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Chad Backs Out of Pledge to Use Oil Wealth to Reduce Poverty

By LYDIA POLGREEN

ACCRA, Ghana, Dec. 12 - When the World Bank said more than five years ago that it would help [Chad](#) build a \$4.2 billion pipeline to export the oil discovered in the southern part of that landlocked, deeply impoverished nation, it seemed an opportunity to give the lie to the resource curse that is the painful experience of virtually every oil-rich African nation: that oil wealth typically creates more problems for poor countries than it solves.

In exchange for World Bank loans to build a 670-mile underground pipeline through Cameroon to export its oil, the Chadian government passed a law requiring that almost all of the money it earns on oil exports be spent for poverty reduction and that 10 percent be put aside as a "future generations fund," to leave something behind once the estimated one billion barrels of oil have been exhausted.

But in October, Chad's government abruptly announced at a meeting with the World Bank in N'Djamena, the capital, that it plans to alter that law and funnel more money into its general budget and increase spending on security.

Under the new proposal, the future generations fund would be scrapped and military spending would be added to the list of "priority sectors" that until now focused on spending in areas like agriculture, housing, health care and education.

"These are fundamental changes to the agreement Chad made on oil revenue management," said Ian Gary, an expert on oil at Oxfam America who has written several research reports critical of the Chad oil industry.

The changes, he said, make it far less likely the people of Chad will see any benefit from the billions of dollars Chad's oil fields are likely to pump into the economy, which in turn undermines the antipoverty rationale of the World Bank's role in the project.

The World Bank acknowledges that the Chadian government faces serious financial problems, and needs the money to pay salaries for civil servants and to deal with security threats, and has offered technical assistance to help bring spending under control.

"The adopted bill redefines the priority areas, abolishes the future generations fund, alters the way in which funds are allocated and extends the law to apply to new oilfields," Hourmadji Moussa Doumgor, a government spokesman, told Reuters.

[Paul Wolfowitz](#), president of the World Bank, released a statement expressing "serious concerns" about the changes.

"In the World Bank's view, these modifications alone will fail to provide a lasting solution to the recurring financial problems that Chad faces," the statement said. "To the contrary, they threaten to undermine the objectives of socioeconomic development, poverty reduction, accountability and transparency that guided World Bank Group and other international support for the Chad-Cameroon pipeline project."

World Bank officials have been in constant negotiations with the Chadian government over the proposed law, which is now before the legislature. Approval is largely a formality because the legislature is controlled by the party of Idriss Déby, who seized power after a civil war in 1990 and was elected president in 1996.

Under the current law, all payments made by ExxonMobil and its partners, which run the oil operation, go into an escrow account at Citibank in London, while taxes on oil profits and other indirect revenue go directly into the state treasury.

Of the money that goes to the escrow account, 10 percent is set aside for Chad's post-oil future, 72 percent goes to poverty reduction project and the remainder is split between the federal government and the local authorities where oil is extracted.

A committee that includes government officials and civil society representatives must approve projects paid for with money from direct oil sales. In addition to scrapping the future fund, the new law would double the percentage of money the federal government can spend without oversight to 30 percent.

The proposed changes have drawn angry reactions from civic groups in Chad, many of which were skeptical about the pipeline deal to begin with and warned the World Bank that the government would pull out once the oil money started flowing.

"It was at the very beginning clear that the government has adopted that law only to get the World Bank approved oil project," said Delphine Djiraibe of the Chadian Association for the Promotion and Defense of Human Rights, one of the groups that fought the pipeline deal. "Now that everything is finished and money is coming in, the government is doing whatever they want regardless of the agreement they have signed with World Bank or commitments they have made to use oil money to fight poverty."

Chad, one of Africa's poorest countries, has a long history of instability and bloodshed. A vast, arid land about three times the size of California, it is home to 10 million people.

A majority of its citizens rely on subsistence agriculture and animal herding. It ranks 167 of 177 nations on the United Nations Development Index. Transparency International's 2005 survey of corruption around the world gave it the worst score, an ignominy it shares with Bangladesh.

Since gaining independence from France in 1960, it has been tormented by civil wars fueled by ethnic and religious tensions. Like Sudan, its restive neighbor to the east, its

northern population is largely Muslim and has dominated the country's politics, while its southern half is largely Christian and animist.

Mr. Déby's rule has been a relatively stable period in the country's history, but the troubles in the Darfur region of Sudan, which borders eastern Chad, have spilled over into Chad along with 300,000 refugees. Internal divisions, along with reports of Mr. Déby's failing health, have led to much speculation that the government is on shaky ground.

"All of this is taking place against a backdrop of increasing fragility of the Déby regime," Mr. Gary said.

The push to spend more on security has occurred as the Chadian military has been afflicted by defections and low morale.

A group of soldiers who defected have started a rebel movement on the eastern edge of the country, and Mr. Déby overhauled the republican guard responsible for his safety in October. Last month, he also shuffled the military leadership.

Since it began exporting oil in 2003, Chad has taken in about \$300 million, and under the petroleum revenue management law, two-thirds has gone to things like education, water systems, health care and basic infrastructure and transportation.

About \$30 million has gone into the future generations fund, while 5 percent of the money has gone back to the oil-producing regions for development.