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| Project Name              | Cameroon-Petroleum Development And Pipeline Project  |
| Region                    | Africa   |
| Sector                    | Oil & Gas Development  |
| Project ID                | CMPE44305  |
| Borrowers                 | Republics of Chad and Cameroon   |
| Implementation Agencies   | Field Facilities: Subsidiaries of Exxon, Shell and Elf Export System: Joint-Venture Companies to be established among subsidiaries of Exxon, Shell and Elf, with Chad and Cameroon |
| Date the PID was prepared | May 15, 1997 (original: April 4, 1995)   |
| Proposed Appraisal Date   | November 1997  |
| Proposed Board Date       | Mid-1998   |

Background: Chad, which has a population of about 6.8 million, is one of the poorest (US\$ 180 GNP per capita) and least developed countries in the world; it ranks in the lowest 10% on the UNDP's Human Development Index. Currently in Chad, agriculture generates about 40% of GDP and provides a livelihood for over 80% of the population; livestock and cotton provide the main source of cash income for the rural population, and are the main source of exports. The country, however, is endowed with undeveloped petroleum resources. The development and export of Chad's petroleum reserves in the southwestern part of the country (Doba) could significantly improve its development prospects.

Neighboring Cameroon has a population of 13 million and a GNP per capita of about US\$ 610. It is richly endowed with tropical forests, mineral resources (petroleum, natural gas), fertile agricultural land and a largely favorable climate. After averaging about 7% a year from 1960-1985, economic growth turned negative -- with per capita income falling 50 percent by end-1993 owing to declining oil production, a collapse in the terms of trade, unproductive public spending and a sharp appreciation of the real exchange rate. This appreciation was rectified by the January 1994 devaluation (50 percent in foreign exchange terms). Since the devaluation, however, growth has again turned positive attaining 5 percent in 1996.

Project Objectives: The objective of the project is to promote the economic growth of Chad and Cameroon through the private sector-led development of Chad's petroleum reserves and their export through Cameroon. The project, which is expected to substantially increase public revenues for Chad, would provide additional resources to alleviate poverty through social sectors and infrastructure development. The project should also provide needed additional government revenues to Cameroon (as the transit country) to support macro-economic stability and to service government's financial obligations and expenditures.

Project Description: The project would involve: (a) the development of Chad's Doba oil fields; (b) the construction of a 30" 1,050 km buried pipeline from Chad's Doba fields to Cameroon's Atlantic Coast, and related pumping stations, ancillary facilities and infrastructure; and (c) the installation in Cameroon of an offshore marine export terminal facility (a moored floating storage and offloading vessel), and associated marine pipelines and related facilities. In addition, IDA is preparing two parallel capacity building projects to assist Chad and Cameroon in managing the environmental aspects of the project. The capacity building project for Chad would also help to strengthen Chad's capacity to manage the injection of oil revenues and the petroleum sector generally. These operations will also be complemented by ongoing and planned adjustment and capacity building operations for the two countries.

Project Cost and Financing: The cost of the project is estimated to be about US\$ 3.5 billion, including US\$ 1.6 billion for development of the oil fields in Chad (the field facilities), and US\$ 1.9 billion for the pipeline and marine facilities (the export system). The project's private sector Sponsors (Exxon, the operator, Shell and Elf) propose to finance from their own resources about 70% of project costs, including all of the field facilities and over 40% of the export system. Export credit agency and commercial bank financing is being considered for the majority of the balance required for the export system. IDA is appraising credits to the governments totaling about \$100 million (3% of project costs), which would finance minority holdings in the pipeline companies (see below). The governments would receive revenues from these holdings and, more importantly, through royalties, transit fees and taxes. IFC has also been an active participant in project discussions as a potential lender for the export system.

Project Implementation: The project is expected to be implemented over a five year period. Responsibility for implementation, operation, and maintenance of the field and export facilities would rest with the oil company Sponsors. Sponsor subsidiaries would own the field facilities, and two Sponsor-owned pipeline companies with minority government stakes would be set up to construct, own and operate the export system.

Project Sustainability: The sustainability of the project and of the benefits for Chad and Cameroon would be supported through the combination of the following factors: (a) Chad government commitment to required capacity building, reforms and other measures to support sound revenue management, as well as ongoing adjustment operations supporting strengthened public sector management, and a broadened participatory approach; (b) ongoing Cameroon efforts to strengthen macro-economic stability, including structural adjustment operations; (c) accompanying capacity building initiatives aimed at strengthening Chad and Cameroon's capacities to support environmentally sound management of natural resource development activities, which would be supported by parallel World Bank credits; (d) the Sponsors' assumption of responsibility to operate the field facilities and the export system, coupled with the large financial commitment of the Sponsors

as a group (about 70% of costs); and (e) the benefits to Chad and Cameroon, including the project's potential to catalyze further private sector investment in Chad and Cameroon.

Lessons Learned from Previous Bank/IDA Involvement: The Bank's experience in similar complex large-scale projects has demonstrated the importance of private sector ownership and management, the need for sound environmental management, and the need to support sound management of revenues. These lessons are being incorporated into the project's design and accompanying measures.

Poverty Category: Not applicable. However, the project is expected to substantially increase Chad's government revenues and thereby generate increased expenditures on poverty alleviation activities. The Bank and Chad are in close discussion regarding the development of a economic development/revenue management plan to transform oil revenues into growth and poverty alleviation activities.

Environment: As a Category "A" project, a full environmental assessment is being carried out. The length of the pipeline will be over 1,050 km and will traverse areas of varying ecological sensitivity; the project will also involve the installation and operation of an offshore loading facility in the Atlantic Ocean. The project is expected to involve some limited resettlement of people. The project will be designed to reduce adverse environmental and social impacts, and will include appropriate mitigation plans. The Sponsors have hired a reputable firm to draw up environmental assessments and to assist in developing environmental management plans and an environmentally acceptable route for the pipeline.

Detailed environmental assessment reports for the proposed activities in Chad and Cameroon are expected to be released to the public and the Bank mid-1997. In addition, the governments have established, with Bank support, an independent panel of environmental and social science experts to support the governments' evaluations of the environmental impact and management plans. Moreover, as noted above, parallel capacity building projects are under preparation.

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Note: This is information on an evolving project. Certain components may not necessarily be included in the final project.

Processed by the Public Information Center week ending May 30, 1997.