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An African Oil Tragedy – What Are the Lessons for the World Bank and Its Shareholders?

By Korinna Horta, Ph.D., Urgewald e.V./Working Group Chad

While the horrific oil catastrophe in the Gulf of Mexico is making headlines, another kind of oil tragedy is marking its 10th anniversary with no end in sight.

In June 2000, the World Bank approved financing for a highly controversial oil project promoted by an international oil consortium led by Exxon Mobil. It involved drilling oil wells in landlocked southern Chad and building a 1046 kilometer-long pipeline through neighbouring Cameroon to the Atlantic coast, from where the oil is shipped to Europe and the United States. At an estimated total cost of \$6.5 billion, the Chad-Cameroon Oil & Pipeline project is the single largest investment on the African continent and far larger than the World Bank's pre-financial crisis annual aid budget for all of sub-Saharan Africa, which amounts to roughly \$4 – 5 billion.

Although the World Bank Group, through its public sector lending and private sector investment branches, contributed only a fraction of the total project costs, it served as the catalyst for the project. Exxon Mobil made World Bank participation a precondition for investing in this politically volatile region. The oil consortium wanted political risk insurance and access to additional financing on favourable terms, and with the World Bank's seal of approval, it got both. The U.S. Export-Import Bank and the European Investment Bank, as well as a host of private lenders, provided financing following World Bank approval of the project.

Before the World Bank's decision, Chadian and Cameroonian civil society organizations pleaded with the World Bank to postpone funding of the project until there was evidence that the governments in both countries were committed to reducing poverty and had the capacity to address the environmental and social consequences of a project of this magnitude. They were supported by several donor-government agencies and environmental and human rights organizations from around the world, all of whom warned about the legacy of impoverishment, human rights abuses, poisoned landscapes and violent conflict left in the wake of oil and mining projects across Africa.

Brushing aside these concerns, the World Bank touted the project as an unprecedented opportunity to translate oil wealth into benefits for the poor and as a model for investment elsewhere. And, indeed, largely in response to public protests, the Bank requested voluminous environmental studies and promoted innovative measures, such as requiring a law in Chad to ensure transparency in the use of oil revenue and establishing a committee to monitor implementation of the law.

Predictably, the World Bank's measures were largely ineffective in a political context known for its lack of democratic rights and access to justice, entrenched corruption and human rights violations.

So what has become of the oil income intended to lift poor Chadians out of poverty? Much, if not most of it, is getting diverted to weapons purchases and to finance both the second largest rebel group operating in Darfur and patronage networks within Chad's

army. It is a cruel irony that the World Bank's model project, meant to show how the income from extractive industries can be harnessed for poverty reduction, contributed to the forced displacement of several hundred thousand people in Eastern Chad and to untold suffering in Sudan's neighbouring Darfur province.

Then there are the direct impacts, such as pollution and expropriation without fair compensation for the poor rural communities in the oil-producing region and along the pipeline route. They bear the brunt of the ecological footprint and social disruption created by the physical infrastructure of the project. In addition, increasing loss of farmland, polluted water wells and smaller fish catch have severely disrupted local subsistence communities. As usual, women and children suffer the greatest hardships in such situations. Measures meant to protect the vulnerable Bagyeli Pygmy population living in the rainforest traversed by the southern section of the pipeline were never implemented. There is virtually no possibility of legal recourse. Courageous human rights defenders taking up the cause of affected people do so at high risk to their personal safety. Death threats are common.

At the request of the U.S. and German governments, the World Bank's largest and third largest shareholders respectively, the institution's own Independent Evaluation Group carried out an evaluation of the project which was made public in November 2009. The report – which only exists in English and is therefore not accessible to the vast majority of people in both Chad and Cameroon – confirms that the project's primary objective of poverty reduction was not met. Worse, it found that the project was associated with violent conflict, worsening governance and corruption. It also concluded that oil development had led to deterioration in other vital sectors of the economy. In clear text this statement concedes that the vast majority of the population, who depend on agriculture and livestock for their livelihoods, have seen their already precarious situation further eroded.

While the evaluation confirms the stark and undeniable realities created by this mega-investment, its conclusion argues that the World Bank Group should remain engaged in extractive industries "...however risky it may be" (p.viii). Unfortunately, it did not take the trouble to consider to whose risks it was referring. The risk was placed squarely on some of the world's most wretchedly poor people, while World Bank repayment of its loans was assured via an off-shore escrow account that received payments directly from the oil consortium. World Bank staff who worked on the project advanced in their careers or retired in maximum comfort. No one is being held to account.

Nothing will change in an institutional culture that is fully geared toward moving money irrespective of results unless the institution's shareholders--our governments--decide to become serious about reforms. What we need is a system of holding World Bank management accountable for delivering on its promises of poverty reduction and sustainable development. What we also need is a new energy policy at the institution that translates its stated concerns about climate change into practical action by phasing out support for fossil fuels and supporting decentralized renewable energy systems that provide energy services directly to the poor, the institution's intended beneficiaries.

The report of the World Bank Independent Evaluation Group, "The World Bank Group Program of Support for the Chad-Cameroon Petroleum Development and Pipeline Construction" is available at

<http://siteresources.worldbank.org/INTOED/Resources/ChadCamReport.pdf>

The study of the Working Group Chad "The World Bank Group and the Chad-Cameroon Oil & Pipeline Project – 'The logic was sound, but reality interfered'" is available at (also in French) http://erdoel-tschad.de/index.php?option=com_content&task=view&id=119&Itemid=34

The Management Statement of the World Bank Group is available [here](#).

The impacts of the World Bank project on the violent conflicts in Chad have been analyzed by the Working Group Chad and the Bonn International Center for Conversion in a BICC Brief "'We were promised development and all we got is misery': The Influence of Petroleum on Conflict Dynamics in Chad" by Lena Guesnet and Claudia Frank, available at <http://www.bicc.de/index.php/publications/briefs/brief-41>

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POLICY & RESEARCH

International Forest and Climate Governance: Far from Reality?

Efforts to mitigate climate change have included further stakeholders to an already complex mix of actors and interests in the forest sector. Indonesia, being the world's third largest emitter of greenhouse gases from the rapid degradation of its rainforests and peatlands, is a key country with regard to a new policy instrument for reducing emissions from deforestation and forest degradation (REDD). The Indonesian government has issued regulations specifically written to address REDD and announced that it "will take immediate and decisive action to reduce its forest and peat related greenhouse gas emissions." President Yudhoyono declared a two-year moratorium on new concessions for converting natural forests and peatlands into plantations. Norway will support this effort with \$1 billion over the next few years.

Despite the positive intention, doubts remain about whether this REDD partnership can realize its potential benefits: Indonesia's forest sector is characterized by extensive and systematic illegal logging, corruption and mismanagement. A report from the BlueGreen Alliance states that 40 to 55 percent of Indonesian timber is illegally sourced. Moreover, the government already attempted to classify environmentally devastating palm oil plantations as forests in order to reap financial incentives from REDD schemes. Such rewards would accelerate further clearance of natural forest, and propel biodiversity loss and climate change.

Likewise, diverging and conflicting forest policies at different levels have already exacerbated land conflict in Indonesia. A study by the World Agroforestry Centre highlights that land tenure insecurity and contested forest policies have led to conflict and competing tenure claims between and within local communities in the Central Kalimantan region. Disputes revolved around conservation and access rights, palm oil concessions, and village border conflicts. Therefore, clarity on customary tenure rights, safeguards for their protection, conflict resolution mechanisms and participatory, transparent forest governance are a prerequisite for REDD to succeed – in Indonesia as well as elsewhere. (*Christiane Roettger*)

The Norwegian press release is available [here](#).

The report of the BlueGreen Alliance, "Illegal Logging in Indonesia. The Environmental, Economic and Social Costs," is available for download [here](#).

The study by the World Agroforestry Centre can be accessed [here](#).

Further news can be found [here](#).

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How to Deal with Resource Wealth: Case Studies from Africa

Resource conflicts plague many countries around the world. New oil findings – such as in Ghana – create mixed feelings about their potential impact on the country's economy and stability. Looking at experiences of others helps to avoid destructive resource management. The latest issue of the Life and Peace Institute's journal "New Routes" examines the ways in which old patterns of resource management reoccur and new ones emerge.

Uganda, for instance, demonstrates the reoccurrence of classic resource related conflict dynamics. Jessica Banfield (International Alert) explains how oil findings start to interact with existing land and ethnicity related conflicts. In light of the country's upcoming elections in 2011, oil might become a salient issue in political discourse. Banfield advocates for a "conflict sensitive" approach and the need for a realistic assessment of the opportunities and risks related to the oil production. Joint action by politicians, traditional leaders and civil society is needed to use oil for peace and development rather than for conflict.

Ruben de Koning (Stockholm International Peace Research Institute) challenges the assumption that initiatives to stem the illegal trade in conflict resources help to prevent violent conflict. Focusing on eastern Democratic Republic of Congo (DRC), he describes how armed groups just turn to other resources that are not subject to verification schemes. Democratic Forces for the Liberation of Rwanda (FDLR), for example, is now focusing on the sale of marijuana rather than gold as a source of income. Another problem is the role the Congolese army plays in illegal resource trade and in extorting money from miners. Koning argues that incomplete security sector reform and lacking support to miners to improve their organisation and the enforcement of their rights undermine efforts to stem the negative impact resources have on the region's conflict.

But there are also new ways and actors to approach these challenges. Two Tanzanian reverends, for example, explain the new but influential role religious leaders can play in promoting social and environmental responsibility in the mining sector. They describe how three institutions from different religions jointly influenced the debate on the environmental and social impacts of mining in Tanzania by conducting independent investigations and making their findings public. (*Lukas Rüttinger*)

The report of the Life and Peace Institute, "Extractive Industries: What's the Problem?" is available at <http://www.life-peace.org/default2.asp?xid=>

Further information on the topic is available at http://ecc-platform.org/index.php?option=com_content&view=article&id=373&Itemid=130

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Climate Change and Migration: Are New Modes of Governance Needed?

The debate on climate change and migration has so far been dominated by uncertainties over the interconnections between the two topics. Nevertheless, migration is already addressed by a number of national adaptation strategies. Their design is only one of the aspects discussed by the Transatlantic Study Group on climate change and migration organized by the German Marshall Fund of the United States (GMF). Participating scholars and practitioners from the migration and environmental communities have now published eight papers that provide further insights on potential response measures to deal with the impacts of climate change on migration patterns.

One such background paper, by Susan Martin of Georgetown University, shows that a number of National Adaptation Programmes of Action (NAPAs) already consider land use policies and programs to stabilize populations in areas that might otherwise experience large-scale out-migration. Martin further points out that it is crucial to identify resettlement strategies that protect people's lives and livelihoods when they are unable to remain in their current areas. Policies and programs aimed at managing internal migration due to environmental hazards should, in fact, be a high priority on the political agenda of countries that are most affected by climate change.

In a similar vein Koko Warner, of the United Nations University, discusses the relevance of new governance approaches, in particular for bridging gaps in protection and assistance for climate change migrants who cannot return after disasters. In addition, Warner outlines that support will not only be needed for migrants, but also for those who remain behind. Respective governance approaches must consider the various dynamic social and migrant networks, which demand flexible methods of enhancing the resilience of affected communities. By outlining potential policy directions the GMF background papers can contribute to expanding the debate on climate change and migration beyond the narrow – 'to what extent will climate change alone cause migration' – question of causality. (*Dennis Taenzler*)

For more information on the GMF initiative and to download the background papers, please see http://www.gmfus.org/cs/publications/publication_view?publication.id=650

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Land Grabbing and Conflict – Predetermined by the Negotiation Process

At present, governments as well as private investors buy or lease considerable amounts of farmland, mostly in developing countries. If they ignore local entitlements, conflicts and evictions become likely. The latest outbreak of violence in Honduras between local farmers and the owners of palm oil plantations illustrates how this oversight can develop into long-lasting conflict.

Conflicts arise wherever stakeholders ignore existing informal or traditional property rights on land – for instance, if local communities using their land according to common informal rules are excluded from negotiation processes. Governments need to respect such property rights and ensure their legal security. Establishing a land register is the first step toward doing so. However, it is often difficult to formalize local property rights, especially in corrupt and fragile countries. The situation in post-conflict regions, characterized as such by the presence of displaced people and refugees, further increases land tenure insecurity and can thereby contribute to conflict.

Investors, therefore, must not rely on the government, but have to take responsibility themselves in order to ensure the inclusion of all stakeholders. The "Principles for Responsible Agricultural Investment", published by the World Bank and the U.N. Food and Agriculture Organisation earlier this year, emphasize this. The principles should help avert land conflicts and ensure that local people not only participate in the negotiation process but also benefit from the investments.

However, governments and investors display little interest in transparency in their deals. The World Bank, for example, had to postpone the release of a study on past land deals several times, as governments and investors did not provide the requested information. But transparency and due consideration of local rights are a prerequisite for smoothing out conflict potential and for creating new benefits. After all, agricultural investments could bring additional capital and technology, and could contribute to increased rural agricultural productivity and incomes. (*Stephan Wolters*)

For further information on the events in Honduras, please see [here](#).

The principles for responsible agricultural investment are available [here](#).

For an article examining the postponed release of the World Bank study on land grabbing, please see <http://www.grain.org/articles/?id=64>

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CONFERENCE REPORTS

DESERTEC – Cornerstone of EU-MENA Security Pact?

The idea of supplying Europe with solar power from Africa's deserts is in many ways a tempting proposition. Many believe that in view of climate change, water scarcity and the depletion of fossil fuels, the DESERTEC initiative presents a sound concept for a sustainable energy supply. The cooperative approach is aimed at establishing a solar partnership between the Middle East and North Africa (MENA) countries and the EU, and aims to help stabilize the south Mediterranean region. These opportunities, however, are offset by risks, as was pointed out by participants of an expert workshop organized by Germanwatch e.V. together with Adelphi Research and the European Climate Foundation in Berlin on 6 May.

The experts felt that as a confidence- and partnership-building measure, DESERTEC can serve as the cornerstone of a Euro-Mediterranean survival pact, with both regions mutually dependent on one another: Europe needs climate-friendly energy, while North

Africa depends on food imports. However, given that power from the desert will comprise just 15 percent of Europe's energy mix, it is doubtful whether this dependence will be balanced. There is also a disparity in expert knowledge and investment capacity in favour of Europe. The participants therefore emphasized that DESERTEC must provide technical training and transfer know how.

One of the presentations suggested that societal power structures will similarly play a key role in the success of the initiative. For instance, how can profits be distributed equitably and how can local groups be involved? Political stability is a prerequisite for preventing the emergence of new risks, such as the need to protect the power networks by force. The experts agreed that more attention needs to be paid to the rights of nomads and other traditional user groups in the project regions. Successful reference projects should first be set up to generate confidence. The participants were of the view that such projects should build on the experiences gained during development cooperation so as to firmly establish sustainability criteria and prevent social tensions from occurring. (*Christiane Roettger*)

Further information on the workshop entitled "DESERTEC – Building Block of a New Security Architecture in the MENA-EU Region?" is available [here](#).

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Gender and Climate Change Research – Who is Vulnerable, When, and Why?

At a side-event of the 32nd session of the UNFCCC Convention subsidiary bodies, representatives of research, advocacy, and non-governmental organisations met to discuss the needs and gaps in gender and climate change research. The day-long workshop that took place on 7 June 2010 focused on practitioner needs and experiences, as well as potential research questions in three breakout groups on adaptation and resilience to climate change; mitigation and low carbon development; and disaster, conflicts and migration.

Real-time, gender differentiated field data was identified early on as one of the main gaps in gender and climate change research. In particular, the disaster, conflicts and migration group addressed the difficulty in discussing vulnerable groups without a detailed contextual understanding of the vulnerability. Much more data is necessary that describes precisely under what circumstances a group is vulnerable, to which elements they are more or less susceptible, to which members or sub-groups should be paid particular attention, and what the group's strengths and advantages may be. In addition to increased field research, however, a call was also made to consolidate the available research. Participants from different backgrounds realized that there may be a lot more relevant data available from studies focused on climate change, migration, or adaptation, but that because gender is not often explicitly addressed, data may become lost instead of forming a foundation for more in-depth research questions.

A further gap in the research was identified in early warning (including climate change impacts) and early recovery (including post-disaster relief). Gender questions, in fact, need to be asked right from the beginning of the climate change and security debate. If they are not, the needs and interests of vulnerable groups remain fully outside of the policy discourse. What is needed – all three breakout groups agreed – is beneficiary-

focused research. And that starts with a more detailed understanding of the stakeholders involved on the ground. (*Irina Comardicea*)

For more information about gender in the context of climate change negotiations please see <http://www.gendercc.net/policy/conferences/road-to-cancun.html>

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UPCOMING EVENTS

Upcoming events are also regularly published at <http://www.ecc-platform.org/>.

"Green Cultures – Environmental Knowledge, Climate, and Catastrophe" in Munich (9-10 July)

The conference is organized jointly by the Bavarian American Academy and the Rachel Carson Center in order to promote environmental knowledge in the United States. Topics include the impact of natural catastrophes and public debates on climate change and environmental threats. It aims to bring together historians and geographers, literary and cultural studies scholars, political scientists, anthropologists, and scientists from the United States and Europe.

For further information, please see http://www.amerika-akademie.de/php/uploads/Flyer_Green_Cultures_2010.pdf

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"Biodiversity Conservation in Transboundary Tropical Forests" in Quito, Ecuador (14-17 July)

This conference will provide an opportunity to share and exchange information and experiences on transboundary conservation areas (TBCA), including their capacity to meet the challenges of climate change mitigation and adaptation. The Conference will serve as a platform for stakeholders to review the social, economic and political implications and impacts of TBCA projects in order to identify best strategies for their effective contribution to sustainable development.

Further information is available at <http://www.cbd.int/forest/doc/Announcement-Quito-Conference-14-17-July-2010-en.pdf>

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"3rd Regional Stakeholder Forum on Mekong Basin Development Plan" in Vientiane, Laos (29-30 July)

The forum addresses community representatives, national and regional civil society organizations, governmental agencies, the private sector and international networks in order to discuss the main theme "Decoding the Development Scenarios and Strategy for Basin Development: What does the future hold?" For example, it will assess the strengths

and weaknesses of river basin management through a river basin organization, and evaluate the results of the "Cumulative Assessment on Hydrological, Economic, Social and Environmental Impacts".

For further information, please see http://www.mrcmekong.org/MRC_news/3rd-regional-stakeholder-forum-BDP.htm

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Call for Papers on "Environmental Change and Migration: From Vulnerabilities to Capabilities" in Bielefeld (5-9 December)

Until August 15, the Centre on Migration, Citizenship and Development of Bielefeld University welcomes abstract submissions of papers dealing with environmental change and migration. Possible topics include sustainable livelihood approaches from the natural or social science perspective, or field research on vulnerability and capability aspects of mobility. The conference aims to shed light on the complex dynamics of environmentally induced migration and the associated societal processes by connecting vulnerability, capability and transnationality approaches.

For the call for papers and further information on the conference, please see http://www.uni-bielefeld.de/%28en%29/tdrc/ag_comcad/conferences/envimig2010.html

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IN BRIEF

Conflict and Peacebuilding in Climate Policy, Land-based Urban Conflicts and Management Options for a Plundered Planet

The Environmental Change and Security Program (ECSP) of the Woodrow Wilson International Center for Scholars held a [roundtable discussion](#) on the potential for both conflict and peacebuilding in climate mitigation and adaptation efforts. Speakers included Geoffrey D. Dabelko, Director of ECSP, and Alexander Carius, Co-Director and Co-Founder of adelphi. The [webcast](#) is available online.

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A recent publication entitled "[Contested Urban Land: Approaching Land Management and Land-based Conflicts in Urban Somaliland](#)" investigates root causes of existing land conflicts in Somaliland. The study pays special attention to land management failures and requirements to prevent conflict, as well as to problems of land tenure security.

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In his book "[Climate Conflict](#)", Jeffrey Mazo from the International Institute for Strategic Studies discusses how climate change can drive instability, conflict and collapse. He assesses current risks by combining lessons from history with state-of-the-art insights on the dynamics of fragile states. He also develops policy recommendations to identify ways to cushion negative impacts.

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In May 2010, Oxford Professor Paul Collier published "[The Plundered Planet: Why We Must – and How We Can – Manage Nature for Global Prosperity](#)". It discusses ways to use and benefit from the planet's natural wealth in a sustainable way. Collier argues that technological innovation, environmental protection, and regulation are key to ensuring equitable development.

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A group of British universities recently published a new study entitled "[The Waters of the Third Pole: Sources of Threat, Sources of Survival](#)". The report analyses the role of water as a vital resource and as a potential crisis driver in the Hindu-Kush Himalaya (HKH) region. In particular, the study investigates the consequences of global warming on this conflict-prone and water-rich region, which is also called the Third Pole.

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