Statement by Bassary Touré, Executive Director
Date of Meeting: May 23, 2000


I welcome the discussion of the CAS for Chad and the two projects for Petroleum Development and Pipeline, Petroleum Sector Management Capacity Building Project for Chad, as well as Petroleum Environment Capacity Enhancement Project for Cameroon.

I highly commend the staff for the hard work they have gone through. The CAS paper and the project documents are indeed very well done, very informative and helpful. Also, on behalf of my Chadian authorities, I wish to appreciate and thank, very sincerely, the staff for the invaluable assistance provided in the context of the economic reforms program.

**Economic Reforms and Development Agenda**

As of the beginning of 1999, impressive progress has been achieved in fiscal consolidation and public financial management. In addition, the Government has continued to effectively implement its divestiture program. Indeed, after the completion of a three-year adjustment program, a significant progress was registered on key areas in terms of structural reforms, including privatization or the liquidation of the large majority of public enterprises. Nevertheless, the structural reform agenda remains focused on the private sector development, the administration efficiency and the economic management.

Within the framework of poverty reduction and growth facility agreement with the IMF, approved in January 2000, Chad is implementing a medium term strategy and a program for 1999-2000, that aims at achieving the transition from crisis management and fiscal stabilization to the implementation of economic and social policies for sustained development. The Chadian authorities are aware that great achievements towards poverty reduction need a comprehensive strategy for poverty reduction and an implementation of sound policies and
appropriate measures to strengthen the economic structure and to create a favorable environment paving thus the way to greater improvement and sustainable development. Hence, the key elements of the medium-term program include a poverty reduction strategy over the upcoming months, maintaining macroeconomic stability, consolidating the public finance situation and strengthening the efficiency of the public and financial administration, and also continuing with the remaining structural issues with a focus on private sector development.

Also, not to forget, progress has been recorded in non-economic areas as well. For example, the Government has successfully implemented a demobilization program that has downsized the army from 52,000 military personnel to 26,000, thus sharply reducing the military expenditures. The Chamber of Accounts of the Supreme Court has the mandate to auditing military expenditures. That has already started in September 1999, which is a clear sign of seriousness from the Government on how to maximize the best use of public resources for developmental impact.

Social Indicators

Poverty in Chad is endemic. Social indicators are the lowest in Sub-Saharan Africa. Life expectancy at birth is about 50 years. Vaccination coverage rates are very low and nearly 200 out of 1000 children die before the age of 5. Net primary enrollment rates, through sharply increasing over the last four years, are still very low, and literacy rate is within the lowest in the world. Access to safe water is limited to about ¼ of the population, etc. The depth and pervasiveness of poverty is striking, with a huge percentage of the population living with less a dollar per day. This project is not an oil project, but more importantly a project to fight poverty and misery. Poverty is so extreme that this huge country has just one main road of disengagement, and a limited number of phone lines (total number of lines for the whole country of 7 million people is less than the World Bank phone lines). Therefore, telecommunication and transport within and outside are real problems in Chad.

The Bank’s Assistance Strategy

This 1999 Bank’s assistance strategy is a very well conceived strategy in a broad participatory manner within Chadians and with partners, building on the development impact of the previous CAS. While the 1996 CAS has supported macroeconomic stabilization and market reforms, this CAS is focused on specific priorities spelled out by the Government in its strategic development options and in the context of PRSP process. A PRSP process has been initiated by the Government and has indeed given very significant momentum to the central role of poverty and participation in the Bank/Chad dialogue. Para. 10, page 3 of the CAS addendum captures the undertakings in that context and an interim PRSP is expected in the upcoming months, building on the pertaining discussions held in February 2000 in N’Djamena, Chad, with the full participation of development partners, and mainstreaming the conclusions of the national seminar/workshop on poverty reduction strategy organized in April 2000.

It is an adequate CAS, complemented by the addendum, which is indeed well in line with the Government’s development agenda and strategic objectives. As such, I am fully in
agreement with its content, and strongly support the CAS and addendum aiming at poverty reduction through the use and impact of future oil revenues.

Petroleum Development and Pipeline Project

Chad has an untapped quantity of oil. It is a blessing for a country living in a terrible misery. It is really a once in a lifetime opportunity to build on. Without those natural resources, there are no positive prospects for Chad, and in the best circumstances, it would take 35 years to get an income per capita of $460.00. Thus, we have at stake the future of Chad’s people, through this genuine economic breakthrough. The extreme poverty of the population and the limited human capacities and institutional weaknesses are the major challenges to be tackled by the Chadian Government. In this context, the Chadian authorities have declared poverty reduction the overriding objective of the oil resources utilization, and their policy framework emphasizes on priority spending for education, health, social affairs, infrastructures and rural development.

To ensure a transparent and efficient use of the future oil revenues, the government has developed, with Bank support, a far-reaching Oil Revenue Management Law. This law is virtually unique in the world and was adopted by the Chadian Parliament on December 31, 1998 to target oil revenues to priority sectors (Education, Health, Social Affairs, Infrastructure, Rural Development) in a manner to contribute to poverty alleviation. The Head of State has clearly and publicly stated that the oil exploitation project is dating since his youth time, almost about 30 years now. Since then it is a long awaiting. The control over the use of oil revenues is to be carried out separately or jointly by the Financial Controller of the Ministry of Finance, the college of Control and Monitoring of the oil revenues (CCOR), the Chamber of Accounts of the Supreme Court and the Parliament. Hence, development opportunities for the Chadians are at the core of the benefits and sustainability of these government’s planning actions. It is a unique opportunity for Chad to use its own resources to finance its own development. Oil revenues will be distributed according to the following terms: 90% will be deposited in a special account of the Treasury department to be opened in one or two primary commercial banks. 80% of these 90% will go to the priority sectors, (Education, Health, Social Affairs, Infrastructure, Rural Development), 15% allocated to the public administration functioning and investment expenditures, and 5% devoted to the decentralized communities of the oil producing region. The remaining 10% will be deposited in a financial institution savings account to benefit future generations. Furthermore, the first dollar revenue of oil will be available in four years. In the meantime, the capacity of both the civil society and the government will be strengthened for the oil management, and Chadians, and Chadians only, have enough time in between to revisit and improve any provision in the oil revenues management context, if necessary.

Also, I would like to underline the importance of the ownership, since it is a current and important concept in development operations. Chadians (Government, Parliament, civil society) have actively participated in the preparation of this development project to ensure their ownership. I wonder what meaning is given to ownership in this context? Moreover, the Bank Group staff has worked relentlessly for almost 8 years to finalize this project. What message are we giving to the staff for this hard and risky work and effort from their part, because
a blockage of the project could even jeopardize their own career as a matter of mistrust. This project is so important even for the sub-region of Central Africa and the whole continent. That is why African Heads of State have publicly and formally endorsed it at the Organization of African Unity (OAU) meeting in Algiers in July 1999, and in the meeting held in Libreville (Gabon) in February 2000. This fact should not be neglected in favor of letters and pamphlets received from people who even don’t know where Chad is and in which conditions Chadians are living. It seems to me that those people are unaware of poverty and misery of Chadians, because they have better standards of living (electricity, safe water, hospitals, good schools, roads).

Environmental Issues

Beside the usual environmental issues in Bank operations, an environmental assessment has been undertaken by the Government, with the Bank financing and under the supervision of a panel of experts. The Government, the Bank’s services, the private sponsors, NGOs and civil society have relentlessly reviewed the assessment documentation to ensure that it complies with the Bank’s environmental and social safeguard policies and guidelines. The proposed pipeline route has been revised to reflect the views of the Governments, local communities, and environmentalist specialists, and to minimize the impact of the pipeline construction and operation, notably by burying the pipeline rather than the aboveground. The highest possible standards of environmental protection are being observed, including offsetting measures for sensible habitats. The final revised documentation, in 19 volumes and more than 1000 pages, includes all the changes and revisions made by the Bank Group’s environmental experts as well as those by the independent panel of experts comprising environmental, health, and social science specialists. The final documents, probably the most comprehensive ever undertaken for a project of this type, were made available widely for public scrutiny in Chad and Cameroon and were accessible through the World Bank InfoShop since June 1999. Regarding the compensation and resettlement plans, the work has been efficiently done. No family has been involuntary displaced from its home and only 30 families will be resettled. These families have been compensated for everything. Peasants living in a terrible poverty situation received ploughs, tools and other equipment and monetary compensation. The compensation for affected areas is even sometimes excessive (for example a mango tree is compensated for 550,000 CFAF, $800.00 versus $20.00 in the local market). As far as health is concerned, a health management plan following the WHO guidelines has been adopted. Furthermore, Chad has even created a monitoring unit within the Ministry of Environment (Comité technique national de suivi et de contrôle) to that effect in view of developing capacity to manage environmental issues.

Governance and Human Rights in Chad

Governance problems in Chad stem from the youth of its democratic institutions and insufficient accountability and weak capacity. Chad is a post-conflict country after almost 35 years of generalized civil strife, and has had relatively little time to develop institutions able to manage satisfactory public resources. A more inclusive form of Government stated to materialize in the mid-1990s as conditions developed for a more peaceful and lasting resolution of internal disputes. Under the present administration, a serious effort of transition towards democracy has taken off and a measure of political stability has been achieved. During the last
electoral process, 70 political formations participated in the poll, and 11 parties are represented in the National Assembly. This project will run through neither from pigmy’s communities, nor from hunting grounds or cultural properties (graves, sacred sites). We may add that during the 7 years of preparation of this project, more than 900 meetings and consultations/participations, workshops and seminars were held to ensure appropriateness and adhesion. The Government has been pursuing a policy of national reconciliation aiming at bringing various political and military groups into the political process. In some cases, peace agreements with rebels have been signed and members joined the national army and civil service. Independent newspapers are writing freely and even lynching the Government every day. The UN Commission on Human rights has sent twice a team to Chad for a scrutiny of the situation and has issued a report dismissing all the derogatory information. The Chad case is not any longer on the table at the Geneva Office.

**Capacity Building Projects**

The three capacity building projects – two in Chad and one in Cameroon – will help to implement an improved public expenditure in Chad and bolster both countries’ capacity to implement environmental protection measures.

In Chad, the management of the Petroleum Economy Project, approved in January 2000, will help to build capacity to implement its future petroleum revenue management strategy. The Petroleum Sector Management Capacity Building project will strengthen the Government capacity to monitor implementation of the environmental management plan. In Cameroon, the Petroleum Environment Capacity enhancement project will strengthen the coordination capacity for environmental management, including field units to monitor project construction. It is indeed in that logic that these inter-linked projects are critical in mitigating risks associated with the development and implementation of the environmental management plan, as well as the implementation of the related revenue management plan.

To conclude, I wish to pinpoint that poverty reduction prospects in Chad are closely linked to how the Government will use its own resources from oil exploitation. Translating Chad’s oil revenues into services, which help the poor directly will be an important challenge. But, with my authorities’ firm commitment to that goal, I can assure you that poverty reduction is the cornerstone of the Chad’s agenda and strategy, and a development institution like the Bank must take up the challenge in helping Chad to achieve that goal. Therefore, I would very much appreciate Board members’ support to my authorities in their endeavor.

Thank you.