

## Chad: Escaping from the Oil Trap

### I. INTRODUCTION

Since 2003 the exploitation of oil has contributed greatly to the deterioration of governance in Chad and to a succession of rebellions and political crises. The financial windfall – in 2007, 53 million barrels earning the government \$1.2 billion – has increased corruption, stoked domestic dissent and led to rebellions supported by neighbouring Sudan. The revenues have also allowed President Idriss Déby to reject political dialogue with his opponents and to respond to the threat from Sudan by overarming his military forces. The hope aroused by the discovery of oil has given way to generalised disenchantment. To escape this vicious circle and establish the conditions needed for durable stability, the government must work to establish a national consensus on the management of oil revenues. Its principal external partners – France, the U.S. and China – must condition their support for the regime on such a consensus.

Chad's petroleum project was bedevilled by numerous controversies that almost blocked its realisation. Beginning in 2000, however, the involvement of the World Bank allowed the project to move forward. It was an apparent role model for development, because the mechanisms for managing oil revenues seemed to guarantee an effective fight against poverty. These mechanisms specified that the revenues were to be dedicated primarily to improving the lives of Chad's present and future population.

In 2004, less than a year after the exploitation of oil began, the closing of the nation's political space for the benefit of President Déby aggravated dissension within the Chadian power structure and increased tension throughout the country. This situation led to several attempted coups d'état by close collaborators of the president, who subsequently joined the rebellion fighting the government. Weakened by the armed opposition supported by Sudan, Déby decided in January 2006 to modify the initial system of management of oil revenues in order to make more funds available to buy arms.

In reaction, the World Bank suspended its programs. Far from forcing the government to backtrack, this motivated it to put in place regulations that removed any oversight by

the bank of the management of oil revenues. The rivalry among Western countries and China over Chad's petroleum resources has limited the bank's room to manoeuvre.

The increase in oil prices in 2007 generated enough resources for the regime to undertake large public works projects. Advertised as a way to modernise the country through oil revenues, these projects led in 2008 to a budget deficit that is likely to persist. Moreover, the opaque awarding of public works contracts increased cronyism and corruption. The government also gradually reduced the role of the committee that had been established to involve civil society in the management of oil revenues, the Committee of Control and Supervision of Oil Revenues (CCSRP in French). By changing the membership of the CCSRP in 2008, the government limited its ability to control the use of the revenues.

In sum, oil has become a means for the regime to strengthen its armed forces, reward its cronies and co-opt members of the political class. This has further limited political space for the opposition and helped keep the country in a state of political paralysis that has stoked the antagonism between the regime and its opponents. As a result, there is recurrent political instability that is likely to ruin all efforts to use oil for the benefit of the country and its enduring stability. For the people who have not seen their lives improve and who are subjected to increased corruption, oil is far from a blessing. Given the current situation, the following measures should be taken to extricate Chad and its external partners from the petroleum trap:

- The government should include the question of how to use oil revenues in the domestic dialogue started under the accord of 13 August 2007. It should organise a round table including the political opposition, civil society and representatives of the oil-producing regions. The principal recommendations of the round table should be included in the follow-up mechanisms for the accord.
- The government should strengthen internal control and oversight mechanisms of oil revenues. The CCSRP's regulations should be revised to stipulate that its members will meet full-time, like other independent state bodies, such as the Supreme Court or High Council for Communication. This change is needed to improve the CCSRP's efficiency and technical

proficiency. The ethics and justice ministries should systematically apply its recommendations and investigate problems it brings to light.

- ❑ The government should regularise its procedures so that the great majority of government contracts are let on the basis of competitive bids and not by bilateral agreement. Such a change is indispensable for fighting corruption and for eliminating the opaque awarding of contracts as a source of unjustified enrichment. There should also be an audit of the various public works now being built.
- ❑ The government should ensure an improvement in the technical abilities of civil servants. Petroleum revenues should be used to establish a program supported by civil society to train them on a continuing and regular basis.
- ❑ To replace the International Consultative Group (GIC in French), whose mandate expired in June 2009, an independent, multidisciplinary body composed of representatives of Chadian and international civil society should be created and receive financial support from the World Bank. Its role would be to undertake studies, make recommendations and give technical support to the CCSR.
- ❑ France, the U.S. and China should collectively support an inclusive Chadian national dialogue in order to create the conditions likely to lead to enduring stability. They should make their support for Déby contingent on the proposed reforms and measures cited above. The three countries, but in particular China, which is present in both the Chadian and Sudanese oil sectors, should also weigh in more heavily in favour of stabilising relations between N'Djamena and Khartoum and of halting support by each country for rebels in the other country.

## II. FULFILMENT OF THE OIL DREAM POSES BIG CHALLENGES

On 10 October 2003, production of Chad's first barrel of oil was officially inaugurated in a grandiose ceremony held at Doba, in the south of the country. With the presidents of the Central African Republic, Congo (Brazzaville), Sudan and Niger in attendance, the Chadian president Idriss Déby symbolically opened the valves of the complex that would pump Chadian crude out of the ground and onwards to the world market. A veritable apotheosis for Déby, the ceremony was just the latest in a series of political successes accumulated by his regime since he took power in 1990: the Sovereign National Conference (CNS), held 1993, was followed by the

adoption of a new constitution on 30 March 1996 and victory in presidential and legislative elections in 1997.<sup>1</sup>

Hailed as the gateway to a more promising era in Chad's troubled history, the ceremony of 10 October 2003 has nevertheless struck a false note in some quarters: the Collectif des associations tchadiennes de défense des droits de l'homme (CADH – Collective of Chadian Human Rights Organisations) marked the day by observing “national mourning”, declaring notably that “oil revenues equip the authorities with a new weapon and will be of hardly any benefit to the population”.<sup>2</sup>

This episode, just like the frequent controversies that have flared up during the implementation of the oil project,<sup>3</sup> vividly illustrate the ambivalent impact of oil upon the political scene; they are a portent of the extent to which poor management of the oil sector will exacerbate political and security tensions.

### A. THE HEAVY-HANDED ELIMINATION OF POLITICAL OPPOSITION

Chad's entry into the oil producing countries' club came at the end of a lengthy and tortuous process. The main hurdle to be overcome was the political and institutional uncertainty that had, for decades, blocked the path to any

<sup>1</sup> See Crisis Group Africa Reports N°111, *Chad: Back towards War*, 1 June 2006, and N°144, *Chad: A New Conflict Resolution Framework*, 24 September 2008, for a historical background and proposals for a durable solution to the Chadian crisis. Crisis Group Africa Report N°149, *Chad: Powder Keg in the East*, 15 April 2009, analyses the internal reasons for the repeated armed rebellions in the east of the country.

<sup>2</sup> See “Cinq ONG dénoncent la recrudescence de l'insécurité au Tchad”, a statement published on the website of the Fédération internationale des droits de l'Homme (FIDH), which can be found at <http://survie.org/5-ONG-dennoncent-la-recrudescence.html>; and A. Nadjingar, “Une journée de deuil mal comprise”, *N'Djaména Bi-Hebdo*, nos. 709 and 710 (2003).

<sup>3</sup> The origins and evolution of the exploitation of Chad's oil have been the subject of a number of books, articles and reports: Martin Petry and Naygotimti Bambé, *Le pétrole du Tchad. Rêve ou cauchemar pour les populations?* (Paris, 2005); Géraud Magrin, *Le Sud du Tchad en mutations, des champs de coton aux sirènes de l'or noir* (Montpellier, 2001); K. Horta, “Chad/Cameroon oil” in *Pipeline project, background and recent informations* (Washington, 1997); Gilbert Maoundonodji, *Etude relative à un mécanisme alternatif de monitoring du projet pétrolier tchadien*, Cellule d'information et de liaison des organisations non gouvernementales (CILONG, N'Djamena, 2000); Centre de formation au développement (CEFOD), “Pétrole tchadien: les enjeux du développement” in *Tchad et Culture* no. 209-210 (N'Djamena, 2002); Renodji Djimrabaye, *Pétrole et dette. Cas du Tchad*, Réseau de suivi des activités liés au pétrole dans le Moyen Chari (RESAPMC, N'Djamena, 2005).

large international investment in this “high risk” country. The regime of President Déby had to overcome two major political obstacles. Firstly, it had to persuade the international oil company consortium that the process of internal democratic development was irreversible. Secondly, it had to lead the World Bank to believe in the transparency of its style of government. Moreover, Chad’s landlocked location ensured that the shipment of the oil that it could produce would be costly. The success of the oil project would require an investment of more than \$2 billion to pay for the construction of a pipeline over 1000 kilometres long linking the oil belt in Chad to a maritime gateway – the coast of Cameroon.<sup>4</sup>

On three occasions, in 1973, 1978 and 1988, initial negotiations between the Chadian authorities and interested oil companies had come to nothing, either because of a change in the leadership of the country or because civil war had broken out again. In 1973, Chad’s first president, Ngarta Tombalbaye, signed an agreement with the American multinational Conoco concerning exploration in various regions. His assassination in 1975, after a coup d’état, prevented Conoco from proceeding with this exploration plan. In 1978 the military junta – in power from 1975 to 1979 – and a consortium of Shell, Chevron and Exxon began negotiations about production from the oilfields that had been discovered. But this plan was abandoned in the face of civil war, which gathered momentum from 1979 onwards. By 1988, Hissène Habré’s regime was at last preparing to award production permits for the south to the multinational Esso; but it was overthrown two years later by Idriss Déby.

The manner in which progress in the oil project repeatedly coincided with political instability helped to foster Chadian perceptions of an “oil curse”.<sup>5</sup> But in 2000 two

American oil companies (Esso and Chevron) and a Malaysian company (Petronas) were finally prepared to commit themselves to this venture, provided that they could secure guarantees from a Western government or an international financial institution.

In both political and economic terms, the provision of such a guarantee would have been risky for any foreign government, partly because of the political uncertainties in Chad and partly because the international climate had been affected by the Asian financial crisis. By contrast, the World Bank did seem to be able to provide just the right kind of financial and political risk guarantee, particularly as a successful project would provide a model of partnership that could be applied to other projects around Africa.<sup>6</sup>

However, the political problems within Chad itself were only too clear. Besides the existence of a number of rebel groups threatening the central government, there was a deepening rift between the population of the south – where the oilfields were located – and the Déby regime; the latter was suspected of encouraging the economic and military dominance of people from the north of the country. Fearing that oil development would only further accentuate this divide, opposition politicians and human rights activists from 1998 onwards campaigned for guarantees to protect the interests of the southern population. This campaign came after a period during which the Déby regime was responsible for repeated human rights violations during the course of military operations against the rebels of the Forces armées de la République fédérale (FARF) in 1997-1999.<sup>7</sup>

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<sup>4</sup>Most of the oil pipeline route runs through Cameroonian territory, with only 205 kilometres traversing southern Chad.

<sup>5</sup>The opposition politician Ngarlédji Yorongar has been a strong proponent of this argument. Indeed, some politicians privately accuse France of having encouraged the assassination of Ngarta Tombalbaye, because it supposedly resented his decision to entrust the development of Chad’s oil to American companies. Crisis Group interviews, Chadian former minister and politicians, N’Djamena, June 2009. According to Yorongar, the participation of the French oil company Elf in the initial project for the development of Chad’s oil was linked to France’s political support for the Déby regime. In support of this argument, he argues, notably, that Idriss Déby’s seizure of power was rendered possible by the discreet support of the French intelligence service, in return for a promise by Déby to favour the business interests of the French company. See Ngarlédji Yorongar, *Tchad. Le procès d’Idriss Déby* (Paris, 2003). Elf’s withdrawal from the oil project, in November 1999, led some observers to draw the opposite conclusions. The pullout was seen as a sign of the

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deterioration in relations between Déby and France. There were anti-French demonstrations in N’Djamena during which banners accused France of “wanting to stop the development of Chad”. To publicly demonstrate his anger with the French government, Déby ordered the expulsion of its ambassador, who was accused of interfering in Chad’s affairs.

<sup>6</sup>In the eyes of many observers, by deciding to get involved in the oil project the World Bank was betting that the success of the project would constitute a model that could be applied more widely to poverty reduction initiatives in the developing world and one that could also restore its standing after the criticisms that had been made of its structural adjustment policies in Africa. See Eric Toussaint and Damien Millet, “La Banque mondiale dans de sales draps au Tchad”, in *Les autres voies de la planète*, no. 29 (Brussels, 2005).

<sup>7</sup>In 1991, after the failure of a coup attempt that they had mounted, a number of officers of southern Chadian origin created an armed movement. Calling itself the Conseil national pour la paix et la démocratie (CSNPD), this rebel group operated in the southern part of Chad until it signed a peace accord with the government in 1994. Dissident elements of the rebellion, unhappy with the signature of this deal, regrouped to form the Forces armées de la République fédérale (FARF), to con-

To deter the population from providing any support to the insurgents, the armed forces carried out numerous summary executions in rural areas. This violent abuse was also aimed at eliminating any popular resistance to the oil project that was then in the course of being negotiated. In 1998, Ngarlédji Yorongar, one of the many opposition figures denouncing such abuses, was arrested; paradoxically, this drew international attention to the repression – something that the government was trying to avoid.<sup>8</sup> Even so, until the early years of this century, benefiting from favourable world economic conditions and the indulgence of the international community,<sup>9</sup> President Déby managed to neutralise the pockets of rebellion in the country and organise multiparty elections, albeit through an authoritarian approach. By around 2000, his regime, and the country as a whole, appeared to offer the stable conditions required for foreign investment on the large scale required to implement the oil project.<sup>10</sup>

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tinue the armed struggle. However, both the CSNPD and the FARF effectively dissolved after their leaders, respectively Kette Nodji Moïse and Laokein Bardé, were killed by government forces.

<sup>8</sup>See “Violation des droits de l’homme au Tchad 1997-1998”, Amnesty International, 1998. Human rights violations in southern Chad coincided with those committed by the Nigerian military junta against the minority Ogoni people of the Niger Delta. Human rights organisations quickly drew parallels between the situations in southern Chad and Ogoniland, and between the imprisoned opposition figure Yorongar in Chad and the Ogoni leader Ken Saro-Wiwa, who was hanged by the Nigerian authorities. This strong international campaign aimed according to Amnesty International at preventing southern Chad from being transformed into a “new Ogoniland”. For a complementary background analysis of the violence in the Niger Delta, see the Crisis Group Africa Report N°135, *Nigeria: Ending Unrest in the Niger Delta*, 5 December 2007.

<sup>9</sup>Idriss Déby’s arrival in power in 1990 coincided both with the end of the Cold War and above all the phenomenon of democratisation in African countries, as a result of which any regime that committed itself to the promotion of a pluralistic political system was rewarded with the support of Western governments.

<sup>10</sup>In early 2000, Chad appeared to have broken with its history of ongoing civil conflict. Admittedly, the Mouvement pour la démocratie et la justice au Tchad (MDJT) armed rebel group still operated in the north of the country, and there was a pocket of resistance in the south, in the two Logone regions. However, the central government was not under any serious threat. Indeed, it felt strong enough to send Chadian troops abroad to fight in the Central African Republic and in the Democratic Republic of Congo.

## B. TEMPORARY ACCEPTANCE OF THE GOOD GOVERNANCE GUARANTEES

Besides settling the political and security tensions stirred up by the project, it was vital for the Chadian government to provide guarantees on the good management of future oil revenues, if it was to secure a commitment of support from the World Bank. In promulgating Law no. 001/PR/1999, on 11 January 1999, President Déby accepted the principle of a fair share-out of the oil revenues. Thus, under the initial version of this law, 10 per cent of the direct oil revenues were to be set aside “for the benefit of future generations” and paid into a savings account opened at an international financial institution. The remaining 90 per cent was to be paid into accounts at banks in Chad. The state was then supposed to spend 80 per cent of this sum on priority sectors which were listed by the law – public health and social affairs, education, infrastructure, agriculture, livestock and water – and to allocate five per cent to the oil producing region. It would only use the final five per cent to meet its routine current expenditure.

Moreover, the law stipulated that each time the government wanted to allocate expenditure to the named priority sectors, it would have to obtain the approval of the Collège de contrôle et de surveillance des ressources pétrolières (CCSRP – Committee of Control and Supervision of Oil Revenues), an independent Chadian organisation made up of representatives of the government, civil society and the so-called “intermediary” institutions.<sup>11</sup> Before authorising any such allocations, the CCSRP would be expected to check that the requests for funding submitted by the Chadian government were in strict conformity with the parameters of the priority sectors outlined under Article 7 of Law no. 001/PR/1999.

Despite the transparency assurances enshrined in this law, many observers saw the measure as a violation of the principle of states’ national sovereignty over their natural resources. In Chad and abroad, critics spoke out against Law no. 001/PR/1999, which they saw as part of a new mechanism designed to enable the international financial institutions to control the resources of poor

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<sup>11</sup>Decree no. 240/PR/MFE/03 of 1 July 2003, establishing the CCSRP, stipulated that this body consists of a Supreme Court judge, a member of the national assembly, a senator, the director of the Treasury, the national director of the Banque des Etats de l’Afrique centrale (BEAC – regional central bank) and four representatives of civil society. The members of the CCSRP are appointed to a term of three years, which can be extended by one more term. Council members are chosen by their peers, with the exception of the Treasury representative and the BEAC national director, who are appointed by the President, through a decree.

countries.<sup>12</sup> Chadian critics took up the old anti-imperialist and anti-neocolonialist agenda, accusing President Déby of having failed to demonstrate sufficient firmness in preserving the country's sovereignty over its raw materials.<sup>13</sup>

For its part, the Chadian government was motivated by a desire to finally secure the participation of the World Bank in a project that was essential to its survival. For in reality, despite its attempts to present an outward appearance of solidity and serenity, the regime was showing signs of fragility;<sup>14</sup> it needed to implement the oil project in order to restore its legitimacy before the 2001 presidential election. So while it appeared to impose drastic conditions, the law on the management of oil revenues also helped to reinforce President Déby's position. In June 2000, the World Bank at last decided to take part in the financing of the project, clearing the path for the official launch in October of the construction over a three-year period of the pipeline linking the oilfields of southern Chad to Cameroon's Atlantic coast. Déby could thus boast of this success as he sought to secure acceptance of his re-election, in the first round of the May 2001 presidential contest, despite opposition claims of fraud;<sup>15</sup> equally it helped him reinforce his own position within the ruling coalition.

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<sup>12</sup> Many groups campaigning against globalisation or liberal economics, or for reform of the international financial institutions, expressed concerns about the real significance of law no. 001/PR/1999. They feared that the law might provide a cover under which foreign multinationals could get control of the natural wealth of a poor country and World Bank shareholder states could make fat profits. See Karine Gantin, "Tchad, pays de convoitises", *Regards*, 1 March 2006, available at [www.regards.fr/article/?id=2279](http://www.regards.fr/article/?id=2279).

<sup>13</sup> In 2001, in a message to the 10th International Communist Seminar, l'Action tchadienne pour l'unité et le socialisme (ACTUS) had described the Chad oil project as a "project for the recolonisation of Africa against the background of imperialists and capitalist globalisation". See "La mondialisation impérialiste et capitaliste: une nouvelle arme de recolonisation de l'Afrique", a message from Ley Ngardigal Djimadoum, general secretary of ACTUS, to the International Communist Seminar, Brussels, 2-4 May 2001, available in electronic form at [www.icsbrussels.org/ICS/2001/2001fr/TchadActus.htm](http://www.icsbrussels.org/ICS/2001/2001fr/TchadActus.htm).

<sup>14</sup> In practise, the Chadian regime's main claim to have definitively restored stability to the country, was beginning to lose credibility, because of Youssouf Togoïmi's rebellion. A member of the Gorane ethnic group who had become justice minister, Youssouf Togoïmi resigned from his post and set up the MDJT in 1997. Hiding out in the Tibesti mountains in northern Chad, this group harassed government troops right through 1998. Fearing that Togoïmi might draw the support of other senior figures of Gorane ethnicity, the government began negotiations with the MDJT in 1999.

<sup>15</sup> Although the international community concluded that the election arrangements and the result were acceptable, the

## C. IMPLEMENTATION OF THE OIL DREAM

Almost six years after oil started to flow, Chad's daily output fluctuates between 170,000 and 200,000 barrels, depending on technical production factors.<sup>16</sup> The oilfields currently in production are Komé, Miandoum, Moundouli, Nya, Maikeri and Bolobo; located in Logone Oriental department in southern Chad, they hold an estimated 977 million barrels of oil.<sup>17</sup>

Chadian crude is produced by a consortium of three companies: the U.S. groups Exxon-Mobil, which holds a 40 per cent stake in the consortium, and Chevron (25 per cent), and the Malaysian company Petronas (35 per cent).<sup>18</sup> Initially, Chad was collecting royalties of 12.5 per cent on each barrel of oil that was sold; but in May 2004 the renegotiation of the petroleum agreement between the government and the oil company consortium raised this share to 14.5 per cent.

Furthermore, oil reserves have been discovered at Sédigui in the western region of Kanem, and at Mougo in Chari Baguirmi, 300 kilometres south west of N'Djamena. A number of prospecting studies have identified potential oil basins in the Doseo, Am Timam and Bongor regions, all in the south. The existence of these basins would suggest that Chad is one of the leading holders of oil reserves in Africa, although it only ranks ninth at present.

In 2004 the Chadian government granted a prospecting, exploration and development licence for territory in Bongor region to a consortium of EnCana (Canada), Cliveden (United Kingdom) and the China National Petroleum Corporation (CNPC). In January 2007, EnCana ceded its share in the consortium to CNPC, which thus became the majority partner in this new oil venture.<sup>19</sup> Indeed, this has given China a dominant role in exploration activity.<sup>20</sup> CNPC is currently charged

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Chadian opposition judged them to be undemocratic. Several days after the announcement of the results, all the opponents of President Déby who had called for demonstrations were arrested for supposedly "disturbing public order". See Crisis Group report, *Chad: A New Conflict Resolution Framework*, op. cit.

<sup>16</sup> Crisis Group interviews, Chadian technician, May 2009.

<sup>17</sup> See Renodji Djimrabaye, *Pétrole et dette. Cas du Tchad*, RESAPMC, (N'Djamena, 2005), available at [www.oilwatch.org/2005/francais/documentos/deuda\\_tchad\\_fra.pdf](http://www.oilwatch.org/2005/francais/documentos/deuda_tchad_fra.pdf).

<sup>18</sup> See "Rapport bilan", Groupe international consultation du projet d'exploitation pétrolière et d'oléoduc Tchad-Cameroun, 15 juin 2009, accessible sur [www.gic-iag.org/doc/GIC\\_Rapport\\_Bilan\\_15Juin2009.pdf](http://www.gic-iag.org/doc/GIC_Rapport_Bilan_15Juin2009.pdf).

<sup>19</sup> See "CNPC buys EnCana's Chad operations for \$202.5 mln", Reuters, 12 January 2007.

<sup>20</sup> Furthermore, China took on an oil pipeline project as well as the construction of a refinery.

with carrying out exploration in the Bongor basin and Erdis region (in north-eastern Chad) as well as the development of the Sédigui basin, which lies only about 40 kilometres from N'Djamena.<sup>21</sup>

On 1 July 2009 Chad embarked on a new stage of its oil history with the launch of construction work on its 301-kilometre-long second oil pipeline, which is to link the Mougo production site to a planned refinery at Djer-maya, some 40 kilometres north of N'Djamena. The refinery, whose construction has been entrusted to CNPC, should be able to satisfy local and sub-regional demand for oil products.<sup>22</sup>

### III. THE DREAM AND THE REALITY

The initial political obstacles to oil development are partly explained by the fear that this resource could, in the long term, become a fresh cause of instability in the country, rather than a special tool for development. This fear is rooted in the theory of “Dutch disease”,<sup>23</sup> which posits that a resource such as oil invariably has a destabilising impact on the socio-economic equilibrium of the producing countries.

Economists argue that the governments of producer countries tend to neglect the traditional sectors of the economy, which generate less hard currency, and focus on the oil business instead. If the revenues generated from oil are not fairly shared among the population, social crisis emerges in the neglected traditional economic sectors, to the long-term detriment of civil peace and stability.<sup>24</sup> The “oil curse” is also reflected in the distorting effects of the alliance between the local elites who benefit from the oil revenue and the sector’s international players, who offer them protection and support against any opposition.

<sup>21</sup> Crisis Group interviews, Chadian journalists, May 2009.

<sup>22</sup> According to Chad’s oil minister, the Mougo site will have a production capacity of about one million barrels per year. The crude extracted from this field will be transformed into downstream petroleum products and hydrocarbons, which should be sufficient to meet consumption needs in Chad and neighbouring countries. Only unrefined surplus oil will be exported to the world market. See [www.presidencetchad.org/lancement\\_travaux\\_champs\\_petrolier\\_01\\_07\\_09.htm](http://www.presidencetchad.org/lancement_travaux_champs_petrolier_01_07_09.htm).

<sup>23</sup> The “Dutch disease” theory refers to the difficulties that faced the Dutch economy as a result of the exploitation of natural gas reserves in the north of the country.

<sup>24</sup> For detailed background on the theory of “Dutch disease” and cases where it has applied in Africa, see Jean Philippe Koutassila, “Le syndrome hollandais: théorie et vérification empirique au Cameroun et au Congo”, Centre d’économie du développement, Université Montesquieu Bordeaux IV, 2002, available at <http://ged.u-bordeaux4.fr/ceddt24.pdf>.

### A. AN OIL CURSE?

In Africa the “Dutch disease” theory has been most obviously illustrated by the case of Nigeria. The production of oil since the 1960s has not lifted the country out of under-development – quite the contrary. It has generated economic disparities. In southern Nigeria, oil extraction has been accompanied by ongoing damage to the environment which has caused serious problems for the agriculture, livestock herding and fishing which are the traditional economic mainstay of the local population. As a result, latent social discontent has grown over the years, developing into a serious civil conflict with central government and the local elites who have been benefiting from the oil revenues.<sup>25</sup> In Congo Brazzaville, oil resources also played a role from 1992, as the country drifted towards civil war: the revenues enabled the central government of President Pascal Lissouba to build up its military strength, while his adversary, Denis Sassou Nguesso, benefited from the financial support of the French company Elf.<sup>26</sup>

In Chad, long before oil resources were actually exploited, the attraction for outside players of the proven or suspected reserves had become a factor in the country’s internal conflict and its international connections.<sup>27</sup>

<sup>25</sup> For a complementary analysis of the consequences of oil policy in Nigeria, see V. Idemiyor, “The role of the multinational oil companies in Nigerian federation” in *Indigenous Affairs*, 1994. See also the Crisis Group Africa Reports N°118, Nigeria: Fuelling the Niger Delta Crisis, 28 September 2006, N°135, Nigeria: Ending Unrest in the Niger Delta, 5 December 2007,; and Africa Briefing N°54, Nigeria: Ogoni Land after Shell, 18 September 2008.

<sup>26</sup> On the role of oil in Congo Brazzaville’s civil war, and the links between the main protagonists and the companies, see Patrice Yengo, *La guerre civile du Congo-Brazzaville 1992-2002. Chacun aura sa part* (Paris, 2006).

<sup>27</sup> Internet sites and online discussion forums devoted to current Chadian politics often return to this theme – which seems, in the eyes of much of the Chadian intelligentsia, to crystallise the external causes of the conflict in the country. Libya’s occupation of the Aozou Strip, Nigeria’s support for particular armed Chadian factions during the 1979 war, the quasi-permanent presence of French troops and Sudan’s involvement in successive rebellions are thus supposedly explained by the attraction of Chad’s riches. Libya is seen as having plans to get control of the uranium deposits which are said to lie in the Aozou Strip, whilst Nigeria supposedly wanted to take advantage of the inadequacy of the Chadian state to get control of fisheries in Lake Chad. This analysis sees France’s interest as explained by its plans to make Chad a strategic element of its postcolonial policy in Africa, through a permanent military presence and political support against the country’s powerful neighbours (Libya, Nigeria, Sudan). For an outline of these various arguments, see also Géraud Magrin, *Le Sud du Tchad en mutations*, op. cit.; François-Xavier Verschave,

From the appearance of the first studies demonstrating the presence of oil in Chadian soil, a number of actors and interest groups began to position themselves in the hope of benefiting from these resources. Those most directly concerned, Chad's political leaders, hoped that oil could become a major driver for national development, but they also expected to use this "black gold" to strengthen their domestic power bases and attract outside support, notably from Western and Asian governments and multi-nationals seeking to secure supplies of raw materials.

Equally, the presence of oil heightened inter-Chadian rivalries, stirring separatist temptations and drawing ambiguous language from political leaders from the regions where the first oil finds had been made. This is most currently exemplified by Ngarlédji Yorongar, the "member of parliament for 300 oil wells", who has established himself as the spokesman for the producing regions.<sup>28</sup> Advocating a federal republican model that is rejected by the central government, Yorongar has on a number of occasions been accused by the authorities of arguing an exclusionist case; they claim that he would like to shut northern Chad out of the distribution of oil revenues. Denying that he has such ideas, Yorongar insists that he is simply opposed to the exploitation of oil if this means that the revenues it generates are just taken over by a "clannish and corrupt" regime.<sup>29</sup>

Oil's influence on the current Chadian conflict is reflected both in the powerful attraction exerted by the revenues

and the deepening of internal rifts within the Déby regime and by the hardening of political stances that results from these rivalries. Without the oil resources, Déby probably could not resist the political pressure from his civilian or military opponents. Oil allows him to easily corrupt or co-opt the former, while mounting a military defence against the latter.

The original system of petroleum revenue management has been replaced by opaque arrangements. A large part of the revenues are now allocated to the war effort and the re-equipment of the national army. Large sums are also allocated to investment in physical infrastructure – road-building, public buildings, educational establishments – under the banner of "major projects".<sup>30</sup> But while such physical capital projects are positive in themselves, a lack of transparency in the award of contracts leads to over-invoicing and the illicit diversion of huge sums of money, to the benefit of those close to the regime. So in fact, while the oil revenues have increased both the volume of money circulating through the economy and the state's revenues, they have also pushed up public expenditure and fostered budget imbalances. The lack of transparency in the way oil revenues are managed also allows the regime to extend its control over different sectors of society, including opposition movements.

## B. THE ROLE PLAYED BY OIL REVENUES IN STRATEGIES FOR RETAINING POWER

Alterations to the original system for oil revenue management were put into effect through the signature, on 11 January 2006, of an amendment to Law no. 001/PR/1999. The new law, no. 002/PR/2006, abolished the provision for the payment of the 10 per cent of the oil revenues supposedly reserved for future generations into a savings account in an international financial institution. From this point on, these funds are added to the 90 per cent earmarked for the priority sectors – which means that the Chadian state collects all the oil revenues directly. Moreover, the list of priority sectors has been modified, with energy, justice, security and territorial administra-

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*Tchad, pétrole et dictature. Noir silence: qui arrêtera la Françafrique?* (Paris, 1999); and Ngarlédji Yorongar, *Le prix du pétrole tchadien, TIII: la braderie du pétrole tchadien et ses graves conséquences*, (N'Djamena, 1999)

<sup>28</sup>The founder of Fédération, action pour la République (FAR), Ngarlédji Yorongar is an opponent who has consistently refused to collaborate with Idriss Déby's regime. The price of this radical opposition stance has been arrest on several occasions and, according to his statements, torture too. After the rebel attack of February 2008, he was arrested and then released and forcibly sent into exile in France. The Chadian authorities have failed to set out clearly the reasons for this arrest. Yorongar went back to N'Djamena in December 2008 after having accused the French authorities of seeking to keep him out of Chad permanently. His website [www.yorongar.com](http://www.yorongar.com) routinely describes the "harassment" that he claims to have endured at the hands of the French authorities, whom he accuses of complicity with the Chadian government. Asked in July 2009 about his relations with Yorongar, President Déby denied having him arrested and tortured, admitting merely that he "had a problem of personal communication with this opponent". See Idriss Déby Itno, "Je ne suis ni un tueur ni un dictateur", *Jeune Afrique*, no. 2531, 20 July 2009.

<sup>29</sup>See Géraud Magrin, "Le pétrole contre l'enclavement, un enjeu de la mondialisation au sud du Tchad", *Labyrinthe*, 16 (2003), available online at <http://labyrinthe.revues.org/index308.html>.

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<sup>30</sup>The website of the Chadian presidency describes President Déby's current mandate as a "social mandate", devoted to measures to favour the poorest people and the development of infrastructure to modernise Chad. Indeed, he has created an office of major public works, attached to the presidency, whose role is to implement the various infrastructure projects (roads, schools, buildings, hotels) approved by the president and his close colleagues. Part of the cost of these projects is met from the presidency's own budget. However, the office of major presidential projects also assigns projects to the ministry of infrastructure, and these are funded from the general government budget. Crisis Group interviews, Chadian journalist, June 2009.

tion now added to the social sectors original originally listed. All these alterations – carried out despite the opposition of the World Bank – have given the government total control over the use of oil revenues.

### 1. The process by which the government took back control of the oil revenues

In January 2006, to punish the Chadian authorities' decision to revise Law no. 001/PR/1999, the World Bank announced the suspension of all its programs in the country and a freeze on oil revenue payments to Chad. But rather than retreat, the government opted for confrontation, knowing that it could count on two factors that in the long term would work in its favour: the pressures, even blackmail, that they could exercise locally on the oil companies, and above all, China's move into the Chadian oil sector.

Immediately after the World Bank's decision the government ordered the oil companies to pay all oil revenues directly to the state; it told them it would suspend all their operations if they failed to do so. Chad further raised the stakes by giving the World Bank until the end of May 2006 to lift the sanctions; it said that if the Bank failed to comply, it would simply halt all oil production. After this, the economics minister announced on 7 January 2006 that the government was open to negotiations to find a solution that took account of the "sovereign interests of the country".<sup>31</sup>

In April 2006, an offensive by the rebels of the Front uni pour le changement (FUC), supported by Sudan, almost overthrew the regime in N'Djamena.<sup>32</sup> Faced with the risk of seeing the installation of an Islamist regime allied to Khartoum, Chad's Western partners put pressure on the Bank to adopt a more flexible position.<sup>33</sup> The ensuing compromise took the form of a restart of World Bank programs in Chad, in return for a government promise to devote 70 per cent of the expenditure envisaged under the 2007 government budget to poverty reduction measures.<sup>34</sup>

However, following the various rebel offensives of November 2006, October 2007 and February 2008, on three occasions the government declared a state of

emergency in all or part of the country.<sup>35</sup> When the state of emergency was declared on 15 February 2008,<sup>36</sup> extra-budgetary public expenditure of more than \$300 million was reportedly authorised by decree.<sup>37</sup> Decree no. 192/PR/2008, suspending normal procedures for public procurement tenders and the control of public spending, simultaneously served as an instrument to provide legal justification for the extra-budgetary use of oil revenues. Thus all the mechanisms for controlling the management of oil revenues were in practice gradually dismantled.

Invoking the provisions for periodic changes in the composition of the CCSRP, the Chadian government managed to overhaul its membership: the representative of the Union des syndicats du Tchad (UST – Union of Chad Trade Unions) and the two civil society representatives left, to be replaced by more compliant colleagues. Subsequently, on 16 April 2007 a decree modified the manner in which the CCSRP operated. Originally, the Chadian government was allowed 15 days to study CCSRP<sup>38</sup> reports before these were published. However, without any official explanation this period was extended to 30 days, giving the government plenty of time to ensure that the conclusions of the reports complied with its own interests. Moreover, through the changes to the make-up of the CCSRP, the government has escaped any risk of being subjected to rigorous controls; since then it has launched public spending measures for which there is only minimal justification, with budgetary consequences that could prove disastrous in the long term.<sup>39</sup>

<sup>31</sup> Press briefing by Chad's minister of economics and planning, 7 January 2006.

<sup>32</sup> See Crisis Group report, *Chad: A New Conflict Resolution Framework*, op. cit.

<sup>33</sup> See David Mascré, "Course aux hydrocarbures, crise du Darfour, déstabilisation régionale: le Tchad entre jeux pétroliers et jeux guerriers", Institut Thomas More, working papers no. 9, African geopolitical series, 2007.

<sup>34</sup> See joint statement by the World Bank and the government of Chad, 26 April 2006.

<sup>35</sup> See, on this point, the 2009 annual report for Sub-Saharan Africa of the Observatoire pour la protection des défenseurs des droits de l'homme, available at [www.fidh.org/IMG/pdf/AFR-FR.pdf](http://www.fidh.org/IMG/pdf/AFR-FR.pdf). This report documents threats and intimidation against defenders of human rights and anti-corruption campaigners.

<sup>36</sup> The 15 February 2008 declaration of a state of emergency also cleared the way for the adoption on 26 February of Decree no. 5 "setting down rules for the press", which established new offences such as "collaboration with the enemy", "damaging state security", "insulting the head of state" and "tribal or religious hatred". See *ibid*.

<sup>37</sup> Crisis Group interviews, member of Chadian civil society, May 2009.

<sup>38</sup> The motto of the CCSRP – to "ensure that the development of Chad's oil is a blessing rather than a curse" – is a graphic expression of all the hopes vested in an institution which, in reality, lacked the means and, above all, the support necessary to carry out the demanding task entrusted to it.

<sup>39</sup> The current rate of public spending exposes the Chadian government's annual budget to the impact of fluctuating factors such as the socio-political climate or the volatility of world oil prices. As a result, it sometimes proves necessary to make adjustments to the budget during the course of the year to which it relates. See *La lettre de Transparence*, no. 52, Observatoire de la gestion des revenus pétroliers, N'Djamena, 2009.

In fact, according to the closing mission report of the International Advisory Group (Groupe international consultatif – GIC) on the Chad oil project,<sup>40</sup> between 2003 and 2008 the oil companies “paid Chad more than \$4.3 billion in oil receipts, far above the estimates made at the outset”.<sup>41</sup> This document also points out that this sum represents “250 per cent of the revenue expected by Chad over 25 years, at a time when the programs to bolster the country’s capacity to manage its oil resources have not yet been fully implemented”. So the authorities have benefited from a substantial financial windfall, particularly as the GIC’s estimates only encompass the direct oil revenues, and not the indirect receipts.<sup>42</sup>

According to experts that Crisis Group has met, the volume of indirect revenue earned through taxes and fees paid by the oil companies is hard to establish exactly but is certainly greater than the volume of direct revenues.<sup>43</sup> Indirect revenues are estimated to account for 60 per cent

of Chad’s total annual oil income. In 2007, they reached CFA132 billion – about \$290 million.<sup>44</sup>

## 2. Oil and political patronage

“Today’s city of N’Djamena is not what it was in the 1990s”.<sup>45</sup> This statement by President Déby graphically sums up the authorities’ sense of satisfaction at their successful use of much of the oil revenue to implement today’s program of “major public works”.<sup>46</sup> At first sight this declaration reflects the reality of what can be seen on a tour of Chad’s capital city: dozens of roads now have tarmac surfaces, public buildings, schools and hospitals have been built and many other projects are in the course of construction.<sup>47</sup> However, these concrete achievements also conceal another reality – the opaque nature of the system through which public contracts are awarded, fostering the development of patronage structures aimed at reinforcing the regime’s control over all sectors of society.

The cornerstone of this system is the ministry of infrastructure.<sup>48</sup> This ministry receives the second largest budget allocation (after the finance ministry). According to the general state budget for 2009, the ministry of finance tops the budget league with an allocation of CFA142 billion (\$306 million), followed by the ministry

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<sup>40</sup>It should be noted here that the World Bank’s approval of the Chad oil project in 1999 was followed by the creation of an international advisory group (Groupe international consultatif, GIC), an international body that was supposed to monitor the various stages of the implementation of the project. The establishment of the GIC was encouraged by the then president of the World Bank, James Wolfensohn. The Bank wanted to see the establishment of a body that was attached to it but was independent in statutory terms, composed of international experts who could advise the various parties involved in the project. The role of this body was to provide an independent outside viewpoint while also stressing the innovative nature of the Chad oil project and the scope for it to act as a model for others. The governments of Chad and Cameroon – whose territory accommodates most of the oil pipeline – and the oil company consortium agreed to the creation of the GIC for a 10-year mandate, from 1999 to 2009. Until the expiry of its mandate in June 2009, the GIC consisted of the following individuals: Dick De Zeew (Dutch), Mamadou Lamine Loum (Senegalese), Jacques Gérin (Canadian), Jane Isabel Guyer (American) and Abdou El Mazide Ndiaye (Senegalese). The GIC carried out several missions on the ground in Chad and Cameroon, to gather opinions from the local population and collect information about public policies linked to oil revenues. After these missions they produced many reports and recommendations. For more information on the role of the GIC, its operations and its reports, see its website [www.gic-iag.org](http://www.gic-iag.org), as well as its closing report, published on 15 June 2009 and available online at [www.gic-iag.org/doc/GIC\\_Rapport\\_Bilan\\_15Juin2009.pdf](http://www.gic-iag.org/doc/GIC_Rapport_Bilan_15Juin2009.pdf).

<sup>41</sup>See *ibid.*

<sup>42</sup>The term “direct” revenues concerns the revenue share paid to Chad for each barrel of oil sold. “Indirect” revenues are those from duties and fiscal fees paid by the oil companies operating in Chad. Crisis Group interviews, Chad finance ministry official, June 2009.

<sup>43</sup>Crisis Group interviews, June-July 2009.

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<sup>44</sup>See Cheikh Yérim Seck, “Où va l’argent du pétrole?”, *Jeune Afrique*, no. 2525, June 2009.

<sup>45</sup>See interview with President Déby on the France 24 channel, 12 July 2009.

<sup>46</sup>The official term now also adopted by the pro-government Chadian press.

<sup>47</sup>The persistent electricity supply problems that have plagued N’Djamena for decades keep many of the new installations out of operation for much of the time. Current levels of power supply can only meet 12 per cent of demand in the Chadian capital; the city faces frequent power cuts. See Anne-Claire Poirson, “Où est passé l’argent du pétrole tchadien?”, *Le Monde Diplomatique*, 2005. On a number of occasions, supported by Chadian government guarantees, the Société tchadienne d’eau et d’électricité has invested in projects to expand generating capacity; but these initiatives have repeatedly failed. On 10 June 2009, the presidency website announced the government’s acquisition of a new power plant, at a cost of CFA48 billion (almost \$115 million). This led the minister of infrastructure to announce that “Within 18 months all Chadian households will have permanent electricity supply.” See [www.presidentetchad.org/centrale\\_electrique.htm](http://www.presidentetchad.org/centrale_electrique.htm).

<sup>48</sup>Adoum Younousmi, state minister in charge of infrastructure for more than three years now, is a close ally of President Déby. Observers of the Chadian political system believe that he has direct access to the head of state and is, in effect, a second prime minister. Indeed, his central role in the power structure was evident during the rebel attack of May 2009, during which he performed the role of acting defence minister. Crisis Group interviews, Chadian journalists, May 2009.

of infrastructure with CFA136 billion (\$294 million); then come the ministry of defence with CFA101 billion (\$218 million), the ministry of education with CFA87 billion (\$188 million) and the ministry of health with CFA55 billion (\$119 million).<sup>49</sup>

In the organisation of public works, the ministry of infrastructure fills the role of a financial hub to which all the capital expenditure allocations of the other ministries are transferred. When these other ministries wish to implement projects, they must submit their plans to the ministry of infrastructure, which has sole charge of the award of contracts.<sup>50</sup> According to interviews carried out by Crisis Group, this system allows a close ally of the president to monopolise all capital investment credits and the award of public contracts at will,<sup>51</sup> without the use of any transparent tendering procedure. The corruption poisoning the award of contracts prevents the implementation of any rules to guarantee proper fulfilment of the contract terms when the quality of the resulting work is defective.<sup>52</sup>

Various reports from the CCSRP have called for rigorous adherence to the public tenders law or action by the Cour des Comptes (state audit bureau) to tackle these shortcomings, but there has been no action on their

proposals.<sup>53</sup> Chad's public tenders law specifies that contracts for public works or the supply of goods or services worth CFA10 million or more require the approval of the finance minister, acting on behalf of the president. However, research by Crisis Group reveals that senior public officials circumvent this obstacle by reducing the value of contracts or breaking them up into smaller separate transactions.<sup>54</sup>

This lack of transparency in public works policy and the use of oil money has allowed senior regime figures to enrich themselves; they have then invested in real estate developments in the suburbs of N'Djamena and top of the range vehicles. At a political level, these conditions sustain a patronage base that is dependent on the regime. Public works carried out in the capital also help to polish up the reputation of the regime, which claims sole credit for the modernisation of society. Such projects have thus become a key tool in the exploitation of oil revenues as a political weapon.

However, the key indicators show that Chad is actually stagnating, in economic terms, despite the windfall bonus of oil. By the end of 2007, oil production had earned the state \$1.22 billion, but done nothing to improve the daily living conditions of the country's 10 million people. In 2008 Chad was in 170th place out of the 177 countries graded in the Human Development Index calculated by the UN Development Programme (UNDP), with an average life expectancy of only 50 years. Gross Domestic Product (GDP) per capita was \$650 in 2007 but fell back to \$550 in 2008. Consumer prices contracted by 9 per cent in 2007 but soared by 8.1 per cent the following year<sup>55</sup> – a rise far greater than that experienced on average across fellow member countries in the Communauté économique et monétaire des Etats de l'Afrique centrale (Central African Economic and Monetary Community – CEMAC).<sup>56</sup>

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<sup>49</sup> See "Budget général de l'Etat 2009", Ministry of Finance, Republic of Chad.

<sup>50</sup> See interview by the Chadian minister of infrastructure with *Tchad et Culture*, no. 261-262, N'Djamena, February 2008, available online at [www.cefod.org/spip.php?article1727](http://www.cefod.org/spip.php?article1727).

<sup>51</sup> A public contract is said to have been awarded on an ad hoc basis when the government chooses to award the tender directly to one supplier without having previously issued a formal invitation for bids. According to Chad's public tender law, the use of the ad hoc procedure is governed by a number of conditions, including a requirement for proof that the contract can only be fulfilled by the chosen supplier. See the new Chadian public tender law established by Decree no. 503/PR/PM/SGG/2003. This public tender law establishes rules for transparency, and the signature, execution and audit of public contracts.

<sup>52</sup> "The standard of much of the work that has been carried out shows that contracts are awarded without any effective controls. There is a risk that some buildings will have a limited lifespan and will one day collapse". Crisis Group interviews, Chadian journalist, May 2009. *Tchad et Culture* has reported that some firms that walk away from construction sites where they have already started but not finished the work still receive official declarations confirming the handover of completed projects. This was the case for a school at Biltine, in eastern Chad: it had not been built, yet education ministry officials still signed a certificate accepting the handover of the building. See "Exécution des marchés publics: un total cafouillis", *Tchad et Culture*, no. 261-262, N'Djamena, February 2008, available at [www.cefod.org/spip.php?article1744](http://www.cefod.org/spip.php?article1744).

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<sup>53</sup> See "Rapport annuel 2007", CCSRP, available at [www.ccsrp.org/rapport/rapport2007/annuel2007.htm](http://www.ccsrp.org/rapport/rapport2007/annuel2007.htm). See also the 2004 and 2005 reports of the CCSRP, "Many firms have disappeared, abandoning their construction sites". Some companies have erected projects on a smaller scale than had been planned. When the CCSRP has carried out visits, accounting documents are generally unavailable or seriously interfered with.

<sup>54</sup> Crisis Group interviews, Chadian civil society organisations, May 2009.

<sup>55</sup> All these indicators are drawn from *Perspectives économiques en Afrique, 2009*, whose electronic version is available at [www.africaneconomicoutlook.org/fr/countries/central-africa/chad/#/overview](http://www.africaneconomicoutlook.org/fr/countries/central-africa/chad/#/overview).

<sup>56</sup> CEMAC is an economic community encompassing Chad and Cameroon, Central African Republic, Congo-Brazzaville, Gabon and Equatorial Guinea. These countries share a common central bank, the Banque des Etats de l'Afrique centrale (BEAC). They have a common currency, the CFA franc,

### C. POLITICAL GRIEVANCES AND AMBITIONS GROW MORE INTENSE

The advent of the oil era in Chad coincided with a series of events boding uncertainty for the country, including a mutiny within President Déby's personal guard on 16 May 2004. The causes of the mutiny remain unclear. At the time, the Chadian government described the mutineers' demands as "merely concerned with pay and conditions"; it was keen to refute rumours of growing opposition to Déby from his own Zaghawa clan, who were unhappy at Chad's failure to support Zaghawa rebels in Darfur.<sup>57</sup> The mutineers, who rapidly retreated to the east of the country, probably also wanted to take advantage of an upsurge in social tension in N'Djamena. Indeed, during this same period, the Chadian government was facing widespread labour unrest and strike campaigns reflecting anger at the failure to translate new oil wealth into improved living standards for the population.<sup>58</sup>

In the political arena, from November 2003 onwards, Déby had floated suggestions about a possible change to the constitution in order to permit him to seek a third presidential term. Less than a month after the start of oil production the congress of the Mouvement patriotique du salut (MPS), the president's party, had called for a change in the constitution "to adapt to national realities", albeit without directly referring to any extension of the president's mandate. In their closing motion, participants in the MSP congress called in particular for the continuation of the present regime, "to extend Chad's entry into the oil era".<sup>59</sup>

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which is also used by eight countries in West Africa. CEMAC has an economic convergence agreement, that sets a 3 per cent ceiling for inflation that countries should try not to exceed so as to avoid negative consequences for the six member states as a whole.

<sup>57</sup> "Rivalités zaghawa", Radio France Internationale, 22 October 2005, available on [www.rfi.fr/actufr/articles/070/article\\_39329.asp](http://www.rfi.fr/actufr/articles/070/article_39329.asp).

<sup>58</sup> Crisis Group interviews, Chadian journalist, June 2009.

<sup>59</sup> Déby subtly denied seeking to "remain in power indefinitely" when questioned about this motion at the time. "Révision pour un troisième mandat présidentiel", Radio France Internationale, 5 June 2005, available on [www.rfi.fr/actufr/articles/066/article\\_36625.asp](http://www.rfi.fr/actufr/articles/066/article_36625.asp). The president clearly decided to take advantage of the opposition parties' timid and limited response by quickly securing National Assembly approval for a change to the constitution in May 2004. The opposition did establish a Coalition des partis pour la défense de la constitution (CPDC – Coalition of Parties for the Defence of the Constitution), but only late in the day, when the process of change was already underway. Crisis Group interviews, senior Chadian politician, October 2008.

Meanwhile, several of the president's close associates who had become involved in managing the oil development privately harboured their own presidential ambitions. According to most insider reports, this was particularly true of the twin brothers Tom and Timane Erdimi. Discontent with the moves towards constitutional change upon which Déby had embarked, and with the growing influence of his son Brahim – who has since died<sup>60</sup> – the Erdimis wanted to see the president's departure, so that one of them could take over. Déby's unwillingness to cooperate with this plan largely explains the coup attempts of May 2004 and then March 2006, after which the Erdimi brothers broke away to launch a rebellion.<sup>61</sup> The Erdimis, like the other leading rebel figures, resented Déby's efforts to exclude them from involvement in the control of Chad's new-found resources and the manner

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<sup>60</sup> Déby's 2003 appointment of his oldest son, Brahim Déby, as a presidential adviser was seen as a sign of his wish to establish Brahim as his successor. Insiders report that this move met with fierce resistance within the president's inner circle (See "New first lady captivates Chad", *The Washington Post*, 2 May 2006). After being arrested in France in May 2006 for being involved in a fight Brahim Déby was moved out of the president's office. On 2 July 2007 he was found dead in the basement of his Parisian apartment, apparently after being attacked by a group of individuals. Up to now, the circumstances and the causes of his death remain unknown, although the French police believe that the incident was most likely to have been a case of normal crime. On 28 November 2008, the French police announced the arrest of five people said to be possibly linked to the killing. See "Breakthrough in Chad president's son murder", Agence France-Presse, 28 November 2008.

<sup>61</sup> During this period, three individuals in the presidential circle were involved in managing the oil dossier: Timane Erdimi, secretary general of the presidency, Abderamane Dadi, deputy secretary general of the presidency and official coordinator of the oil project, and Ahmed Lamine Ali, minister of development and business promotion. The first two were reported to be bitter rivals. Timane Erdimi, who is the president's nephew, had on several occasions criticised the handling of negotiations with the oil companies by Abderamane Dadi, a member of the Gorane clan. Abderamane Dadi et Ahmed Lamine Ali both died on 6 February 2001 in a plane crash: they were returning from an official visit when their aircraft crashed several minutes before it was due to land at N'Djamena airport. The crash was blamed on bad weather. After Dadi's death, management of the oil issue was entrusted to Tom Erdimi, the twin brother of Timane Erdimi. In 2006, after the failure of a coup attempt that they had organised, the twin brothers defected to the armed rebellion fighting Déby's regime. After the Erdimi brothers had gone into revolt, the president accused them of illicitly siphoning off oil money. Crisis Group interviews, Chadian journalists, June 2009. See also "Le gouvernement tchadien confirme l'échec d'un coup d'Etat", Panapress, 15 March 2006.

in which he had shut out any possibility of a change of leadership within the regime itself.<sup>62</sup>

This episode shows how far the financial allure of oil affairs has stirred the ambitions of those close to the president and thus accelerated the fragmentation of his regime. The rivalries at the very heart of his Zaghawa ethnic group were also exposed by the September 2003 murder of the businessman Acheikh Ibni Oumar Youssouf. Of Zaghawa ethnicity but Sudanese nationality, he was the president of the Chad Petroleum Company, a company chosen by the government to build an oil pipeline from the Sédigui oilfield to a refinery in N'Djamena. Youssouf is thought to have been killed at the behest of other Zaghawa businessmen close to the regime. His murderers were caught and executed after a summary trial; most sources agree that this was to ensure that they did not get the chance to publicly reveal the identity of those who had ordered them to carry out the killing.<sup>63</sup>

Compared with this fragility within the regime and the eastern elites, the south of Chad appears fairly calm. Any temptation to rebel again has been discouraged by the brutality of the security crackdowns that followed earlier rebellions.<sup>64</sup> The Forces armées de la République

fédérale (FARF), which was the last armed group to operate in the south, was defeated by the government's army in 1998.<sup>65</sup> The FARF was wiped out and ever since the security forces have maintained a strong presence in the south in order to protect the oilfields.<sup>66</sup>

On several occasions the eastern rebels have announced plans to move their operations into the south, but they have not actually done so. It seems that in the present state of the Chadian conflict, it would not be feasible for a rebel movement to operate in the south near the oilfields because of the heavy security force presence.<sup>67</sup> Besides the security forces and Chadian intelligence agents, the international oil company consortium also has its own intelligence unit, tasked with reporting on any potential threat to its assets.<sup>68</sup> While the oil revenues have fuelled the ambitions of figures within Déby's regime they have of course also given the president the financial resources to reinforce his military position.

#### D. OIL RESOURCES AND REARMAMENT POLICY

Reports on the implementation of the government budget over 2000-2009 show that annual military spending has risen from CFA6.5 billion (just over \$14 million) to CFA147 billion (about \$315 million).<sup>69</sup> This rise is partly explained by the growth in armed conflict in the country

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<sup>62</sup>When the rebels entered N'Djamena in February 2008 the headquarters of the oil ministry was looted, sacked and burned. After a battle in N'Djamena and the enforced retreat of the rebel fighters, the Chadian government claimed that the sacking of the oil ministry buildings had been ordered by the rebel leader Timane Erdimi, who wanted to destroy the records for the period when he had been the person in the presidency responsible for handling oil affairs. The rebels denied this allegation, claiming that the building had been looted by the general public. According to Crisis Group investigations, rebel troops did break into the oil ministry headquarters, but there is no evidence as to whether or not they were seeking to destroy the archives or whether they wanted to take symbolic possession of a building that symbolised the regime's financial power. Crisis Group interviews, inhabitants of the Diguel district, May 2009.

<sup>63</sup>This affair helped to poison relations between N'Djamena and Khartoum, because the businessman who was killed was a member of parliament from the National Congress party, which is in power in Sudan. The rapid execution of his killers allowed the government to prevent the emergence of further information about a potentially embarrassing episode. It should be noted that after this murder, the Chadian government abandoned the plan to build a refinery at Farcha and did not pursue the scheme any further. Crisis Group interviews, Chadian judge and journalist, May 2009.

<sup>64</sup>Inhabitants of southern Chad still vividly remember the massacres that characterised the 1980s "pacification" of the region carried out by the regime of Hissène Habré as it sought to crush autonomist rebel groups. At the time Déby was the chief of staff of Habré's troops; on a number of occasions he has been accused of leading this campaign, which saw many acts

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of violence committed against civilians. He has rejected these accusations, insisting that he was merely carrying out orders. In any case, the massacres of the 1980s helped to discourage any subsequent large-scale armed rebellion in the south, because of the local population's great fear of indiscriminate reprisals.

<sup>65</sup>Their leader, Laokein Bardé Frisson, was killed in May 1998 after being ambushed by the Chadian army.

<sup>66</sup>At present it is impossible to travel around the areas where the oil production sites are located without an official authorisation. With the Chad gendarmerie and the intelligence agents of the Agence nationale de sécurité (ANS) ever present, the Chadian authorities are able to maintain tight security control over the producing regions. Crisis Group interview, southern Chad, May 2009.

<sup>67</sup>At the end of May 2009, the Chadian authorities had no difficulty in arresting Charles Massi, one of the leaders of the rebellion in the Central African Republic, who was planning to cross the southern Chad border and slip into the north of the CAR. According to reports that have reached Crisis Group, the activities of the Central African armed rebel groups are now closely monitored and even infiltrated by N'Djamena, which wants to guard against the forging of any alliances with the Chadian rebels that could threaten the security of southern Chad.

<sup>68</sup>Crisis Group interviews, Chadian workers at an oil site, May 2009.

<sup>69</sup>See *La lettre de Transparence*, Observatoire de la gestion des revenus pétroliers, op. cit.

since 2004; but, above all, it shows how the oil revenues have been used to fuel the government war machine.<sup>70</sup> Indeed, since 2001 much of the \$17 million paid to Chad by the oil consortium as an advance on future oil revenues seems to have been used to finance the national army's military campaign to crush the MDJT rebellion.<sup>71</sup> In 2008 Chad reportedly devoted resources equal to 4.2 per cent of GDP to the purchase of weaponry – the 27th-highest such outlay in the world.<sup>72</sup>

The government's hefty oil-funded investment in the military first made itself felt in the fighting in February 2008 in N'Djamena city. Helicopter gunships that had been acquired in 2006 were able to wipe out the rebel units that had broken into the capital. And in the clashes

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<sup>70</sup> As President Déby has conceded on a number of occasions, his government's 2005 decision to amend the original system established for managing oil revenues was motivated by his plan to strengthen the army's military capacity. In an interview with *Le Figaro* on 17 April 2006, in particular, he asked: "Which country in the world would not, if it had the resources, buy the weapons it needed to defend itself? Why should we in Chad refuse to do so? We shall buy arms – in open transparency. And two days from now, these weapons will arrive". This policy began to take systematic shape towards the end of 2006. A number of envoys, mandated by the presidency, began to travel around various European countries to place orders. The ministries of defence and finance were not involved. As a military man himself, the president set out the instructions for the list of weapons to be bought, and this was passed to international intermediaries. Because of the political risks involved in arms deals, the European supplier states delivered military equipment to intermediary countries, who then sold them on to Chad – except for the army's MIG-24 and Sukhoi warplanes, which were delivered directly by Ukraine. The French light tanks with which the Chadian army is now equipped were delivered by South Africa, Israel and Belgium. The Chadian army now has four Sukhoi bombers, acquired for an estimated CFA32 billion (just over \$68 million), including the costs of the intermediaries for the deal. Crisis Group interviews, Chad finance ministry official, Chadian journalist and researcher, May 2009. See also Luc Mampaey, "Commerce d'armement triangulaire Belgique-France-Tchad. Limites et lacunes de la réglementation belge et européenne", Groupe de recherche et d'information sur la paix et la sécurité, Bruxelles, 2008, available at [www.grip.org/bdg/pdf/g0951.pdf](http://www.grip.org/bdg/pdf/g0951.pdf).

<sup>71</sup> See David Mascré, "Course aux hydrocarbures", op. cit.. It was during this campaign – notable for the death of the MDJT leader Youssouf Togoïmi, in circumstances that remain unclear – that President Déby fell out with a number of officers from the Gorane ethnic group to which Togoïmi belonged. Youssouf Togoïmi died on 24 September 2002 after being wounded by an exploding mine. The Chadian government said the explosion was an accident, but Togoïmi's supporters said he had been caught by a booby-trap planted by Chadian intelligence with Libya's help.

<sup>72</sup> Data from [www.cia.org/outfactbook](http://www.cia.org/outfactbook).

of May 2009 in Am-dam, the tanks and rocket launchers the government had been acquiring during 2008 prevented the rebel columns from advancing. The failure of this offensive showed how the reinforcement of the army's military capacity had rendered a fresh rebel breakthrough into N'Djamena unlikely, at least in the near future, even if the underlying challenge to country remains a real one.

Crisis Group research suggests that the army is now one of the best equipped in sub-Saharan Africa. It has a tactical offensive and counter-attacking arsenal that should henceforth allow President Déby to achieve his aim of ending the reliance on close-quarters firefights between armed pick-ups that have traditionally characterised warfare in Chad.<sup>73</sup> The authorities claim that all security expenditure is reviewed by the CCSRP, but the exact figures for spending on the government military machine are in reality largely secret and outside the effective remit of any audit control. Such expenditure is covered by defence secrecy provisions, which formally ban the National Assembly and the ministry of finance from commenting on weapons procurements ordered by the presidency.<sup>74</sup>

Ultimately, military superiority has enabled the army to protect N'Djamena from various efforts to overthrow the regime that have mostly been backed by the Sudanese government. And with the support of international partners, this military strength has also enabled the regime to refuse to engage seriously in any negotiation or power-sharing initiative that might lead to improvements in the country's current governance systems.

## E. THE INTERNATIONAL DIMENSIONS OF OIL DEVELOPMENT

The first Gulf War in 1990 increased Western concerns about the danger of a shortage in oil supply, should large-scale conflict break out in the Middle East, a main source of fuel for Europe and North America. Faced with this risk, Western governments and the U.S.

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<sup>73</sup> The warplanes, helicopters, tanks and missiles shown off during military parades in N'Djamena represent only part of the military arsenal accumulated by the Chadian regime. Crisis Group interviews, Chadian defence ministry official, June 2009.

<sup>74</sup> Moreover, it should be noted that the official military expenditure figures take no account of the sums privately disbursed by the Chadian regime, as *diyah* payments, to the families of fighters killed in the war or in inter-communal violence in the east of Chad. The *diyah* (blood-price) is traditionally a sum of money demanded by the families of victims of blood crimes, but sometimes the families of fighters killed in the war also demand it. Crisis Group interviews, Chadian journalist, May 2009.

in particular sought to strengthen their presence in the African energy sector by expanding their investment in the countries where they were already present (such as Nigeria, Gabon or Angola) and by encouraging their oil companies to engage in exploration in countries such as Chad that had substantial undeveloped oil reserves.<sup>75</sup> The involvement of American companies in the Chad oil project reflects this new policy of increasing Africa's share of oil supply to the U.S.<sup>76</sup>

The U.S. administration, for whom Chad was increasingly important in strategic terms, was supportive of the oil firms' initial discussions with the Chadian government. The American companies Exxon-Mobil and Chevron committed themselves to the project, in contrast to the French group Elf, which had pulled out in 1999.<sup>77</sup> The U.S. decision to align itself with France in UN Security Council votes condemning the attacks on the regime of President Déby showed that both Western countries wanted to maintain the current status quo in Chad. This Franco-American partnership reflected both a shared desire to block the path to any further expansion of Sudanese Islamist influence and a desire to protect both French political interests and U.S. economic interests.<sup>78</sup>

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<sup>75</sup> Traditionally linked to France and French businesses, Chad had no significant trade links with the U.S. until the oil project materialised; hitherto, Chad was only of interest to Washington because of concerns about the role that Libya was seeking to play there. For an insight into the American presence in Chad, see Simon Tulipe, "Le bassin tchadien à l'épreuve de l'or noir", *Politique Africaine*, no. 94, June 2004.

<sup>76</sup> On this point, see David Mascré, "Course aux hydrocarbures", *op. cit.* This source reports that Africa's share in U.S. imports of hydrocarbons (crude oil and gas) rose from 10 per cent in 2001 to almost 15 per cent in 2004; this share is set to reach 25 per cent in 2015.

<sup>77</sup> Even so, French business plays an important role in the sector through the involvement of sub-contracting firms with experience of Chad, in activities such as security and services provision. A French company carried out the ground preparation work for the laying of the Chad-Cameroon oil pipeline. And the French firm Satom is heavily involved in the various public works currently underway, which are financed from oil revenues. Crisis Group interviews, workers in the Chadian oil sector, May-June 2009.

<sup>78</sup> It should be noted that on several occasions Chadian rebel leaders published statements that sought to show that they did not represent a threat to the foreign oil companies operating in Chad. Moreover, a number of senior figures linked to the Chad rebels are either in the U.S. now or have spent time there. Among them are Hassaballah Soubiane, a former Chadian ambassador to the U.S., and Tom Erdimi, who lives in exile in Seattle. However, Soubiane threw his support behind the Déby presidential camp in July 2009, following a peace agreement between his movement and the Chad government.

Moreover, the compromise agreement of 2006 between the World Bank and Chad, endorsing the Chadian government's seizure of control over the oil revenues, owed much to the pressures exerted on the international financial institution by the U.S. State Department. The latter feared that Chad's threat to stop pumping crude would affect world oil prices and hurt the American companies.<sup>79</sup> The Chadian government thus realised that its oil represented a powerful means of exerting pressure in order to come out on top in its trial of strength with the World Bank.

From the year 2000 onwards, American energy policy also found itself facing the challenge of Chinese competition for resources. Like Washington, Beijing is also concerned about the security of energy supply. As a result it seeks to develop trade relationships with African countries that have large potential oil reserves. While diplomatic relations between Chad and China were broken off in 1997, which held back the prospect of any concrete action to follow up on possible Chinese energy ambitions in Chad,<sup>80</sup> in neighbouring Sudan the Chinese found a country where they could readily put their African oil strategy into effect. For Sudan, abandoned by Western countries that accused it of supporting Islamist terrorism and subsequently implementing a policy of internal ethnic cleansing, China was an ideal partner. Beijing was able to both invest in the oil sector and help Khartoum soften the impact of the diplomatic stigma that hung over it because of the Darfur crisis.<sup>81</sup>

Chinese investment in the Sudanese oil sector led to the construction of a 1,500-kilometre pipeline to the Red Sea.<sup>82</sup> Yet despite this strong presence in Sudan, the Chinese government has never taken an official stance on the latent Chad/Sudan conflict; indeed, it deliberately avoided adopting any position that would stand in the way of an eventual restoration of diplomatic rela-

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<sup>79</sup> Following these threats, the U.S. Under-Secretary for African Affairs, Donald Yamamoto, was sent to Chad to hold talks with the government. See David Mascré, "Course aux hydrocarbures", *op. cit.*

<sup>80</sup> In 1997 the Chadian government decided to recognise the Taiwan-based Republic of China, which promised to reward this move with an immediate injection of aid for Chad's road network. This decision automatically sparked a breach in relations with the People's Republic of China – which bases its diplomatic relationships on the acceptance of the principle of one China only. Diplomatic relations between the two countries were restored in August 2006.

<sup>81</sup> On relations between China and Sudan and the role of oil in Beijing's African diplomacy, see the Crisis Group Asia Report N°153, *China's Thirst for Oil*, 9 June 2008.

<sup>82</sup> See David Mascré, "Course aux hydrocarbures", *op. cit.*

tions with Chad.<sup>83</sup> And on the commercial front, the absence of diplomatic relations proved to be no obstacle to the Chadian government's 2004 award of a licence for research, exploration and production to a consortium of three companies – EnCana (Canada), Cliveden (United Kingdom) and the China National Petroleum Corporation (CNPC).

The restoration of diplomatic relations between Chad and China in 2006 opened the way for CNPC to invest in the Chadian oil sector with the blessing of the N'Djamena authorities. In January 2007, through its acquisition of the assets of the Canadian company EnCana, CNPC secured exploration licences in the Bongor region in the south west of the country. At the same time, the authorities gave the Chinese permission to carry out exploration activity in the north, in the Erdis region.<sup>84</sup> The Chinese company was also commissioned to build the second oil pipeline, which is due to link the Mougo production site to the planned refinery at Djemaya.

This oil alliance with China helps the government out on two fronts. Firstly, it ensures that there is a competing company to counterbalance the presence of the American groups; this enables Déby to use the Chinese presence as a lever to pressure the U.S. into cementing support for his regime.<sup>85</sup> Secondly, Déby himself has said that the rapprochement with China is aimed at encouraging Beijing to use its influence with the Khartoum regime to avoid the outbreak of a direct confrontation between Sudan and Chad that would risk damaging the interests of all three countries.<sup>86</sup>

#### IV. TRANSFORMING OIL INTO THE CORNERSTONE OF STABILITY

In spite of the problems that have plagued the management of petroleum revenues, oil could in fact become a formidable driver for socio-economic development in Chad. But for this to happen the country will have to create conditions for better management of the sector. Escape from the oil curse would require the inclusion of oil resource issues in the internal dialogue launched by the agreement of 13 August 2007. Moreover, it is in the interests of the international community, and France, China and the U.S. in particular, to bring an end to the relentless increase in weapons purchases and deadlock in political dialogue and to encourage a new approach to governance in Chad, guaranteeing improved stability in the country over the medium and longer term.

##### A. REINFORCING TECHNICAL ARRANGEMENTS FOR AUDIT AND MONITORING

The oil sector's original management system was set up with the aim of strengthening the government's ability to use its petroleum revenues in a transparent and effective manner, and thus avoid the famous "oil curse". The CCSRP was established to reinforce this targeted approach and consolidate the management of public finances that were set to change shape as oil production developed.

Until the end of 2005 this system appeared to be working quite well. Indeed, although the government did not strictly follow the recommendations of the CCSRP, this body did fulfil its mandate as the guardian of transparency in oil revenue management, publishing reports that were notable for their precision and rigorous approach. But unfortunately, the changes made to the original revenue management system in 2006 and to the way in which the CCSRP operates were met with widespread scepticism. The changes reduced the supervisory council's room for manoeuvre.

The government should restore the CCSRP's original legal powers and refrain from interfering in the selection of its members. The top priority must be to change the CCSRP statutes so that its members work full time, as is the case with the other independent state institutions like the High Council for Communications or the Supreme Court. There should be a review of Decree no. 240/PR/MF/03. This specifies that the members sit only part-time, which tends to undermine their effectiveness and their ability to establish a good technical understanding of the issues they are dealing with.

<sup>83</sup> For an overview of Chinese diplomacy in Africa, including in Sudan and Chad, see Adama Gaye, *Chine-Afrique: le dragon et l'autruche* (Paris, 2006).

<sup>84</sup> Crisis Group interviews, specialist on the Chadian oil sector, May 2009.

<sup>85</sup> Crisis Group interviews, Chadian journalists, June 2009. This thesis came to the fore in 2006 when the World Bank was hesitating over whether to remain involved in the financing of Chad's oil project. China indicated that it was willing to step into the breach and replace the Bank's role in underpinning the implementation of the project. See Jim Fisher-Thompson, "L'implantation de la Chine dans le secteur pétrolier africain", *Washington File*, September 2008, available online at [www.america.gov/st/washfilefrench/2006/September/200609181603241EJrehsiF0.1975519.html](http://www.america.gov/st/washfilefrench/2006/September/200609181603241EJrehsiF0.1975519.html).

<sup>86</sup> During an interview with the French channel France 24 on 12 July 2009 President Déby declared that "China is making an attempt to change [the thinking of] the Sudanese President Omar Hassan al-Bashir"; he added that Chad's relations with China were "solidly based".

Furthermore, the internal operating rules of the CCSRP allow this body only five days to approve or reject any project submitted by the government for approval. If it fails to respond within this time window, the project is automatically considered as approved. Yet in the course of a single month dozens of spending projects may be submitted to the CCSRP, each supposedly to be assessed within a five-day timeframe. This operating rule needs to be revised, because in practice it prevents project dossiers from being studied thoroughly.<sup>87</sup> The legal limit on the time available for the examination of a project dossier before automatic approval should be at least doubled.

Technical steps also need to be taken to strengthen the procedures for the award of public contracts. The official reason given for centralising control over all public capital expenditure outlays in the ministry of infrastructure is a lack of technical capacity for project management in the other ministries. But this system is at the root of the growth in political patronage and corruption. And because the ministry of infrastructure is itself often swamped with work, many tenders are awarded on an *ad hoc* basis without being subjected to technical assessment or rigorous monitoring.<sup>88</sup> To avoid the waste of public funds, corruption and the influence of political patronage networks, it would be helpful for the government to enhance the technical capacity of officials in the various ministries. Oil revenues should also be used to fund regular training for officials on an ongoing basis. This training program should be the subject of a serious government policy initiative, developed in partnership with civil society.

Chad does have a ministry charged with the promotion of ethical standards in public life, whose role is to suppress corruption, influence peddling and the embezzlement of public assets. Its mission should obviously be encouraged, but it will need to be strengthened if action to combat corruption is to become the norm rather than the result of an occasional politically motivated initiative. This ministry should systematically apply the recommendations of the CCSRP and launch inquiries into the failings already identified in the latter's initial reports, which have not so far been followed up. As soon as possible, the ethical standards ministry should also begin monitoring and auditing the various public projects that are managed by the ministry of infrastructure.

For its part, the international community should continue to make the case for involving independent international organisations. A particularly important step, on this front, would be the renewal of the mandate of the

International Consultative Group (GIC), which expired in June 2009, and measures to strengthen its operations. Initially charged with providing independent advice to the government and the World Bank on the management of the Chadian oil project,<sup>89</sup> the GIC has used its inspection missions and reports to argue for good governance.

The World Bank's disengagement from the project in 2008 reduced the GIC's room for manoeuvre, although the group continued to produce regular reports. Even though they could not force changes in behaviour, these documents have at least helped to increase international awareness of the demand from Chadian civil society and CCSRP for better management of the oil revenues. Also, the existence of the GIC has ensured that the outside world did not completely lose interest in the Chadian oil project after the dismantling of the original supervisory structures. It is therefore vital that the international community, and Chad's donors in particular, press for the reappointment of an independent organisation such as the GIC, and on an ongoing long-term basis. The World Bank should continue to ensure the funding of this independent multi-disciplinary organisation, made up of figures from abroad and from Chadian civil society, whose role would be to produce studies, make recommendations and provide technical support to the CCSRP. This would ensure that the innovatory nature of the Chad oil project survives.

## **B. BRINGING OIL WITHIN THE COMPASS OF CHAD'S INTERNAL DIALOGUE**

The problems related to oil that this report describes are likely to become more severe over coming years. They urgently need to be included in any process that seeks to improve governance in Chad. The question of how to help the country escape the oil curse should therefore be included among the main themes of the internal dialogue that was launched by the agreement of 13 August 2007, whose agenda was initially limited to election arrangements.<sup>90</sup> Such an expansion of the agenda [to en-

<sup>87</sup> Crisis Group interviews, leader of a Chadian NGO, June 2009.

<sup>88</sup> Crisis Group interviews, ministry of infrastructure official, June 2009.

<sup>89</sup> It also advised the Cameroonian government, which is involved in the oil project because most of the pipeline that takes Chadian oil to world markets in fact lies in Cameroon.

<sup>90</sup> Signed on 13 August 2007 by representatives of the political parties in the president's ruling coalition and those in the opposition, this accord seeks to reinforce the democratic process in Chad and promote free elections. The agreement was sponsored by the European Union. The signing of this deal was meant to end the systematic boycott of elections by the opposition, which had complained about a lack of transparency in the planning and operation of the electoral process. However, beyond the specific question of elections, the strategy behind this accord was the drive to open up politics and achieve genuinely participatory government. Moreover, from

compass oil issues] would be in conformity with the recommendations of the 1993 Sovereign National Conference, which envisaged a better distribution of national resources.<sup>91</sup>

The government should organise a round table with the opposition parties, but also including representatives of civil society and the oil producing regions. Its role would be to take stock of the manner in which the oil project has been managed, after five years in operation, and to identify the problems and reach agreement on those oil governance issues where a national consensus needs to be reached. Public policies in priority sectors, and the allocation of oil revenues to national defence should be

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the moment negotiations began, opposition parties criticised the fact that the talks were limited to the narrow issue of election arrangements. Yet, despite these reservations, the opposition accepted the 13 August agreement, apparently in the hope that this would be only the first step in a national dialogue that would broaden out to encompass other political issues (see, in particular, Ibni Oumar Mahamat Saleh, "Analyse sur l'accord du 13 août et les perspectives", *Tchad actuel*, December 2008). Overall, the provisions of the agreement envisage the government's adoption of various legislative measures that were supposed to enable opposition activity. These were supposed to be accompanied by an overhaul of the electoral roll and the suppression of contentious clauses, such as the provision relating to nomads' votes. The whole process was supposed to conclude with the establishment of a new and more impartial Independent National Electoral Commission (CENI). A monitoring committee composed of opposition and government representatives was supposed to oversee the strict application of the agreement. In the months immediately following the signature of the agreement, the opposition accused the government of delaying its implementation; the government cited technical constraints to explain the delay. The rebel attack of February 2008 cast serious doubt over the significance of the agreement; but in spite of bitter arguments and a rift with opposition parties united in the Coalition of Parties for the Defence of the Constitution (CPDC), the government did adopt a number of the planned legislative measures. The CPDC frequently complains that the agreement has been only partially implemented; the government invariably responds that it is ready to "prepare the path to transparent elections" (see "Accord du 13 août 2007: le gouvernement adopte cinq projets de lois d'application", *Tchad et Culture*, 15 November 2008). On 13 July 2009, after months of laborious negotiation, the members of the CENI were nominated, under a consensus agreement between the government and the opposition. In fact, although its implementation is the subject of frequent and numerous disputes, this accord is currently the sole political mechanism that is likely to encourage dialogue between the Chadian regime and its unarmed opponents.

<sup>91</sup> See Robert Buijtenhuijs, *La Conférence nationale souveraine du Tchad: un essai d'histoire immédiate* (Paris, 2000), and Crisis Group Report, *Chad: A New Conflict Resolution Framework*, op. cit.

the subject of serious debate and an agreement between the participants. President Déby believes his personal control of the oil revenues is essential to his political survival; he is therefore unlikely to extend the national dialogue to encompass oil issues unless Chad's external partners give strong support to this dialogue. Points upon which the round table produces agreement should be added into the original 13 August 2007 agreement. These points would be the subject of periodic review by the government and opposition parties.

### C. ESCAPING THE UPWARD RATCHET OF EXCESSIVE ARMS PURCHASES AND ENCOURAGING DURABLE STABILITY

The fighting of May 2009 between government and rebel troops showed how the army's military strength had been increased thanks to oil money. The weapons acquired by the government forces proved decisive in halting the advance of the rebel columns, which were forced to retreat to their base in Sudan.

However, for all the triumphalist talk about the "total defeat of the rebellion",<sup>92</sup> the reinforcement of the government's arsenal has not in fact brought an end to the threats facing the regime. The government is well aware of this, as has been shown by its relaunch of targeted negotiations with some of the rebel factions. These low-profile individual discussions have been reflected in understandings with several rebel groups, of which the most significant is a deal reached with Hassaballah Soubiane's Mouvement national on 24 July 2009.<sup>93</sup> Additionally, on 19 August 2009 former president Goukouni Weddeye announced his return to Chad to "make his contribution to the consolidation of peace".<sup>94</sup>

But these negotiations amount to a reinforcement of political patronage structures rather than any genuine political opening towards the opposition. The peace agreements that confirm these deals generally take the form of a reconciliation with the armed factions concerned in return for an amnesty and the award of ministerial posts to their main leaders. Strengthened by his control over oil revenue, President Déby prefers to co-opt allies in this way, and avoid any debate over fundamental governance issues. In fact, as in the past,

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<sup>92</sup> See the press briefing by Chad's interim defence minister on 6 May 2009.

<sup>93</sup> Formerly a close associate of President Déby, Hassaballah Soubiane held a number of posts, including minister of the interior and ambassador to the U.S., before going into opposition and joining the rebels in 2004.

<sup>94</sup> See "Tchad: l'ancien président Goukouni Weddeye de retour définitivement", Agence France-Presse, 19 August 2009.

the success of this co-opting of factions is probably in danger of being wrecked by the outbreak of new disputes among leaders over the share-out of oil riches, and the consequent emergence of fresh splits and rebellions.

In the medium and long term this policy is counter-productive, undermining the stability of the country and the efficiency of government in fulfilling its obligations towards the population and damaging the interests of its external political and economic partners. Although a succession of assorted rebel groups have joined the government camp, the persistence of political instability continues to present major risks for any large-scale economic investment in Chad. It fuels uncertainty about the country's future, particularly in relation to oil installations and production levels. The dense military presence currently deployed to protect the oilfields cannot provide long-term security for these resources, particularly if there is a general deterioration of the situation across the country. This highlights the risk of an increase in tension in those regions where recently discovered oil finds will be brought into production (the Mayo Kebbi, Chari Baguirmi, Lake Chad and Moyen Chari regions).

France, the U.S. and China should exert their influence to encourage an inclusive national dialogue – which is the only way of achieving a real resolution of the crisis. France, which has put forward the various UN Security Council resolutions that favour the government, should make its diplomatic support conditional on reforms of governance, particularly in the oil sector. The French government wishes to disengage from its military presence in Chad. But the context for such a withdrawal could be particularly difficult, because political instability continues, despite external partners' support for President Déby. France should work in partnership with the U.S. and China – whose oil companies are active in Chad – to support the holding of a round table on oil sector governance and it should get involved in monitoring the implementation of the 13 August 2007 agreement.

Finally, all three partner countries, and particularly China – which has the advantage of being trusted by both Chad and Sudan – should reinforce the drive for regional stability. They should also press both countries to rely,

above all, on diplomatic means to resolve their differences, and to stop providing military aid to the rebels who use both countries as rear bases to launch attacks against the N'Djamena and Khartoum regimes.

However, France, the U.S. and China should not settle for a short-term policy based solely on a regional balance of military force and ignoring the internal failings of the Chadian regime. Just as they are actively supporting the peace process and political reform within Sudan, they should seriously commit themselves to supporting the political and institutional reforms needed to improve governance systems within Chad. This is vital for the security of their own political and economic interests in the country – for these reforms are the only route to ensuring durable stability.

## V. CONCLUSION

The fact that the start of oil development coincided with the resurgence of instability in Chad has helped to transform oil resources into one of the major drivers of conflict in the country. The experience of the last five years has revived doubts about the wisdom of exploiting Chad's oil and tempered hopes that it could finance social and economic development. As both the internal crisis and the latent conflict with Sudan have worsened, oil resources have come to play a key role in the incumbent regime's strategy for holding on to national power.

While other internal debates should not be sidelined, it is time to think seriously about the question of oil. Such a debate must include the reestablishment of a national consensus on governance and the use of oil resources. If this does not happen, there is a serious risk that Chad will, like Nigeria, fall victim to the oil curse. Its key partners, France, the U.S. and China, cannot afford to ignore this risk of national collapse, which would have devastating consequences for their own interests.

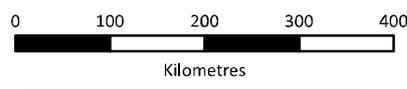
**Nairobi/Brussels, 26 August 2009**

### APPENDIX A

### MAP OF CAMEROON-CHAD OIL PIPELINE



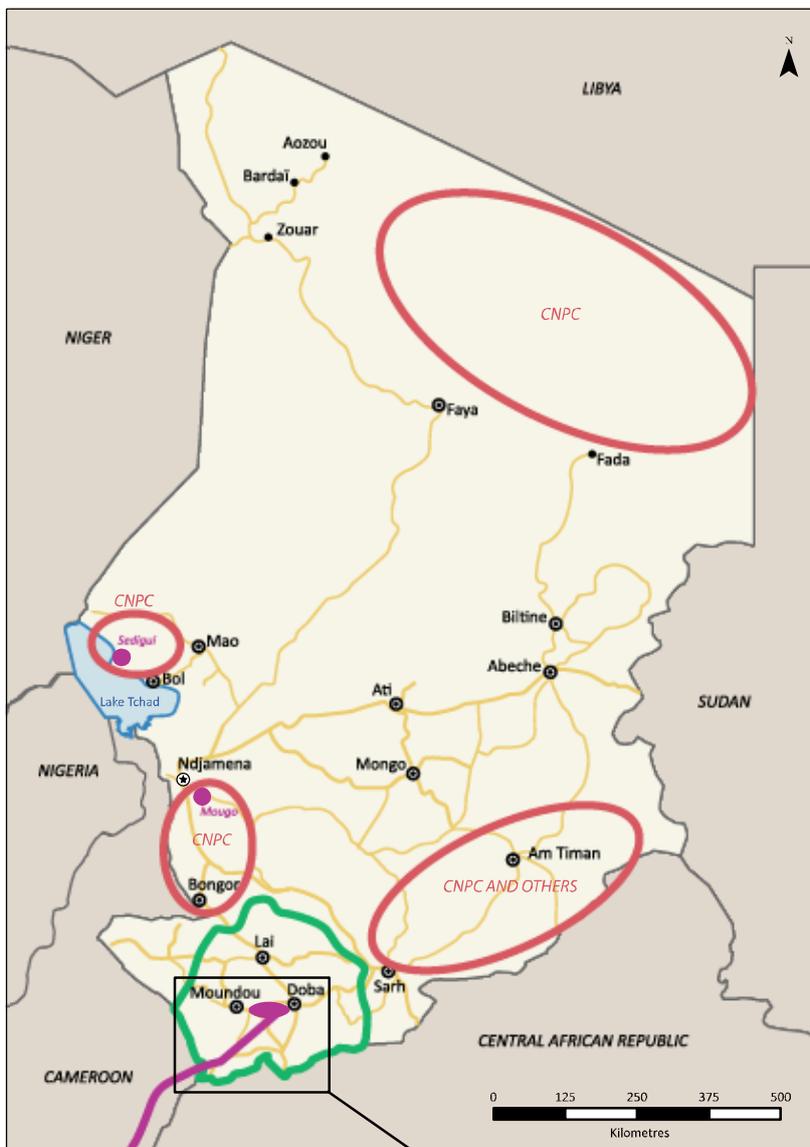
-  Pipeline
-  Pumping station
-  Roads and tracks
-  Railway
-  Country borders
-  Capital
-  District
-  Locality



Sources: ICG, CIRAD, ESRI, OCHA  
Aug 2009 - Amelie Desgroppes, IFRA

## APPENDIX B

### MAP OF OILFIELDS UNDER EXPLOITATION AND EXPLORATION CONCESSIONS IN CHAD



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- Exploration zones
- ESSO Consortium exploitation zones
- Oil wells under exploitation
- Pipeline
- Nya* Site names
- CNPC\* Petroleum company name
- Capital
- District
- Locality
- Country borders
- Roads
- Tracks

Sources: ICG, CIRAD, OCHA, ESRI  
 Aug 2009 - Amelie Desgroppes, IFRA

\*Chinese National Petroleum Company

