



**May 27, 2020**  
*Office of the Compliance Advisor Ombudsman (CAO)*

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## **COMPLIANCE APPRAISAL: SUMMARY OF RESULTS**

*Chad-Cameroon Petroleum Development and Pipeline Project (IFC Project # 4338, 11125)  
Chad*

### *Complaint 03*

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In June 2000, the IFC Board approved an investment in the Chad-Cameroon Petroleum Development and Pipeline Project, which included the construction of an underground oil pipeline from south western Chad to the Cameroon coast. The project was part of a broader engagement by the World Bank Group to support the Chad and Cameroon governments to enhance the development benefits of oil production.

In 2011, neighboring communities to the Chad portion of the pipeline filed a complaint to CAO claiming negative impacts from the project. After a dispute resolution process facilitated by CAO (2012 – 2020), remaining issues concerning public security and oil revenue allocation were transferred in 2020 to CAO's compliance function. Regarding public security forces, the complainants allege that military police, who also provided security for the project, were responsible for imposing unfair restrictions on the freedom of movement of the local population, arbitrary arrests and physical abuse. Regarding oil revenue allocation, the complainants argue a lack of "trickle-down effects from the project" and claim that the oil producing communities have not benefited from the share of oil revenues that was meant to be allocated to them according to Chad law.

The purpose of a CAO compliance appraisal is to ensure that compliance investigations are initiated only in relation to projects that raise substantial concerns regarding E&S outcomes and/or issues of systemic importance to IFC. In deciding whether to initiate an investigation, CAO weighs factors including the magnitude of the E&S concerns raised in a complaint, results of a preliminary review of IFC's E&S performance in relation to these issues, the existence of questions as to the adequacy of IFC's requirements, and a more general assessment of whether a compliance investigation is the appropriate response in the circumstances. In this case, CAO concludes that a compliance investigation is not warranted in relation to the issues that were transferred to CAO's compliance function for appraisal.

In reaching this decision, CAO notes first that allocation of oil revenue in Chad was a government responsibility, and supervision of revenue management arrangements was an IBRD responsibility, as agreed during project preparation between IFC and IBRD. Neither IFC nor its client had responsibility for this issue and no specific IFC requirements existed for the management of extractive industries revenues at the time the project was approved. Therefore, CAO considers that this aspect of the complaint issue falls outside of the scope of CAO's compliance review.

Second, during project supervision, IFC identified risks and impacts related to the military police's interactions with local communities and provided guidance to the client on how to address these

issues. The security-related impacts raised by the complainants are serious in nature and CAO has questions as to the extent of IFC's supervision in relation to this issue. However, this project was approved at a time when IFC's E&S framework did not contain specific requirements regarding security-related risks, and therefore there were no specific compliance requirements for the client in relation to these issues. CAO also notes that the complainants' concerns focus on the actions of public security forces over which the client did not have direct control. Finally, CAO notes that the CAO Dispute Resolution Conclusion Report, issued in January 2020, indicated that complainants reported a marked improvement regarding security issues. Due to a "reduction in theft from the company and a relaxation of governmental security check", the Conclusion Report noted that the local population felt that it could now move around the area more freely.

In these circumstances, and considering that IFC exited the project in 2012, CAO finds that a compliance investigation would have limited value. As a result, in accordance with its Operational Guidelines, CAO has decided to close this case.

## **About CAO**

*CAO's mission is to serve as a fair, trusted, and effective independent recourse mechanism and to improve the environmental and social accountability of IFC and MIGA.*

CAO (Office of the Compliance Advisor Ombudsman) is an independent post that reports directly to the President of the World Bank Group. CAO reviews complaints from communities affected by development projects undertaken by the two private sector arms of the World Bank Group, the International Finance Corporation (IFC) and the Multilateral Investment Guarantee Agency (MIGA).

For more information about CAO, please visit [www.cao-ombudsman.org](http://www.cao-ombudsman.org)

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## Acronyms

<b>Acronym</b>	<b>Definition</b>
CAO	Office of the Compliance Advisor Ombudsman (IFC and MIGA)
CCSRP	Oil Revenue Monitoring and Oversight Committee
COTCO	Cameroon Oil Transportation Company
E&S	Environmental and Social
EA	Environmental Assessment
ECMG	External Compliance Monitoring Group
EEPCI	Esso Exploration and Production Chad Inc
EMP	Environmental Management Plan
ESRP	Environmental and Social Review Procedures
GRAMPTC	Groupe de Recherches Alternatives et de Monitoring du Projet Pétrole Tchad Cameroun (Chadian Civil Society Organization)
IAG	International Advisory Group
IBRD	International Bank for Reconstruction and Development
IDA	International Development Association
IFC	International Finance Corporation
MIGA	Multilateral Investment Guarantee Agency
OP 4.01	World Bank Operational Policy 4.01 on Environmental Assessment
PRML	Petroleum Revenue Management Law
PS	Performance Standards (IFC)
TOTCO	Tchad Oil Transportation Company

## I. Overview of the Compliance Appraisal Process

When CAO receives a complaint about an IFC or MIGA project, the complaint is referred for assessment. If CAO concludes that the parties are not willing or able to reach a facilitated solution, the case is transferred to the CAO compliance function for appraisal and potential investigation.

A compliance appraisal also can be triggered by the CAO vice president, IFC/MIGA management, or the president of the World Bank Group.

The focus of the CAO compliance function is on IFC and MIGA, not their client. This applies to all IFC's business activities, including the real sector, financial markets and advisory. CAO assesses how IFC/MIGA assured itself/themselves of the performance of its business activity or advice, as well as whether the outcomes of the business activity or advice are consistent with the intent of the relevant policy provisions. In many cases, however, in assessing the performance of the project and IFC's/MIGA's implementation of measures to meet the relevant requirements, it will be necessary for CAO to review the actions of the client and verify outcomes in the field.

In order to decide whether a compliance investigation is warranted, CAO first conducts a compliance appraisal. The purpose of the compliance appraisal process is to ensure that compliance investigations are initiated only for those projects that raise substantial concerns regarding environmental and/or social outcomes, and/or issues of systemic importance to IFC/MIGA.

To guide the compliance appraisal process, CAO applies several basic criteria. These criteria test the value of undertaking a compliance investigation, as CAO seeks to determine whether:

- There is evidence of potentially significant adverse environmental and/or social outcome(s) now, or in the future.
- There are indications that a policy or other appraisal criteria may not have been adhered to or properly applied by IFC/MIGA.
- There is evidence that indicates that IFC's/MIGA's provisions, whether or not complied with, have failed to provide an adequate level of protection.

In conducting the appraisal, CAO will engage with the IFC/MIGA team working with the specific project and other stakeholders to understand which criteria IFC/MIGA used to assure itself/themselves of the performance of the project, how IFC/MIGA assured itself/themselves of compliance with these criteria, how IFC/MIGA assured itself/themselves that these provisions provided an adequate level of protection, and, generally, whether a compliance investigation is the appropriate response. After a compliance appraisal has been completed, CAO can close the case or initiate a compliance investigation of IFC or MIGA.

Once CAO concludes a compliance appraisal, it will advise IFC/MIGA, the World Bank Group President, and the Board in writing. If a compliance appraisal results from a case transferred from CAO's dispute resolution, the complainant will also be advised in writing. A summary of all appraisal results will be made public. If CAO decides to initiate a compliance investigation as a result of the compliance appraisal, CAO will draw up terms of reference for the compliance investigation in accordance with CAO's Operational Guidelines.

## II. Background

### Investment

The Chad-Cameroon Petroleum Development and Pipeline Project (“the project”) included the construction of a 1,070 km underground pipeline to transport crude oil from three fields in the Doba basin, in south western Chad, to a floating facility 11 km off the Cameroon coast at Kribi. An investment in the project was approved by the International Finance Corporation (IFC) Board in June 2000, and included a US \$100 million A Loan and up to US \$300 million syndicated B Loans<sup>1</sup> to the Tchad Oil Transportation Company (TOTCO)<sup>2</sup> and the Cameroon Oil Transportation Company (COTCO),<sup>3</sup> both incorporated to build and operate the pipeline in Chad and Cameroon respectively. IFC’s first disbursement was processed in August 2001. The pipeline was completed and “first oil” from the Doba Basin to the Cameroon offshore facility was achieved in 2003. In December 2012, TOTCO made an early repayment of the IFC loan, therefore ending IFC’s involvement in the project.

At the time the project was conceived, Chad was one of the least developed and poorest countries in the world.<sup>4</sup> Chad had also experienced political instability and internal conflict and grappled with security challenges associated with conflicts in bordering countries and a high influx of refugees. The IFC project was part of a comprehensive World Bank Group engagement, which included joint efforts by IFC, the International Bank for Reconstruction and Development (IBRD) and the International Development Association (IDA) in order to enhance the development benefits of oil production in Chad. IBRD provided loans to Chad and Cameroon to finance their respective equity participations in the pipeline companies,<sup>5</sup> and IDA provided loans to both countries to support capacity building projects to manage the oil sector, as well as for a project to improve transparency, public expenditure and budgeting systems in Chad.<sup>6</sup>

### Complaint and CAO Dispute Resolution Process

In October 2011, a Chadian organization named *Groupe de Recherches Alternatives et de Monitoring du Projet Pétrole Tchad Cameroun* (GRAMPTC) and six other civil society organizations<sup>7</sup> filed a complaint to CAO on behalf of 25,220 people who live in 25 villages neighboring the Doba oil fields and the Chad portion of the pipeline.<sup>8</sup>

The complaint refers to alleged individual and collective negative impacts resulting from the oil development and pipeline project, which include environmental impacts (e.g. land and water pollution), land issues and loss of livelihood for farmers, inadequate compensation, social impacts, lack of adequate grievance and monitoring mechanisms, security-related issues, and poverty exacerbation. The complaint was deemed eligible and, between 2012 and 2020, the

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<sup>1</sup> IFC Project Information and Data Portal. Chad-Cameroon Petroleum Development and Pipeline Project. <https://bit.ly/2W4vrh0>

<sup>2</sup> TOTCO is a Chadian joint-venture between affiliates of Exxon Mobil, Petronas, Chevron and the Government of Chad.

<sup>3</sup> COTCO is a Cameroonian joint venture between affiliates of ExxonMobil, Petronas, Chevron, the Government of Cameroon and the Government of Chad.

<sup>4</sup> Project Appraisal Document on proposed IBRD loans to Chad and Cameroon, and on IFC loan to TOTCO and COTCO. April 13, 2000. Available: <https://bit.ly/2SFoQr1>

<sup>5</sup> IBRD Loan 4558 for US\$39.5 million; Project Appraisal Document (April 13, 2000), Available: <https://bit.ly/2SFoQr1>

<sup>6</sup> Chad Petroleum Sector Management Capacity-Building Project: IDA Credit 3373 for US\$23.7 million, Project Appraisal Document (March 30, 2000), Available: <https://bit.ly/3ca6ruf>; Chad Petroleum Economy Management Project: IDA Credit 3316 for US\$17.5 million, Project Appraisal Document (December 29, 1999), Available: <https://bit.ly/3dkKqSc>

<sup>7</sup> 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 Pétrolière (EPOZOP), Réseau de Suivi des Activités Liées au Pétrole au Moyen-Chari (RESAP-MC) and Réseau des Organisations de la Société Civile (ROSOC).

<sup>8</sup> CAO Complaint – Chad-Cameroon Pipeline-03/Chad, October 11, 2011 – <https://bit.ly/3fi1OjT>

complainants, representatives of the affected community, and Esso Exploration and Production Chad Inc (EPCCI)<sup>9</sup> participated in a voluntary dispute resolution process facilitated by CAO. The parties identified priority issues and defined a negotiation agenda that included the following topics: land use, compensation, access to jobs and migration of employment seekers, environmental impact, and insufficient concrete signs of sustainable development.<sup>10</sup> Issues regarding security and resource management for development were not addressed during the dispute resolution process, as the parties agreed that government participation was required to address these topics and considered that this was not feasible at the time.<sup>11</sup> In January 2020, as the dispute resolution process concluded, these remaining issues were transferred to CAO's compliance function for appraisal of IFC's performance:

- *Security-related issues:* The complaint raises concerns regarding increased presence of police and the company's private security personnel in the project area. According to the complaint, local communities suffered abuses from military police, including arbitrary accusations of theft, arbitrary arrests, physical abuse, harassment and attempted rape of women. Local communities also express their concern for not being recruited to take part on the security system.
- *Poverty exacerbation:* The complainants argue a lack of "trickle-down effects from the project". They allege that there are poor development indicators in the oil producing region in Chad and the 5% of oil revenue that was to be allocated to producing regions has not been used for schools, dispensaries, drinking water infrastructure, health services or roads.

### III. Analysis

This section first outlines the applicable environmental and social (E&S) framework for IFC's investment in the project. Secondly, a summary of IFC's E&S appraisal and supervision of the project is presented. The key question for CAO is whether IFC exercised due diligence in its review and supervision of the E&S risks and impacts of the project in relation to the concerns raised in the complaint.

#### **Applicable E&S Framework**

The E&S policies and guidelines used for the preparation of this project included the 1999 World Bank Operational Policies<sup>12</sup> as well as the IFC Environmental Review Procedure.<sup>13</sup> According to Operational Policy 4.01 on Environmental Assessment (OP 4.01),<sup>14</sup> projects proposed for financing required an environmental assessment (EA) which included an evaluation of environmental risks and impacts, the examination of project alternatives, and the identification of measures or project designs that could prevent, minimize, mitigate or compensate adverse environmental impacts and enhance positive impacts.<sup>15</sup> IFC was expected to undertake environmental screening to determine the type and extent of the EA (conducted by the client)

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<sup>9</sup> EPCCI is an ExxonMobil subsidiary, operator of the upstream oilfield facilities and representative of Esso Pipeline Investments Ltd as the largest shareholder in TOTCO.

<sup>10</sup> CAO First Progress Report. Chad/Chad-Cameroon Pipeline-03/Chad. January 2014. <https://bit.ly/2WsaJlT>

<sup>11</sup> CAO Conclusion Report. Chad/Chad-Cameroon Pipeline-03/Chad. January 2020. <https://bit.ly/2L3NHAF>

<sup>12</sup> World Bank, Operational Manual, OP 4.01 - Environmental Assessment (January 1999). <https://bit.ly/3cjLE7P>

<sup>13</sup> Environmental Analysis and Review of Projects (IFC, 1993); Environmental and Social Review Procedure (IFC, 1998). <https://bit.ly/2KZv5BY>

<sup>14</sup> World Bank, Operational Manual, OP 4.01 - Environmental Assessment (January 1999). <https://bit.ly/3cjLE7P>

<sup>15</sup> *Ibid.*, para. 2. <https://bit.ly/3cjLE7P>

depending on “the type, location, sensitivity, and scale of the project and the nature and magnitude of its potential environmental impacts.”<sup>16</sup>

OP 4.01 established that IFC’s supervision of a project’s E&S aspects was to be based on the findings and recommendations of the EA and the measures set out on the corresponding Environmental Management Plan (EMP).<sup>17</sup> During project implementation, the client was to report on compliance with the agreed EMP, the status of mitigation measures and the findings of monitoring programs.<sup>18</sup>

IFC’s supervision activities for the project extended until December 2012, when the loan was fully re-paid, and IFC’s involvement in the project came to an end. During the project implementation period, IFC adopted new frameworks and guidelines for sustainable development and management of E&S risks and impacts (the 2006 and 2012 Sustainability Policy and Performance Standards). These frameworks were applicable to investments that went through IFC’s initial credit review after the date of their entry into force<sup>19</sup> and did not become contractual requirements for the client in the case of the Chad-Cameroon Pipeline Project, as the loan agreement preceded their adoption. IFC’s Environmental and Social Review Procedures (ESRP), however, are regularly updated and required IFC to supervise its client with reference to its updated standards, even though these standards were not binding on the client.

The 2006 Policy on Social and Environmental Sustainability (2006 Policy) states that the “do no harm” approach is a central aspect to IFC’s development mission and, therefore, “negative impacts should be avoided where possible, and if these impacts are unavoidable, they should be reduced, mitigated or compensated for appropriately” (para. 8). The 2006 Policy further determines that IFC’s role is to “assist the client in developing measures to avoid, minimize, mitigate or compensate for social and environmental impacts consistent with the Performance Standards (PS)”, including significant impacts associated with the project that were caused by others (para. 13). IFC’s monitoring activities include conducting site visits, reviewing performance improvement opportunities with the client, and working with the client to address adverse impacts resulting from changed project circumstances (para. 26).

Unlike the previous version, the 2006 Framework included specific requirements to assess and mitigate impacts associated with the engagement of security personnel, including government security personnel deployed to provide security services for the client (PS4, para. 14). It also included provisions on the management of extractive industries revenues (Sustainability Policy, para. 22).

### **IFC’s Pre-Investment Review and Supervision**

The project was categorized as a type A project, which corresponds to projects that are “likely to have significant adverse environmental impacts that are sensitive, diverse or unprecedented.”<sup>20</sup> Following the EA requirements for type A projects as presented in OP 4.01, the EA prepared by the client considered alternatives for the pipeline corridor and evaluated impacts related to the selection of the right-of-way, land use and habitat modification, as well as socioeconomic impacts, effects on indigenous peoples, and oil spill contingencies.

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<sup>16</sup> *Ibid.*, para. 8

<sup>17</sup> *Ibid.*, para. 20

<sup>18</sup> *Ibid.*

<sup>19</sup> “The 2006 edition of IFC’s Sustainability Framework applies to investments that go through IFC’s initial credit review process from April 30, 2006 to December 31, 2011 (...) The 2012 edition of IFC’s Sustainability Framework applies to all investment and advisory clients whose projects go through IFC’s initial credit review process after January 1, 2012”. <https://bit.ly/2zgafl>

<sup>20</sup> OP 4.01 Policy on Environmental Assessment (October 1998), para. 8. <https://bit.ly/3cjLE7P>

An EMP, which addressed all phases of the project, including design, construction and operation, integrated the EA's findings and outlined specific obligations for the parties to the project (the Republic of Chad, EEPIC and TOTCO) in order to prevent or minimize biophysical, socioeconomic, and health issues or impacts.

Besides the requirement for the client to monitor its own and its contractors' compliance with the EMP and to submit quarterly reports, IFC contracted an External Compliance Monitoring Group (ECMG).<sup>21</sup> The ECMG conducted periodic site visits (quarterly during the construction period and annually thereafter), liaised and consulted with local stakeholders in order to monitor compliance with the EMP, and provided advice and recommendations for improving E&S performance. The ECMG's work supported IFC's supervision of the project, which also included periodic site supervision visits by IFC staff, and discussion and review with the client of actions related to the project's compliance with the EMP.

### ***Claims Regarding Oil Revenue Allocation***

The complainants assert that government revenues received as a result of the oil project have not had any "trickle-down effects". According to the complaint, almost none of the villages in the oil producing region had benefited from the 5% share of oil revenues that was meant to be allocated to them according to Chad law.<sup>22</sup> The complainants assert that investment decisions had been taken without the beneficiaries' participation and without considering their needs and priorities.<sup>23</sup> Moreover, they claim a lack of investment for social and economic development, as well as a lack of basic infrastructure such as schools, dispensaries, roads and drinking water supplies.

The EA, presented by the client as part of project preparation, identified the risk of inequitable distribution of the project benefits that would be received by the Chad government, indicating that concerns were raised during the consultation process, and citing analysis from World Bank studies.<sup>24</sup>

As a foundation of its involvement in the project and to prevent this risk, IBRD required Chad to put in place laws and institutional designs that would ensure revenue transparency and direct expenditure towards development and poverty reduction. As a result, Chad issued in 1998 the Petroleum Revenue Management Law (PRML), which required 10 percent of oil royalties and dividends to be set aside for a Future Generations Fund, 5 percent of royalties for expenditure in the oil-producing region, and approximately 85 percent of the remainder for expenditure in agreed priority sectors.<sup>25</sup>

The PRML also set up an institution with civil society participation, the *Collège de Contrôle et de Surveillance des Ressources Pétrolières* (Oil Revenue Monitoring and Oversight Committee – CCSRP), which was in charge of reviewing and providing advice to the government on the programs to be financed with oil revenues.<sup>26</sup> Further, the WBG appointed an International Advisory Group (IAG), which among other functions, had the role of identifying potential issues

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<sup>21</sup> IFC Project Information and Data Portal. Chad-Cameroon Petroleum Development and Pipeline Project. <https://bit.ly/2W4vrh0>

<sup>22</sup> CAO Complaint – Chad-Cameroon Pipeline-03/Chad, October 11, 2011, page 7. <https://bit.ly/3fi1OjT>

<sup>23</sup> *Ibid.*

<sup>24</sup> Esso Exploration and Production Chad Inc. Environmental Assessment, Chad Export Project. October 1997. Volume 1, Section 7, Page 13. <https://bit.ly/2WvS3W1>

<sup>25</sup> Priority sectors included: transport, housing, civil works, health, social affairs, education, rural development, mining and energy, justice, and post and telecommunications. World Bank Group. Chad-Petroleum Development and Pipeline Project, Project Information Document. June 1999. <https://bit.ly/2yvDvOM>

<sup>26</sup> World Bank Group. Chad-Petroleum Development and Pipeline Project, Project Information Document. June 1999. <https://bit.ly/2yvDvOM>

regarding the misallocation or misuse of public revenues and progress in building institutional capacity.<sup>27</sup>

Other measures aimed at ensuring that benefits of the project were distributed equitably included the EMP's regional development plan, which was designed and was to be implemented by the Chad government.<sup>28</sup>

The project, while being conducted in close collaboration between IBRD and IFC, envisaged a clear division of tasks according to each institution's mandate. While IBRD handled the relationship with the government and focused on the revenue and expenditure arrangements, as well as the government capacity-building projects, IFC handled the relationship with TOTCO and focused on the technical, contractual and E&S aspects of the oil development and pipeline project.<sup>29</sup> CAO also notes that the issue of revenue management was considered as part of a 2001 Inspection Panel review of IBRD/IDA involvement in the project<sup>30</sup>.

### *Conclusion*

CAO notes that, while the IFC client had contractual obligations to pay royalties, taxes and other obligations to the Chad government, and IFC had a role of overseeing the correct execution of such contractual obligations, neither the client nor IFC had a role regarding the allocation of oil revenues by the government. Moreover, there were no cross-default clauses included in the Credit Agreement between IFC and the client regarding obligations between the Chad government and the WBG regarding allocation of oil revenues. Therefore, CAO considers that this issue falls outside of the scope of its compliance mandate.

### ***Claims Regarding Public Security Forces***

According to the complainants, public security personnel around the oil facilities imposed strong and unfair restrictions on the freedom of movement of surrounding communities, who were often accused of theft when going from one village to another, were arrested and forced to pay fines. The local police are allegedly responsible for arbitrary arrests, physical abuse, attempted rape of women, confiscation of the goods of citizens and arbitrary curfews.<sup>31</sup>

The project was developed in a challenging context in terms of governance and security in Chad. The Chad military was expected to protect the oil facilities, pipeline and related infrastructure. However, the EA and EMP did not identify security-related risks and therefore did not envisage measures to prevent and mitigate such risks, since the EA was developed prior to the development of IFC requirements and leading international standards on the matter.

Through its supervision, IFC was made aware of security-related issues in the field, such as thefts and manipulation of project equipment, as well as allegations from local communities regarding abuses by public security forces.

Before security issues arose, as early as 2001, the ECMG recommended that the client (i) identify potential areas of conflict including, among others, security; and (ii) develop a management plan

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<sup>27</sup> World Bank Group. Chad-Cameroon Petroleum Development and Pipeline Project: Overview. December 2006. <https://bit.ly/2Sze5gn>

<sup>28</sup> Chad Export Project. Environmental Management Plan, Chad Portion. Volume 4. <https://bit.ly/35wZReW>

<sup>29</sup> Project Appraisal Document on proposed IBRD loans to Chad and Cameroon, and on IFC loan to TOTCO and COTCO. April 13, 2000. Available: <https://bit.ly/2SFoQr1>

<sup>30</sup> The Inspection Panel. Investigation Report. Chad-Cameroon Petroleum and Pipeline Project (Loan No. 4558-CD); Petroleum Sector Management Capacity Building Project (Credit No. 3373-CD); and Management of the Petroleum Economy (Credit No. 3316-CD). <https://bit.ly/2YUHy26>

<sup>31</sup> CAO Complaint – Chad-Cameroon Pipeline-03/Chad, October 11, 2011. <https://bit.ly/3fi1OIT>

including, among others, security measures.<sup>32</sup> Further, in 2003, the ECMG recommended that training of security and local authorities on conflict management be carried out, in order to prevent potential project-related social conflicts.<sup>33</sup>

In monitoring reports between 2009 and 2012, the ECMG reported that communities had repeatedly raised concerns regarding abuses by public security forces and requested to be more involved in the security system to prevent such abuses. The ECMG noted that villagers felt hindered in their free movements from one village to another, were subject to threats and pressures to pay bribes, and women felt negatively impacted due to a lack of privacy.<sup>34</sup> Moreover, in 2012 the ECMG reported two serious incidents: the shooting by a military police officer and the resulting death of a young man who was allegedly stealing from a project facility; and the shooting and injury of another man, who was also allegedly stealing from the project and had allegedly threatened the military police officer.<sup>35</sup> IFC's supervision records also document these allegations, noting claims regarding harassment at checkpoints and public roads at night, community concerns about a violent approach in containing thefts, and mentions that young people and women felt particularly threatened by public security forces.

In response to these issues, the ECMG recommended that the client develop a strategy to limit abuses together with a training program for local and national authorities, as well as all individuals involved in project security management.<sup>36</sup> The ECMG also recommended that communities be more involved in the security system.<sup>37</sup> Subsequent reports, however, do not document progress made on these recommendations.

In 2011, the ECMG reported that the client had engaged with communities and NGOs, explaining its limited control over the behavior of public security forces, but committing to discuss security issues with relevant authorities and to form a multi-stakeholder regional committee to address issues including security.<sup>38</sup> Regarding the 2012 incidents mentioned above, the ECMG reported that the client engaged with local and national representatives of the Chad military, reasserted the project's commitment to respecting human rights, and developed a training plan for sub-contractors providing private security services.<sup>39</sup> However, no further information is provided in the ECMG reports or IFC's supervision records regarding the type or frequency of the client's engagement with public security forces, nor did IFC's files contain a record of the client following through on its commitments with local communities regarding this issue.

IFC's supervision records note that IFC's Human Rights Guidance and Tools on Security Forces were shared with the client, and indicate that IFC suggested that the client provide training to public security forces on the Voluntary Principles on Security and Human Rights. However, IFC's files do not contain further information on any support or advice IFC provided to the client to support implementation of this Guidance or the recommendations provided by the ECMG.

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<sup>32</sup> Report of the External Compliance Monitoring Group (ECMG). Chad Export Project, Second Site Visit. May - June 2001. <https://bit.ly/35AdZUA>

<sup>33</sup> Report of the External Compliance Monitoring Group (ECMG). Chad Export Project, Eighth Site Visit. May 2003. <https://bit.ly/3cjzYS8>

<sup>34</sup> Report of the External Compliance Monitoring Group (ECMG). Chad Export Project. November 2010. <https://bit.ly/2Wsqbta>

<sup>35</sup> Report of the External Compliance Monitoring Group (ECMG). Chad Export Project. November-December 2012. <https://bit.ly/2WwabzK>

<sup>36</sup> Report of the External Compliance Monitoring Group (ECMG). Chad Export Project. December 2009 Report. <https://bit.ly/2zX4PFW>; November 2010 Report. <https://bit.ly/2Wsqbta>

<sup>37</sup> Report of the External Compliance Monitoring Group (ECMG). Chad Export Project. October 2011 Report. <https://bit.ly/3c7MOTF>; November 2012 Report. <https://bit.ly/2WwabzK>

<sup>38</sup> Report of the External Compliance Monitoring Group (ECMG). Chad Export Project. October 2011. <https://bit.ly/3c7MOTF>

<sup>39</sup> Report of the External Compliance Monitoring Group (ECMG). Chad Export Project. November-December 2012. <https://bit.ly/2WwabzK>

## *Conclusion*

As mentioned above, the project was approved under the World Bank's 1999 Operational Policies and the IFC Environmental Review Procedure, which did not include specific requirements or guidance regarding risks related to the use of security forces. Thus, no security related commitments were built into the E&S framework for the project.

However, the 2006 and 2012 Sustainability Frameworks provided IFC staff and clients with guidance to monitor performance and implement measures to address negative impacts resulting from security-related issues. While not binding on the client, Performance Standard 4 (PS4) includes relevant measures to be taken by IFC clients when public security forces are involved, including risk assessment, communication and engagement with public authorities, and reporting of unlawful and abusive acts to relevant public authorities.<sup>40</sup>

Community concerns regarding public security, including a number of serious incidents, were raised consistently between 2009 and 2012, reported by the ECMG and acknowledged by IFC. Both the ECMG and IFC provided general recommendations to the client on how to prevent and mitigate security-related risks and impacts. CAO notes, however, that there is no documented evidence that IFC followed-up on recommendations to address security concerns reported by communities and the ECMG.

## **IV. CAO Decision**

The purpose of a CAO compliance appraisal is to ensure that compliance investigations are initiated only in relation to projects that raise substantial concerns regarding E&S outcomes and/or issues of systemic importance to IFC. In deciding whether to initiate an investigation, CAO weighs factors including the magnitude of the E&S concerns raised in a complaint, results of a preliminary review of IFC's E&S performance in relation to these issues, the existence of questions as to the adequacy of IFC's requirements, and a more general assessment of whether a compliance investigation is the appropriate response in the circumstances. In this case, CAO concludes that a compliance investigation is not warranted in relation to the complaint issues that were transferred to CAO's compliance function for appraisal. In reaching this decision, CAO notes first that allocation of oil revenue in Chad was a government responsibility, and supervision of revenue management arrangements was an IBRD responsibility, as agreed during project preparation between IFC and IBRD. Neither IFC nor its client had responsibility for this issue and no specific IFC requirements existed for the management of extractive industries revenues at the time the project was approved. Therefore, CAO considers that this aspect of the complaint issue falls outside of the scope of CAO's compliance review.

Second, CAO notes that, during project supervision IFC – with the support of the ECMG – identified risks and impacts related to the military police's interactions with local communities and provided guidance to the client on how to address these issues. These security-related impacts raised by the complainants are serious in nature and CAO has questions as to the extent of IFC's supervision of this issue. However, this project was approved at a time when IFC's E&S framework did not contain specific requirements regarding security-related risks, and therefore there were no specific compliance requirements for the client in relation to these issues. CAO also notes that the complainants' concerns focus on the actions of public security forces over which the client did not have direct control.

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<sup>40</sup> IFC Performance Standard 4. Community Health, Safety and Security. <https://bit.ly/2W7H3jc>

Finally, CAO notes that the CAO Dispute Resolution Conclusion Report, issued in January 2020, indicated that complainants reported a marked improvement regarding security issues. Due to a “reduction in theft from the company and a relaxation of governmental security check”, the Conclusion Report noted that the local population felt that it could now move around the area more freely.

In these circumstances, and considering that IFC exited the project in 2012, CAO finds that a compliance investigation would have limited value. As a result, in accordance with its Operational Guidelines, CAO has decided to close this case.