



OMBUDSMAN ASSESSMENT REPORT

Regarding Community and Civil Society concerns in relation to
the Chad-Cameroon Petroleum Development and Pipeline Project (#11125)
in Chad

October 2012

Office of the Compliance Advisor Ombudsman (CAO)
*for the International Finance Corporation and
Multilateral Investment Guarantee Agency*
www.cao-ombudsman.org

About the CAO

The Office of the Compliance Advisor Ombudsman (CAO) is the independent accountability mechanism for the International Finance Corporation (IFC) and the Multilateral Investment Guarantee Agency (MIGA), the private sector arms of the World Bank Group. The CAO reports directly to the President of the World Bank Group, and its mandate is to assist in addressing complaints from people affected by IFC/MIGA supported projects in a manner that is fair, objective and constructive and to enhance the social and environmental outcomes of those projects.

For more information, see www.cao-ombudsman.org

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LIST OF ACRONYMS

ADICAM	Association Pour Le Développement et la Défense des Intérêts du Canton Miandoum (Development and Advocacy Association for the Canton of Mandoum)
CAO	Compliance Advisor Ombudsman
COTCO	Cameroon Oil Transportation Company S.A
CPPN	Commission Permanente Pétrole de N'Djamena (N'Djamena Standing Committee on Oil)
CPPL	Commission Permanente Pétrole Locale (Local Standing Committee on Oil)
EPOZOP	Entente des Populations de la Zone Petroliere (Alliance of the Inhabitants of the Oil Fields Development Area)
EIB	European Investment Bank
ESSO	ESSO Exploration and Production Chad Inc.
GRAMPTC	Groupe de Recherches Alternatives et de Monitoring du Projet Pétrole Tchad-Cameroun (Group for Alternative Research of the Chad-Cameroon Oil Project)
IBRD	International Bank for Reconstruction and Development
IDA	International Development Association
IFC	International Finance Corporation
MIGA	Multilateral Investment Guarantee Agency
RESAP-MC	Réseau de Suivi des Activités Liées au Pétrole au Moyen-Chari (Network for the Monitoring of Petroleum related activities in Moyen-Chari)
ROSOC	Réseau des Organisations de la Société Civile (Network of Civil Society Organizations ROSOC)
TOTCO	Tchad Oil Transportation Company

1. Overview

In October 2011, Groupe de Recherches Alternatives et de Monitoring du Projet Pétrole Tchad-Cameroun (GRAMPTC) in collaboration with six other organizations, namely Association Pour le Développement et la Défense des Intérêts du Canton Miandoum (ADICAM), Commission Permanente Pétrole de N'Djamena (CPPN), Commission Permanente Pétrole Locale (CPPL), Entente des Populations de la Zone Petroliere (EPOZOP), Réseau de Suivi des Activités Liées au Pétrole au Moyen-Chari (RESAP-MC) and Réseau des Organisations de la Société Civile (ROSOC) (“Complainants”), filed a complaint to the CAO on behalf of local farmers and other community members affected by the Chad-Cameroon Petroleum Development and Pipeline Project (“Project”). The CAO determined that the complaint met its three eligibility criteria and so began the assessment of the complaint. Bringing to conclusion the CAO’s assessment, the complainants and representatives of the affected community and Esso Exploration and Production Chad Inc, and ExxonMobil subsidiary, (in its own capacity and as operator of the Upstream oilfield facilities and representing Esso Pipeline Investments Ltd as the largest shareholder in TOTCO) have agreed to participate in a voluntary dispute resolution process. This Assessment Report provides an overview of the assessment process, including a description of the project, the complaint, the assessment methodology, and next steps.

2. Background

2.1 The Project

The Project involves the construction of a 1070 kilometer (km) pipeline to transport crude oil from three fields in south western Chad to a floating facility 11 km off the Cameroon coast. The pipeline was completed and “first oil” was achieved in July 2003. The complaint is related to the construction of the pipeline, associated facilities and infrastructure, including the Upstream Oilfield development activities and impacts which have continued after the construction of the pipeline.

The Project is classified as a Category A project according to the World Bank and International Finance Corporation (IFC) environmental and social review procedures. The IFC’s investment consists of a US\$100 million loan from its own account (A Loan) and a \$100 million loan (B Loan) syndicated to over 15 commercial banks. Other World Bank Group support included IBRD loans to the governments (\$39.5 million to Chad, \$53.4 million to Cameroon) to support their equity contributions to the project companies, as well as IDA funding of over \$40 million for a capacity building program for the governments.

A consortium of three oil companies, comprising of indirectly wholly owned affiliates of Exxon Mobil Corporation (“ExxonMobil”) (40 percent), Petroliam Nasional Berhad (“Petronas”) (35 percent) and Chevron Corporation (“Chevron”) (25 percent) funded the oilfield development at a cost of approximately \$1.9 billion from their own resources in proportion to their respective ownership interest.

The two pipeline companies to which the IFC has lent capital are TOTCO (a special purpose-company incorporated in Chad as a joint-venture between affiliates of ExxonMobil, Petronas, Chevron and the Government of Chad, which owns and operates the Chadian portion of the pipeline, and COTCO (a special purpose company incorporated in Cameroon as a joint venture between affiliates of ExxonMobil, Petronas, Chevron, the Government of Cameroon and the Government of Chad) which owns and operates the Cameroonian portion of the pipeline.

2.2 The Complaint

In October 2011, the Complainants filed a complaint to the CAO on behalf of local farmers and other community members affected by the Project. The Complainants claim to represent a total of 125 individuals and 25 communities consisting of 25,220 people on the Chadian side of the Project and the concerns raised relate to a number of environmental and social issues, including poverty exacerbation, land pressure and loss of livelihood, land and water pollution, inadequate compensation, and the lack of adequate monitoring and assessment mechanisms. A more detailed summary of issues is presented in Section 3.

3 Assessment Summary

The purpose of this CAO assessment is to clarify the issues and concerns raised by the Complainants, to gather information on how other stakeholders see the situation, particularly ESSO, and to confirm whether the Complainants and ESSO are willing to engage in a dispute resolution process. The CAO does not gather information to make a judgment on the merits of the complaint during its assessment.

The CAO assessment of the complaint consisted of:

- reviewing project documents;
- conducting public meetings with members from the affected communities;
- conducting confidential bilateral meetings with the Complainants and affected community representatives and ESSO representatives;
- meeting other relevant stakeholders, including the Ministry of Energy and Petroleum; and
- a project site visit.

A schedule of site visits and meetings conducted is included as Annex A.

Based on the original complaint and further stakeholder discussions undertaken prior to and during CAO's assessment trips, below are macro and micro elements of the concerns raised by the Complainants and affected community representatives:

MACRO THEME	MICRO ELEMENTS
Land expropriation	<ul style="list-style-type: none"> • Land taken for oil field development resulting in insufficient land for farming activity • Large areas of land excavated for soil left unrestored, with burying of production waste rendering soil unsuitable for farming. Water accumulation in rainy season – drowning of cattle and children • Private roads built to service the company cut across traditional roads used. No public transport allowed on private roads. Difficult for communities to access health care • Most sub-contractors recruited for the project are foreigners who upon expiration of their contracts do not leave the area. These people stay back, create new villages, and demand to be recognized as distinctive separate entities from the existing villages.
Environmental degradation	<ul style="list-style-type: none"> • Water pollution – no drinking water, no fish in local rivers,

MACRO THEME	MICRO ELEMENTS
	<p>diseases from contact with water</p> <ul style="list-style-type: none"> • Areas of water accumulation killing trees • Water extracted from oil drilling pumped back into land • Water taken from local rivers for drilling activities • Clearing area of trees has raised temperature in the area • Fruit trees do not bear fruit, difficult to grow productive crops • Damages to livestock
Employment practices	<ul style="list-style-type: none"> • Influx of foreigners leading to land conflict • Employees not recruited from the local community • Women employed to clear area for drills paid 40,000 Central African Franc (CFA) per month – too little • Some local community members trained but with no appropriate support measures to implement the training to be operational
Security	<ul style="list-style-type: none"> • Pipeline protected by gendarme (government military) who are controlled directly by the presidential guard. • Constant presence of armed patrols. And the use of excessive force • Unease amongst villagers • Inability to move between villages for fear of being accused of theft. Prevents traditional migration between villages, forcing young men to look for wives within immediate village. • Inability to hunt • Village chief arrested if suspected thief comes from their village. Pressure placed on chief to find the thief • Communities not involved in the security system (no recruitment of the local young people) but pressure put on them or even arrested when there is a security problem
Lack of public social services	<ul style="list-style-type: none"> • Uncompleted schools and lack of qualified teachers • Limited access to potable water. Few wells have been built which are no longer operational. • Limited access to health centers • No electricity and lack of good roads
Unfulfilled promises	<ul style="list-style-type: none"> • No visible signs of development. No real benefit to the community • No schools, health care centers • No employment from local communities • Some agreed projects are eventually not implemented due to insufficient funds
Remedies	<ul style="list-style-type: none"> • Community compensation scheme defective, e.g. giving cows when community member has no land to plough • Unilateral determination regarding what is required as compensation • Inflated values attached to infrastructure built as compensation (e.g. 27 millions CFA for two classrooms, 11 millions CFA for a grain machine) – community has no input in how this is determined and no access to actual expenditure figures • No knowledge regarding what is going on or how things work • The 5 percent of oil revenue to implement development projects in the oil producing areas are managed without consultation with the affected communities. Instead, it is alleged that the money is used in developing other areas and

MACRO THEME	MICRO ELEMENTS
	big cities in Chad.

ESSO has raised concerns about the breadth of the issues contained in the complaint and the fact that there are certain issues about which ESSO has no leverage and/or control, such as any issues leveled against the Chadian Government.

While not admitting liability for any of the issues raised in the complaint, ESSO is willing to engage in a dispute resolution process facilitated by the CAO and, as such, is receptive to a structured open discussion with the Complainants. ESSO expects that the perspectives of all parties representing the welfare of the population in the oilfield area will be incorporated into the process.

The Complainants and affected community representatives have also indicated a willingness to engage in a dispute resolution process facilitated by the CAO (see Annex B for CAO’s complaint handling process).

4 Next Steps

The Complainants, affected community representatives and ESSO have agreed to engage in a voluntary dispute resolution process. The CAO will facilitate this process and, as a preliminary step, will engage with the parties on the setting of ground rules to guide the process. This will include agreement regarding, inter alia, representation, confidentiality, and the status of any other dispute resolution processes in which either party may already be engaged and which pertains to the same or similar issues raised in the complaint. The parties will also need to agree on the issues which the dispute resolution process will be designed to address.

Annex A. Schedule of Site Visits and Meetings in Chad

Date	Participants	Location
2/27/2012	ESSO and CAO	ESSO Offices, N'Djamena, Chad
2/27/2012	Affected community representatives and CAO	Public hall, N'Djamena, Chad
2/28/2012	Community members and CAO	Bero Canton, Chad
2/28/2012	Community members and CAO	Kome, Chad
2/28/2012	Complainant representatives and CAO	Moundou, Chad
2/29/2012	Community members and CAO	Village Moundouli, Chad
2/29/2012	Community members and CAO	Village Ngalaba, Chad
3/2/2012	Ministry of Petroleum and CAO	N'Djamena, Chad
3/2/2012	ESSO and CAO	ESSO Offices, N'Djamena, Chad
5/20/2012	Complainant representatives and CAO	N'Djamena, Chad
5/21/2012	Swissaid, Intermon (Oxfam) and CAO	N'djamena, Chad
5/21/2012	CDDL and CAO	N'Djamena, Chad
5/22/2012	ESSO and CAO	N'Djamena, Chad
5/22/2012	Complainant representatives and CAO	N'Djamena, Chad

Annex B. CAO Complaints Handling Process

The Office of the Compliance Advisor Ombudsman (CAO) is the independent accountability and recourse mechanism for the International Finance Corporation (IFC) and the Multilateral Investment Guarantee Agency (MIGA), the private sector arms of the World Bank Group. The CAO reports directly to the President of the World Bank Group, and its mandate is to assist in addressing complaints from people affected by IFC/MIGA supported projects in a manner that is fair, objective, and constructive and to enhance the social and environmental outcomes of those projects.

The CAO assessment is conducted by CAO's Ombudsman function. The purpose of CAO's assessment is to: (1) clarify the issues and concerns raised by the complainant(s); (2) gather information on how other stakeholders see the situation; and (3) to help the CAO Ombudsman and the stakeholders determine whether and how they might be able to resolve the issues raised in the complaint.

This document is a preliminary record of the views heard by the CAO team, and explanations of next steps. *This report does not make any judgment on the merits of the complaint.*

As per CAO's Operational Guidelines,¹ the following steps are typically followed in response to a complaint that is received:

Step 1: **Acknowledgement** of receipt of the complaint

Step 2: **Eligibility:** Determination of the complaint's eligibility for assessment under the mandate of the CAO (no more than 15 working days)

Step 3: **Ombudsman assessment:** Assessment of the issues and provide support to stakeholders in understanding and determining whether a collaborative solution is possible through a facilitated process by CAO Ombudsman, or whether the case should be transfer to CAO Compliance for appraisal of IFC's/MIGA's social and environmental performance. The assessment time can take up to a maximum of 120 working days.

Step 4: **Facilitating settlement:** If the CAO Ombudsman process continues, this phase involves initiation of a dispute resolution process (typically based or initiated by a Memorandum of Understanding and/or a mutually agreed upon ground rules between the parties) through facilitation/mediation, joint fact-finding, or other agreed resolution process, leading to a settlement agreement or other mutually agreed and appropriate goal. The major objective of problem-solving approaches will be to address the issues raised in the complaint, and any other significant issues relevant to the complaint that were identified during the assessment or the problem-solving process, in a way that is acceptable to the parties affected.

OR

¹ For more details on the role and work of the CAO, please refer to the full Operational Guidelines: <http://www.cao-ombudsman.org/about/whoweare/index.html>

Compliance Appraisal/Audit: If a collaborative resolution is not possible², CAO Compliance will initiate an appraisal of IFC's/MIGA's social and environmental due diligence of the project in question to determine whether a compliance audit of IFC's/MIGA's involvement in the project is merited.

Step 5: **Monitoring** and follow-up

Step 6: **Conclusion/Case closure**

² Where stakeholders are unable to resolve the issues through a collaborative process within an agreed time frame, the CAO Ombudsman will first seek to assist the stakeholders in breaking through impasse(s). If this is not possible, the CAO will inform the stakeholders, including IFC/MIGA staff, the President and Board of the World Bank Group, and the public, that CAO Ombudsman has concluded its involvement in the complaint, and that it is being transferred to CAO Compliance for appraisal.