

Context:

Chad's Implementation of the Revenue Management Plan

Officials for Chad's Revenue Management Plan report that construction has started on the first development project to be funded through Chadian oil revenues. Under the provisions of the country's Plan, Chad's oil revenue is initially being paid into an escrow account in London and expenditures are being allocated by a monitoring committee. The unprecedented Revenue Management Plan was developed by Chad in collaboration with the World Bank with the goal of ensuring that Project benefits reach the people of Chad and are disbursed in a transparent manner.



This road paving project north of Massaguet, Chad, will help link N'Djaména, the capital city of Chad, with the town of Abeché, the country's primary commercial center in the northeast. During the rainy season, the unpaved road turns to mud and is impassable for days at a time. Even during the dry season, trucks using the existing rough dirt road take three long driving days to cover less than 500 kilometers.

**Status of
Revenue
Management
Process**

The Project paid the first royalties from sales of crude oil in late 2003 and the funds have been steadily flowing into escrow accounts in a London bank since that time. By the end of the second quarter of 2004, approximately \$60 million had accumulated in the accounts. The first disbursement from the escrow accounts to the Government of Chad took place in July of 2004, as this report was going to press. (To learn more about the production of crude oil and the volumes of oil that have been shipped to world markets in order to produce these revenues, see the section on *Construction, Commissioning & Production*.)

Before funds could begin coming into Chad, the rigorous terms of the Revenue Management Plan had to be met in accordance with a process established prior to Project construction in legislation passed by the Chadian parliament and signed into law by the President. The World Bank aided the Chadian government in constructing the revenue management program as a mechanism to ensure that Project benefits reach the people of Chad.

This type of revenue management program has never before been implemented for a resource extraction project. Thus, many challenges have been presented to those who have been putting the program together from scratch. No guiding precedents or experience exists to help shape the financial and regulatory structure of the program. However, after some delays, the program has now swung into action.

- A committee of Chadian citizens, the College of Monitoring and Surveillance (Collège de Contrôle et de Surveillance des Ressources Pétrolières), has been appointed. The committee includes representatives from the National Assembly, the judiciary, an NGO, the religious community, and a labor union. The College has decided on a set of projects to be funded from the first year of Project revenues. The projects are described below.
- The World Bank has been working closely with the Government of Chad to provide technical advice and to implement the Bank's responsibilities under the Revenue Management Plan, including capacity building and the publishing of annual Bank audits.
- As noted above, the Chad/Cameroon Development Project has been paying prescribed amounts into the escrow accounts in the United Kingdom. As provided in Covenant agreements, over time the revenues will derive from royalties on sales of crude oil, various income taxes, and dividends from government ownership participation in the export pipeline.



These new offices have been established and staffed in the capital of N'Djaména so that the College of Monitoring and Surveillance can conduct its business of overseeing the implementation of the Revenue Management Plan.



Citibank, the bank in the United Kingdom that has responsibility for the oil revenues escrow accounts, conducted a seminar this quarter for government officials and other stakeholders in N'Djaména, Chad. One of the major challenges in moving the Revenue Management Plan forward has been the creation of an accounting and banking structure. That work was completed shortly after the close of the quarter, clearing the way for the first oil revenue funds to be paid into the designated accounts in Chad as this report was going to press.

Allocations for 2004 As required by law, 72% of Chad's revenues from the Project must be allocated to the prescribed priority sectors of education, health, infrastructure, and agriculture.

- Only 13% of the revenues can be allocated to the general fund to cover the costs of administering the Project.
- A future generation fund will receive 10% of the revenues.
- About 5% of the revenues are dedicated to the oilfields area and will be allocated through a Regional Development Plan.

For the 2004 budget year, the Parliament acted earlier this year to approve projects recommended by the College of Monitoring and Surveillance. These projects include:

Education: Equipment for a number of schools and establishment of new training institutes.

Health: Regional nursing school upgrades and 10 new health centers in the regions of Ouaddai, Chari and Baguirmi.

Water: New water supplies in Bahi, Bediondo, Kari, and Yari.

Public Works: Road building and improvements on the Moundou-Sarh road and the Massaguet-Abeché road (which is described below). Upgrading the Ndjari canal.

Social Action: Six social centers in Doba, Biltine, Bahai, Chagoua, Moussoro, and Sabangali.

Agriculture: Contributions to research, some small-scale irrigation projects, and new animal health posts.

First Project Underway The first project to receive funding as a result of revenue from the Chad/Cameroon Development Project will be a crucial road project on the road from N'Djaména to Abeché, including the section from Massaguet to Ngouri. A bank loan has made it possible to get construction started before the onset of rainy season by funding the initial phases of construction. The loan will ultimately be reimbursed from oil revenues when the funds arrive in Chad.

The people of northern and northeastern Chad rely heavily on the town of Abeché as their only commercial center, as a primary center for trade with surrounding countries, as a key government administration center, and a focal point for health care services. The strategically located town has recently become the base for aid agencies attempting to provide relief to the refugee camps set up in northeastern Chad to aid people fleeing from the Darfur crisis in neighboring Sudan, an effort that has been made extremely difficult because the rainy season has turned the unpaved road into a quagmire.



The old dirt track road to Abeché will be paved by this road construction project. The all weather road will have a solid base built of laterite augmented by cement. It is being paved with asphalt. Project revenues will fund the construction, the first project to be made possible by the oil revenues.



These “Chadian taxis” are just starting out on a trip along the N’Djaména-Abeché road. They will take three days to traverse less than 500 kilometers on the existing rutted, dirt road, a distance that could easily be covered in six hours or less on a paved road. The trucks are nicknamed Chadian taxis because the truckers sell spaces on top of their overflowing loads to those who are willing to risk the ride on the only available transport to the northern part of the country. Chad has only a few hundred kilometers of paved roads, virtually no bus services other than those operated by a few entrepreneurs, and no trains.