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## Chad's Oil Riches, Meant for Poor, Are Diverted

By LYDIA POLGREEN and CELIA W. DUGGER

NDJAMENA, Chad, Feb. 11 — Students from the Institute of Mongo have everything they need to learn: desks, computers, professors, notebooks and inquisitive minds.

The only thing missing is the school itself. Their country's newfound oil wealth is supposed to build it in their hometown, about 275 miles east of here, but after three years it is still not ready. So they study in borrowed classrooms here in the dusty capital.

"It's a long time we wait, but this is Chad," said Abdelraman Choua, 22, a computer science major from Mongo. "We are always waiting."

Such is reality under a World Bank-supported program that was supposed to harness this impoverished African nation's oil wealth for the benefit of its poorest citizens. A \$4.2 billion oil pipeline has generated \$399 million for Chad since mid-2004, but the spending of the money has been seriously marred by mismanagement, graft and, most recently, the government's decision that a hefty share can be used to fight a rebellion.

And now the approach, once envisioned as a model for the development of other African countries, seems to be on the verge of collapse. In recent weeks, Chad seriously weakened a law that dedicated most of its oil revenue to reducing poverty and reneged on its deal with the World Bank. In response, the bank suspended all its loans to the country.

What is happening in Chad, a Central African country twice the size of France, is an important test of the idea that international institutions like the World Bank can influence governments of poor countries to spend newly tapped riches on their people instead of using the money to further entrench themselves in power.

The proposition is particularly challenging as oil prices surge, because now nations like Chad can attract investors who make few or no demands on how the profits are spent.

High-level talks in Paris to resolve the crisis with Chad ended inconclusively this month, though World Bank officials still hope for a settlement that preserves the government's promise to use its oil money to build schools, clinics and roads rather than to support an army that has recently experienced a rash of defections among rebellious officers.

As a rising tide of oil money flows to poor African countries in the coming years, the bank will have little choice but to grapple with its role.

"It's not clear at all how to get your hands around it," said Paul D. Wolfowitz, who became president of the bank last summer. "But I think to stand back and say the whole thing is a dirty business and we in the World Bank don't want to have anything to do with it is very shortsighted."

Africa is in the midst of an oil boom, with countries that have already struck oil aiming to double production by the end of the decade.

Billions of dollars have been invested in new production capacity, much of it to feed a thirsty American market. The United States already gets about 18 percent of its oil from sub-Saharan Africa, a share that will rise in coming years and could outpace imports from the Persian Gulf, experts say.

But the United States also faces fierce competition for Africa's oil from countries like China, Taiwan, India and Malaysia.

From Angola to Nigeria, Gabon to Sudan, riches from oil have often ended up in the pockets of the ruling elite, inciting conflict over the spoils. In Congo, the off-again-on-again fight over a very similar issue, that vast country's mineral riches, has killed four million people, more than any conflict since World War II. Most died of disease and hunger as wars over diamond and copper mines raged.

Chad has been ranked with Bangladesh at the world's two most corrupt countries by the corruption watchdog Transparency International. The hope that Chad would chart a more humane path fractured when its Parliament voted recently to soften the oil revenue law, allowing the money to be diverted.

"We have our backs against the wall," said Hourmadji Moussa Doumgor, Chad's minister of communications, explaining that the nation was out of money and facing a rebellion from former soldiers seeking to overthrow President Idriss Déby. "We have lived without oil in the past, and we are prepared to do it again to preserve our dignity. And there are other partners we can pursue."

That Chad's government faces a crisis is beyond doubt. Civil servants went on strike for weeks when their salaries were not paid for several months, and retired people have not received their benefits since 2004. The ailing Mr. Déby, president since 1990, is facing an armed rebellion in the east of the country. Some experts say he may believe that he needs money now to buy weapons and the loyalty of restive military officers.

The crisis in Darfur, the region of neighboring Sudan that borders Chad, has also put enormous pressure on Chad, which is now host to 200,000 Sudanese refugees. Complicating matters, Chad and Sudan have accused each other of supporting rebels on each other's soil.

Chad has demanded that the consortium led by Exxon Mobil that built the pipeline begin depositing the oil royalties directly in the country's central bank rather than an account designated in its agreement with the World Bank. Chadian officials said they were prepared to "close the faucets" of the oil pipeline if no settlement was reached.

Exxon, responding to written questions, said only that it hoped that the bank and Chad could address Chad's financial distress while preserving the poverty-reduction framework.

The Exxon-led consortium was willing to build the 665-mile pipeline from landlocked Chad to the sea only with the World Bank's backing, said Rashad Kaldany, director of oil, gas and mining for the bank and its private investment agency, the International Finance Corporation. With Chad's history of civil war, ethnic strife and corruption, its oil lay untapped for decades because no one was willing to put capital at risk here.

In 2000, the bank approved the project and lent Chad \$37 million for its stake in the pipeline, while its finance agency lent the companies building the pipeline \$100 million. Their support was conditioned on

Chad's commitment to adopting a law requiring that most of the oil revenue go to poverty alleviation.

The royalties were to be deposited in an offshore account, and an independent oversight committee was to vet, approve and monitor all spending.

But once the oil revenues began to flow into the government's coffers in 2004, the model program quickly ran into trouble.

"This project could not survive contact with the reality of Chad," said Gilbert Maoundonodji, who runs a Chadian nonprofit group that investigates petroleum spending in the country. "It is the most corrupt country in the world."

The oversight group officially charged with monitoring the oil spending laid out a damning catalog of malfeasance and bungling last May, from overspending on office equipment to bungling or abandoning entire public works projects.

In the town of Moissala, a water tower was approved, and an advance of \$360,000 paid to the builder. But when monitors checked its progress, they found no water tower, and no one in the local government had ever heard of the project.

Many of the wells that were supposed to be dug in rural areas were still unfinished, while others were dug, but not deeply enough. The builders filled them with water from a cistern to try to fool the inspectors, said Thérèse Mekombe, vice president of the oversight panel.

The group found that the Ministry of Higher Education had bought a computer for \$5,300, a secretary's chair for \$3,600 and scooters that should have cost \$1,000 for triple the price. Companies that won contracts to make desks for schools used scrap wood, producing desks with bucked legs and tops.

The Ministry of Health commissioned a clinic in the town of Bierre, but the builder abandoned the site with no explanation.

The largest amount of money — \$51 million through last year — has been devoted to public works, mainly roads. Of that, \$48 million has been assigned to a partnership formed between a foreign construction company and a company led by President Déby's brother, Daoussa Déby, according to the oversight committee.

Government officials say Daoussa Déby's company won contracts through competitive bidding and got so much of the work because few companies have the capacity to complete big projects. Asked about the propriety of a member of the president's family receiving so much money, Mr. Doungor, the government spokesman, shrugged.

"This is universal," he said. "The ones who have the big fortune, all the money, are those in power. I don't say it's right, but it is the same in every country."

The panel's findings toughened the World Bank's reaction to Chad's insistence that it needed to change the law regulating how it spent the oil money, said Ali Khadr, the bank's director for Chad.

The bank told Chadian officials it was willing to consider amendments to the law, but first wanted Chad to explain its deepening fiscal woes. "They kept saying to us: 'No, no, no, there's no time for that. You're either with us or against us,'" Mr. Khadr said.

Members of the oversight committee and outside watchdog groups say the bank did not do enough to ensure that the monitors had adequate resources.

Mr. Khadr disagreed. For its first three years, the bank and its International Finance Corporation provided \$1.3 million to support the oversight committee's operations. The publication of its critical report was itself "pretty good evidence that its capacity, if not ideal, is at least adequate," he said.

But Ms. Mekombe of the oversight committee said that even when the monitors documented problems, their recommendations were often ignored, while officials and companies cited as corrupt were never investigated by the government. "All the work we have done, all the sacrifices we have made, sometimes I think it is all for nothing," she said.

Critics say the bank moved too hastily to move the project to completion before this unstable, corrupt and autocratically-governed country was ready for it. Though aware of the risks, bank managers said they felt that other investors with no stake in poverty reduction would eventually build the pipeline anyway.

Mr. Kaldany, the bank's International Finance Corporation official, pointed out that another oil project just over the border in Sudan had been undertaken by a consortium led by China with no controls on how the government spends the money.

Indeed, as oil prices have soared, even difficult-to-reach fields with low-quality oil like Chad's have become attractive to investors. And as flawed as the reality of Chad's experiment has been, even some of its fiercest critics say they are glad the World Bank is here.

"Without the World Bank, we would be in an even bigger disaster," said Boukinebe Garka, a labor union leader. "Someone else would have built the pipeline, and then we would be in the same situation as Angola or Sudan. At least now we have some control, even if it is not perfect or even very good. It is a start."

Lydia Polgreen reported from Ndjamená for this article, and Celia W. Dugger from Washington.