight group are given long-term contracts so they know that they cannot be dismissed.

Second, the best leverage is continued training to make the institutions, especially the press, business associations, Chamber of Commerce feel part of a project so it makes them responsible for its sustainability and understand that it is not about President Deby but the population of Chad. I personally know very well, President Obasanjo, long before his return to government. South Africa is a different situation. They have a tradition of business, but Obasanjo is committed to transparency. It is not easy, as we all know, in Nigeria and it is thanks to his commitment and endurance and your overall support that Nigeria got back money siphoned by Abacha. In fact, in 2 years he got back more than 2 billion.

I think that the Chad project, if supported, will be a role model, not only on oil but on all large investment in Africa. People will know it is part of a way to work today, the same way we had dictatorship throughout the continent till 1991, 1992. We have much more transparency. Today we have 5 to 6 former head of states who live peacefully and travel peacefully. And this is new and demonstrates Africans capacity to adopt. So this project is going to be a model, if supported, and its critics like my friend, Rosenblum, are helpful. However, I personally think that local critics may contribute to improving local business and we need them, Mr. Congressman.

Mr. PAYNE. Thank you very much. Just one last issue and I will not—because no one here is representing the government, but I do hope that we do not see the disparity.

As you know, unfortunately religion becomes a part in some of these issues and it was touched on a little bit by Mr. Rosenblum but, as you know, in Sudan where the Africans—the Dantu people, the black people live, and the Christians and the animists area is where the resources are, but the government is giving absolutely nothing to them. Not only giving them nothing but, as I have indicated, holding food from them, using food as a weapon, abducting, using slavery, using modern weapons against innocent civilians. We do not want to see that.

I think that in addition to these things we have on the ground that I hope that the oil companies will keep an eye on the government which is run by the north, not compare it, of course, to the government of Sudan which I do not recognize. It is not a government. I hope this is diffused before it becomes a problem and the funds can be disbursed by population.

Mr. OULD-ABDALLAH. Mr. Congressman, I am very happy that you raise this question. I was the special representative of United Nations during the crisis in Burundi in 1993–95. It is a small country with a well educated population. They speak the same language, they have the same religion; however, they were killing each

other in Burundi and in Rwanda. We have Somalia. People with the same religion and same ethnic group, and they were fighting each other. Mr. Congressman, my sincere conviction is that it is more poverty and mismanagement than ethnicity or religion that are the root causes of violence. With a good model of transparency, and provided you keep convening hearings like this and you call on your European friends to do the same and also the leaders of Africa to do the same, there will be responsible governments to prevent social unrest, infighting, and civil war. It is the corruption and poverty, not ethnicity or religion, which are the root cause of violence, in my personal experience.

Mr. ROYCE. Congressman Payne, it is interesting that in Sudan should the environment ever occur where we actually believe the Sudanese government's overtures, one of the things they talked about is the willingness to set aside part of the oil revenues for the people of southern Sudan. I raised with the Special Envoy for Sudan, Senator Dansforth, the idea of looking at the Chad-Cameroon pipeline as sort of an example of something where the World Bank would audit, would make certain that the revenues were spent in an agreed-upon way. Tom Sheehy and I have had several conversations where we have tried to lay out for Senator Dansforth this concept to see if that can be put in motion, and I would like to talk to you later about it.

Mr. HILLIARD. I would like to be on the discussion, too.

Mr. ROYCE. Congressman Hilliard.

Mr. HILLIARD. First of all, let me thank you, because I think this is somewhat of an honor here and we do not generally have hearings based on projects. Generally there are other issues involved and it is always something that has happened after the fact or something we wish to prevent and it does not relate to economic development or especially on a particular project.

First of all, let me start by saying I like the model that I see shaping up, and perhaps a year or so ago, I was involved in looking at it from another standpoint. But I do have some concerns about some of the things I have been reading and some of the things I have heard, and perhaps some of them may not be correct and, if so, I would like to hear from the panel.

The question is, what are some of the short-term liabilities? And in reference to that, let me point out some of the things I have heard. I understand that there is a shortage of professionals, especially teachers and others, that have abandoned what they have been doing and seeking jobs in the area dealing with the pipeline. Not necessarily that that is good or bad, but I understand it is bad for those persons who need teachers and other professionals who cannot get them.

I also understand that there is some possibility of a boom-and-bust type situation, especially in the framework of the budget, having so much money available in a place where it has not been before, and the potential of greater income in the future creating some friction among those involved in trying to formulate a budget in the future.

I understand there are some problems in some of the framework that was in the agreement, and beyond that, I would like for someone to address what happens if the framework is not adhered to?

Does that mean that the World Bank would have some revocational powers or some suspension powers, some power to stop further loan activities in the region, in the country? And I would like for each one of you to address those, if you would, especially the one dealing with short-term liabilities.

Mr. WALTERS. Thank you, Congressman Hilliard. With regard to your first question about the school situation, we have heard the same reports and we have gone back to those schools that were identified to have problems and found that indeed the schools were still operational. There are teachers that were looking for jobs and were interested in jobs and some of those have come to the project, but that has not impacted the ability of the schools to continue to function.

Now one thing in learning from that experience is we are making sure we are getting out the message to people that the project construction activities are short-term in nature and they will go away, and we have encouraged particularly teachers to stay on the job because of that fact.

Now that kind of ties into your next question, the question of boom-and-bust, and I think that is really one of the beauties of the way this project was designed. We create a lot of jobs, a lot of indirect spin-off benefits from the project in the construction phase that generates a lot of jobs for people, a lot of money being pumped into the economy. What couples with that, then, is this revenue management plan. Once the construction activities are finished, there will still be some drilling work that continues to go on so there will still be many early project jobs, but now you are starting to generate the revenue, and that is essentially instantaneous, and the government will be able to see dollars from oil flowing through the pipeline. So that is how this comes together to hopefully prevent a boom-or-bust type environment in Chad or in Cameroon.

In terms of problems with the framework, I am probably the wrong one to ask since it took us a heck of a long time to put this deal together. I mean a lot of people have had comment on this thing, even trying to close it when we got serious about closing this thing. You have to realize that not only was the World Bank involved, U.S. Ex-Im Bank, COFAS in Europe, we had the European communities and about every agency in Washington talking to us about issues that they had when we were bringing this to closure. And one of the things that I think that really caused to occur at the very end was installation of this IAG group into the World Bank.

So I think through the collaborative efforts of everyone we put together what we think in the end is a pretty good agreement for all the parties involved.

Mr. NORLAND. I might just comment that one of the problems in this project is exaggerated expectations. This will have a great impact on the country, no question, but it will take time, and the actual process by which these revenues are going to be allocated is still under discussion. But to mitigate this problem of enhanced expectations, one of the things that was recommended very early on was a strategy of communications to keep the people informed about the status of the project, what they could expect, trying to hold them in their current jobs. I have seen broadcasts telling peo-

ple to stay home because they can till the soil, their products will be useful to the project, they should be sold or help to feed the people. That strategy of communications was not well implemented. And I even have the World Bank—a document on that subject in which they acknowledge this. They say it was too slow in being applied. I think progress has now been made. But that is a very important dimension of trying to, as I say, soften the expectations of the people in general.

You are right, there is inflation in the country. That is evident from reading the press. There is social disruption. There is an immigration, they call it, from other parts of the country that has serious implications, but it can be controlled. And I have noted in talking with World Bank and other people that there is awareness of this and a serious attempt to try to moderate the effects.

Mr. ROYCE. I guess the last word will go to Mr. Rosenblum.

Mr. ROSENBLUM. I will try to keep it short and pleasant. I think that all of the problems that we are seeing as short-term problems were problems that were being discussed 3 years ago as the project was being planned and it is the reason why many of the NGOs were asking for a moratorium. There are good reasons why there could not be a moratorium, but if you read the reports of the IAG, there is one thing they keep hammering on, that there is two speeds to this project, the pipeline moving forward but none of the infrastructure support for civil society or monitoring is going forward, and they point out that the government still has not given authorization to the EPOZOP, the group of peasants that represent the people on the ground.

The best protection we have, the best way of knowing what is going on on the ground is, that the people are allowed to speak, allowed to gather freely in order to tell us what is happening, and that is not happening, and we have to be aware of that. The glass could be half full as viewed by Mr. Ambassador. I see the half empty part and I am fearful we are setting ourselves up just for looking back, just as the IAG is telling us. In 2 years the money is flowing. It has been wasted away. The compensation has been spent. Two years ago when we talked about compensation, I spoke to people from Exxon Mobil and they said we have to have schemes in place with NGOs to make sure the people do not just get the money and spend it on drink or whatever else so it disappears. Those NGOs are not there and things are not happening, and we are in a dangerous, dangerous position of seeing the boom turn to a bust that will leave the United States there in the dust.

Mr. PAYNE. I would hope that we can talk to each other so we can try to prevent some of these things from turning the corner. I want to say I want to commend Exxon Mobil for its support of an educational project in Africa. The Discovery Channel is doing rural education through solar and all that, and I do want to at least compliment your company for supporting education, which is extremely difficult in the most rural parts, and it is being done through the support that you all have given to the Discovery Channel.

Mr. ROYCE. In closing, let me say that one of the issues that you have all brought up today is the importance of us continuing good oversight on this to make certain it does stay on this path. We are

committed to doing that and we are going to follow through on that. Congressman Payne and I will be in touch with you in the future. Let me at this moment thank you for taking the time to come over to DC to testify to us today and put together your reports, and we will circulate those. Thank you so much again. We are now adjourned until our next hearing.

[Whereupon, at 4 p.m., the Subcommittee was adjourned.]

