



Watching the watchdogs

Evaluating independent expert panels that monitor large-scale oil and gas pipeline projects

Oxfam America position on extractive industries

Oxfam America seeks to ensure that oil, gas, and mining projects are designed in ways that respect the rights of poor people and reduce poverty over the long term. To protect and help their poorest citizens, countries should pursue environmentally and socially responsible forms of development. Corporations and international financial institutions should adopt and implement policies that respect affected communities' full range of human rights. This implies:

- An active role for citizens
- Good governance
- High standards of corporate responsibility
- Appropriate funding by international financial institutions

Oxfam America's *Right to Know Right to Decide* campaign calls on companies to respect the right of communities to determine whether and under what conditions oil, gas, and mining projects can go forward and to disclose payments to and agreements with host governments.

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Abbreviations

ACG	Azeri-Chirag-Gunashli
ATPDH	Association for the Promotion and Defense of Human Rights
BTC	Baku-Tbilisi-Ceyhan
CAO	Office of the Compliance Advisor/Ombudsman
CAS	Country Assistance Strategy
CDAP	Caspian Development Advisory Panel
CEDAP	Agricultural Development Center of Peru
CENN	Caucasus Environmental NGO Network
COC	Corporate Oversight Committee
CPPL	<i>Commission Permanente Pétrole Local</i>
CPPN	<i>Commission Permanente Pétrole de N'Djaména</i>
CSAPR	<i>Comité de Suivi de l'Appel à la Paix et à la Reconciliation</i>
CTNSC	<i>Comité Technique Nationale de Suivi et de Contrôle</i>
EBRD	European Bank for Reconstruction and Development
ECMG	External Compliance Monitoring Group
EEPCI	Esso Exploration and Production Chad, Inc.
EMP	Environmental Management Plans
EPF	Eurasia Partnership Foundation
ESEP	Environmental and Social Experts Panel
ESIA	Environmental and Social Impact Assessment
EX-IM	Export-Import Bank of the United States
FOVAD	Forum of African Voluntary Development Organizations
GFSIS	Georgian Foundation for Strategic and International Studies
GRAMPT	<i>Groupe de Recherches Alternatives et du Monitoring du Projet Pétrole Tchad Cameroun</i>
GYLA	Georgian Young Lawyers' Association
IAG	International Advisory Group
IDB	Inter-American Development Bank
IFC	International Finance Corporation
IFI	international financial institution
LNG	liquefied natural gas
LSTK	lump sum turnkey
MIT	Massachusetts Institute of Technology
NCP	National Contact Point
NGO	nongovernmental organization
OECD	Organization for Economic Cooperation and Development
PAB	Peru Advisory Board
PILC	Public Interest Law Center
PMSAP	Participatory Socio-Environmental Monitoring Program
RAP	Resettlement Action Plan
RESAP	<i>Réseau de Suivi des Activités Pétrolières</i>
ROSOC	<i>Réseau Régional des Organisations de la Société Civile</i>
SRAP	Social and Resettlement Action Plan
TGP	<i>Transportadora de Gas del Peru</i>
UNESCO	UN Educational, Scientific, and Cultural Organization
WBG	World Bank Group

Executive summary

With the expansion of the global search for oil, gas, and other natural resources in recent decades, extractive industry companies increasingly have extended their reach to remote and sensitive areas, as well as to more politically risky environments. Within this context, project-affected communities and civil society organizations increasingly demand public accountability of the corporations that implement large-scale projects with the potential to generate serious social and environmental impacts and of the public international financial institutions (IFIs) that sometimes participate in financing these projects. Expert panels bring together experienced independent experts to identify risks and opportunities and prepare recommendations to address social and environmental issues, and generally report directly to company or IFI management. The panels have emerged as a way for project sponsors and lenders to provide an external and ostensibly impartial check on project implementation.

In the context of the extractive industries, only a small number of independent expert panels have been implemented, and these have been for large-scale, often controversial projects with the potential to generate significant adverse social and environmental impacts. Project sponsors or IFI lenders have assembled these panels of prominent experts to conduct external monitoring of the social and environmental impacts of their projects and to provide them with independent policy and project management advice. Effective expert panels have the potential to increase the capacity of project sponsors, host governments, and lenders to identify and address opportunities and risks associated with project development, as well as to build trust among stakeholders. When not effectively implemented, however, these panels can actually undermine efforts to establish this trust.

This report aims to:

- Identify lessons learned based on the experiences of the international expert panels assembled for three large-scale hydrocarbon pipeline projects located in different regions of the world,
- Evaluate panel engagement with local communities in the project-monitoring process,
- Examine the degree to which expert panel recommendations have effectively influenced the management decisions of project sponsors, governments, and lenders, and
- Make recommendations on best practices for future panels.

The primary target audience for the report includes extractive industry companies and IFIs that invest in extractive industries. A secondary audience is international and local nongovernmental organizations (NGOs) seeking to influence oversight of large-scale extractive industry projects. In addition, corporations or financiers in other industries considering implementing similar panels might benefit from the lessons drawn from the three panels reviewed.

The three panels evaluated in this report are the International Advisory Group (IAG), for the Chad-Cameroon Petroleum Development and Pipeline Project; the Caspian Development Advisory Panel (CDAP), for the Baku-Tbilisi-Ceyhan (BTC) Pipeline Project; and the Peru Advisory Board (PAB), for the Peru Liquefied Natural Gas (LNG) Project. While the particular mandate of each panel varies, all panels provided or provide advice to either the project sponsor or IFI lenders regarding the social and environmental impacts of these projects (see Table 2, on page 11, for an overview of these panels).

Varying degrees of controversy surround each of the pipeline projects that these expert panels evaluated or are evaluating, in particular around the decision of IFIs to invest in these projects (all three projects received IFI financing). IFIs with poverty-alleviation mandates selectively invest in high-risk extractive projects when they project that the economic benefits of natural resource extraction for host countries will outweigh associated costs, including social and environmental risks associated with these projects. Unfortunately, the economic benefits generated by extractive industry projects often do not reach the poor. In fact, research by Oxfam and others has demonstrated strong associations between oil and mineral dependence by countries and negative outcomes for the poor, including, for example, higher poverty and child mortality rates and greater income inequality.¹ Importantly, this report does not attempt to address the question of the degree to which these pipeline projects contributed to economic growth and/or poverty alleviation; NGOs and others have already produced extensive literature evaluating the impacts of these projects.²

When are independent monitoring expert panels necessary?

Stakeholders interviewed for this report generally highlighted the usefulness of expert panels for controversial projects with large geographical footprints (impacting communities and ecologically sensitive areas), considerable complexity, and governance risks. By their very nature as advisory bodies, expert panels lack the power to enforce their recommendations and as a result are most useful in situations when panel sponsors recognize their value and trust their insights. These panels are not a substitute for regular monitoring of social and environmental issues and impacts on the ground by host governments, lenders, and communities.

The three expert panels examined in this report were most successful at increasing stakeholder engagement and dialogue, bringing new and impartial information into the public realm, and in some instances encouraging project sponsors to expand social programs and safeguards. In addition to adding value for local stakeholders, panels that achieve these outcomes directly benefit project sponsors and IFIs by reducing the likelihood of increased social tension or even conflict in the project area. Successful expert panels also create a more enabling environment for IFIs to achieve development impact on the ground.

Oxfam findings

While expert panels by their nature largely take a bird's-eye view of projects, those that effectively engage project-affected communities in their monitoring efforts, and successfully identify and provide recommendations to address the concerns of these communities, develop a more accurate and complete picture of opportunities and risks that might lead to conflict.

While expert panels by their nature largely take a bird's-eye view of projects, those that effectively engage project-affected communities in their monitoring efforts, and successfully identify and provide recommendations to address the concerns of these communities, develop a more accurate and complete picture of opportunities and risks that might lead to conflict. For this reason, in addition to reviewing secondary materials and interviewing numerous stakeholders outside the host countries, research included interviews and focus groups with local stakeholders in Chad, Georgia, and Peru to document local civil society and project-affected community views of the panels and concerns around the pipeline projects. Oxfam evaluated the effectiveness of panels based on their performance in four key areas—*independence, transparency, stakeholder engagement, and influence*—as described below.

Independence: Panel neutrality is critical to ensuring that stakeholders view panel recommendations as credible and that panels function effectively as risk-management bodies. The costs of funding these panels can be considerable—including expenditures for frequent field visits and technical and administrative support, and in many cases direct compensation to panelists for time dedicated to panel work. (For example, the budget for the IAG was around \$600,000 per year.) Within the context of highly profitable, large-scale projects, expert panel costs are relatively minor and could save project sponsors and lenders money by reducing risks to the project. However, with project sponsors or lenders committing funding for these panels, challenges to achieving neutrality increase. In these cases, project sponsors and lenders might consider options to ensure continuity of funding for the panel's work regardless of the findings and recommendations produced, such as through escrow accounts, performance bonds, or other financial measures.

To overcome barriers to perceived independence, panels must take great pains to guarantee their credibility and neutrality. Panel sponsors and lenders should consider opening up the panelist selection process to public consultation, which would help promote both greater buy-in for the process and greater awareness of the panel and its activities. All panel members should possess expertise on environmental, social, economic, or policy issues relevant to the implementation of large development projects, and panels should include at least one member with local field

experience in the project region. All three panels might have been more diverse—of 12 panelists in total, only one was a woman and only the IAG included panelists based in the project region (all CDAP panel members were based in North America, as are all PAB panel members). Panel members must be unbiased and free of any potential conflicts of interest. Unfortunately, CDAP included a panelist with ties to the oil and gas industry that represented a potential conflict of interest, as does the still-active PAB. While Oxfam’s research did not reveal evidence that these potential conflicts of interest necessarily influenced the panels’ work, they certainly had the potential to influence the perceived neutrality of the panels, hindering their ability to play a credible watchdog role.

The three panels reviewed also created secretariats to provide panelists with administrative and, in some cases, technical support, not dependent on the sponsor. Secretariats offer a mechanism for providing much needed support to panel members when adequately resourced with sufficient funding and research capacity.

Transparency: Full disclosure and dissemination of panel findings and recommendations represents another essential measure to ensuring impartiality of panelists and promoting trust among stakeholders. Transparency also helps ensure the accuracy and completeness of panel findings and helps broaden the base of actors supporting panel recommendations. All three panels posted reports online and ensured that reports were translated into the official language of the project’s host country or countries. All panels also reported discussing findings and recommendations with relevant stakeholders in host countries, with different degrees of regularity.

Stakeholder awareness of panel reports varied among panel experiences. However, in all three cases reviewed, project-affected communities had limited awareness of panel findings and recommendations. Challenges, such as limited community access to the internet and high levels of illiteracy, created significant barriers to adequate report dissemination. Further, none of the panels made their findings available in the minority languages of project-affected communities. In the future, panels should consider alternative communications strategies, such as issuing press releases, holding local debrief sessions (as did the IAG) and public meetings in affected communities, using radio as a means of communication, and creating easily accessible report summaries. Communications should be conducted in minority languages when relevant.

Stakeholder engagement: To develop a balanced and impartial perspective on the project, panels must engage with a broad range of stakeholders. In particular, local community participation in project monitoring contributes to building trust among stakeholders and mitigating risk for project proponents, as community concerns left unaddressed could lead to rising social tension. Stakeholders interviewed for this report agreed that panelist field visits are essential, and many proposed two visits per year at minimum. The PAB has spent the least amount of time on the ground, as compared to the other two panels, with an average

The Peru Advisory Board has spent the least amount of time on the ground, as compared to the other two panels, with an average of just three days per year.

of just three days per year. The IAG fell at the other end of the spectrum, with at least two field visits to each host country per year, each visit averaging two to three weeks (although several civil society leaders in Chad commented that even more-frequent IAG field visits would have improved the panel's efficacy). Oxfam field research revealed that overall the IAG and CDAP accurately reflected local concerns in report findings and recommendations; however, PAB briefs have raised no local concerns, not even after community protests ground pipeline construction in one area to a halt for several months, which forced the Peruvian government to declare a state of emergency in that area in January 2009.

Panels should proactively engage with other monitoring mechanisms established for the projects they review, and stakeholders suggested that the panels reviewed in this report could have improved their coordination with other monitoring mechanisms created for their projects. For example, while PAB panelists have spoken to a few community monitors for the Peru LNG project, they have not read their reports. The limited awareness of CDAP and its reports among local organizations engaged in project monitoring in Georgia suggests that CDAP should have increased engagement with these organizations by spending more time in the field. While the IAG engaged closely with local civil society monitoring mechanisms, stakeholders interviewed suggested that they should have improved coordination with lender- and government-sponsored monitoring mechanisms.

Influence: The panels examined managed to achieve varying degrees of influence on the targets of their recommendations. CDAP stood out among the other panels, given that its recommendations appear to have directly influenced several BP decisions. The panel maintained a strong relationship with BP, and BP generated public responses to each CDAP report indicating specifically how the company had followed up on panel recommendations. While the IAG had some important successes, such as increasing stakeholder dialogue during the years of its existence and influencing some ExxonMobil and government decisions, several of their critical recommendations went unheeded. Unfortunately, Peru LNG reports have included very few specific recommendations, and the influence of this panel has been quite limited in comparison to the other two panels.

Panels that are adequately resourced and assembled early enough in the project development process to significantly influence project planning have an immediate advantage. Unfortunately, all three expert panels evaluated began work shortly before or after project construction was initiated, making it impossible for panel members to influence critical early planning decisions relating to the mitigation of social and environmental impacts—such as those related to implementing consultations with local communities and pipeline routing. Panel members should proactively look for ways to ensure that their recommendations move beyond the written page, such as maintaining public checklists to track follow-up to panel recommendations and holding local press conferences to highlight

findings. Based on the three panel experiences reviewed, panels had more success in driving change when project sponsors systematically tracked and reported their actions.

Oxfam recommendations

Oxfam's broad recommendations based on the findings of this research include the following, with more detail on suggested best practices for expert panels included in Table 1:

- Independent monitoring expert panels should be required for any publicly financed extractive industry project that has or is likely to have a significant impact on communities or the environment. These panels should incorporate the best practices and recommendations in this report.
- Project sponsors, lenders, or others that choose to assemble expert panels should 1) include panel members with relevant technical and local expertise, 2) avoid selecting panelists engaged in work that might generate conflicts of interest, and 3) provide panelists with independent administrative and technical support through an adequately staffed and resourced secretariat.
- In addition to making reports available to stakeholders online and in local languages, panels should develop comprehensive, creative, and culturally appropriate communication strategies to raise awareness of panel findings and recommendations among local stakeholders, particularly project-affected communities.
- Panels should prioritize engagement with local stakeholders in project host countries, with a particular emphasis on project-affected communities, and should coordinate closely with civil society and/or community monitoring mechanisms established for the project.
- Project sponsors, lenders, or others that choose to assemble expert panels should 1) assemble panels early enough to influence the Environmental and Social Impact Assessment (ESIA) process and 2) systematically, regularly, and publicly report on actions taken to respond to panel recommendations.
- Panels should develop strategies to promote implementation of their recommendations, such as maintaining public checklists to track compliance with panel recommendations and holding local press conferences.

Table 1. Best practices for expert panels

	International Advisory Group (2001-2009)	Caspian Development Advisory Panel (2003-2006)	Peru Advisory Board (2007-present)
Independence			
Panelist selection process included public consultation	No	No	No
Panel members possessed/possess relevant technical expertise for project monitoring	Yes	Yes	Yes
Panel members possessed/possess relevant local and community expertise	Yes	Partial	Yes
Panel members reflected/reflect diversity (gender, nationality, location, etc.)	Partial	Partial	No
Panel reported/reports directly to high-level decision makers	Yes	Yes	Yes
Panelists were/are free of potential conflicts of interest	Yes	No	No
Independent secretariat supported/supports panel, with independent web site	Yes	Yes	Yes
Panel reports were/are made public same day as submitted to panel sponsor	Yes	No	No
Panelists were/are free to engage with stakeholders of their choosing	Yes	Yes	Yes
Panelists had/have logistical independence and design own field visits	Partial	Partial	No
Transparency			
Panel Terms of Reference were publicly consulted	Yes	No	No
Panel reports were/are disclosed online	Yes	Yes	Yes
Panel reports were/are translated into official language of host country or countries	Yes	Yes	Yes
Key panel findings were/are available in minority languages of project-affected communities	No	No	No
Panel adopted/adopts creative, culturally appropriate communication strategies to ensure that findings reach project-affected communities	No	No	No
Panel's stakeholder engagement was/is transparent	Yes	Partial	No
Annual work plan for panel was/is disclosed	Yes	No	No
Panel budget was/is transparent	Partial	No	No
Project sponsor or lender provided/provides panelists free access to information	Yes	Yes	Yes
Stakeholder Engagement			
Panel Terms of Reference specifically required/require engagement with local communities	Yes	No	No
Panel performed/performs extensive outreach to stakeholders, including project-affected communities	Yes	Yes	No
Panels coordinated/coordinate with other project monitoring mechanisms, including community-based or civil society monitoring mechanisms	Yes	Yes	No
Panel conducted/conducts close-out sessions with key stakeholders in the host country or countries and in the oil-producing region	Partial	No	No
Influence			
Panel created early enough to engage in ESIA process	No	No	No
Panel used/uses checklist to publicly track follow-up of recommendations	No	No	No
Panel had/has adequate funding and resources for work and travel	Yes	Budget not disclosed	Budget not disclosed
Project sponsor, lender, or government provided/provides public responses documenting follow-up actions	No	Yes	No
Panel developed/develops proactive strategies to promote implementation of recommendations (beyond issuing reports and meeting with stakeholders)	No	No	No
No turnover of panel participants	Yes	Yes	Yes

Introduction

With the expansion of the global search for oil, gas, and other natural resources in recent decades, extractive industry companies increasingly have extended their reach to remote and sensitive areas, as well as to more politically risky environments. Within this context, project-affected communities and civil society organizations demand progressively more public accountability of the corporations that implement large-scale projects with the potential to generate serious social and environmental impacts and of the IFIs that sometimes participate in the financing of these projects.

Increasingly and across sectors, companies have begun assembling external expert panels as a way to inform their response to key social and environmental issues and impacts within a format conducive to influencing corporate decision making.³ Expert panels—which bring together experienced independent experts to identify and prepare recommendations to address social and environmental issues—generally report directly to company or IFI management. Effective expert panels have the potential to increase the capacity of project sponsors, host governments, and lenders to identify and address opportunities and risks associated with project development, while at the same time build trust among stakeholders. When ineffectively implemented, however, these panels can actually undermine efforts to establish trust.

This report aims to:

- Identify lessons learned based on the experiences of the international expert panels assembled for three large-scale hydrocarbon pipeline projects located in different regions of the world,
- Evaluate panel engagement with local communities in the project-monitoring process,
- Examine the degree to which expert panel recommendations have effectively influenced the management decisions of project sponsors, governments, and lenders, and
- Make recommendations on best practices for future panels.

The primary target audience for the report includes extractive industry companies and IFIs that invest in extractive industries. A secondary audience is international and local NGOs seeking to influence oversight of

large-scale extractive industry projects. In addition, corporations or financiers in other industries considering implementing similar panels might benefit from the lessons drawn from the three panels reviewed.

In the context of the extractive industries, only a small number of independent expert panels have been implemented, and these have been for large-scale, often controversial projects with the potential to generate adverse social and environmental impacts. Oil, gas, or mining companies have assembled most of these panels directly, but in some cases IFIs have proposed and/or managed panels.

The panels examined in this report (in chronological order) are the International Advisory Group (IAG), for the Chad-Cameroon Petroleum Development and Pipeline Project; the Caspian Development Advisory Panel (CDAP), for the Baku-Tbilisi-Ceyhan (BTC) Pipeline Project; and the Peru Advisory Board (PAB), for the Peru Liquefied Natural Gas (LNG) Project. Each panel includes participants with prominence in their respective fields and considerable expertise on issues relevant to monitoring the impacts of large-scale development projects. While the specific role of each panel reviewed varies somewhat (as illustrated in Table 2, on page 11), all panels aimed to provide advice to project sponsors and/or lenders and host governments regarding social and environmental project impacts.

While expert panels by their nature largely take a bird's-eye view of projects, those that effectively engage project-affected communities in their monitoring efforts, and successfully identify and provide recommendations to address the concerns of these communities, develop a more accurate and complete picture of opportunities and risks that might lead to conflict. Panels should prioritize community engagement, and should coordinate with civil society and community monitoring mechanisms when these exist. A recent advisory note released by the Office of the Compliance Advisor/Ombudsman (CAO) for the International Finance Corporation (IFC) of the World Bank Group stated, "By giving stakeholders input, directly addressing their concerns, and fostering participation, participatory monitoring helps generate a sense of ownership and responsibility, thereby increasing social capital and diffusing possible sources of conflict."⁴ By engaging communities in project monitoring and decision making around project planning, project sponsors establish an early warning system to detect community concerns and create an opportunity for shared problem solving.

Varying degrees of controversy surround each of the pipeline projects that these expert panels evaluated, in particular around the decision of IFIs to invest in these projects (all three projects received IFI financing). IFIs with poverty-alleviation mandates selectively invest in high-risk extractive projects when they believe that the economic benefits of natural resource extraction for host countries will outweigh associated costs, including social and environmental risks associated with these projects. Unfortunately, the economic benefits generated by extractive industry projects often do not reach the poor. In fact, research by Oxfam and others has demonstrated strong associations between oil and gas dependence

by countries and negative outcomes for the poor, including, for example, higher poverty and child mortality rates and greater income inequality.⁵ Importantly, this report does not attempt to address the question of the degree to which these pipeline projects contributed to economic growth and/or poverty alleviation; NGOs and others have already produced extensive and critical literature evaluating the impacts of these projects.⁶

IFIs establish safeguards and independent monitoring measures to mitigate social and environmental risks as a condition of their financing, including, in some instances, independent monitoring expert panels. For each of the highly complex, large-scale projects examined, expert panels represent just one layer of a more comprehensive monitoring system, including, for example, grievance mechanisms and social and environmental monitoring by project sponsors, and third-party social and environmental monitoring financed by lenders. This report does not attempt to evaluate the full range of monitoring mechanisms established; the report’s scope is limited to a review of the international expert panels assembled to monitor these projects.

Note: The views expressed in this report are personal views of the stakeholders interviewed and do not necessarily reflect the views of their institutions.

Table 2. Overview of panels reviewed

	International Advisory Group	Caspian Development Advisory Panel	Peru Advisory Board
Project	Chad-Cameroon Petroleum Development and Pipeline Project	Baku-Tbilisi-Ceyhan Pipeline Project	Peru Liquefied Natural Gas Project
Reported/Reports to	World Bank president	BP (chief executive officer)	Hunt Oil (chief executive officer)
Panelists	<p>Mamadou Lamine Loum (former prime minister of Senegal)</p> <p>Jacques Gérin (former deputy minister of Environment Canada)</p> <p>Jane Guyer (anthropology professor at Johns Hopkins University)</p> <p>Abdou El Mazide Ndiaye (president of the Forum of African Voluntary Development Organizations, FOVAD)</p> <p>Dick de Zeeuw (former member of the Dutch Senate and general director of agricultural research in the Netherlands)</p>	<p>Jan Leschly (founder of Care Capital and former chief executive officer of SmithKline Beecham PLC)⁷</p> <p>Stuart Eizenstat (former US deputy secretary of the Treasury)</p> <p>Jim MacNeill (former secretary general of the World Commission on Environment and Development)</p> <p>Mohamed Sahnoun (former special advisor to the director-general of the UN Educational, Scientific, and Cultural Organization, UNESCO, for the Culture of Peace Program)</p>	<p>Thomas Lovejoy (former assistant secretary for Environmental and External Affairs for the Smithsonian Institution)</p> <p>Wade Davis (explorer-in-residence at the National Geographic Society)</p> <p>Malcolm Gillis (former president of Rice University)</p>
Panel mandate	Advise on overall progress in implementing the project, including poverty reduction in Chad and Cameroon	Provide management advice on economic, social, and environmental impacts of the project and related BP activities in the Caspian region	Provide advice on the social, cultural, and environmental impacts of the project
Term	2001-2009	2003 – 2006	2007 – present
Field visits/reports	Twice yearly	Yearly	Yearly

When are independent monitoring expert panels necessary?

The expert panels examined were most successful at increasing stakeholder engagement and dialogue, bringing new and impartial information into the public realm, and in some instances encouraging project sponsors to expand social programs and safeguards.

Stakeholders interviewed for this report generally highlighted the usefulness of expert panels for controversial projects with large geographical footprints (impacting communities and ecologically sensitive areas), considerable complexity, and governance risks. The World Bank Group, for example, stated in its management response to the Extractive Industries Review, “We will establish independent monitoring mechanisms in our largest projects and encourage the development of capacity in communities to monitor projects that affect them.”⁸

Project sponsors or IFIs considering implementing expert panels should recognize the limitations of these panels. They are not a substitute for regular monitoring of social and environmental issues and impacts on the ground by host governments, lenders, and communities. As they do not have a permanent presence on the ground, generally they are not the most effective mechanism for addressing local concerns that require immediate attention. Project sponsors and lenders should take care to ensure that the creation of these panels does not come at the expense of separate and sustained efforts to engage directly with civil society and local communities.

Also, by their very nature as advisory bodies, expert panels lack the power to enforce their recommendations. They risk being reduced to “fig leaves” when employed, for example, in cases in which the local political context in the project’s host country or countries creates a major barrier to achieving positive outcomes for local communities. While they may adopt an array of measures to increase their effectiveness and influence, as described in this report, ultimately results will depend to a large degree on the willingness of the project sponsor, lender, or host government to take their recommendations on board. They are most useful in situations when panel sponsors recognize their value and trust their insights. None of the panel case studies examined revealed examples of major, sweeping project management changes as a result of panel recommendations. When the

Chadian government disagreed with major planning or policy reforms proposed by the IAG, for example, it simply and repeatedly ignored the recommendations (as described in Box 3, on page 37).

The expert panels examined were most successful at increasing stakeholder engagement and dialogue, bringing new and impartial information into the public realm, and in some instances encouraging project sponsors to expand social programs and safeguards. In addition to adding value for local stakeholders, panels that achieve these outcomes directly benefit project sponsors and IFIs by reducing the likelihood of increased local social tension or even conflict. Successful expert panels also create a more enabling environment for IFIs to achieve development impact on the ground.

Oxfam believes that independent monitoring expert panels should be required for any publicly financed extractive industry project that has or is likely to have a significant impact on communities and the environment. Private-sector banks subscribing to the Equator Principles⁹ (a voluntary set of standards for identifying and managing social and environmental risk in project financing) should also assemble expert panels to support monitoring of high-impact projects.

Framework for evaluation of expert panels

Criteria for panel evaluation

To draw lessons learned from the experiences of each expert panel, Oxfam evaluated the panels based on four criteria: independence, transparency, stakeholder engagement (with a particular focus on engagement with project-affected communities), and influence. Below is a brief explanation of why Oxfam chose each of these criteria and how they were applied to the panels.

Independence

To perform an independent monitoring role, expert panels must be free of actual and perceived conflicts of interest. At the same time, given the considerable amount of funding required to support high-level expert panels (including field visits critical to the mandate of these types of panels), in many cases only project sponsors or lenders are willing and able to commit funds to the panel's work, increasing challenges to achieving neutrality. In addition, panel funding in some cases includes direct compensation to panelists, which may raise additional questions among stakeholders regarding panel independence. Ultimately, the degree to which stakeholders take panel recommendations seriously and to which panels are able to function effectively as risk-management bodies depends largely on the credibility of the panelists themselves.

This report evaluates panelist selection for each panel, with a particular focus on potential conflicts of interest. The report also looks at the secretariats established for each panel as a mechanism to promote their independence, as well as panel funding structures.

Transparency

Full disclosure and dissemination of panel findings and recommendations represents another essential measure to ensuring impartiality of panelists and promoting trust among stakeholders. Transparency also helps to ensure the accuracy and completeness of panel findings and helps broaden the base of actors supporting panel recommendations.

This report examines how and when panels make their findings public, with particular attention to measures taken to ensure that project-affected communities have access to these findings, as well as transparency around follow-up to panel recommendations. The report also considers transparency around internal panel processes, such as stakeholder interviews and panel budgets.

Stakeholder engagement

To ensure a balanced and impartial view, panels must engage with a broad range of stakeholders. In particular, local community participation in project monitoring contributes to building trust among stakeholders and mitigating risk for project proponents, as community concerns left unaddressed could lead to rising tension or even conflict in the project area.

This report examines the extent to which expert panels have incorporated local voices in their findings and recommendations. Specifically, the report focuses on panel engagement with local civil society organizations and project-affected communities, as well as with civil society and/or community-level monitoring mechanisms established for the projects they are reviewing.

Influence

Given the complexity of the large-scale pipeline projects examined and the multiple layers of monitoring established for these projects, in most instances it is quite difficult to demonstrate a direct correlation between panel recommendations and actions taken by the project sponsor or lenders to address these recommendations. In some cases expert panel recommendations echo those of local civil society or other monitoring entities tracking the project, so it can be difficult to attribute credit. In others, the company may have been intending to implement measures recommended by the panel even before the panel made those recommendations.

This report does not attempt to evaluate outcomes in a quantitative manner or to examine the long-term impact of panel recommendations. Rather, the report highlights ways in which project sponsors, lenders, and host governments interested in assembling expert panels can promote increased panel influence, in addition to methods that panels used to increase the influence of their recommendations (and opportunities missed). The report includes examples of instances in

which project sponsor, lender, or host government actions aligned with panel recommendations, as well as instances in which panels were less successful in effecting change.

Method

The research method for this report entailed both primary and secondary research. Primary research involved numerous structured interviews with relevant stakeholders, including panelists and representatives of companies (Oxfam requested interviews with all panelists and project sponsors), IFIs, and NGOs. (See Appendix I for a full interview list.) Secondary research included a review of materials, such as the Terms of Reference for each panel (see Appendix II), panel reports, news articles, and relevant civil society web sites and reports.

In addition, to develop a sense of local community views of the panels and whether panel reports managed to reflect the concerns of local communities, Oxfam commissioned primary research in the field to gather input from local stakeholders based in Chad, Georgia, and Peru (relative to IAG, CDAP, and PAB, respectively). Oxfam did not carry out interviews with local stakeholders in the remaining host countries for the three pipeline projects reviewed in this report (Cameroon, Azerbaijan, and Turkey). The justification for the countries selected (in cases where a pipeline crosses multiple countries) and more detail on Oxfam's field research methods follow.

Research in Chad

Oxfam decided to conduct field research for this report in Chad rather than Cameroon since Chad produces the oil for the Chad-Cameroon Petroleum Development and Pipeline Project (Chad-Cameroon Project). Oxfam conducted interviews with local stakeholders in Chad by telephone, targeting civil society representatives familiar with the Chad-Cameroon Project and engaged with local communities. In particular, Oxfam sought the views of individuals working for organizations that are part of the national civil society advocacy network on the oil project. Individuals identified include representatives of local Chadian organizations involved in monitoring oil production and pipeline activities as well as oil revenue management; local staff of international NGOs active in this field; and a representative of a labor union group. Because of time and resource constraints, Oxfam was unable to conduct interviews and focus groups on the ground in Chad. Communication challenges led to a smaller interviewee sample size than for the research on each of the other two panels.

Research in Georgia

Oxfam selected Georgia over Azerbaijan and Turkey primarily due to the number of complaints filed with the CAO around land-related grievances in Georgia, and in light of permanent Oxfam field presence in the country. Oxfam research aimed to investigate community awareness of CDAP and concerns regarding the BTC Pipeline Project. Oxfam conducted structured interviews with Georgia's former minister of the Environment; representatives of local government in the project-affected villages of Akhali Samgori, Skhvilisi, and Bakuriani and at the district level in Akhaltsikhe and Borjomi; 14 NGOs; the local BP office; the Eurasia Partnership Foundation (which managed a local NGO monitoring program funded by BP); and the Georgian Foundation for Strategic and International Studies (which supported CDAP in setting up local meetings). In addition, Oxfam conducted three small focus groups with representatives of project-affected communities in the districts of Akhaltsikhe (Samtskhe-Javakheti region), Borjomi (Samtskhe-Javakheti region), and Gardabani (Kvemo Kartli region). In selecting focus group locations, Oxfam considered factors such as proximity to the pipeline, regional balance (representation from both regions that the pipeline crosses), and representation of ethnic minorities (Oxfam conducted the Akhaltsikhe focus group in Skhvilisi, one of the largest ethnic minority villages in the district). Oxfam decided to conduct a focus group in Borjomi district given that heated discussions among civil society, government, and BP representatives had centered on Borjomi during the project's construction phase.

Research in Peru

To evaluate PAB's level of engagement with local communities, Oxfam carried out five workshops with local communities located along the Peru LNG pipeline and near the Melchorita liquefaction plant, on the coast. Oxfam selected project-affected communities from three regions—Ica, Ayacucho, and Huancavelica. Selection criteria prioritized geographic balance across the pipeline route, ensuring representation from coastal or marine fishing communities near the liquefaction plant, incorporating at least one community located in a more remote area, and including at least one community referenced specifically in a panel brief. Workshops included between 10 and 20 participants and employed tools specifically designed to facilitate participation, regardless of literacy or education levels. Oxfam selected workshop participants randomly but ensured diversity in terms of gender and age. Oxfam invited both individuals with leadership roles in the community—such as elected community leaders, representatives of local social welfare programs, local participants in the Peru LNG-sponsored community monitoring program, and representatives of neighborhood associations—as well as community members not in leadership roles. Oxfam also spoke with a representative of the government ombudsman office for the province of Huamanga and the former director of the local NGO Agricultural Development Center of Peru (CEDAP).

Section I: International Advisory Group

Project background

The \$4.2 billion¹⁰ Chad-Cameroon Petroleum Development and Pipeline Project (Chad-Cameroon Project) is a major oil field development and pipeline project. The project includes oil fields in the Doba basin in southwestern Chad and a 665 mile (1,070 kilometer) pipeline that transfers the oil through Cameroon to the Atlantic coast. ExxonMobil is the operator for the project, with 40 percent participation, joined by Chevron (25 percent) and Petronas (35 percent), with Esso Exploration and Production Chad, Inc. (EPC, referred to as Esso in Chad), managing the project on the ground.¹¹ The Tchad Oil Transportation Company S.A. and the Cameroon Oil Transportation Company S.A. constructed and operate the pipeline. The project secured financing from the World Bank Group in 2000, and oil began flowing through the pipeline in July 2003.

Chad is one of the poorest countries in the world, ranking 163 of 169 countries according to the UN Development Program's poverty index for 2010.¹² Despite opposition from numerous NGOs concerned about risks associated with the project, the World Bank Group financed the Chad-Cameroon Project, viewing it as an opportunity "to demonstrate that large-scale crude oil projects, when designed to ensure transparency and effective environmental and social mitigation, can significantly improve prospects for sustainable long term development."¹³ Specifically, World Bank Group financing consisted of \$92.9 million in loans to the governments of Chad and Cameroon through the International Bank for Reconstruction and Development and \$200 million in loans from the IFC to the ExxonMobil consortium. Through its International Development Association, the World Bank also provided more than \$40 million for a capacity-building program for the governments of Chad and Cameroon.¹⁴ Additional Chad-Cameroon Project investors included the European Investment Bank, export credit agencies (Export-Import Bank of the United States, EX-IM, and France-based Coface), and commercial arranging banks. The equity partners themselves covered more than one-half of the total project cost.¹⁵ In September 2008, the Chadian government repaid all of its outstand-



View of the pipeline near Kribi, Cameroon. A swath of forest 100 feet (30 meters) wide was cleared for the pipeline route for 665 miles (1,070 kilometers), from oil fields in Chad to the Atlantic Ocean port in Kribi. The pipeline is buried 3 feet (1 meter) underground.

ing loans and the World Bank announced its withdrawal from Chad. This withdrawal followed on the Chadian government's use of revenues from the Chad-Cameroon Project to fund activities separate from their intended poverty-alleviation focus, including expansion of Chad's military.¹⁶

The World Bank suspended all loans to Chad today because of the Chadian government's intention to funnel oil revenues—meant for education and health-care—to the military. Oxfam International regrets Chad's decision to gut its innovative oil revenue law and urges the World Bank to learn from the lessons of this failed experiment.

In 1999, the Chad-Cameroon Oil Pipeline Project was funded by the World Bank with Chad's agreement that the oil export revenues would support poverty reduction programs, such as schools and hospitals. At that time, local civil society organizations and international groups working in Chad, including Oxfam, recommended that the Bank put the pipeline project on hold until Chad's government had addressed corruption concerns and improved their capacity to manage such a large scale project.

Many civil society groups feared that once oil revenues accrued, Bank leverage would wane and corruption and conflict would increase. The Bank ignored these concerns and gambled that its assistance could rapidly increase government capacity to turn new oil wealth into real gains for the poor. While the pipeline construction barreled ahead, World Bank capacity-building projects lagged far behind.

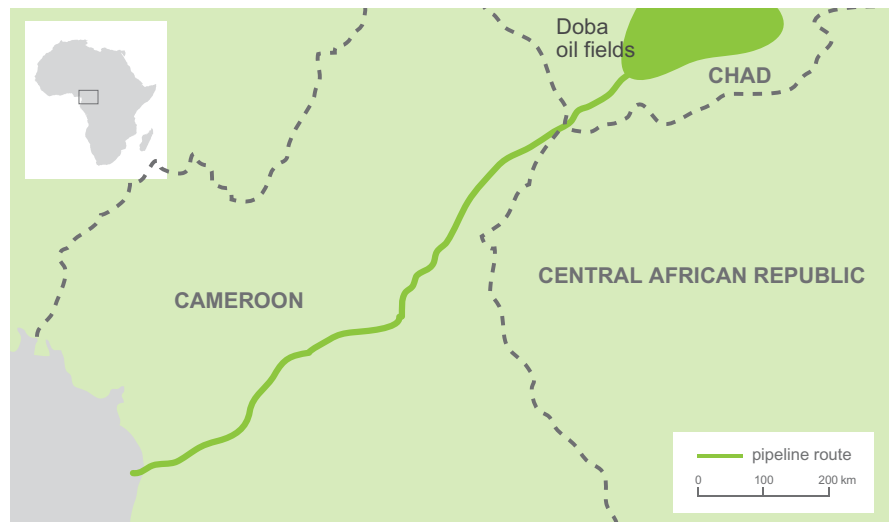
"The World Bank has described this project as 'high risk, high reward.' This unfortunate but predictable outcome shows that the risks are being borne by the people of Chad while the rewards are reaped by the oil companies and government," said Ian Gary, policy advisor for extractive industries with Oxfam America.

Box 1. Excerpt from Oxfam press release on Chad-Cameroon Project

(January 6, 2006)

Map 1. Location of Chad-Cameroon oil field and pipeline

Source: Map drawn from original by the Chad-Cameroon Petroleum Development and Pipeline Project (http://www.esso.com/Chad-English/PA/Operations/TD_ProjectMaps.asp). See original for greater detail.



In addition to self-monitoring by the project sponsor and its contractors and subcontractors, government and lenders established multiple external layers of monitoring to track the social and environmental impacts of the project:

- In Chad, the government created the *Comité Technique Nationale de Suivi et de Contrôle* (CTNSC) to manage oversight of the environmental and social impacts of the petroleum sector. Unfortunately, capacity constraints – for example, regarding technical expertise and access to equipment – limited its ability to perform its role effectively,¹⁷ and inadequate funding ultimately led to the CTNSC’s demise. Through 2005, the CTNSC received all of its funding through the World Bank’s Petroleum Sector Management Capacity-Building Project.¹⁸ However, after completion of this World Bank project, the Ministry of the Environment failed to provide the CTNSC with funding necessary for operation, leading to the end of the program in 2007.¹⁹ In subsequent years, both the ministries of Petroleum and Environment have lacked funds for monitoring activities, and the Ministry of Petroleum has reduced monitoring from permanent to occasional visits.²⁰
- The IFC conducted its own regular monitoring of the project, including quarterly visits to the project site, and contracted D’Appolonia S.p.A., an Italian consulting firm, to form the External Compliance Monitoring Group (ECMG). The ECMG included six members with technical expertise in issues such as pipeline engineering, environmental science, and sociocultural affairs, and aimed to verify project activities in the field and ensure the oil consortium’s compliance with its social and environmental commitments.²¹
- International Advisory Group (IAG) – the monitoring mechanism evaluated in this report – was an expert panel established by the World Bank Group that aimed to “advise the World Bank Group and the two governments on overall progress in implementing the project, including the key objective of reducing poverty in Chad.”²² The full Terms of Reference for the IAG are included in Appendix II.

Panel structure and mandate

The World Bank Group created the IAG in February 2001, a panel of five international experts with knowledge in five main working areas: governance, public finance management, environmental issues, social aspects of development, and community development. The World Bank Group tasked the IAG with monitoring progress on implementation of the Chad-Cameroon Project, with a particular focus on social, environmental, and poverty-alleviation objectives, and asked the panel to provide recommendations for actions the World Bank Group and governments of Chad and Cameroon could take to address the problems identified.²³ When the IAG began its work, the ExxonMobil consortium had already initiated project construction, which got underway in October 2000.²⁴ As a result, the panel missed the opportunity to influence early project planning decisions, such as those related to pipeline routing.

IAG experts included the panel's chair, Mamadou Lamine Loum (former prime minister of Senegal), Jacques Gérin (former deputy minister of Environment Canada), Jane Guyer (a professor of anthropology with extensive field experience in Nigeria and Cameroon), Abdou El Mazide Ndiaye (president of Senegal-based FOVAD), and Dick de Zeeuw²⁵ (former member of the Dutch Senate and general director of agricultural research in the Netherlands).

With the exception of a sixth panelist, who resigned in September 2001 for reasons unrelated to the project (Hilde Frafjord Johnson, former Norwegian minister of Development and Human Rights), there was no turnover of IAG membership.²⁶ According to the IAG's final report, this continuity made the panel more effective: "In contrast to the many changes observed elsewhere (governments, World Bank), the team's stability provided some continuity that was beneficial for Project monitoring, a task made all the more difficult since the Group meets only a few weeks each year. This stability also helped strengthen the trust established with its contacts."²⁷

The IAG's Terms of Reference required panel members to visit the project in Chad and Cameroon at least twice a year, and more if necessary. On each field visit, IAG members would spend two to three weeks meeting with stakeholders and visiting project facilities, including visiting project-affected communities along the pipeline route.

Box 2. Overview of key lessons learned from IAG

Good practices

- Panel members possessed relevant technical expertise for project monitoring.
- Panel included members with regional work experience.
- IAG reported directly to high-level decision makers.
- World Bank held public consultation on IAG Terms of Reference.
- World Bank avoided evident conflicts of interest in panelist selection process.
- Panelists designed field visits and engaged with stakeholders of their choosing.
- Terms of Reference required IAG engagement with local communities.
- Independent secretariat supported IAG work, maintaining its own web site.
- Panel disclosed annual work plans.
- IAG reports disclosed online the same day as submitted to World Bank president, in both French and English.
- Panelists had adequate funding and resources for work and travel to project area.
- Panelists had free and full access to information.
- Extensive outreach to stakeholders, including project-affected communities.
- IAG coordinated with civil society groups engaged in project monitoring.
- Transparency around stakeholder engagement (reports include appendix detailing meetings).
- IAG conducted debrief or close-out sessions with key stakeholders at the end of each field visit.
- An initial member left, but no turnover of the remaining five IAG panel members.

Areas for improvement

- To date, several of the most critical IAG recommendations remain unaddressed by project proponents.
- IAG report format and distribution not conducive to local community engagement, lack of post-mission debriefing with communities.
- World Bank funding and support for IAG field logistics raised some concerns among civil society regarding IAG independence.
- IAG should have been established early enough to influence the ESIA process.
- Limited gender diversity among panel members.
- IAG did not use a checklist to publicly track follow-up on its recommendations.
- IAG did not develop strategies to promote implementation of its recommendations.
- Room for improved coordination with other project monitoring mechanisms, including host government bodies.
- Panel budget should have been released earlier and included more detail.

Independence

As a way to help guarantee its independence, the IAG reported directly to the World Bank president and provided reports to the World Bank's board of executive directors, as well as to the governments of Chad and Cameroon. IAG met regularly and independently with senior leaders of both governments, leadership from the oil consortium, and World Bank staff and senior management to inform them of its recommendations. Also, its Terms of Reference specifically required that the IAG meet with local communities and NGOs "without interference from any government, the oil consortium and/or World Bank Group officials."²⁸ IAG had free access to any materials they wished to review and the freedom to speak with any individuals or groups of their choosing.²⁹

The World Bank clearly took steps to promote the IAG's independence in structuring the panel, and most stakeholders interviewed for this report agreed that the IAG presented critical and independent views throughout its term. However, some civil society representatives in Chad felt the World Bank went a bit too far in protecting the IAG's independence by excluding the participation of a panelist from Chad or Cameroon and questioned whether any monitoring entity funded by the World Bank could feel free to be openly critical of the World Bank.

Panelist selection

The World Bank prepared the Terms of Reference for the IAG and selected IAG panelists. The panel was more diverse than the other two panels in that it included two regionally based panelists (Mamadou Lamine Loum and Abdou El Mazide Ndiaye) and one woman (Jane Guyer), but the panel might have benefitted from increased gender balance and the inclusion of a panelist with Chad- and/or Cameroon-specific local expertise.

IAG panelists possessed relevant technical expertise to implement their monitoring role. Mamadou Lamine Loum brought extensive experience in economics and policy, having served as prime minister of Senegal and having worked approximately two decades in Senegal's Ministry of the Economy, Finance, and Planning. Jacques Gérin, former vice president of the Canadian International Development Agency, and Dick de Zeeuw, former director of agricultural research in the Netherlands (1976-1985), brought considerable experience pertaining to the environment and sustainable development. Abdou El Mazide Ndiaye contributed significant development expertise and offered a civil society perspective, and Jane Guyer brought anthropological field research experience in both Cameroon and oil-rich Nigeria.³⁰

To avoid potential conflicts of interest among panelists, the Terms of Reference required that members not be nationals of Chad or Cameroon, current or former staff members of the World Bank, or currently engaged in consultancies with project sponsors or governments of Chad or Cameroon. Further, they required that panelists agree to abstain from accepting a position or consultancy with any of the parties during the

panel's tenure. These safeguards against conflict of interest appear to have been effective, as none of the stakeholders interviewed for this report raised any concerns regarding the independence or qualifications of the panelists selected.

Several stakeholders interviewed for this report agreed that the World Bank made the right decision in precluding citizens of Chad or Cameroon from IAG participation to protect the panel's independence, given the scale and predicted economic impact of the project. Stephen Lintner of the World Bank, who drafted the IAG Terms of Reference, noted that in the particular context of Chad "everyone is political," adding that for the panel's recommendations to carry weight, panelists must not have either "vested or perceived interests."³¹ IAG panelist Jacques Gérin agreed that having a national of Chad or Cameroon on the panel would not have worked, noting the difficulties of finding an individual in either country both independent and able to speak their mind to political leadership without fearing consequences.³² André Madec, vice president of EEPCI and ExxonMobil's lead on the project from 1994 to 2002, added that mistrust existed between the governments of Chad and Cameroon at the time, and that having a panelist from one or both countries would likely have negatively influenced the working dynamic of the panel.³³ Some of the civil society representatives from Chad interviewed for this report also agreed that it was best not to include a Chadian on the panel. For example, Gilbert Maoundonodji of *Groupe de Recherches Alternatives et du Monitoring du Projet Pétrole Tchad Cameroun* (GRAMPT)—an organization established to monitor social and environmental impacts and budget transparency around the Chad-Cameroon Project—felt that having a Chadian panelist might have "compromised the openness of the dialogue."

However, most Chadian civil society leaders interviewed felt that having a Chadian representative on the panel would have been worthwhile. They would have liked to have had representation through an impartial individual familiar with the country and local traditions who could help ensure follow-up on the recommendations on an ongoing basis. Rimtebaye Nassingar of *Commission Permanente Pétrole de N'Djaména* (CPPN)—a network of 24 human rights organizations, women's groups, social associations, and religious organizations—stated:

There should have been a Chadian who could bring a local perspective. I think that they didn't [include a Chadian on the IAG] because of concerns about independence, but I don't think this would have created problems. If there was a national on the team, there would have been better understanding... There wasn't a lack of intellectual competence [on the IAG], but they didn't know Chad at all.

While finding a national of Chad and/or Cameroon with the appropriate degree of independence to participate might have been a challenge, several civil society leaders felt that this would have been worthwhile.

Secretariat

The IAG relied on a small secretariat independent from the World Bank to provide support for its work. Based in Montreal, the secretariat had its own web site (financed by the World Bank but administered independently by the secretariat), and accepted comments from stakeholders by mail or email. The secretariat consisted of one staff person to provide administrative support and another working approximately half-time to provide research support to the panelists (including setting up meetings, taking notes, drafting reports, ...etc.).³⁴ IAG members found that it would have been difficult to operate without this structure, given the considerable amount of time demanded of panelists for IAG work.³⁵ IAG panelist Jane Guyer noted that, in particular, the secretariat supported IAG's efforts to pull together information and review numerous documents.³⁶

Funding

To provide funding for the work of the IAG, the World Bank established a trust fund that was managed by the Environmentally and Socially Sustainable Development vice presidency and agreed to provide IAG with resources as needed. According to the panelists interviewed for this report, the World Bank provided adequate funding to enable them to fulfill their mandate. Between 2001 and 2009, the IAG had an average annual operating budget of \$600,000 (which included honoraria, travel, and technical and logistical support by the secretariat), as well as some additional funding for local travel.³⁷

Most civil society organizations interviewed by Oxfam felt that because it was financed by the World Bank and depended on the World Bank and ExxonMobil for logistical support in Chad, the IAG was not fully independent. Nadji Nelambaye of the *Commission Permanente Pétrole Local* (CPPL)—a network of 13 human rights groups, women's groups, rural development NGOs, and unions—questioned how IAG might effectively demand accountability of the World Bank, given that the World Bank provided its funding: “In Africa, it is often said that the hand that gives is above the one that receives.” Rimtebaye Nassingar of CPPN also believed that the IAG's dependence on the World Bank for communication and operational support limited its independence and claimed, “In 2005 we said that if the IAG was really independent it shouldn't use the World Bank or Esso equipment or services.” IAG panelists acknowledged that their collaboration with World Bank for the logistics around their visits influenced their perceived independence to some degree. Their final report states:

Despite the IAG's intent to demonstrate its independence, the fact that it regularly turned to the resident World Bank missions in N'Djamena and Yaoundé for support in preparing and carrying out its missions and communicating with certain contacts, especially the ministerial departments, contributed to an erroneous perception by some that the IAG was an entity of the World Bank.³⁸

Regardless of whether IAG's dependence on World Bank funding actually influenced its decision making, clearly some stakeholders perceived that it had been influenced. The IAG goes on to note that it might have called on local consultants more frequently as one way to offset this perception. This would likely have been a helpful measure, although perhaps it might not have fully eased civil society concerns regarding World Bank funding of the panel.

All panelists received payment for their work on the panel (neither the World Bank nor the panel members disclosed the amount of compensation), which may have contributed to civil society's perception that they were not fully independent of the World Bank. Arnaud Ngarmian of *Réseau Régional des Organisations de la Société Civile (ROSOC)*—a rights-based organization that works on oil issues in Chad—commented, “You don't cut off the branch on which you are sitting.” However, Stephen Lintner of the World Bank noted that panelists were expected to dedicate eight to 10 weeks a year to this work, over a period of several years, and it would have been unreasonable to ask them to do this without compensation.³⁹ Panelist Jacques Gérin stated that he had dedicated approximately 90 days a year to IAG work, an amount of time that would have been difficult for many to commit without compensation. Gérin also noted that he earned less than he would at a standard consulting job.⁴⁰ Panelist Jane Guyer stressed the importance of compensation as recognition of the value of the service being rendered, as well as the significance of preventing extreme disparity between the earnings of World Bank staff and panelists working on this project.⁴¹ While creating a potential threat in terms of independence, it would likely have been quite difficult to secure such a major time commitment from experts with such considerable prominence in their fields without offering them financial compensation for their time.

Transparency

In 2010, Chad ranked 171 of 178 countries on Transparency International's Corruption Perceptions Index.⁴² Given institutional challenges to transparency in the country, IAG had even greater incentive to embrace transparency in its work. The World Bank and the IAG implemented several creative measures for promoting transparency around IAG operations and findings, as described below. However, the World Bank and IAG should have taken additional steps to ensure dissemination of report findings to local communities, both as a means of information sharing and as a way to increase grassroots pressure on project proponents to encourage implementation of IAG recommendations.

Transparency of Terms of Reference

The World Bank released the draft Terms of Reference for the IAG for public review. While they did not accept every suggestion from civil society, they did make some significant changes to the Terms of Reference after the public revision process, including:

- An increase of required panel field visits from once to twice a year, and more often if necessary.
- The requirement that IAG meet with civil society groups and local communities affected by the project in Chad and Cameroon (without interference from other stakeholders).
- The requirement that IAG members not work for the World Bank Group or the governments of Chad or Cameroon and not accept positions with these parties during their tenure on the IAG.
- The commitment to make reports public the same day they were presented to World Bank management.⁴³

These important changes to the IAG Terms of Reference helped to create a panel structure conducive to independence, transparency, and local participation.

Transparency of IAG reports

The IAG published its reports online in both English and French and distributed them to the World Bank board and other stakeholders—without modification or amendment—the same day that they submitted them to the president of the World Bank. According to the IAG, “Since the IAG has no enforcement authority, public dissemination of its mission reports in French and English on its website, the same day they are sent to the World Bank Group President and the Prime Ministers of Chad and Cameroon is, in a way, its only means of persuasion.”⁴⁴ In terms of transparency, this is another key practice that future panels should implement.

The World Bank distributed IAG reports in N’Djamena, and the panel made sure that reports reached government officials, NGOs, and others. According to an evaluation produced by IFC, “Due to limited access to the internet in Chad and Cameroon, the World Bank country offices were instrumental in distributing paper copies to government agencies, and civil society groups.”⁴⁵ All Chadian civil society leaders interviewed for this report were familiar with the IAG’s reports. However, IAG should have done more to ensure that their key findings reached local communities. The IAG did not have a communications strategy or a way to deliver the reports directly to the villagers in local languages.⁴⁶

Some civil society leaders interviewed for this report noted that a communications strategy with a particular focus on local community access to report findings would have been quite useful. Gilbert Maoundonodji of GRAMPT commented, “There was no mechanism to ensure distribution on the ground and ownership of the reports by the population.” According to Delphine Djiraibe, formerly of the Chadian Association for the Promotion and Defense of Human Rights (ATPDH) and 2004 winner of the Robert F. Kennedy Human Rights Award, “If they [IAG] did more publicity around the recommendations maybe they would have had more impact.” Greater local transparency of reports would not only have provided local communities with access to information regarding the project

“Since the [International Advisory Group] has no enforcement authority, public dissemination of its mission reports in French and English on its website, the same day they are sent to the World Bank Group President and the Prime Ministers of Chad and Cameroon is, in a way, its only means of persuasion.”

— From the IAG Chad-Cameroon Petroleum Development and Pipeline Project “Final Report”

and helped facilitate early identification of any gaps or inaccuracies in report content, but it might also have helped rally the support of local communities in advocating for key IAG recommendations.

According to local civil society, high illiteracy rates and limited access to the internet in local villages created additional obstacles for villagers in terms of report access. Nadji Nelambaye of CPPL acknowledged that CPPL always received copies of IAG reports, but noted:

The IAG reports were not well known in the local communities because they don't have the means to access this written information. The majority of peasants in the oil-producing region are illiterate and cannot read the IAG reports... The IAG reports are poorly disseminated on the ground, because everyone in the oil-producing region does not have access to the internet to read the reports.

In addition to the more logistical challenges of accessing the reports, Boukinebe Garka, president of CPPN and advisor to the *Union des Syndicats du Tchad* (United Labor Unions of Chad), noted that lengthy written reports were not the most culturally appropriate form of communication. He stated, "Reports were distributed... But regarding ownership you know Chadians do not like to read, so there cannot be a real ownership. If there had been radio broadcasts... publicizing the important parts of the reports, then that could have been better." Other civil society leaders agreed that using radio, the press, or other means of communicating report findings would have been useful to ensure that the IAG's key messages reached the affected villages.

Two final critical points to note regarding IAG transparency pertain to its budget transparency and transparency regarding its stakeholder engagement. The IAG made public the total amount of annual funding available for its work in its final report, unlike either of the other panels reviewed for this report (although earlier and more detailed budget information would have been more useful to stakeholders). This measure enables stakeholders to have a sense of what resources the panel is working with, highlighting both its potential and limitations. Also, IAG reports include very detailed information regarding the individuals and groups with whom the panel engaged. Both of these pieces of information help to build stakeholder trust and should be replicated by future panels.

Stakeholder engagement

The IAG reached out to a wide range of stakeholders. IAG report appendices reference several meetings with representatives of government (local and national), donors, civil society groups, and others, including engagement with very high-level stakeholders. For example, the IAG met with three different World Bank presidents, and meetings sometimes lasted more than two hours.⁴⁷ In Chad, the IAG met with the prime minister as well as with representatives of several government ministries. According to panelist Mazine Ndiaye, one function of these meetings was to bring the complaints registered through field visits to the attention of high-level

government officials.⁴⁸ Some stakeholders observed room for improvement regarding IAG's engagement with other Chad-Cameroon Project monitoring entities, as well as missed opportunities to increase interaction with project-affected communities and influence on ExxonMobil. However, IAG reports reflect that IAG did manage to channel major local concerns into its recommendations.

Engagement with other monitoring entities

Within the context of the multilayered approach to monitoring employed for the Chad-Cameroon Project, some stakeholders felt that IAG should have improved its communication with other monitoring entities. For example, André Madec of ExxonMobil observed competitiveness between the IAG and ECMG, with limited communication and coordination between the two groups.⁴⁹ Rosa Orellana of the IFC also commented that coordination between the IAG and ECMG was quite limited, with each entity operating from a separate Terms of Reference and meeting only occasionally (IAG would meet with IFC a few times a year but less regularly with ECMG).⁵⁰ According to Arnaud Ngarman of ROSOC, communication and coordination between IAG and the CTNSC might also have been improved: "Rather than being complementary, it's as if the IAG stepped on [the toes of] the CTNSC." IAG appears to have missed some opportunities to improve engagement with other monitoring mechanisms established for the project.

Engagement with ExxonMobil

Although the Terms of Reference for the IAG do not specify a role for the IAG in advising ExxonMobil directly, in practice the panel did regularly meet with and advise ExxonMobil representatives. According to IAG panelists and the ExxonMobil representative interviewed for this report, ExxonMobil adopted a very systematic approach to documenting and responding to IAG recommendations. Panelist Jacques Gérin found IAG's relationship with ExxonMobil in some ways easier than other relationships due to ExxonMobil's willingness to take a systematic approach to reviewing IAG recommendations and consistently provide feedback.⁵¹ He and other panelists described ExxonMobil as receptive to IAG recommendations and willing to discuss issues openly and approach disagreements with the aim of reaching a compromise. André Madec of ExxonMobil confirmed that ExxonMobil tracked IAG recommendations and regularly reported on the measures they had taken to address them. According to Madec, ExxonMobil assigned one individual as their primary contact with the IAG, and this contact maintained a running list of issues raised by the IAG and how these had been addressed. Madec felt that delegating a Cameroon-based individual with the responsibility of tracking progress on recommendations helped keep follow-up actions in motion.⁵²

Representatives of IAG and ExxonMobil claimed that IAG had a positive influence on some ExxonMobil project management decisions. For example, according to panelist Jane Guyer, IAG successfully encouraged ExxonMobil to increase its focus on promoting local employment through its contracting and

subcontracting (Madedc of ExxonMobil agreed that IAG had influenced these practices).⁵³ Panelist Jacques Gérin stated that ExxonMobil also revamped its land use and compensation system following recommendations along these lines from IAG (although IAG was not the only motivator for ExxonMobil to take these actions).⁵⁴ In Madec's view, "Ninety-nine percent of the IAG's recommendations were constructive and well-intentioned and we [ExxonMobil] took them into account." The representatives of IAG and ExxonMobil interviewed for this report viewed their engagement as constructive.

However, some civil society leaders interviewed for this report claimed that ExxonMobil failed to address certain critical IAG concerns adequately. For example, some felt that ExxonMobil never fully resolved problems regarding the dust generated around construction activities, even after IAG raised the issue repeatedly in its reports. Some civil society and local community representatives also raised concerns regarding what they considered to be a failure by ExxonMobil to adequately address the problem of "village enclaves," villages cut off or surrounded by oil field infrastructure. Though surrounded by gas flares and electricity infrastructure for the oil facilities, village enclaves in some instances lacked electricity.⁵⁵ According to a 2006 BBC News article, Tamro Mbaidjehuernan, chief of the Ngalaba enclave village, stated, "They took a lot of our fields to make room for the oil installation... We received compensation, but it wasn't very much. We used to cultivate peanuts, sorghum, maize and millet. But now we can hardly grow anything—there's just not the room."⁵⁶ According to Gilbert Maoundonodji of GRAMPTI, during its tenure the IAG did not work hard enough to convince ExxonMobil to take positive measures to address the problem of village enclaves:

For example, the situation of the "village enclaves"... Since 2002 we questioned the IAG about this. We did a report in January 2002, in which we underscored the problem, with the infrastructure that surrounds them. There needed to be a resettlement plan with accompanying measure, but the IAG minimized this. They didn't take the question seriously. If they had, they would have recommended the development of a resettlement plan. So today, with the increased intensity of activity and the increased number of oil wells, the communities' situation has become worse. The IAG addressed the issue in some reports, but didn't formulate any strong recommendations that would have constituted the basis for a plan of action or measures to take.

Several civil society leaders interviewed for this report felt that IAG might have gone farther to influence ExxonMobil's actions.

Engagement with project-affected communities

A key part of the IAG's mandate was to document the concerns of local communities as the Chad-Cameroon Project evolved and to propose recommendations to address these concerns. The IAG's Terms of Reference specifically state:

The IAG is expected to serve as another vehicle for the affected populations and citizens to channel their concerns about the social, environmental and poverty related impact of the Projects in Chad

and Cameroon. The IAG will advise the World Bank Group and the Government of Chad and Cameroon of these concerns and suggest actions that need to be taken to ensure that these concerns are appropriately addressed.⁵⁷

Given this, IAG had to prioritize effective community engagement and participation to fulfill its mandate. As noted above, for the purposes of this report, IAG engagement with local villages and civil society groups will be evaluated only in the context of Chad.

According to panelist Jacques Gérin, local engagement “covered a wide swath from villagers to government officials and everyone in between.”⁵⁸ IAG panelists regularly traveled to project-affected areas; specifically, panelist Jane Guyer noted that panelists traveled up and down the entire pipeline once, visited the oil field and the city of Moundou on every visit, and frequently visited the two pumping stations with the largest project footprint. She emphasized that panelists spoke not just to villagers and civil society organizations, but also to associations of cultivators, local contractors, and other groups located near the project facilities.⁵⁹ Panelist Mazide Ndiaye highlighted that when IAG met with villagers the meetings were very inclusive, with between 20 and 100 participants, including village chiefs and with the participation of both women and men.⁶⁰

Civil society leaders generally agreed that the IAG met with a broadly representative array of actors and spoke directly with local populations. For example, Nadji Nelambaye of CPPL mentioned that IAG reached out to a wide range of local stakeholders on their visits, including women’s organizations, traditional chiefs, leaders of villages and cantons, religious leaders, local economic actors, and others. He noted, “I think these meetings were more or less representative of the different segments and those who had information regarding the project, including those who could give information and details to the IAG.” In terms of approach, IAG clearly prioritized local engagement as a worthwhile endeavor.

To ensure that they had an opportunity to speak with local stakeholders that had concerns about the project, IAG worked closely with Chadian civil society organizations in planning their trips to affected areas. In its final report, the IAG noted:

The NGOs alerted the Group each time the rights of the communities (individuals, families, villages) were violated or threatened. They helped the Group check and cross-check its information by accompanying it on field visits to make observations or interview parties involved.⁶¹

Given that the IAG did not have permanent presence in the field, this link to local groups was critical to enabling the panel to hone in on issues of concern. Civil society organizations also highlighted this important collaboration. Nadji Nelambaye of CPPL commented, “CPPL oriented the IAG when it visited the oil region. They would go to villages where there were problems.” While not the only influencing factor regarding the IAG’s planning of its field visits, civil society did provide important guidance.

Some civil society leaders raised concerns that IAG meetings with the villagers were more “visits” than “consultations” and that the visits should have been longer and more comprehensive, but generally civil society felt that IAG had listened to local concerns and incorporated many of them in their report recommendations. Boukinebe Garka of CPPN commented:

The process of the IAG was to come, talk with us, ask us questions. It was the complaints and problems we raised that they took in formulating recommendations to the [World] Bank, the consortium and the state. That is to say, the IAG always consulted civil society... many recommendations tried to address the problems raised by civil society... The IAG recognized the position and importance of civil society vis-à-vis the recommendations it made.

Here Garka highlights not just the IAG’s engagement with civil society, but civil society’s *participation* in IAG monitoring. For its part, the IAG observed that villagers were quite willing to speak up in meetings regarding their concerns. IAG panelists stated, “The villagers spoke out despite facing the risk of repeated harassment and public humiliation by local or military authorities.”⁶² This openness reflects at least a degree of trust between local villagers and the IAG, and the input of these villagers and recommendations from civil society do appear to have influenced IAG recommendations.

IAG travel debriefs

To increase participation of local stakeholders in the report development process, IAG conducted debrief or close-out sessions with key stakeholders at the end of each trip. At these sessions IAG would sketch out the facts they had gathered and get feedback from stakeholders prior to developing recommendations. In addition to debrief meetings with the World Bank and ExxonMobil, IAG panelists would hold an open meeting in N’Djamena, as well as one in Washington, DC, which civil society or other stakeholders could attend. According to Garka of CPPN, “These [debrief] sessions pushed, incited actors to do better.” In addition to offering panelists the opportunity to fact-check their observations, these sessions enabled IAG to call the attention of key stakeholders to issues and concerns they had observed while these observations were fresh.

However, several Chadian civil society leaders interviewed for this report would have liked the IAG to have conducted debriefing sessions in the producing zone as well, offering the local populations the opportunity to validate their findings. The fact that these final sessions took place only in capital cities limited the public’s appropriation (and appreciation) of the work.

To increase participation of local stakeholders in the report development process, the International Advisory Group conducted debrief or close-out sessions with key stakeholders at the end of each trip.

IAG time spent in the field

All civil society representatives interviewed agreed that having the IAG come only twice a year, without any permanent local presence, rendered their work less effective. Delphine Djiraibe of ATPDH commented, “An oversight body needs to be more present on the ground, to be able to... ensure that nothing escapes it.” Nadji Nelambaye of CPPL agreed that more-permanent representation on the ground would have been helpful to the IAG’s work, noting that “when it’s an American, a Canadian, a Senegalese person who comes each six months, there are things they will miss, realities on the ground that will escape them.” The IAG itself acknowledged the challenge of keeping up with issues on the ground, noting in its final report, “These statutory visits, of which there were 14 to Chad and 15 to Cameroon, proved barely adequate to cover the scope of work, collect the information needed to analyze the projects, and identify new problems as they emerged.”⁶³ More presence on the ground—through additional IAG visits and/or through the use of independent local consultants—might have helped the IAG keep abreast of rising issues, as well as increase the perception of stakeholders that IAG panelists were fully tapped into local issues.

Influence

Key IAG contributions

Many stakeholders, including many civil society organizations, felt that the IAG’s greatest contribution was in helping to air problems and promote debate and discussion among actors. Several interviewees noted that by drawing heavily upon the work of civil society groups, the IAG helped increase the willingness of the Chadian government and project sponsor to engage with civil society. Given that Freedom House included Chad in its “Worst of the Worst: The World’s Most Repressive Societies 2008” report,⁶⁴ the role of the IAG in increasing the space for civil society voice in Chad should not be underestimated. The World Bank and ExxonMobil also benefitted from a working environment more favorable to dialogue and social engagement, and as a result less prone to social conflict. However, several civil society organizations also noted that these changes have not been lasting, observing that there is no active framework for dialogue today and less openness.

Interestingly, in terms of IAG’s influence on project proponents, panelists highlighted their engagement with ExxonMobil as the most fruitful (although, as noted above, IAG’s recommendations to ExxonMobil fall somewhat outside of its official mandate). A few examples of IAG influence are described below.

Facilitating stakeholder dialogue

Many stakeholders agreed that the IAG helped increase the space for civil society voices in Chad and Cameroon. The IAG itself highlighted its ability to act as a carrier of information and facilitator of dialogue, both

publicly and behind the scenes, as one of its most significant contributions.⁶⁵ Panelist Mazide Ndiaye claimed, for example, that civil society organizations and Esso (responsible for operating the project on the ground) did not want to speak to each other initially, but that they eventually began working together, particularly in Cameroon. André Madec of ExxonMobil also cited the IAG's role in amplifying the voice of civil society in Chad as its greatest achievement, attributing some credit to IAG for what he described as a strengthened civil society in Chad.⁶⁶

Several Chadian civil society leaders interviewed for this report also highlighted the role of the IAG in increasing the space for civil society dialogue with the Chadian government and Esso. For example, Nadjil Nelambaye of CPPL noted that the IAG sometimes set up joint field missions to the villages with civil society, Esso, and the government monitoring body, CTNSC, that "gave a lot of space to local communities so that they could express their points of view on the project." According to Nelambaye, these meetings offered "the only possibility for communities to speak." Rimtebaye Nassingar of CPPN agreed, adding that these exchanges forced the government and Esso to recognize villager's concerns that needed to be addressed. As a result of this engagement through IAG missions, Gilbert Maoundonodji of GRAMPT observed increased openness on the part of both government and Esso to civil society:

In the beginning, civil society was perceived as radically opposed to the project, but through discussions during IAG missions the government understood the real role and work of the civil society. As for Esso, the company was more open to discuss with civil society, even if they are not willing to provide all the information we desire.

The majority of stakeholders interviewed for this report shared the view that the IAG helped increase the space for civil society input and engagement around the project.

Unfortunately, since the departure of the IAG, some civil society leaders have watched this space for dialogue disappear. According to Maoundonodji, "The departure of the IAG deprived us of a channel of communication. It has left a huge gap." Nelambaye also noted that now that the IAG has left "there is no dialogue with the World Bank or with Esso. Things have become very opaque with regard to the circulation of information with the project actors." Civil society's recognition of the gap that has emerged with the completion of the mandate of the IAG highlights both the importance of the panel's role and challenges to the sustainability of its intervention. IAG should have anticipated the impact of its departure and established a more-permanent mechanism to facilitate external monitoring throughout the life of the project.

Adding information to the public realm

The IAG served as an important source of independent information for stakeholders, such as government officials and civil society leaders in Chad. According to panelist Jacques Gérin, government officials in

some instances mentioned that IAG reports gave them access to information that they did not have previously.⁶⁷ Panelist Mazide Ndaiye also highlighted the significance of the information IAG reports provided to government, particularly in the context of Chad, noting that government officials do not always manage internal communication most effectively.⁶⁸ Gilbert Maoundonodji of GRAMPT recognized information provision to civil society in particular as a key contribution of the IAG:

The IAG was in a privileged position that allowed it to have access to all the actors – the Bank, government, [the] consortium. So certain information that civil society couldn't have access to itself, the IAG could access, and so through the reports of the IAG we could have access to this information. And they reinforced, in return, our advocacy.

Specifically, Nadji Nelambaye mentioned that the IAG enabled CPPL to access information on the Esso site and camps when they visited. The information produced in IAG reports served as a resource for multiple stakeholders.

Further, in at least one case IAG also took proactive measures to bring private information into the public realm. Panelist Jane Guyer noted that initially civil society lacked confidence in the baseline studies that ExxonMobil had conducted on various issues, given that these studies had not been made public. To address this concern, Guyer traveled to Houston for two days with the secretariat's research assistant to inventory ExxonMobil's baseline studies for the project. IAG prepared an introductory essay summarizing their findings, which they posted on the IAG web site.⁶⁹ According to IAG, the panel also convinced ExxonMobil to make some of the studies available to the public through the project's reading centers in Chad and Cameroon, which IAG claims helped to allay some public concern regarding the nature of the studies.⁷⁰

There are some limitations to the usefulness of the information disclosed through this endeavor. According to Guyer, the baseline studies reviewed ranged in quality and some studies were lacking (for example, the company did not have baseline studies on health, which made it difficult to respond to community concerns regarding health impacts of dust generated by construction activities).⁷¹ Also, the IAG produced the summary document in English, which severely limited the access of local stakeholders to the document, particularly in Chad. However, this effort does provide an additional example of the panel's contribution to information sharing among stakeholders.

Finally, several stakeholders mentioned that the IAG played an important awareness-raising role regarding the practice by traditional local authorities (Chefs de canton) of taking a 10 percent levy from compensation paid to local villagers by ExxonMobil and convincing Chad's government to take action to outlaw this practice. Civil society groups brought the problem of this levy to the attention of IAG, and IAG successfully raised the profile of the issue among key actors through its reports. President Déby of Chad responded by banning the practice in 2001 (although the ban did not completely eliminate the practice).⁷²

“We are not police, we are there to tell people who want to listen, if they don’t want to listen we don’t have any hammer to beat them.”

— International Advisory Group panelist
Mazide Ndiaye

Limitations of IAG

Critical IAG recommendations unheeded

All civil society leaders interviewed for this report agreed that the IAG’s inability to issue binding recommendations represented its most significant drawback. They felt that project proponents should have committed to implementing recommendations, and they expressed frustration with the lack of follow-up to IAG recommendations. For example, Nadji Nelambaye of CPPL said, “The recommendations of the IAG are not applied by the World Bank, government, and Esso. The Government and the World Bank are not sensitive to the IAG conclusions because these conclusions are not accompanied by sanctions.” Delphine Djiraibe, formerly of ATPDH, echoed this concern, noting, “The reports maybe raised problems, but the problems were never addressed.” Generally, looking back on the IAG experience after the close of its term, civil society felt disappointed with IAG’s inability to ensure compliance with its recommendations. Recommendations unheeded repeatedly served to undermine its credibility. (Specific examples of important IAG recommendations that project proponents failed to address are included in Box 3, on page 37)

Several stakeholders interviewed disagreed with the notion that it would be feasible or even appropriate for the IAG to issue recommendations with binding authority on project proponents. For example, panelist Mazide Ndiaye commented, “We are not police, we are there to tell people who want to listen, if they don’t want to listen we don’t have any hammer to beat them.”⁷³ Representatives of the World Bank and ExxonMobil noted that it would be impossible for their management to delegate decision making authority to any external group. In the case of the World Bank, management is accountable to a board of executive directors (within which each director represents a country or multiple countries), and as a public company ExxonMobil management must respond to its shareholders. In this context, the best the IAG could hope for would be access to high-level individuals within these organizations, which they obtained.

The panelists themselves acknowledged a wide range in terms of project proponent responsiveness to their recommendations. In particular, all three panelists interviewed for this report expressed concerns regarding the level of responsiveness of the World Bank to their recommendations. The World Bank regularly engaged with IAG both in Washington, DC, and in the field, and IAG’s final report claims that its recommendations to the World Bank were “generally well received and were sometimes followed by important decisions concerning the Projects, as when the decision was made at the end of 2001 to strengthen the on-site team assisting with the Bank’s Projects in Chad.”⁷⁴ However, panelists highlighted the inconsistency of the World Bank’s responsiveness to their recommendations. For example, the World Bank did not consistently follow through on its commitment to disclose the action plans it developed in response to IAG recommendations, which would have been useful for follow-up.⁷⁵ Panelist Jane Guyer reported encountering occasional resistance to particular recommendations from World Bank representatives.⁷⁶ Panelist Mazide Ndiaye expressed an even

more critical view, claiming that both the World Bank and Chadian government had their own agenda, and that IAG had little success in moving either actor beyond its agenda.⁷⁷ Importantly, IAG panelists also agreed that IAG influence on the World Bank declined as World Bank leadership changed over the years, and panelist Jacques Gérin commented that in retrospect IAG should have pushed the World Bank harder on providing systematic responses to their reports.⁷⁸

While stakeholders disagree on the degree to which IAG recommendations influenced change on the ground, all stakeholders recognized that in some instances key recommendations fell flat, limiting the usefulness of the reports. At the same time, several Chadian civil society leaders noted that with the departure of the World Bank—and since bank loans ran out or were repaid—there is now no government monitoring and supervision on the ground at all. The company is left to self report (or not) any problems. Boukinebe Garka of CPPN/*Union des Syndicats du Tchad* explained that IAG had made proposals in open forums, drawing the attention of key actors and working to find solutions. He acknowledges that their recommendations did not always lead to concrete results but claims, “It was still better than it is now, because there are no more large debates in open fora. Now it’s a total ‘blackout.’”

Selected examples of key issues raised by the IAG but inadequately addressed by project proponents:

Failure of capacity-building efforts: From its very first report, IAG called for the acceleration of institutional development projects aiming to build the capacity of Chad’s government to manage the oil sector and oil revenues.⁷⁹ The World Bank financed two projects in support of government capacity building, the Petroleum Sector Management Capacity-Building Project and the Management of the Petroleum Economy Project. However, project construction outpaced government capacity-building efforts, and though the IAG and others recognized and highlighted this problem early and repeatedly, neither the World Bank nor the government of Chad managed to successfully remedy the situation.

In 2004, IAG noted that the Chad-Cameroon Project would soon reach full production, but that the goals of the World Bank capacity-building projects remained unmet. IAG highlighted that the allocation of funds from these projects to activities unrelated to training contributed to the problem and called on the World Bank to “focus its energy on supporting massive training and appropriate technical support at various stages, based on Chad’s needs.”⁸⁰ Unfortunately, World Bank capacity-building efforts never achieved their intended outcomes. The IAG’s 2009 report stated, “the final analysis is rather disappointing... The CTNSC died a slow death in 2007, leaving Chad unable to provide government monitoring of the Project’s social and environmental impact.”⁸¹

Luc Lecuit of the World Bank argued that the IAG did not discover the capacity-building challenges—the World Bank and others recognized that capacity-building efforts take time and that project construction was moving ahead more quickly—but that IAG did bring value by raising the profile of the issue. In his view, IAG helped the World Bank’s dialogue with the Chadian government by adding the “right level of constructive pressure” to increase attention to the problem. As a result, IAG may have influenced some World Bank decisions, such as the deci-

Box 3. Examples of critical IAG recommendations inadequately addressed by project proponents

Box 3 (continued). Examples of critical IAG recommendations inadequately addressed by project proponents

sion to build up the World Bank's team on the ground.⁸² Panelist Jacques Gérin similarly noted that soon after the IAG “sounded the alarm bell” regarding the capacity-building issue in late 2001, the World Bank appointed two project czars, one based in N'Djamena and the other in Washington, DC.⁸³

However, even with IAG's consistent attention to this issue, government capacity programs never reached their potential. Delphine Djiraibe (formerly of ATPDH) commented, “Despite the fact that the IAG identified the problem of the two-speed project, the capacity building wasn't keeping up. No one listened. These problems continued until the end.”

Regional development plan never implemented: In its very first report, the IAG noted that Doba, the area that produces the oil for the project, lacked a regional development plan—a critical tool for planning oil revenue expenditures generated by the project.⁸⁴ Chadian President Déby himself referenced this plan as fundamental to ensuring that project-affected communities benefit from oil revenues at the inauguration ceremony for the project in October 2003: “The development of the crude oil will benefit the entire Chadian nation. However, the residents of the oil area will specifically benefit from it, notably through the regional development plan.”⁸⁵ However, as of December 2010, Chad's government had failed to ratify a regional development plan.⁸⁶

Oil revenue management Law 001 gutted: The World Bank conditioned its support for the Chad-Cameroon Project on the passage of new legislation for oil-revenue management. In 1999, the government of Chad passed the Petroleum Revenue Management Law—Law 001—which regulated the use of revenues, earmarking a large portion of the funds for priority sectors, such as education and infrastructure.⁸⁷ In July 2005, IAG issued a call on the government of Chad not to modify Law 001:

Despite Chad's financial difficulties, it is important that the country resist the temptation to amend the law [Law 001] too soon. Rather, it should keep this model in place while it learns to manage its petroleum economy and the new budgetary processes and until it has acquired the expertise and customs to manage all its public resources in an efficient and transparent manner.⁸⁸

In spite of this recommendation, Chad's government modified Law 001 in January 2006 through Law 002, which increased revenues to general government coffers and allowed revenues to be used for security purposes.⁸⁹ Paul Wolfowitz, then World Bank president, spoke out strongly against the new legislation, calling it a “breach of contract.”⁹⁰ The World Bank also temporarily froze oil profits maintained in an escrow account in London and suspended loans to the Chadian government.⁹¹ It is difficult to discern whether the World Bank took these actions as a result of IAG's recommendation or broader concerns pertaining to reputational issues.

Insufficient follow-up of recommendations

The IAG did not publicly track measures taken by project proponents to address its recommendations. A public checklist documenting all of the actions taken by project proponents to address its recommendations, as well as those outstanding and proactive measures to encourage implementation of panel recommendations—such as press conferences highlighting key findings and recommendations—would have helped to promote accountability. The IAG considered reporting along these lines, but decided not to do so. According to the IAG:

Since there were several hundred recommendations, some of which dealt with medium- to long-range issues requiring a long-term response, such a quantitative evaluation would not be as relevant as it might seem. However, it should be noted that during each mission, the IAG systematically reviewed the action taken on the previous missions' recommendations with the various parties, and reported any progress or backward movement in subsequent reports.⁹²

Here the IAG raises some challenges to capturing all of its recommendations through a checklist, but in fact a checklist including only its most critical recommendations would have been useful. Particularly given that local villages had less access to the IAG's more lengthy reports, a short and clear tool of this nature, accompanied by outreach to local media, would have helped to increase grassroots pressure on key decision makers and enabled local populations to monitor progress on implementation of recommendations and inform the IAG of shortcomings.

On balance, the IAG experience offers several examples of good practices in promoting panel independence, transparency, and stakeholder participation. Stakeholders generally expressed trust in the findings of its comprehensive reports and in the independence of the group, and the reports importantly helped to disseminate information and facilitate dialogue among these stakeholders. However, in some instances the IAG did face significant challenges in its efforts to convince project proponents to adopt key recommendations, and it missed opportunities to promote follow-up of its recommendations. Some stakeholders also noted that IAG could have improved its coordination with the other monitoring mechanisms established for the project.

Section II: Caspian Development Advisory Panel

Project background

The \$3.6 billion Baku-Tbilisi-Ceyhan (BTC) Pipeline Project consists of a pipeline more than 1,095 miles (1,760 kilometers) long that transports crude oil from the Azeri-Chirag-Gunashli (ACG) offshore oilfield, off Azerbaijan in the Caspian Sea, through Georgia to a terminal at Ceyhan on the Mediterranean coast of Turkey. One of the longest pipelines of its kind in the world, the BTC pipeline passes through 17,700 land parcels in 515 villages and has the capacity to transport up to 1 million barrels per day.⁹³ The BTC pipeline has particular political significance given that it provides an alternative transport route from the crowded and environmentally sensitive Turkish straits without crossing either Russia or Iran.

Affiliates of 11 national and international oil companies joined to form BTC Co., which developed the pipeline, with British company BP the majority shareholder and the operator of the project. BTC Co. received financing from several lenders, covering approximately 70 percent of project costs, including IFC, the European Bank for Reconstruction and Development (EBRD), export credit agencies, and commercial banks. Pipeline construction began in 2003, and export from the terminal in Ceyhan began in June 2006.⁹⁴

In addition to internal project monitoring efforts managed by BP and BTC Co. and regular monitoring field visits by IFC social development and environmental staff, project proponents implemented several external monitoring mechanisms to track social and environmental impacts, including:

- The project lenders hired the Independent Environmental Consultants group to audit the BTC project quarterly during project construction and ensure that the project maintained compliance with its environmental commitments.

- The Social and Resettlement Action Plan (SRAP) expert monitoring panel, a group of three monitoring experts that focused on land and compensation issues, reported to the BTC Co. board and project lenders. The SRAP expert panel monitored compliance with the Resettlement Action Plan (RAP) for the project, as well as project impacts on the lives and livelihoods of local communities more generally. SRAP members visited the BTC project every six months.⁹⁵
- BTC Co. and a third party hired Foley Hoag, a law firm based in Washington, DC, to provide independent monitoring of the project's compliance with the Voluntary Principles on Security and Human Rights, including issues related to worker rights and human rights of communities affected by the project.
- Several local NGOs in Georgia and Azerbaijan conducted social and environmental impact monitoring of the BTC pipeline. BTC Co. funded a program to build their monitoring capacity through training managed by third-party organizations (Eurasia Partnership Foundation in Georgia and Open Society Institute in Azerbaijan).⁹⁶
- The Caspian Development Advisory Panel (CDAP) – the monitoring mechanism examined in this report – consisted of a group of international experts commissioned by then BP Chief Executive Lord John Browne to provide independent advice on the economic, social, and environmental impacts of BP's activities in the Caspian region, including the BTC pipeline. The panel, which considered macro-level issues and provided recommendations to address the challenges it observed, reported directly to Browne. The CDAP is described in more detail on the following page.



Map 2. Baku-Tbilisi-Ceyhan Pipeline Project

Source: Map drawn from original by BP (<http://www.bp.com/sectiongenericarticle.do?categoryId=16002865&contentId=7020378>). See original for greater detail.

Panel structure and mandate

BP assembled CDAP at the suggestion of the World Bank. The panel began its work in early 2003 with the aim of providing management advice on economic, social, and environmental impacts of the BTC pipeline project and other related BP activities in Azerbaijan, Georgia, and Turkey (including the ACG oilfield, which supplies oil for the BTC pipeline, and including the Shah Deniz gas field developments). According to its Terms of Reference (see Appendix II), the panel intended to assess BP's plans to manage impact along the pipeline and at the regional level and to recommend improvements, examine BP's application of its policies and evaluate project impacts, and advise BP on appropriate social and community activities in Azerbaijan, Georgia, and Turkey.⁹⁷

The CDAP panel brought together four prominent and highly accomplished individuals with a wide range of relevant expertise—panel Chair Jan Leschly (founder of Care Capital and former chief executive officer of SmithKline Beecham⁹⁸), Stuart Eizenstat (former US ambassador to the European Union and former US deputy secretary of the Treasury), Jim MacNeill (former chairman of the World Bank's Independent Inspection Panel and former secretary general of the World Commission on Environment and Development), and Mohamed Sahnoun (former special advisor to Secretary-General Kofi Annan on the Horn of Africa region and former special advisor to the director-general of UNESCO for the Culture of Peace Program). CDAP panelists visited the project site at least once per year and issued public reports on its web site. Initially, the panel committed to a three-year term, but it served one additional year, ending its term at the end of 2006.

Box 4. Overview of key lessons learned from CDAP

Good practices

- Panel members possessed relevant technical expertise for project monitoring.
- CDAP reported directly to high-level decision makers.
- Independent secretariat supported CDAP work, maintaining its own web site.
- Panelists were free to engage with stakeholders of their choosing.
- Panelists had logistical independence to design field visits (although panel did receive some logistical support from BTC Co.).
- CDAP reports were disclosed online in three languages.
- BP posted detailed responses to CDAP reports online.
- Panelists had adequate funding and resources for work and travel to project area.
- CDAP had free access to the information that they requested.
- Outreach to multiple stakeholders, including some engagement with project-affected communities.
- Some transparency around stakeholder engagement (some, but not all, reports included an appendix listing all interviews and meetings conducted).
- CDAP coordinated with civil society monitoring mechanisms.
- No turnover of CDAP membership.

Areas for improvement

- Conflict of interest of one CDAP panelist could influence panel's perceived independence.
- No panel member had significant relevant work experience in the project region.
- CDAP should have been created early enough to influence the ESIA process.
- Limited geographic diversity and no gender diversity among panel members.
- CDAP report format and report distribution not conducive to local community engagement.
- CDAP did not use a checklist to publicly track follow-up on its recommendations.
- CDAP did not adopt strategies to promote implementation of its recommendations.
- Panel did not disclose an annual work plan.
- No budget transparency.

Independence

Although all CDAP panelists possessed skills and expertise useful to fulfilling the panel's mandate, BP's panel selection process should have been more transparent to ensure CDAP independence. In particular, BP took a risk by appointing Jan Leschly as its chair, given his ties to BP and to AP Moller-Maersk Group (which also is engaged in oil and gas activities in the Caspian Sea). Ultimately, however, even given this potential conflict of interest and the fact that BP provided the funding for CDAP work, most stakeholders interviewed for this report did not raise concerns regarding its independence and CDAP reports do not refrain from criticism of the company.

Panelist selection

CDAP panelists had expertise on a wide range of issues relevant to the panel's mandate. Ambassador Stuart Eizenstat brought considerable international policy and economic expertise to the panel. Jim MacNeill brought decades of policy experience relevant to energy, natural resources, and sustainable development. Mohamed Sahnoun also brought significant international policy and sustainable development experience, and panel Chair Jan Leschly brought international management experience (although Leschly's background in the pharmaceutical industry made him a somewhat less obvious choice for BP).⁹⁹ All of the panelists had achieved a level of prominence in their respective fields. According to the panelists and BP representatives interviewed for this report, CDAP panelists got along well with each other and also managed to achieve a positive working relationship with BP.

Although the panelists had different nationalities, the panel might have been much more diverse. All panelists were male and based in North America, and this may have influenced somewhat their particular interests and priorities. BP should have included women on the panel, and the location of the panelists may have presented challenges for stakeholders based outside of North America with interest in accessing them directly. Regarding the possibility of including a panelist from one of the countries through which the BTC pipeline crosses, stakeholders interviewed for this report expressed reservations, worrying about how this might affect the panel's independence and generate logistical challenges in terms of panel size (given that the pipeline crosses through three countries). However, BP should have included at least one panelist with significant work experience in the region.

BP should have provided greater transparency around the CDAP panelist selection process. BP's headquarter office in London chose CDAP panelists directly, and some concerns emerged around the selection of CDAP Chair Jan Leschly, whose work experience was primarily in the international pharmaceutical industry. An article in *The Observer* in April 2003 highlighted Leschly's close links to BP. Specifically, the article notes that BP Chief Executive Officer Lord Browne had previously served as a board member of the pharmaceutical company SmithKline Beecham, where Leschly had been chief executive and famously earned a compensation package of over \$145 million (£90 million).¹⁰⁰ Furthermore, former BP Chairman Sir Peter Walters chaired the SmithKline Beecham board while Leschly was acting as SmithKline Beecham chief executive officer.¹⁰¹ At the time, Walters spoke publicly in defense of Leschly's hefty compensation package.¹⁰²

Leschly's membership on the AP Moller-Maersk A/S board since 2000¹⁰³ also raised conflict of interest concerns. In early 2001, a division of the AP Moller-Maersk Group then known as Maersk Contractors received a contract with Exxon Azerbaijan Operating Company LLC to build a powerful drilling rig in the Caspian Sea. Thomas Thune Andersen, president of Maersk Contractors, said at the time, "Maersk Contractors' entry into the Caspian Sea is part of the A.P. Moller Group's active expansion in the Caucasus and Central Asian region. The Caspian is estimated to hold huge reserves of oil and gas and offers substantial growth potential for us, and our international customers are already present in the area."¹⁰⁴ Given AP Moller-Maersk's work and planned expansion of oil-related activities in the Caspian Sea just prior to the launch of CDAP, stakeholders could justifiably raise concerns regarding his perceived independence.

Clare Bebbington of BP claims that ultimately Leschly served as a "superb chair," bringing his international management experience to the task of evaluating a large and highly complex project,¹⁰⁵ and other stakeholders interviewed did not raise concerns regarding his panel participation. It may be the case that he managed to put aside his relationships with BP and interest in Caspian oil development while acting as CDAP Chair.

Nevertheless, in terms of building stakeholder trust regarding the findings of the panel, BP took a risk in appointing Leschly despite the apparent conflict of interest issues.

Secretariat

The CDAP established an independent secretariat based in Washington, DC, at the law firm Covington and Burling. The secretariat played more of a technical role in the work of the panel than either of the secretariats created for the other two panels reviewed in this report. It provided considerable substantive support to panelists in addition to logistical support, conducting extensive research and developing draft recommendations for panelists, as well as holding independent meetings with government officials and other stakeholders.¹⁰⁶ The secretariat was well-staffed, including two senior lawyers and drawing on the support of associates and junior lawyers at Covington and Burling as necessary, and secretariat members traveled to the project site along with panelists at least once a year.¹⁰⁷

CDAP panelists and BP representatives interviewed for this report all spoke very highly of the work of the secretariat. An evaluation of the CDAP panel funded by BP and conducted by the Massachusetts Institute of Technology (MIT) also lauded the work of its members, claiming that “their expertise in various aspects of the BTC project (energy, trade, inter-governmental relations), their ability to collect and synthesize enormous quantities of information for the panelists, their skill in shaping and crafting the annual reports, and their own raw intelligence and talent made them ideal for this project.”¹⁰⁸ The structure and composition of the secretariat appears to have worked well in terms of generating quality support for the high-profile CDAP panelists, all of whom had demanding agendas and benefited from having the support of highly skilled professionals.

Some interviewees did note that housing the secretariat at a law firm was an expensive option and not necessarily a prerequisite for effective outcomes. Also, the MIT research on CDAP referenced above noted that the selection process for the secretariat might have been more transparent and that an individual with more technical expertise might have been incorporated.¹⁰⁹

Funding

BP funded the activities of the CDAP, including travel and the secretariat, and provided honoraria to the CDAP panelists. The stakeholders interviewed for this report were unable or unwilling to reveal information on the specific honorarium amounts received. Most stakeholders interviewed agreed that it would have been quite difficult to get such prominent and skilled panelists to commit the time necessary for CDAP work without some form of compensation.

The Terms of Reference for the CDAP specified that BP fund the panel separately from the BTC project to provide a degree of independence. This does not fully address the larger issue that BP was funding its own external monitors, which clearly influences perceived independence. However, the critical (yet constructive) nature of CDAP reports suggests that the panelists did not hold back their critiques. In terms of process, panelists provided the reports to BP in advance of their publication, but only for corrections of factual errors. According to panel Chair Jan Leschly, BP had no influence over CDAP report content.¹¹⁰ In a document examining lessons learned from the BTC project, the IFC noted the risk to CDAP's perceived independence that BP funding presented but stated that "this has not emerged to date as an issue on BTC."¹¹¹

On field visits, CDAP met with representatives of government, NGOs, academics, and others without the presence of BP.¹¹² BP representatives sometimes accompanied CDAP members to meetings, but only as requested.¹¹³ BP also committed funding for CDAP panelists to hire independent consultants to support their work, a practice that appears to have worked quite well and will be discussed in more detail in the Stakeholder Engagement section below.

Transparency

The CDAP posted all its reports on a web site maintained independently of BP. The CDAP web site is no longer active, but panelists report that NGOs and others provided considerable feedback on each report issued.¹¹⁴ Panelists also conducted open meetings or conference calls with interested civil society groups based in Washington, DC, and London after CDAP reports were released, and in some instances had conference calls with civil society groups in the project's host countries.¹¹⁵

CDAP made reports available in English, Georgian, and Turkish. While translations into Georgian and Turkish increased the accessibility of reports to stakeholders in each of the three project host countries, many ethnic Armenians in the Javakheti region of Georgia (through which the BTC pipeline crosses) do not speak Georgian. According to an International Crisis Group briefing from May 2011, "Lack of knowledge of the Georgian language remains a major barrier to the integration of the Javakheti Armenians. Although the government and donor community have funded programs, command of Georgian is still minimal and even worse in rural areas."¹¹⁶ CDAP should have taken measures to ensure that report findings reached these project-affected communities.

Notably, in its first two reports, CDAP included detailed lists of the stakeholder meetings and consultations that they had conducted. Unfortunately, CDAP did not include updates or additions in future reports. This information would have helped to give stakeholders a sense of the panel's reach and the views that informed its findings.

For each CDAP report, BP issued a response that described the measures they were taking to respond to CDAP recommendations. CDAP published BP's responses online simultaneously with the posting of CDAP reports. BP's detailed responses to concerns raised by CDAP illustrated to external stakeholders the seriousness with which BP approached CDAP recommendations and helped maintain momentum for follow-up actions. Furthermore, according to Clare Bebbington of BP the practice was important in that it created a formal, auditable trail to document buy-in at BP.¹¹⁷ This practice is one that future panels should consider replicating.

Although CDAP printed and circulated reports among some stakeholders,¹¹⁸ local civil society organizations and project-affected communities had limited awareness of the work of the panel (as described in more detail in the Stakeholder Engagement section below). CDAP should have adopted communication measures tailored to local communities to give these communities the opportunity to review report findings and register their concerns.

Stakeholder engagement

In its very first report, CDAP highlighted the significance of stakeholder engagement to its mandate, noting that the panel would “consult extensively with the broadest possible range of parties with an interest in the economic, social, and environmental aspects of the Caspian Projects.”¹¹⁹ Although CDAP might have increased its engagement with communities at the local level, panelists made a considerable effort to engage with a wide range of stakeholders.

CDAP panelists met with many different actors, such as national and local government officials in Azerbaijan, Georgia, and Turkey (including heads of state and ministers), government officials from the UK and US, representatives of state-owned enterprises and the private sector, representatives of IFIs, and representatives of NGOs and think tanks.¹²⁰ According to panelist Jim MacNeill, at one point CDAP received objections from the government of Azerbaijan regarding a list of NGOs in Azerbaijan with whom they planned to meet. CDAP refused to visit the country unless they had free access to local voices of their choosing, and ultimately the government agreed and allowed them to meet with all of the organizations on their list.¹²¹

BP representatives interviewed for this research also reported having regular contact with CDAP. Although CDAP made formal contact with London-based BP management and BTC Co. management in the field just once a year, BP informally continued to provide CDAP with information—including press releases, annual reports, and other relevant materials—throughout the year.¹²² The CDAP secretariat also maintained ongoing communication with BP representatives.¹²³

BP's detailed responses to concerns raised by the Caspian Development Advisory Panel illustrated to external stakeholders the seriousness with which BP approached its recommendations and helped maintain momentum for follow-up actions.

Engagement with other monitoring entities

As noted above, CDAP engaged with the IFI lenders conducting external monitoring of the BTC project, such as representatives of the IFC and World Bank (including then World Bank President James Wolfensohn), EBRD, and International Monetary Fund.¹²⁴ CDAP met with IFI representatives both at their headquarters offices and in the project's host countries.

Ted Pollett, principal social development specialist at IFC, noted that he had met with CDAP a few times during the panel's life.¹²⁵ While these meetings perhaps might have been more regular, this illustrated an example of CDAP's efforts to connect with the other monitoring mechanisms established by the project. Pollett observed that CDAP panelists were also familiar with the reports produced by the SRAP panel looking at land issues.¹²⁶ In addition, CDAP panelists met with representatives of local NGOs conducting project monitoring to register their observations,¹²⁷ although these meetings might have been more frequent, as discussed below.

Engagement with project-affected communities

CDAP field visits included meetings with project-affected communities, and their reports acknowledged concerns of communities and included recommendations to address them. To participate in CDAP, panel members had to commit at least 15 days per year to visit the project in the three host countries. Field visits included travel along the pipeline and meetings with communities along the way. For example, the panel visited the town of Borjomi—where environmental concerns had been raised around pipeline routing—and met with villagers around the area, local councils, local government, and local water companies.¹²⁸ BP initially helped connect CDAP to contacts in the field, but according to Peter Flanagan of the CDAP secretariat, the CDAP “cast a wide net,” talking to local representatives of embassies, IFC, and others to develop a network of their own relationships.¹²⁹

CDAP also worked with an independent advisor in each country to shape their field visits. While a commendable measure in terms of ensuring access to a wide range of voices during field visits, CDAP notes in its first report that BP identified these advisors.¹³⁰ To ensure full independence from BP, CDAP might have consulted with civil society to develop the list of independent advisors.

CDAP retained independent consultants with relevant environmental and social technical expertise, a measure that several stakeholders interviewed for this report highlighted as a good way to track emerging issues on the ground and maximize the usefulness of CDAP field visits. These consultants reported directly to the panel. In particular, stakeholders noted the contributions of Professor Richard Fuggle from the Department of Environmental and Geographic Science at the University of Cape Town. Panelist Jim MacNeill described Fuggle as a “brilliant environmental consultant,” noting that Fuggle would spend weeks walking the pipeline

and would provide reports to the panel that helped shape its field agenda.¹³¹ Given that CDAP panelists only visited the BTC project once annually, the use of independent consultants appears to have been an important tool for tracking local concerns. Panelists might also have considered employing locally or regionally based independent consultants to support this work.

Oxfam field research results

As noted above, Oxfam's field research focused exclusively on Georgia and included numerous interviews with local stakeholders and a few small focus groups with individuals in project-affected communities. Results indicated a limited awareness of CDAP among Georgian NGOs, with just seven of the 14 organizations interviewed having heard of CDAP and only four having read CDAP reports (even though 12 of these organizations had participated directly in the BP-funded, monitoring-capacity-building program for NGOs described above).

Though several interviewees could not recall great detail on the CDAP experience, and were skeptical of CDAP's overall role in the BTC project, those organizations that did recall the work of CDAP reported that CDAP had consulted widely, meeting with all interested parties, including the organizations that strongly opposed the BTC project. Further, the issues of concern around BTC pipeline impacts raised in Oxfam interviews and focus groups generally aligned with those raised in CDAP's reports, suggesting that CDAP did in fact manage to capture issues of key importance to local communities through its work.

Local civil society groups and project-affected communities did not register major concerns regarding BP activities. Out of 14 NGOs surveyed, all but two found BP generally open to cooperation and 10 explicitly stated that BP had made alterations in its project based on the recommendations provided by NGOs. Such alterations included, for example, changing the route of the pipeline to accommodate important archeological discoveries, adopting suggested forest restoration techniques, restoring churches in nearby villages, and agreeing to respect Georgian law in cases when the law went further to protect human rights than the Host Country Agreement between BP and the Georgian government.

However, a few issues of concern did emerge through interviews and focus groups as described below. Oxfam did not investigate the veracity of these claims but rather aimed to assess key concerns at the local level and whether CDAP reports identified and provided recommendations to address these concerns:

- **Damage to irrigation channels:** According to Gevork Eknosyan, a local government representative in the village of Skhvilisi, "...when there is rain, irrigation channels get a lot of dirt in them and need to be cleaned. Some blame BP and say that after the pipeline was constructed the land became lighter, which causes easy filling of the irrigation channel by land... but these are all speculations and it's hard to prove either way." A focus group participant in Akhali Samgori also highlighted concerns

The Caspian Development Advisory Panel retained independent consultants with relevant environmental and social technical expertise, a measure that several stakeholders interviewed for this report highlighted as a good way to track emerging issues on the ground and maximize the usefulness of the panel's field visits.

around project impacts on irrigation channels. She claimed that pipeline construction had damaged some of the smaller, inner irrigation channels in her village, negatively impacting local agriculture, and that these had yet to be repaired.

- **Complaints around land compensation:** Some interviewees were content with the compensation they had received, but others expressed concerns. For example, a villager in Skhvilisi stated:

I cannot use my leftover land, 700 square meters [835 square yards], which was out of the pipeline construction zone. If I water my land, then it will damage the pipeline. That's why in the beginning they said that they would take all of our lands, but they didn't. They bought only that portion of our land where the pipeline had to pass.

In the village of Akhali Samgori, another villager complained that she and others had not received compensation for land close to the pipeline on which they were prohibited from constructing houses. She stated that she had taken the case to court but that court fees were so high that even if she were to win the case the compensation would likely be lower than the fees. A villager in Akhali Samgori also claimed to have received less compensation for grazing lands impacted by construction than originally promised by BTC Co.

- **Damage to homes as a result of heavy equipment transportation:** According to Levan Shavkani, a local government representative in Bakuriani, a few households in the village had complained about damage to their houses as a result of construction activities. He noted, however, "It was hard to tell whether the damage to these houses was BP's fault or not, but BP took these complaints seriously and, as far as I know, even paid some compensations." A villager in Akhali Samgori described a personal experience with construction impacting the structure of her home:

Heavy equipment was passing my house, and it got damaged over time because of this. Local government representatives came and brought along Kvemo Kartli TV to show them the damage that was being done. But they did not do anything. Now I'm taking loans from the bank to strengthen the house so it does not fall apart.

While an assessment of whether BP construction activities in fact caused damage to homes was beyond the scope of Oxfam's report, clearly the issue emerged as a local concern.

CDAP reports did not go into great detail on each of these issues specifically (as would be expected, to avoid duplication with the work of the SRAP expert panel), but the reports did highlight concerns of local communities in Georgia along the pipeline and recommended improvements to the BTC Co. grievance mechanism in the particular case of Georgia. For example, CDAP's December 2004 report states:



Villager from the project-affected community of Skhvilisi walks along an irrigation channel.

Building support for the project among local communities is a further challenge in Georgia. Demonstrations by affected villagers have been responsible for numerous work stoppages along the Georgian section of the pipeline route over the last year. The frequent recourse to mass protest, and the unusually high number of complaints to the IFC's Compliance Advisor/Ombudsman (CAO), suggests that BTC's grievance mechanism could be improved in Georgia.¹³²

In the same report, CDAP provided some specific recommendations for addressing tension with local communities, such as by strengthening the Community Liaison Officer team (which it noted has limited diversity and is plagued by high staff turnover). CDAP also recommended that BP and BTC Co. revise the grievance mechanism in Georgia to respond to the perception of some local inhabitants that it is biased towards BTC Co., highlighting the need for a regional ombudsman to address human rights grievances in particular.¹³³

CDAP's final report also raised community concerns similar to those that emerged in Oxfam's research, including concerns regarding land use restrictions, as well as claims of damage to irrigation channels and impacts on road surfaces and residences as a result of construction-related traffic. For example, the report referenced the claim of a local NGO in Georgia that BTC Co. had not fully explained restrictions regarding new construction to all land owners and users within the 545 yard (500 meter) "safety zone" around the right of way. CDAP recommended that BTC contact the organization to facilitate communication with affected individuals and resolve the issue. To resolve outstanding construction-related grievances, CDAP recommended that BTC engage independent fact finders or arbiters to ensure their speedy resolution. CDAP also highlighted the numerous claims

In Georgia, the Caspian Development Advisory Panel successfully identified key local concerns and used their reports to highlight these concerns before BP management and external stakeholders.

filed with the CAO in relation to grievances around the Georgian portion of the pipeline (noting that most of these had been resolved at the issuance of CDAP's final report) and recommended that BP and BTC Co. assess lessons learned from the challenges in Georgia around the grievance mechanism.¹³⁴ In Georgia, CDAP successfully identified key local concerns and used their reports to highlight these concerns before BP management and external stakeholders.

Community concerns in the news

While a review of community concerns in Turkey was outside the scope of this research, one issue made recent headlines and bears noting. In February 2011, the National Contact Point (NCP) in the UK for the Organization for Economic Cooperation and Development (OECD)—which promotes and reviews complaints around the OECD guidelines for multinational enterprises—issued a final statement finding that BTC Co. had,

... failed to identify specific complaints of intimidation against affected communities by local security forces where the information was received outside of the formal grievance and monitoring channels, and, by not taking adequate steps in response to such complaints, failed to adequately safeguard against the risk of local partners undermining the overall consultation and grievance process.¹³⁵

Specifically, the NCP's statement noted that while BTC Co. claims to have investigated complaints of intimidation by the subcontractor, the NCP found it to be "unclear" whether the company had investigated and reported complaints of intimidation by local security forces.¹³⁶ According to the press release of the group of NGOs that filed the initial complaint, villagers along the pipeline route in Turkey claim to be routinely interrogated after raising concerns related to the pipeline.¹³⁷ Rachel Bernu of Kurdish Human Rights Project, one of the NGOs that brought the complaint, stated, "Many of the people affected by the pipeline didn't make a complaint about their land being confiscated because they would be pressurized by the state security forces."¹³⁸ In a response to the decision of the NCP, BP denied having violated OECD guidelines but agreed to comply with the NCP's recommendation to consider ways to improve company procedures to deal with alleged intimidation.¹³⁹

CDAP clearly recognized human rights risks associated with pipeline security and included recommendations to address these risks in several reports. CDAP's December 2003 report included a particularly lengthy section on security and human rights, specifically referencing reports of human rights abuses by the Gendarmerie (an arm of the Turkish military responsible for maintaining public order) to highlight the seriousness of the risk.¹⁴⁰ CDAP's report included numerous detailed recommendations to reduce the risk of human rights abuses, including, for example, that BP and partners speed up the implementation of their activities related to security and human rights and make more information on security arrangements public. CDAP also recommended that BP and partners create an independent ombudsman office in each country to investigate complaints of alleged

human rights violations and establish an office to liaise with interested parties on these issues, among other recommendations.¹⁴¹ In its final report, CDAP expressed a concern that the “heavy reliance on Gendarmerie patrols is inconsistent with the community-friendly policing approaches associated with BP’s vision for BTC.” CDAP recommended that BP and BTC Co. engage the Gendarmerie and other relevant agencies to positively influence security in Turkey.¹⁴²

CDAP identified human rights risks associated with pipeline security early on and continued to provide recommendations to address these risks throughout its existence. However, CDAP could have gone to greater lengths to explore specific local community concerns around these issues. Reports did not reference specific allegations of human rights abuses around the BTC Co. project but rather presented the discussion of human rights risks in a more abstract manner. Additional information regarding specific concerns around intimidation on the ground in Turkey or elsewhere would have helped to underscore the urgency of the issue.

Time spent in the field

As described above, CDAP identified key issues at the local level and highlighted these issues within its reports. However, some stakeholders interviewed for this report suggested that CDAP should have spent more time engaging with local stakeholders and digging into local issues. According to Clare Bebbington of BP, for example, the panel evolved somewhat away from its community focus throughout the years, although it consistently maintained good access to high-level decision makers.¹⁴³ The MIT review of the CDAP panel also found that “... digging deep took something of a backseat to staying broad as CDAP went about its work despite a strong interest in learning from the field.”¹⁴⁴ Ted Pollett of IFC noted that in the early years of the project, more CDAP field visits would have been useful, but also noted that given the multiple layers of monitoring established for this project too much CDAP field presence would have been duplicative.¹⁴⁵ Panelist Jan Leschly commented that an extra yearly visit to the field would have been useful, but also noted that an extra visit would have been challenging to organize logistically given the panelists’ busy agendas.¹⁴⁶ While CDAP managed to pick up on key messages from the field with just one trip per year (and the help of its independent consultants and local advisors), increased panel field presence—including more contact with civil society groups in host countries—would likely have bolstered CDAP’s efforts to track emerging issues on the ground and amplify field voices in their reports.

Influence

Key contributions of CDAP

In general, stakeholders interviewed for this report described a collaborative relationship between CDAP and BP and reported that BP took CDAP recommendations quite seriously. In addition to issuing public reports with responses to CDAP recommendations, BP registered all of CDAP's recommendations in a checklist and reported back to the panel on specific progress.¹⁴⁷ According to panelist Jan Leschly, in "49 out of 50" cases BP agreed to adopt CDAP recommendations, and in the instances in which BP did have concerns they were open to discussing these.¹⁴⁸ Nino Lomidze of the Georgian nonprofit organization Forest Researchers agreed that the CDAP had influence over BP practices, recalling an instance in which CDAP had helped convince BP to alter its forest restoration techniques.¹⁴⁹ A few examples of CDAP's influence on BP management are described below.

Encouraging creation of Regional Development Initiative

Several stakeholders interviewed for this report identified the Regional Development Initiative as a key CDAP contribution. CDAP's first report stated, "The Panel recommends that BP announce a clear commitment to investing in sustainable development in the Caspian region as a whole... The Panel further recommends that BP try to leverage its investment through partnerships with other international development institutions active in the region."¹⁵⁰ BP responded to this recommendation by creating the Regional Development Initiative, a multi-million-dollar program of sustainable development activities in each of the BTC project's three host countries. BP launched the program in collaboration with multilateral donors, project partners, host governments, and NGOs.¹⁵¹ In March 2005, BP announced an initial commitment to the Regional Development Initiative of \$25 million, with priorities including enterprise development, effective governance, access to energy, and capacity building. BP also announced that it had signed memorandums of understanding for collaboration with the EBRD, IFC, and German technical cooperation and development bank (GTZ/KfW) on the initiative.¹⁵²

While an evaluation of the development impact of the Regional Development Initiative was outside the scope of this research, the initiative clearly represented a significant allocation of funding. CDAP's final report (issued in January 2007) stated that from 2006-2008 BTC Co. expected to spend approximately \$41 million in the region under the Regional Development Initiative (\$12 million coming from BP), in addition to \$28 million in funding to support separate investment programs targeting communities (\$8 million from BP for these programs). The project also leveraged \$40 million in funding from the Millennium Challenge Corporation and \$30 million in matching funds from EBRD, IFC, and others to complement these efforts.¹⁵³ According to BP representatives, CDAP played a key role in helping convince BP of the need to think macro and long term in terms of its social investments in the region.¹⁵⁴

Encouraging increased external project monitoring

Increasing civil society monitoring capacity: In its first report, CDAP recommended that BP monitoring mechanisms “directly involve civil society, including local community representatives.” The report went on to state that “monitoring efforts that include local participation, both during and after construction, are essential for ensuring that investors’ commitments are realized and that there are open lines of communication between the investors and affected parties.”¹⁵⁵ In its response to CDAP’s report, BP stated that the company was considering how to involve civil society in monitoring along the full pipeline route,¹⁵⁶ and shortly thereafter BP funded a program to provide capacity-building support to national NGOs for monitoring the social and environmental impacts of the pipeline. As noted above, BP funded this program through the Eurasia Foundation in Georgia and the Open Society Institute in Azerbaijan.

Creating SRAP expert panel: CDAP also recommended the formation of an external panel to support monitoring of the RAP for the project.¹⁵⁷ BP established the SRAP expert panel, stating in its response to the CDAP’s first report, “The Panel makes a specific recommendation to establish a RAP external monitoring panel [11]. This is now in place and is currently undertaking its first review of activity.”¹⁵⁸ As described above (see page 41), the SRAP had a particular focus on land and compensation issues and visited the project area more frequently than CDAP.

Human rights monitoring and training: With regard to security and human rights, BP did not comply with all CDAP recommendations. For example, BP never created independent ombudsman offices in each country to investigate claims of human rights abuses, as CDAP had suggested. However, BTC Co. did establish an independent human rights monitoring program (implemented by the law firm Foley Hoag as described above). Furthermore, following on CDAP’s recommendation that BP, BTC Co., and partners engage with host governments to promote respect for human rights in pipeline security activities, BTC Co. partnered with Equity International—a Geneva-based foundation—to support human rights training for the organizations responsible for pipeline security in Georgia and Azerbaijan. BP also published information on the training program on its web site.¹⁵⁹

Mechanism for long-term expert monitoring in Azerbaijan: CDAP stated in its final report, “We recommend strongly that an independent external body continue to conduct a periodic review of BP’s performance on the ground in the Caspian region.”¹⁶⁰ In Azerbaijan, once CDAP ended its work BP created an independent advisory group to continue with “efforts to promote transparency, dialogue, and public engagement.”¹⁶¹ The Azerbaijan Social Review Commission (funded by BP) includes representatives of local NGOs and representatives of international organizations.¹⁶²

Limitations of CDAP

Several stakeholders interviewed for this report noted that CDAP should have been initiated earlier to increase its influence on BP project management decisions. When BP established CDAP in early 2003, BTC Co. was already initiating construction activities.¹⁶³ The MIT research mentioned above highlighted the same issue: “The one clear and universally accepted weakness of the CDAP experience was its timing. The overwhelming majority of those we interviewed—including the four panelists—told us that the creation of the panel came too late, after too many critical issues had already been decided and thus could not be altered.”¹⁶⁴ Panelist Jim MacNeill, for example, noted that several critical project management decisions had been made when CDAP began its work, referencing as an example BP’s decision regarding pipeline routing in Georgia.¹⁶⁵

With pipeline routing decisions already made, the Caspian Development Advisory Panel played more of a reflective than influencing role with regard to the issue.

In Georgia, many local stakeholders had concerns about pipeline routing and possible environmental damage to the Borjomi Gorge (an area famous for its mineral waters and a national park). However, the Georgian government strongly resisted adopting an alternative route through Akhalkalaki district due to security concerns at the time. CDAP’s first report states, “As decisions on pipeline routing were made before the Panel was formed, the Panel focused on understanding the process that led to those decisions, steps that BP and its Partners have taken and will take to mitigate negative environmental impacts, and recommendations for additional measures that BP should consider.”¹⁶⁶ With pipeline routing decisions already made, CDAP played more of a reflective than influencing role with regard to the issue. CDAP engagement earlier in the process might not have influenced BP’s decision to route the pipeline through a support zone of the Borjomi National Park—given that political constraints weighed heavily on this decision—but here CDAP might have helped facilitate discussion and mutual understanding among stakeholders around the issue. In the view of Manana Qochladze of Green Alternative (a civil society organization in Georgia), the formation of CDAP “led to more openness from BP’s side. However, most important issues, like the route of the pipeline, were already solved.”¹⁶⁷ While CDAP did manage to influence several BP decisions, it might have increased its impact had BP decided to form the panel earlier in project development.

CDAP should also have developed a simple checklist with which to follow up the implementation of its numerous recommendations. Its second report included a table summarizing all of its recommendations in an appendix, and it would have been quite easy for CDAP to include a column in future reports tracking BP responses to its recommendations. A simple tool of this nature would have been useful to update local communities and NGOs tracking the project and to promote accountability.

Overall, CDAP engaged with a wide range of stakeholders. Panelists managed to address big picture issues without losing sight of the concerns of project-affected communities, highlighting local issues along with regional concerns. BP took a considerable risk in appointing panel Chair Jan Leschly, due to the potential for conflicts of interest, and the panel would

have benefitted from increased panelist diversity. However, ultimately CDAP did produce some critical findings, and BP implemented several CDAP recommendations. BP also decided to continue funding external monitoring beyond CDAP, suggesting that the panel effectively secured buy-in from the company. In terms of areas for improvement, BP should have commissioned the panel earlier. Further, CDAP should have done more to engage project-affected communities, including by communicating its findings and recommendations (as well as actions taken by BP in response) more broadly at the local level.

Section III: Peru Advisory Board

Project background

The \$3.8 billion Peru Liquefied Natural Gas (LNG) Project (Peru LNG) supports the transportation and export of natural gas originating in the Camisea fields (Block 56 and Block 88, located in the Peruvian Amazon). Infrastructure includes a natural gas liquefaction plant, a marine loading terminal and related facilities on the Pacific coast, and a 254 mile (408 kilometer) pipeline to carry gas from the existing Camisea pipeline to the LNG plant. Peru LNG is the largest foreign direct investment in Peru's history and the first LNG export project in Latin America. Hunt Oil is project operator for Peru LNG, with 50 percent participation, and SK Energy and Repsol each maintain 20 percent participation (Marubeni Corporation controls the remaining 10 percent). Peru LNG is expected to generate \$90 million in annual income tax revenue, as well as \$230 million in annual incremental taxes and royalties from upstream gas production, over the course of its operations.¹⁶⁸ Construction ended in 2010, and operation will last until 2029.

Map 3. Peru Liquefied Natural Gas Project

Source: Map drawn from original by Peru LNG (https://portal.peruling.com/irj/go/km/docs/documents/PLNG%20Website/English/Static%20Content/EIA_DUCTO_EN_Link1.html). See original for greater detail.



In 2008, Peru LNG received financing from a consortium of lenders, including the IFC, \$300 million; Inter-American Development Bank (IDB), \$400 million; EX-IM, \$250 million; Export-Import Bank of Korea, \$300 million; and SACE S.p.A. of Italy, \$250 million.¹⁶⁹ Peru LNG conducts regular project monitoring in accordance with its environmental, social, health, and safety management system,¹⁷⁰ as well, the lenders for the Peru LNG project conduct quarterly visits to the project site to monitor project impacts, in collaboration with an external consultant hired to support this monitoring, and will continue these regular visits until one year after project completion.¹⁷¹ In addition, Peru LNG established and provides funding for a community-based independent monitoring system called the Participatory Socio-Environmental Monitoring Program (PMSAP for its abbreviation in Spanish), which is managed by the Peruvian NGO ProNaturaleza.¹⁷²

Panel structure and mandate

In the third quarter of 2007, Hunt Oil created the Peru Advisory Board (PAB), an independent advisory panel that reports directly to the chief executive officer of Hunt, to support monitoring of the Peru LNG project. The PAB aims to “provide general advice on the social, cultural, and environmental impacts of the Project and specific advice with regard to these impacts in the areas in which the Project’s facilities will be located.”¹⁷³ According to its Terms of Reference (see Appendix II), the PAB will also consider the project within the context of the preexisting facilities that form part of the Camisea gas development, such as the Camisea gas fields. Specifically, PAB responsibilities include evaluation of Peru LNG policies and impact management plans; examination of Peru LNG environmental, social, and cultural programs; critical appraisal of project impact; and the provision of advice on Peru LNG’s social and community activities and investments.¹⁷⁴

At the time of the panel’s creation, project construction had not yet begun (construction began in early 2008). However, Hunt Oil did not create the panel early enough to influence the ESIA review process. (The government approved the ESIA for Peru LNG in September 2006.¹⁷⁵) Earlier creation of the panel would have enabled the panel to weigh in on early project planning issues, such as consultations with local communities and pipeline-routing decisions.

The PAB includes three prominent international experts: Thomas Lovejoy (former assistant secretary for Environmental and External Affairs for the Smithsonian Institution), Wade Davis (explorer-in-residence at the National Geographic Society), and Malcolm Gillis (former president of Rice University).

None of the panelists are Peruvian or based in Peru, but all have work experience in Latin America. The Terms of Reference for the panel require panelists to meet at least two times per year and to visit the Peru LNG project area at least one time per year. Panelists may also call on national and international experts for advice.

Box 5. Overview of key lessons learned from PAB

Good practices

- Panel members possess relevant technical expertise for project monitoring.
- Panel includes members with relevant work experience in the project region and experience working with communities.
- PAB reports directly to high-level decision maker (Hunt Oil's chief executive officer).
- Independent secretariat supports PAB work and maintains an independent web site.
- Panelists are free to engage with stakeholders of their choosing.
- PAB panelists have free access to information as requested.
- PAB reports disclosed online in Spanish and English.
- No turnover of PAB membership.

Areas for improvement

- Limited geographic diversity and no gender diversity among panel members.
- Conflict of interest of one PAB panelist could influence panel's perceived independence.
- PAB should have been established early enough to influence the ESIA process.
- Limited PAB time spent in the field annually (average of three days) and limited role for panel in designing field visits.
- Limited engagement with local communities on field visits, with unbalanced focus on Hunt Oil and Peru LNG social projects as opposed to Peru LNG project impacts on communities and the environment.
- PAB report format and report distribution not conducive to local community engagement.
- Reports neglect to acknowledge local views critical of the project and include very few recommendations to Hunt Oil for improvement.
- Panel does not disclose an annual work plan.
- Weak secretariat.
- Inadequate coordination with community monitoring program.
- No public response by Hunt Oil to PAB recommendations.
- PAB does not use a checklist to publicly track follow-up on its recommendations.
- PAB has not adopted strategies to promote implementation of its recommendations.
- No transparency of PAB budget.

Independence

In developing the structure of the PAB, Hunt Oil implemented a few key measures to promote the panel's independence. Ray Hunt, Hunt Oil's chief executive officer, convened the panel and receives reports from the panelists directly. Hunt Oil also included restrictions on panel membership specifically to avoid conflicts of interest and established a separate secretariat to support its work. In addition, the PAB Terms of Reference enable panelists to seek input from independent national and international experts and consultants for advice pertaining to its review of the project. Unfortunately, in practice these mechanisms have not succeeded in providing adequate assurance of the PAB's independence. Hunt Oil selected one of the PAB panelists, Malcolm Gillis, in spite of a clear conflict of interest due to his membership on the Halliburton board of directors (2005 to present). At the same time, the secretariat established to support the work of the panel has failed to demonstrate responsiveness to public inquiry. Also, the panelists have yet to engage independent consultants to support their monitoring efforts.

Panelist selection

The PAB comprises male panelists based in the US. Greater gender and geographic diversity on the panel would have enabled a wider range of perspectives and helped guard against potential biases.

However, each panelist possesses expertise relevant to fulfilling the panel's mandate. Thomas Lovejoy has decades of conservation and development experience, in particular including considerable experience working in Latin America. In addition to the high-level Smithsonian Institution position noted above, Lovejoy served several years as chief biodiversity advisor and lead specialist for the environment for the Latin America region for the World Bank and worked with World Wildlife Fund-US for more than a decade. Wade Davis has a PhD in ethnobotany, as well as degrees in anthropology and biology, and spent three years living among indigenous groups in the Amazon and Andes as a plant explorer. He has written numerous books and articles on topics such as Amazonian myth and religion and the ethnobotany of South American Indians. Malcolm Gillis possesses decades of academic experience in fiscal economics and environmental policy and has done public policy analysis pertaining to numerous countries, including Ecuador and Colombia.¹⁷⁶

Hunt Oil's Terms of Reference for the panel includes useful guidelines to prevent the selection of panelists with potential conflicts of interest. This not only promotes a more critical and effective panel but also helps to enhance its perceived independence and build trust among stakeholders. For example, the Terms of Reference for PAB state that the members must,

Not hold any paid or high-profile unpaid posts in a political party or within another company in the exploration and production industry, and not engage in any activities on matters directly affecting the work of the Panel.¹⁷⁷

However, with the selection of Malcolm Gillis, Hunt Oil violated its commitment to ensure that panelists do not hold posts with companies engaged in the exploration and production industry. As noted above, since 2005, Malcolm Gillis has been a paid director on the board of Halliburton—a company that provides products and services to the upstream oil and gas industry.¹⁷⁸

In fact, Halliburton can be linked to the Peru LNG project directly. Its former subsidiary KBR, in a joint venture with JGC Corporation of Japan, provided Hunt Oil and Peru LNG with engineering and project development support for Peru LNG's liquefied natural gas facility, located in Pampa Melchorita, Peru. This work initiated in 2002 and led to a contract between KBR/JGC and Peru LNG for the preparation of the lump sum turnkey (LSTK) price for the facility in 2005.¹⁷⁹ KBR did not separate from Halliburton until April 2007,¹⁸⁰ the year Hunt Oil assembled its panel.

Malcolm Gillis clearly possesses the technical qualifications necessary to fulfill his role as a panel member; he has decades of expertise in economic analysis and public policy, particularly in the areas of fiscal reform and environmental policy.¹⁸¹ His fellow panel members claim that he has approached his work on the panel with full transparency and played a key role in problem solving.¹⁸² Nevertheless, his ties to Halliburton and the Peru LNG project raise doubts about his ability to fulfill his role as a panel member with the independence required for this responsibility.

Secretariat

Hunt Oil established a secretariat, based in Washington, DC, to provide administrative support to the PAB. Though Hunt Oil funds PAB activities, the secretariat would ostensibly facilitate greater independence for the PAB. The Terms of Reference for the PAB note that the secretariat will be required to create a web site that displays public questions and comments, consolidates and provides feedback to public questions, and assist the PAB in production and distribution of reports.

The PAB has a web site (hoc-peruadvisoryboard.com) where it posts general information regarding its role and composition as well as its reports, with information in both English and Spanish. Ambassador Jeanne Phillips (senior vice president of Corporate Affairs and International Relations for Hunt Oil) oversees the activities of the panel and stated, "We are quite proud of their [PAB's] independence, including a secretariat that is available to the public for questions to the Board. It is run by a third party so Hunt personnel are not involved."¹⁸³

Unfortunately, the secretariat does not appear to be providing a particularly useful role either to external stakeholders or to the PAB panelists themselves. The PAB web site includes a contact email that the public may use to submit questions or requests for information via the secretariat.¹⁸⁴ However, the email does not appear to be active. For the purposes of this report, Oxfam submitted a request for additional information to the PAB email address on two separate occasions, March 31, 2010, and December 15, 2010, but did not receive a reply. In Oxfam's interview with PAB members Thomas Lovejoy and Wade Davis, Lovejoy reported that the panel has not found the secretariat to be necessary.¹⁸⁵

Funding

Hunt Oil and the PAB took one additional measure to promote PAB independence, choosing to forgo monetary compensation for PAB members. Instead, Hunt Oil provided donations to nonprofit charities selected by the members. PAB members explain that they decided to give away their per diem payments to charity as a way to prevent questions from being raised regarding their legitimacy.¹⁸⁶ While this measure makes logical sense, it may have had unintended consequences in terms of the breadth of material produced by the PAB. Both the IAG and CDAP panels spent at least two weeks a year visiting project sites and produced several lengthy and detailed reports documenting dozens of interviews with a wide range of stakeholders throughout their years of activity. By comparison, PAB members have spent an average of approximately three days a year visiting the project site and have produced very brief yearly documents of only a few pages. Panelists on both the IAG and CDAP panels received honoraria that may have afforded them the opportunity to set aside more significant portions of time to the work of the panel.

Peru Advisory Board members have spent an average of approximately three days a year visiting the project site and have produced very brief yearly documents of only a few pages.

Transparency

Hunt Oil took some steps to promote transparency around the work of the panel. According to PAB panelists Lovejoy and Davis, Hunt Oil has not created barriers to their access to information and has been forthcoming with information, from project financing through environmental mitigation. They also noted that Hunt Oil made it clear that panelists could ask anyone any questions they wished.¹⁸⁷ The PAB posts its Terms of Reference and panel reports online on the PAB web site once they have been reviewed by Hunt Oil. Reports are posted both in English and Spanish (with the exception of the most recent report, from October 2010, which was only available in English as of June 2011—the significant delay in posting a Spanish translation of the report is noteworthy).

Unfortunately, PAB "reports" have taken the form of brief letters to Ray Hunt of just two or three pages, providing the reader with little evidence to substantiate the strong praise of the project by the panelists. Each report has contained few (if any) recommendations to Ray Hunt for improvements to the project. References to interviews and community meetings

have lacked specificity, and no appendices have accompanied the reports. For example, the first report (December 2007) noted that panelists met with three civil society representatives but failed to specify which organizations. The second report (October 2008) referenced a visit to the communities of Yantapacha and Occollo, which benefit from Hunt Oil's social outreach program, but did not specify the groups or individuals panelists spoke with while in these towns or why these particular towns might be considered representative of the views of communities along the pipeline. Specific references regarding meetings with community leaders and local government officials would have been particularly useful.

In terms of the accessibility of its reports, the PAB should have done much more to ensure that communities affected by the pipeline have the opportunity to review and comment on panel findings. The PAB confines communication of report findings to an online posting of the report.¹⁸⁸ While online transparency is useful, it is important to note that usage of the internet is quite low in many of Peru's regions. Two of the regions through which the pipeline crosses, Huancavelica (poverty rate of 82.1 percent) and Ayacucho (poverty rate of 64.8 percent), are among Peru's poorest regions.¹⁸⁹ Only an estimated 11.7 percent of Huancavelica's population and 14.7 percent of Ayacucho's population used internet services in 2008.¹⁹⁰ Illiteracy rates in these two regions are also quite high—21.6 percent in Huancavelica and 19.4 percent in Ayacucho in 2009. These rates are even higher among women, jumping to 33.3 percent in Huancavelica and 29.6 percent in Ayacucho.¹⁹¹ Given these considerable challenges, posting panel reports online offers only a small percentage of the population access to PAB's findings and recommendations.

To increase the effectiveness of the reporting process, Hunt Oil and the PAB should think creatively about using alternate forms of communication, such as radio or other local news outlets, to reach communities. Knowledge of Spanish in the project-affected area is not universal, so the use of Quechua in outreach to some communities will be critical. Increased community access to PAB reports would not only serve to inform project-affected communities but also would enable communities to critique panel findings and provide their own input in response.

Finally, Hunt Oil has not issued any public responses to PAB reports nor has it disclosed the budget available for PAB work. In the interest of transparency and building public trust in the PAB, Hunt Oil should disclose information on their plans to adapt management decisions in response to PAB recommendations, as well as basic information pertaining to the PAB budget.

Stakeholder engagement

PAB panelists have reached out to some stakeholders during their visits to Peru but should have increased their engagement significantly. Panelists reported having met with some local village authorities and community members, national- and local-level government officials, and with “well-connected” individuals in Peru.¹⁹² According to the PAB’s first report, one of the panelists also spoke to the IDB president regarding the need for coordinated development planning in the Peruvian Amazon.¹⁹³ However, the PAB has missed opportunities to engage regularly with other actors conducting external monitoring and has failed to achieve adequate dialogue with project-affected communities.

Engagement with other monitoring entities

The PAB has failed to engage regularly with the international financial institutions conducting external monitoring of the project. According to Thomas Lovejoy, PAB members were aware of and had access to the reports produced as a result of this monitoring.¹⁹⁴ However, IDB Senior Environmental Specialist Elizabeth Brito reported that her team (responsible for the Peru LNG project) had never met with the PAB.¹⁹⁵ Rosa Orellana, principal environmental specialist with the IFC, and Stephen Parsons, senior environmental specialist with EX-IM, also reported that PAB members had not reached out to them.^{196 197} Given that IDB, IFC, and EX-IM conduct quarterly field monitoring of the Peru LNG project, including visits to the upstream Camisea facilities, regular engagement with these lenders would certainly have added to the PAB’s awareness of issues on the ground.

Further, the PAB has not regularly reviewed the community monitoring reports produced by PMSAP. Though the PAB supported civil society calls for independent community monitoring of the project in its December 2007 report,¹⁹⁸ it has yet to take full advantage of the PMSAP program to gather information about community concerns regarding the Peru LNG project. While panelists report that they have spoken with some PMSAP monitors, they also admit that they do not review the reports that PMSAP generates.¹⁹⁹ Unfortunately, Oxfam was unable to discuss the results of PMSAP efforts with Hunt Oil, Peru LNG, or ProNaturaleza as all declined to be interviewed for this research project (ProNaturaleza citing a confidentiality agreement that it had signed with Peru LNG).

Although PAB coordination with PMSAP is critical, some community members did express concerns regarding the PMSAP program, including questions around its independence, given that Peru LNG funds the program. One PMSAP monitor who participated in an Oxfam focus group expressed frustration with the PMSAP program, claiming that while good training and tools were provided to PMSAP monitors, Peru LNG did not respond appropriately to issues identified by monitors. Specifically, this monitor noted:

During my monitoring work I observed environmental contamination in the form of a fuel spill on the right-of-way. I later presented this information with photographic evidence, we informed and made sure the information arrived at a main office in Lima—I believe the institution was ProNaturaleza, but they are also part of the company and they don't work well, the same Peru LNG pays them.

A community member from the town of Ayavi expressed concerns regarding the PMSAP program's ability to communicate monitoring results, noting, "They only inform the company directly but not the community... those that pass their livestock through the area inform better." Not all stakeholders interviewed found fault with the PMSAP program, and some spoke highly of it. However, particularly given that a few concerns were raised regarding PMSAP implementation, PAB's review of these reports should be just one in a host of efforts to gauge the concerns of project-affected communities.

Engagement with project-affected communities

Regarding community engagement, PAB reports primarily have focused on the panel's review of Hunt Oil and Peru LNG's social outreach programs (projects to provide direct services to communities, such as latrines and cook stoves). The analysis of these programs is relevant and part of the PAB's mandate; one of their primary tasks is to "examine the application of Peru LNG environmental, social, and cultural programs and make conclusions about the adequacy of the Project's performance as well as recommendations for improvement, if necessary."²⁰⁰ However, given that the PAB is also expected to "critically appraise the impact of the Project," and that PAB visits to Peru have averaged just three days per year, the focus on Hunt's social projects, as opposed to Peru LNG project impacts on communities and the environment, is extremely unbalanced.

The PAB's 2008 brief noted that panelists visited latrine and cook stove projects and spoke with community members in the highland communities of Yantapacha and Occollo.²⁰¹ The panel's observations of this community visit focused fully on their positive impressions of Hunt Oil's social outreach programs in the area and did not include remarks on community views of the project and its impacts more broadly. In 2009, PAB panelists visited a "waiting house" built for expectant mothers in Vinchos and more latrine facilities and stove projects in the communities of Qochapunco, Concahuaylla, Pampancca, and Ranrachancha. The PAB report to Ray Hunt stated, "We could already detect an awareness of hygiene that had been absent in the earliest projects we visited last year. These projects will clearly enhance well-being and life expectancy, most particularly for women and children."²⁰² In this short letter to Ray Hunt (less than one page), PAB limited its remarks on social concerns to its impressions of these social outreach programs. In 2010, the panel visited additional social programs, such as an agriculture program in the highlands, a social investment project in Pisco, and a health and educa-

tion project in Paracas. The 2010 report, like all previous reports, failed to reference community views of the project and its impacts beyond Hunt Oil and Peru LNG's social outreach programs.²⁰³

In addition, PAB members observed these social outreach programs with representatives of Hunt Oil and/or Peru LNG present,²⁰⁴ thereby failing to create an environment conducive to soliciting unbiased community views regarding the impacts and relevance of the projects. With just three days per year in the project-affected area, it would be impossible for PAB to gather enough information to evaluate independently whether Hunt Oil and Peru LNG's social outreach projects reflect community priorities. These brief field evaluations risk being reduced to mere "rural development tourism," a phenomenon described by Robert Chambers whereby urban-based professionals drop into rural areas for brief visits seeking information and often fall victim to a range of biases (linked to accessibility of the area, degree of project success, etc.) regarding those they contact.²⁰⁵ PAB should consider working with an independent consultant in order to conduct a more thorough evaluation.

Project-affected communities have very limited awareness of the existence of the PAB. In fact, none of the participants in Oxfam's focus groups in Andean highland or coastal communities were aware of the existence or function of the PAB. In one community that the PAB visited in 2008, Yantapacha, Oxfam focus group participants did recall a visit from foreigners, however, having observed the visitors around a latrine and stove project, they had assumed that the visitors belonged to the NGO running that particular project. Of course, given the length of the pipeline, it would be extremely difficult for panelists to make all communities aware of its existence. However, to play an effective monitoring role, panelists should at least be aware of significant concerns among communities or opposition to the project. PAB panelists Thomas Lovejoy and Wade Davis reported that they have not heard complaints regarding the Peru LNG project from the individuals with whom they have spoken,²⁰⁶ and PAB reports do not reference community complaints. However, Oxfam's field research and news reports in Peru reveal that some project-affected communities have serious concerns regarding various aspects of the project.

Project-affected communities have very limited awareness of the existence of the Peru Advisory Board.

Oxfam field research results

Participants in focus groups conducted in Andean highland communities, as well as in Nuevo Cañete (a settlement in Ica approximately a mile and a quarter (two kilometers) from Peru LNG's Pampa Melchorita liquefaction plant) expressed several concerns regarding Peru LNG's operations. A few of the concerns that emerged most prominently in focus groups are described here:

- **Concerns about dust and noise generated by construction activities and movement of large vehicles in the highlands:** According to one Ayavi community member, "The dust has caused great pollution, animals have even died. Now they have mange that they didn't have before, sicknesses, even tumors, because they consume grass with

dust.” Occollo community members also cited negative impacts of dust, claiming that their grazing lands were polluted and no longer cultivable. A participant in the Santa Rosa de Tambo focus group also worried about the impacts of construction activities on animals: “They entered with the machinery and the vicuña were harmed, they were scared by the noises, the dust, the machinery.” In the Yantapacha focus group, a participant claimed that vicuña had disappeared in a particular area of their territory following pipeline construction.

- **Concerns about diminishing fish catch among coastal communities (in the settlement of Nuevo Cañete in particular):** One participant said simply, “There were piles of fish... now there are no fish even to eat.” Another community member stated, “When the plant construction began, in the first place, the noise of the machines, the compressors and the installation of the floodlights in the sea, drove away the fish... and now there is practically no guarantee of fish there... it has put the fisherman out of business.” Focus group participants noted that fish provide a critical input into the local economy and nutrition of the local population, so decreased fish catch—combined with increasing fish prices—present serious problems.

Participants in an Oxfam America workshop held in the community of Tambo, located along the pipeline route, prepare visual depictions of changes to their communities after the construction of the Peru LNG pipeline.



- **Claims of ad hoc approach to compensation payments:** Participants in the Nuevo Cañete focus group, for example, shared concerns regarding negotiations around compensation payments, which they perceived to be unfair. In an interview with Oxfam, three PMSAP monitors from coastal communities confirmed that community members often disagree with the amounts paid for their lands and complain about unequal compensation payments.²⁰⁷ In the coastal settlement of Alto Laran, one community member noted, “Some [community members] possibly achieved good arrangements, and some were not so good, it depends on the person, those who complain more, who demand more and demonstrated more awareness [would receive greater compensation].” In the highland community of Ayavi, a focus group participant expressed a similar concern regarding ad hoc compensation payments for livestock: “Animals have died; vicuñas have fallen in the trench. Cattle have also died... Those with livestock who have taken a bit stronger of a position have gotten something.”
- **Concerns regarding the level of community access to information on the project and to company representatives:** In Yantapacha, for example, community members worried that they would have no idea what to do in the event of a pipeline spillage or explosion. They noted that the Peru LNG community-relations expert has only been to their community a few times, and that to contact the company they would need to travel to the town of Huamanga. In the Ocollo focus group, participants mentioned that they were unsure of where to raise their concerns when problems arose, noting that they brought some complaints to a community relations officer for Techint (the company contracted to manage pipeline construction), based in the community of Rumichaca, but issues remained unresolved. Some participants claimed that Peru LNG’s community-relations office in Huamanga no longer functions, and that even when it had been working they were told they would need to go to Lima to register any complaints. Costs associated with travel create a significant barrier for local communities that wish to communicate their concerns to Peru LNG.

The above description of community concerns registered through Oxfam focus groups does not attempt to imply that all project-affected communities oppose the Peru LNG project, or that Peru LNG is responsible for all of the concerns raised. Rather, Oxfam simply documented key issues that project-affected communities raised repeatedly and across regions to gauge whether the PAB had managed to register these prominent community concerns and factor them into their recommendations. In fact, the PAB has yet to document or examine these claims. As a critical next step, the PAB should inquire whether and where these concerns are shared more broadly and provide recommendations to Hunt Oil and Peru LNG regarding strategies to address these issues.

Community concerns in the news

News reports released in recent years highlight incidents of considerable tension between Peru LNG and some local communities in Ayacucho. Most notably, in January 2009 the national newspaper, *El Comercio*, reported that the Peruvian government issued a Supreme Decree (D.S. 087-08-PCM) declaring a state of emergency for the towns of Chiara, Vinchos, Acocro and Acosvinchos (within the province of Huamanga in the Ayacucho region) after community leaders from these areas had paralyzed construction of the Peru LNG pipeline for several months. According to the article, communities claimed that certain payments from Peru LNG were not in line with the requirements of Peruvian law and contracts between Peru LNG and the Peruvian government.²⁰⁸ The parties reached agreement in early February after a negotiation that involved the *Presidencia de Consejo de Ministros*²⁰⁹ (the ministry responsible for the coordination and follow-up of the executive branch's policies). However, in May 2009, residents of Vinchos went on strike, demanding compensation for damage caused by Peru LNG's pipeline construction activities.²¹⁰

In early 2010, tensions flared when strikes broke out again in Vinchos, as well as in the district of Tambo (in La Mar province, also located in the Ayacucho region). A magazine, *Retablo*, reported that the president of Vinchos, Marcelino Choquecahua Inga, attributed the strike to Peru LNG's noncompliance with its commitments. Choquecahua claimed that Peru LNG had built gutters in the pipeline area to gather and redirect rainwater from the pipeline, and that this redirected water had caused damage affecting 200 landholders, devastating local crops and flooding some houses. According to the same article, authorities from the district of Tambo, in La Mar, along with the *Frente de Defensa* (peasant's defense organization) from Tambo, also went on strike, in January, asking regional government authorities and Peru LNG to increase their focus on investment and on generating development in the area.²¹¹

In December 2010, a local news source reported that several communities in the district of Vinchos held a sit-in in front of a Peru LNG office in Ayacucho, demanding that Peru LNG commit to remedy damage to their lands, which they claim had been caused by the company. Vinchos communities held another sit-in in front of Peru LNG's office in Ayacucho in February 2011, saying that they would not leave until the company engaged in dialogue with them regarding repair of the damages.²¹² Later that month, Peru LNG representatives opened dialogue with the Vinchos communities concerned, with the Ministry of Energy and Mines acting as a mediator. Peru LNG initiated a similar dialogue with communities from Accopampa (also located in the province of Huamanga), which had registered similar complaints regarding damage to their lands as a result of pipeline construction.²¹³ While these most recent events occurred after the issuance of the PAB's latest report (October 2010), they occurred prior to the author's March 2011 interview with PAB panelists, during which the panelists raised no concerns regarding the project.

Importantly, one recent media report noted that community members in Vinchos wished to remain anonymous for fear that Peru LNG might take legal action against them. The lawyer for the community of Vinchos, Pedro Castilla, claimed that five community members (including Vinchos president Choquecahua) have had legal charges brought against them for “crime against the patrimony” for their actions taken in opposition to the Peru LNG project, with possible penalties of up to 15 years.²¹⁴ In light of these fears, to ensure that community members feel at ease in expressing their concerns, PAB members should find opportunities to engage with community members without the presence of representatives of Peru LNG or Hunt Oil.

Regardless of whether all of the claims of protesting communities can be substantiated, these articles alone present sufficient evidence to suggest that not all communities are content with the way in which Peru LNG has managed the pipeline. If it had registered and investigated these claims, the PAB might have taken advantage of its neutral position as an independent monitor to make recommendations to stakeholders on both sides of the issue. This type of intervention could potentially be helpful in diffusing tension, resolving environmental concerns, and preventing costly stoppages in construction.

Influence

Key PAB contributions

Clearly the PAB should have used its reports and influence to reflect on a wider array of issues and potential risks to the project. There is quite limited evidence of positive results from its engagement with the Peru LNG project, however it should be noted that documenting PAB impact is particularly challenging, as compared to documenting the impact of the other two panels examined in this report, given the brevity of the PAB’s reports and unavailability of Hunt Oil or Peru LNG for an interview.

One written PAB recommendation that Hunt Oil/Peru LNG took on board was the PAB’s December 2007 recommendation regarding the establishment of a community-based monitoring system through the development of the PMSAP program.²¹⁵ Other actors also issued the same recommendation—in fact the PAB notes in its report that this recommendation comes from civil society—but the PAB may have helped to elevate the issue with their recommendation.

In addition, the PAB may have generated some positive impacts through verbal communications with decision makers outside its reports.

According to Hunt Oil, PAB exchanges with Ray Hunt were frequent and regular.²¹⁶ In an interview with the author, Lovejoy noted that PAB generally provided verbal input to Hunt Oil, with written statements serving more as briefs. He cited an example of an instance in which the panel had learned that *Transportadora de Gas del Peru* (TGP)—the consortium in charge of gas transportation for the first phase of the Camisea project—

planned to construct a new pipeline associated with the Camisea project (a 'loop' pipeline to support existing infrastructure) but had prepared an inadequate Environmental Impact Assessment for the project. The PAB raised concerns around this new pipeline directly with Ray Hunt and found that Hunt Oil had anticipated the issue and was already working to address the problem.²¹⁷ Ultimately, the Peruvian government did not approve TGP's initial project proposal, due at least in part to environmental concerns, so TGP adjusted and resubmitted its proposal to the government.²¹⁸ The PAB may not have been the first to alert Hunt Oil to this issue, but perhaps again it helped to elevate the urgency of the issue.

The panel also played a role in evaluating Hunt Oil and Peru LNG's social outreach programs, such as latrine and cook stove projects (as noted above), as well as the environmental protection measures put in place by Peru LNG, but given the short time the panel spent in the field this should not be overestimated. In addition to reviewing technical documents, like the Peru LNG Ecological Management Plan, the panel conducted site visits to the project facilities and to social outreach programs. For example, in their interview with the author, Lovejoy and Davis highlighted the advanced techniques which Peru LNG had employed along the pipeline to preserve vegetation, as well as the quality of construction and Peru LNG's safety measures at the Pampa Melchorita plant and along the pipeline.²¹⁹ In 2008, panel members visited the Pampa Melchorita plant and stated in the report from that year:

During the visit to the plant site, we were taken inside the storage tanks which are under construction, and out the length of the marine terminal jetty, where we learned about the sophisticated design that was implemented in anticipation of the most extreme seismic events in the area... From the top down we could sense that the team has made every conceivable effort to mitigate environmental impacts.²²⁰

Having briefly observed the plant and reviewed Peru LNG's impact mitigation systems and plans, the panel expressed its approval. The PAB's evaluation of Peru LNG's environmental mitigation measures and programs, as well as community-focused environmental and social outreach projects, clearly falls within its core mandate. However, while PAB panelists have the expertise necessary to provide useful insight on technical questions related to conservation and development, again the PAB's short field visits, as well as the lack of detail in their reports, raise questions regarding the depth of their review.

As noted above, PAB has missed opportunities to engage with a wider range of local stakeholders to register concerns, such as with project-affected communities and with the lenders conducting more regular environmental and social monitoring in the field. As a result, there may well have been technical issues that the PAB has missed. For example, although panelists have spoken favorably about the design of the Pampa Melchorita plant, the panel has yet to discuss perceived impacts on fish stock with local fishermen.²²¹

Limitations of PAB

There is limited evidence of change in project management as a result of PAB engagement on this project. For example, the PAB Terms of Reference state that the PAB will “provide objective advice to the Executive Management of Hunt.” However, as mentioned above, the brief reports issued by PAB for Hunt Oil’s management have included very few recommendations. In fact, two of the five reports posted online contained no recommendations at all, and a third contained only the recommendation that Hunt Oil consider conducting longitudinal studies to document the effects of its social outreach programs.²²² By failing to include concrete recommendations for improvements to project management, the PAB has thus far missed the opportunity to proactively identify risks for the company and to use its expertise to influence company behavior in the face of these risks.

Further, of the few concrete recommendations included in PAB reports, some focus on the company’s communications and marketing strategy rather than on its environmental and social practices. For example, the PAB’s August 2009 report notes, “We hope to work with Hunt to develop the project’s ‘story’ for presentation to technical, professional, and industry societies/organizations at meetings and in publications... Building credibility and gaining recognition from such organizations now will lay the foundation for future program expansion efforts to a broader international audience.” In the same report, the PAB offers to provide feedback into a “pictorial or overview document for the Peru LNG project” and recommends “intensification of the communications program because of the local perception of insufficient gas for local consumption.”²²³ While reasonable suggestions, these types of inputs regarding Hunt Oil’s communications strategy are somewhat tangential to the mandate of the panel according to its Terms of Reference.

Ultimately, the PAB failed to identify significant concerns at the community level. When tensions between the highland communities and Peru LNG escalated to the point of halting project construction, forcing the national government to intervene in early 2009, Peru LNG experienced the economic consequences of not addressing these local concerns. Had the PAB proactively identified this tension and provided feedback to Peru LNG, they might have helped to prevent tensions from escalating. While certainly PAB panelists have full agendas and multiple responsibilities, to perform their function effectively they must find a way to pull together a more-balanced picture of the situation on the ground. Structural improvements to the panel to address the issues raised in the previous sections—prioritizing independence, transparency, and the participation of local communities—would have helped to ensure more-balanced findings and recommendations.

By failing to include concrete recommendations for improvements to project management, the Peru Advisory Board has thus far missed the opportunity to proactively identify risks for the company and to use its expertise to influence company behavior in the face of these risks.

Recommendations

Based on the experience and lessons derived from the assessment of the three panels, Oxfam makes the recommendations discussed below.

Independent monitoring expert panel requirement

Independent monitoring expert panels should be required for any publicly financed extractive industry project that has or is likely to have a significant impact on communities or the environment. These panels should incorporate the best practices and recommendations in this report.

As discussed in this report, independent monitoring expert panels have been used in some large and high-profile extractive industry projects financed by the IFIs and export credit agencies. In the context of the extractive industries, only a small number of these expert panels have been implemented, and these have been for large-scale, often controversial projects that have received a high degree of public scrutiny from international NGOs and campaigners as well as local activists.

At a minimum, IFIs, including the IFC and regional development banks (such as the IDB, African Development Bank, and others), as well as export credit agencies, should require independent monitoring expert panels for all Category A (or equivalent) extractive industry projects. (According to the IFC, Category A projects are “Projects expected to have significant adverse social and/or environmental impacts that are diverse, irreversible, or unprecedented.”²²⁴) Private-sector banks subscribing to the Equator Principles, the voluntary standards for identifying and managing social and environmental risk in project financing, should also assemble expert panels to support monitoring of high-impact extractive industry projects.

At present, unlike its private-sector lending counterpart IFC, the World Bank does require expert panels for its riskiest projects. Specifically, the World Bank’s Operational Policies state that for Category A projects that are “highly risky or contentious or that involve serious and multidimensional environmental concerns,” borrowers should “engage an advisory panel of independent, internationally recognized environmental specialists to advise on all aspects of the project relevant to the environmental assessment.”²²⁵ The World Bank should require that these expert panels meet the standards reflected in the recommendations of this report.

Independence

Project sponsors, lenders, and others that choose to assemble expert panels should 1) include panel members with relevant technical and local expertise, 2) avoid selecting panelists engaged in work that might generate conflicts of interest, and 3) provide panelists with independent administrative and technical support through an adequately staffed and resourced secretariat.

Panel neutrality is critical to ensuring that stakeholders view panel recommendations as credible. For each of the panels reviewed, either the project sponsor or a lender committed the funding for the panel's work. It may often be impossible to find a fully independent donor, and project sponsors and lenders might consider options to ensure continuity of funding for the panel's work regardless of the findings and recommendations produced, such as through escrow accounts, performance bonds, or other financial measures.

To overcome barriers to independence, panel sponsors must take great pains to guarantee the credibility and neutrality of panel members. Panel sponsors should consider opening up the panelist selection process to public consultation, which would help promote both greater buy-in for the process and greater awareness of the panel and its activities. Panel members should have relevant expertise on environmental, social, economic, and policy issues around large development projects. Panels should be balanced in terms of gender and geographical representation of members, and at least one panel member should have experience working with communities and first-hand knowledge of the project's host region. Panel sponsors must ensure that panelists have no conflicts of interest regarding the projects they are reviewing.

Providing panel members with administrative and technical support independent of the project to support their work will help achieve desired panel neutrality. Panels should have adequately resourced secretariats with sufficient funding and research capacity, and panelists might consider housing their secretariat within a nonpartisan academic institution or think tank as a way to promote independence while gaining much needed administrative and technical support. While a few stakeholders interviewed for this report suggested that panelists waive their compensation as a way to promote increased panel independence, most agreed that compensating panelists did not significantly influence stakeholder perceptions of panel independence and rather enabled panelists to commit the time necessary to provide a thorough review of the project.

Transparency

In addition to making reports available to stakeholders online and in local languages, panels should develop comprehensive, creative, and culturally appropriate communication strategies to raise awareness of panel findings and recommendations among local stakeholders, particularly project-affected communities.

To both ensure the accuracy and completeness of panel findings and broaden the base of actors supporting panel recommendations, panels should prioritize dissemination of findings and recommendations at the local level in a community-friendly format. All three panels reviewed posted reports online and in the official language of the project host country or countries, and some made efforts to distribute paper copies of the report. However, stakeholder awareness in host countries varied widely among the panel experiences. In all cases reviewed, project-affected communities had particularly limited awareness of panel findings and recommendations. Challenges related to limited internet access, low literacy rates, and/or limited knowledge of the official language of the host country among project-affected communities created significant barriers to accessing panel reports.

To reach project-affected communities, panels should think creatively about the ways in which they present their findings and consider alternative communications strategies, such as issuing press releases, holding local debrief sessions (as did IAG) and public meetings in affected communities, using radio as a means of communication, and creating accessible report summaries (in the language most widely spoken by project-affected communities) to increase information dissemination. Panels should also disclose their annual work plans so stakeholders in host countries, including project-affected communities, have adequate advance notice regarding the panel's planned activities and can prepare to engage with panelists on their field visits.

Stakeholder engagement

Panels should prioritize engagement with local stakeholders in project host countries, with a particular emphasis on project-affected communities, and should coordinate closely with civil society and/or community monitoring mechanisms established for the project.

Panels that aim to develop a complete picture of opportunities and risks for pipeline projects must find ways to effectively track the concerns of local stakeholders and communities. Field visits are essential to providing panelists with a full understanding of the project and potential risks, and many stakeholders interviewed for this research suggested two visits per year at a minimum, each visit at least two weeks in duration, to ensure coverage of the project area. In addition, panels should consider working with independent consultants based locally or able to spend considerable time conducting field research on the ground, a strategy that worked particularly well for the CDAP.

In some cases, civil society organizations in host countries and/or project-affected communities have developed their own monitoring bodies, and expert panels should coordinate with and closely track the findings of these mechanisms. More generally, panels should think creatively about ways in which to engage local civil society and project-affected communities in their monitoring work. For example, panelists might invite selected community members to accompany them for project facility inspections.

Some stakeholders interviewed for this report also recommended that expert panels include a national of the project's host country on the panel to increase panel capacity to track emerging issues, but stakeholder views on this issue were polarized and the usefulness of this measure will vary by project based on political and social context. For example, in some instances locally based panelists could be more susceptible to intimidation.

Influence

Project sponsors, lenders, and others that choose to assemble expert panels should 1) assemble panels early enough to influence the ESIA process and 2) systematically, regularly, and publicly report on actions taken to respond to panel recommendations.

Panels should develop strategies to promote implementation of their recommendations, such as maintaining public checklists to track compliance with panel recommendations and holding local press conferences.

Even with committed members, thorough reports, and thoughtful recommendations, panels sometimes face considerable challenges in influencing project management changes, as evident in the case of the IAG. Panels adequately resourced and assembled early enough in the project development process to significantly influence project planning and decisions relating to the mitigation of social and environmental impacts have an immediate advantage. Panels should continue their work at least throughout the construction phase of the project and well into project operation, although the need for their continued presence will vary based on individual project circumstances. Panels should also proactively look for ways to ensure that their recommendations move beyond the written page, including by maintaining and widely publicizing checklists to track follow-up on recommendations and holding press conferences. In addition to reporting on actions taken to address recommendations, panels should highlight recommendations disregarded.

Project sponsors or lenders that assemble panels should also consider replicating BP's practice of providing regular public responses to CDAP reports. These highly useful reports indicated specifically how the company was following up on panel recommendations. Drawing from the three panel experiences reviewed, panels had more success in driving change when project sponsors systematically tracked and reported on their actions.

Conclusion

Independent monitoring expert panels offer project sponsors and lenders valuable support for the identification of opportunities and risks associated with project development, while at the same time building trust among stakeholders and contributing to improved operating environments. When effectively implemented and coordinated within the context of a host of accompanying project-monitoring measures, these panels can help magnify local voices and raise the profile of social and environmental concerns to the global level. However, if not structured appropriately, they may actually undermine trust among stakeholders and fail to prevent problems that may have bottom-line consequences for investments. While project sponsors, lenders, and governments should not view expert panels as panaceas, they should recognize the value of these panels, particularly as a way to increase stakeholder engagement and dialogue and to bring new and impartial information into the public realm.

To increase their effectiveness, institutions considering implementing expert panels should carefully reflect on factors pertaining to independence, transparency, stakeholder engagement, and measures to promote panel influence. In particular, they should consider lessons learned from the experiences of the International Advisory Group (IAG), Caspian Development Advisory Panel (CDAP), and Peru Advisory Board (PAB).

Appendix I – Interview list

Panel and secretariat representatives

Wade Davis, Peru Advisory Board member
Peter Flanagan, Covington and Burling (Caspian Development Advisory Panel secretariat)
Jacques Gérin, International Advisory Group member
Jane Guyer, International Advisory Group member
Jan Leschly, Caspian Development Advisory Panel member
Thomas Lovejoy, Peru Advisory Board member
Jim MacNeill, Caspian Development Advisory Panel member
Abdou El Mazide Ndiaye, International Advisory Group member

Companies

Clare Bebbington, BP (formerly based in Azerbaijan)
Seymour Khalilov, BP Azerbaijan
André Madec, ExxonMobil Corporation
Rusudan Medzmariashvili, BP Georgia

International financial institutions

Elizabeth Brito, Inter-American Development Bank
Luc Lecuit, World Bank
Stephen Lintner, World Bank
Rosa Orellana, International Finance Corporation
Ted Pollett, International Finance Corporation

Civil society representatives

Chad

Renodji Djimarabaye, *Réseau de Suivi des Activités Pétrolières (RESAP)*
Delphine Djiraibe, *Comité de Suivi de l'Appel à la Paix et à la Reconciliation (CSAPR)* and Public Interest Law Center (PILC)
Boukinebe Garka, *Union des Syndicats du Tchad*
Gilbert Maoundonodji, *Groupe de Recherches Alternatives et de Monitoring du Project Pétrole Tchad-Cameroun (GRAMPT)*

Rimtebaye Nassingar, *Commission Permanente Pétrole Nationale* (CPPN)
Nadji Nelambaye, *Commission Permanente Pétrole Locale* (CPPL)
Arnaud Ngarmian, *Réseau Régional des Organisations de la Société Civile* (ROSOC)

Georgia

Tamar Aghapishvili, Association Suntni
Mariam Begiashvili, Institute for Social Research
Gocha Chekurashvili, Association Eco-Alliance
Nino Chkhobadze, Greens Movement
Manana Devidze, Caucasus Environment
Keti Dgebuadze, Information Center for Social Reforms
Tamar Ghvaladze, Georgian Young Lawyers' Association (GYLA)
Nana Janashia, Caucasus Environmental NGO Network (CENN)
Nino Lomidze, Association Forest Researchers
Giorgi Maghradze, Association Green Way
Dimitri Mirvelashvili, Egida-Future Projects Association
Manana Qochladze, Green Alternative
Alexander Rondeli, Georgian Foundation for Strategic and International Studies (GFSIS)
Vakhtang Shatberashvili, Georgian Cultural Heritage Information Center
Nestan Tatarashvili, Georgian Modern Group Protection
Koba Turmanidze, Eurasia Partnership Foundation (EPF)

Peru

Carlos Alviar, *Centro de Desarrollo Agropecuario* (CEDAP)
Three monitors from the Participatory Socio-Environmental Monitoring Program (PMSAP)

Government

Georgia

Nino Chkhobadze, former Minister of Environment
Gevork Eknosyan, Skhvilisi
Natela Gogoladze, Borjomi
Ruben Karapetyan, Akhaltsikhe
Makvala Mamuladze, Akhali Samgori
Levan Shavkani, Bakuriani
Kakha Vakhtangashvili, Borjomi

Peru

Maribel Paucar de la Cruz, Alto Larán
Pedro Rivadeneira, San Andrés
Representative of *Defensoria del Pueblo* (ombudsman office) – Huamanga province

Appendix II – Expert panels’ Terms of Reference

International Advisory Group Terms of Reference²²⁶

Background

1. The Executive Directors of the World Bank Group (WBG) have approved financing for a group of complementary projects (the Projects) designed to promote poverty alleviation in Chad, one of the poorest countries in the world by: (a) enabling, together with the European Investment Bank, the Governments of Chad and Cameroon to finance their equity shares in two companies transporting petroleum by pipeline from southwestern Chad to a marine terminal offshore from Cameroon; (b) co-financing, through the International Finance Corporation (IFC) and other international investors, the development of the oilfield in Chad and the construction of the pipeline and associated facilities by three private sector sponsors—ExxonMobil, Petronas and Chevron; (c) building capacity in Chad and Cameroon for managing the potential environmental and social impacts of the Projects and, in Chad, for promoting development in the project area and for managing the petroleum sector more generally; and (d) building capacity in Chad to manage future petroleum revenues and to direct them, efficiently and transparently, towards poverty alleviation.
2. A comprehensive mechanism has been established for the supervision and monitoring of the Projects. This includes supervision of the Projects by the WBG, and monitoring of project activities by the Governments of Chad and Cameroon in their respective territories, with inputs from civil society. The Governments of Chad and Cameroon will be assisted by an Environmental and Social Experts Panel (ESEP), whose mandate is to help the Governments in assuring that the Projects’ Environmental Management Plans (EMP) are satisfactorily implemented. An External Compliance Monitoring Group (ECMG) will also be established to monitor the implementation of EMP on behalf of the lender group.
3. Broader concerns have been raised, however, about the Projects and their potential impacts in Chad and Cameroon. There is a risk that the Projects will not achieve their poverty alleviation objectives, could have negative impacts on affected populations and result in adverse environmental impacts. Weak institutional capacity in Chad and Cameroon and the potential for conflict between involved parties

also present risks for the implementation of the Projects. In order to address these risks, a number of measures have been built into the design of the Projects and in the respective WBG Country Assistance Strategies (CASs). However, the WBG, in cooperation with the Governments of Chad and Cameroon, seeks to further strengthen the monitoring instruments available to support these Projects.

Purpose of the IAG

4. The WBG, in consultation with the Governments of Chad and Cameroon, will appoint an International Advisory Group (IAG) to further strengthen the mechanism for monitoring progress in the implementation of the Projects. To ensure transparency and accountability, the IAG will comprise highly respected impartial individuals, with relevant expertise. These individuals will be independent of all parties to the Projects and will have freedom to obtain information from all relevant sources.
5. The purpose of the IAG is to advise the WBG and the Governments of Chad and Cameroon with respect to its observations about overall progress in implementation of the Projects and in achievement of their social, environmental, and poverty alleviation objectives, as well as with the broader goals of poverty alleviation and sustainable development in Chad and Cameroon. The IAG's specific responsibilities are to: (a) identify potential problems as they arise, concerning issues such as the misallocation or misuse of public revenues, adequacy of civil society participation in the implementation of the Projects, progress in building institutional capacity, and more generally, issues of governance, environmental management and social impacts; and (b) recommend actions to the WBG, Government of Chad and Government of Cameroon to address the problems identified.

Scope of Work

6. The IAG will visit Chad and Cameroon at least twice a year, or more often depending on the IAG's assessment. As an advisory body, the IAG will have purview over all activities related to the Projects and will directly observe progress in their implementation, although it is not expected to duplicate the field work on monitoring to be carried out by the governments, WBG, and the project sponsors. However, all reports prepared by these parties or on their behalf, including any other documents having a bearing on the implementation of the Projects, will be made available to the IAG for the purpose of undertaking its responsibilities.
7. The IAG will carry out its work in consultation with the full range of stakeholders: government staff responsible for monitoring project progress and planning and managing revenues for poverty-focused development, affected populations, and civil society organizations. The IAG is expected to serve as another vehicle for the affected populations and citizens to channel their concerns about the social, environmental

and poverty related impact of the Projects in Chad and Cameroon. The IAG will advise the WBG and the Governments of Chad and Cameroon of these concerns and suggest actions that need to be taken to ensure that these concerns are appropriately addressed.

8. The IAG will independently develop its work program, which is likely to evolve as project implementation progresses. Among other issues, the initial work of the IAG could include social investment activities in the project area, direct and indirect social and environmental impacts associated with the construction process, and progress with regard to capacity-building activities, whereas increased attention to activities related to sound revenue management is envisaged once oil revenues come on stream.
9. One member of the IAG will be named by the President of the WBG as the Convenor. The Convenor will be provided with support services necessary for coordination of the work of the IAG and preparation of its reports. After distributing information about the Projects to the other members of the IAG, the Convenor will arrange for the IAG to meet prior to undertaking its initial field visit. The IAG will have a start-up meeting to review the scope and objectives of the Projects and to review and discuss the Terms of Reference. It will then undertake a familiarization visit to the project area in Chad and Cameroon. On the basis of this process, the IAG will develop its initial work plan, which will be presented to the WBG and the Governments of Chad and Cameroon. After review by these parties, the work plan will be made available to the public and the IAG will begin a series of regular field visits.
10. Following preparation of the work plan, the IAG may, at its discretion, meet with the WBG President, the Corporate Oversight Committee (COC) appointed by the President to coordinate and oversee the implementation of the Projects, WBG senior management, and the project team. It will also have regular meetings with senior representatives of the Governments of Chad and Cameroon and the oil consortium to collect information and exchange views. The IAG will meet with nongovernmental organizations (NGOs) and local communities affected by the Project, without interference from any government, the oil consortium and/or WBG officials. The views and opinions of all stakeholders will be actively solicited from the beginning of the IAG process, and the IAG will prepare and make available to the public its plan and agenda for future meetings.
11. The work of the IAG is expected to continue for a period of up to ten years, covering the period of oilfield development and pipeline construction and the first six years of the flow of oil and accompanying inflows of significant oil revenues. At the end of the second, fifth, and seventh years, the WBG and the IAG will conduct a joint stocktaking, with inputs from civil society to evaluate whether the IAG's work

has been useful and should be continued, and to make any necessary adjustments in the IAG's scope of work. Other partners funding the work of the IAG are anticipated to participate in this evaluation.

Composition of the IAG

12. The task of translating oil revenues into poverty-alleviation programs is challenging and will require not only political, economic, environmental, social, financial, and technical skills, but also the ability to listen and understand the concerns of people in the project area, representing all levels of society and diverse cultural backgrounds. The IAG's independence is crucial to its effectiveness. IAG members must, therefore, be of international stature and unimpeachable personal integrity, able to resist any pressure that might be brought to bear on their conclusions.
13. The IAG will consist of six persons, including one who will serve as Executive Secretary. Their collective professional experience and knowledge should allow them to address the following areas of importance to the Project:
 - (a) *Governance Issues*. Knowledge of all aspects of governance issues in the African context;
 - (b) *Management of Public Finance*. Knowledge of national planning and programming of public resources and the use of these resources for effective poverty alleviation;
 - (c) *Environmental Aspects of Development*. Knowledge of environmental management and monitoring issues associated with major infrastructure projects and the linkages between environment and poverty;
 - (d) *Social Aspects of Development*. Knowledge of social aspects of major infrastructure projects and the ways in which addressing these impacts and risks is linked to poverty alleviation; and
 - (e) *Community Development*. Knowledge of community development issues including experience working with the types of communities that may be affected by the Projects. It is desirable that IAG members have knowledge of African conditions and experience with infrastructure investments. Fluency in English and French is desirable, but not required.
14. The IAG will be able to call upon the services of specialists to examine specific issues as needed within the budget provided for this specialized support. It will also be able to hire translators/interpreters to assist the IAG in undertaking its work and to ensure that its findings and recommendations are widely disseminated in local languages.

Selection Criteria and Process

15. To ensure the complete independence of the IAG, its members should:
 - (a) Not be nationals of Chad or Cameroon;
 - (b) Not be current or former staff members of WBG;
 - (c) Not currently be engaged in positions or consultancies with the

project sponsors, or the Governments of Chad and Cameroon; and
(d) Not accept any position to consult with or work for any of the parties in (c) during tenure on the IAG.

16. The selection process will be coordinated by the COC, which has been appointed by the WBG President. The final decision on the membership of the IAG will be made by the President of the WBG.

Reporting

17. The IAG will report periodically to the WBG President and WBG Board of Directors as well as to the Governments of Chad and Cameroon on its findings and recommendations. The WBG, in turn, will report to the IAG and the WBG Board on the actions taken to address the issues identified. All reports of the IAG, without modifications and/or amendments, will be distributed simultaneously to the WBG Board and other stakeholders on the same day they are submitted to the President of the WBG. The WBG's action plan for addressing the issues identified by the IAG will also be made public, immediately after these have been discussed with the WBG Board.
18. The IAG, as a group of experts, may, at its discretion, hold discussions with civil society about its findings and recommendations, prior to submitting its reports to the President of the WBG and the Governments of Chad and Cameroon. The IAG will also advise on the status of dissemination of its reports and the implementation of its recommendations.

Budget

19. The WBG has agreed to make available the resources needed for the effective functioning of the IAG. It has also confirmed the interest of other donors in supporting the IAG. Funds provided to support the work of the IAG will be placed in a Trust Fund dedicated to this task.

Caspian Development Advisory Panel

Terms of Reference²²⁷

Establishment of Panel

BP has established an independent external panel, the Caspian Development Advisory Panel (CDAP), as part of its plan to ensure that the Baku-Tbilisi-Ceyhan (BTC) pipeline is a world class model project. The Panel, which has a three-year remit, will commence its work in early 2003, and will provide objective advice to the company on the economic, social, and environmental impacts of the pipeline project in Azerbaijan, Georgia, and Turkey, generally, and in areas closest to the 1,760-kilometer [1095 mile] pipeline in particular.

While the primary focus will be on the BTC pipeline, the Panel will have an opportunity to look at other related BP activities and plans in the region. This will include the Azeri-Chirag-Gunashli (ACG) oilfield and the Shah Deniz gas field developments, including the Baku-Tbilisi-Erzurum Gas Export Pipeline, which will run parallel to BTC through Azerbaijan and Georgia. (BTC, ACG, and Shah Deniz are all BP operated.)

Principal tasks will include, but not be confined to the following:

- Assess BP's plans to manage the environmental, social, and economic impacts of the projects in Azerbaijan, Georgia, and Turkey, both at the route level and, more generally, at the regional level. Make recommendations for improvement.
- Examine the application of BP's policies regarding the projects and critically appraise the impact of the projects.
- Advise on the appropriate focus of social and community activities to enable BP and its partners to make a positive difference to the economies and societies of Azerbaijan, Georgia, and Turkey.

The Panel's role will be an advisory one, and it will have no executive authority or responsibility in relation to the Project. The Panel will be funded by the BP Group. It will be assisted by local representatives in each country and have its own Secretariat based at the Washington, D.C. law firm of Covington & Burling. The Panel has established a website (www.caspsea.com) and an e-mail address CDAP@caspsea.com. The Panel requests that any interested party submit information to the Secretariat for the Panel's review.

The Panel will report to the BP Group Chief Executive. Liaison between BP and the Panel shall normally be through a senior BP representative nominated by the BP Group Chief Executive.

Membership

The Panel shall have 4 members (including a Chairman) who shall be appointed by the BP Group Chief Executive but who shall otherwise have no ongoing direct connection with BP. The Panel will be chaired by Jan Leschly (Chairman & CEO, Care Capital and former CEO of SmithKline Beecham). The other members are Stuart Eizenstat, former US Ambassador to the EU, Under Secretary of Commerce, Under Secretary of State, and Deputy Secretary of the Treasury, currently a partner with Covington & Burling; Jim MacNeill, Canadian diplomat and policy adviser on environment, energy and sustainable development, former Secretary General of the World Commission on Environment and Development (the Brundtland Commission), and former Chairman of the World Bank's Independent Inspection Panel; and Mohamed Sahnoun, former ambassador and adviser to the President of Algeria, Special Envoy of the Secretary General of the UN, and member of the Brundtland Commission.

Timetable

Panel Members shall meet formally as a group at least twice a year and in addition will make at least one visit of around one week in length to the Project area each year. The Panel may, in agreement with BP, call upon national and international experts and consultants to advise the Members on matters relating to the evaluation and review of the Project.

Reports

The Panel shall aim to issue its first substantive report by the end of 2003. Additional reports shall be issued at least annually thereafter. The substantive reports and findings of the Panel will be made available to the public, after they have been presented to the BP Group Chief Executive and BP has prepared its response.

Funding

The Panel shall be funded by BP independently from the Project.

Peru Advisory Board Terms of Reference²²⁸

Background to Establishment of Panel

Hunt Oil Company (“Hunt”) is committed to participating in projects that are developed and operated consistent with world class environmental and social standards. To assist it in accomplishing this objective, Hunt, as operating member of Peru LNG, has established an independent advisory panel (the “Panel”) to advise it on the development and operation of the Peru LNG project (“Project”), which includes a Gas Transportation Pipeline, Liquefaction Plant and Marine Terminal. The Panel has a 4-year term, which will officially commence in the third quarter of 2007, with the general objective of observing the planning and implementation of the Project and providing objective advice to the Executive Management of Hunt. The Panel will provide general advice on the social, cultural and environmental impacts of the Project and specific advice with regard to these impacts in the areas in which the Project’s facilities will be located.

The Panel will also have an opportunity to consider the Project in the broader context of the preexisting facilities that are part of the Camisea development. These facilities will include the Malvinas Fractionation Plant, Block 56 and Block 88 field development and gathering systems, TGP pipeline system, and the Pisco Fractionation Plant and Export Facilities.

Principal tasks will include, but not be limited to the following:

- Evaluation of Peru LNG policies, assessments, mitigation measures and plans to manage the social, cultural and environmental impacts of the project at the regional and site specific level.

- Examine the application of Peru LNG environmental, social, and cultural programs and make conclusions about the adequacy of the Project's performance as well as recommendations for improvement, if necessary.
- Critically appraise the impact of the Project.
- Advise on the appropriate focus of social and community activities and investments to enable Peru LNG to make a positive difference in the socio-economic situation in Peru.

The Panel will be funded by Hunt but will receive necessary assistance from Project representatives in Lima and a Secretariat based in Washington, DC.

The Panel will report to the Chief Executive Officer of Hunt. Liaison between Hunt Oil Company and the Panel will be through senior Hunt Oil Company representatives nominated by the Chief Executive Officer. The Panel's role will be purely an advisory one. It will have no decision-making authority in relation to Hunt or the Project.

Membership

Members of the Independent Advisory Panel are drawn from those eminent in the fields of public service, research, professional practice and teaching. As leaders in society, all members must:

- Not misuse information gained in their service for personal gain or commercial or political purpose, nor seek to use the opportunity of independent service to promote their private interests or those of connected firms, businesses, or other organizations; and,
- Not hold any paid or high-profile unpaid posts in a political party or within another company in the exploration and production industry, and not engage in any activities on matters directly affecting the work of the Panel. When engaging in any activity with third parties, Panel members must be conscious of their independent role as advisors to Hunt Oil Company and exercise proper discretion.

As respected pillars of society, Panel members must adhere to principles commonly applied to public life; namely a commitment to selflessness, integrity, objectivity, accountability, openness, honesty, and leadership.

Timetable

The Panel will meet at least twice a year and in addition will make at least one visit to the Project area each year. The Panel may, in agreement with Hunt, call upon national and international experts and consultants to advise it on matters relating to its evaluation and review of the Project.

Outreach

The Panel will establish a website and an e-mail address, independent of but accessible through the PeruLNG.com main page. The Panel will request that any interested party submit questions and queries to the Secretariat's attention for the Panel's consideration.

Reports

The Panel will aim to issue its initial report by the end of December 2007 and will issue annual reports at the end of each subsequent calendar year. The initial report and subsequent annual reports of the Panel will be made available to the public/posted on the website after they have been presented to Hunt and Hunt has prepared its response.

Secretariat

A Secretariat based in Washington, DC, will be established to provide general administrative support to the Panel. As with the Panel, the Secretariat will maintain complete independence from the Project. Basic responsibilities will include:

- Establish and maintain a dedicated website for the Panel that allows inquiry and comment pertaining to the Project from the public
- Consolidate questions, queries and concerns received by email or post for consideration by the Panel
- Ensure feedback is provided to by appropriate means such as letter, email, or by referencing reports and other sources of information
- Assist the Panel with the production, printing and distribution of reports and other materials.

Funding

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International Advisory Group (IAG) panelists walk with local residents towards a Bagyeli (pygmy) camp in Kribi, Cameroon. The World Bank established the IAG expert panel to support monitoring of the Chad-Cameroon Petroleum Development and Pipeline Project. IAG spent more time visiting project host countries than the other two expert panels examined in this report. IAG members made at least two field visits to Chad and Cameroon per year, each visit averaging two to three weeks.



COVER: Photo of the Baku-Tbilisi-Ceyhan (BTC) pipeline under construction. BP, operator of the BTC pipeline project, assembled the Caspian Development Advisory Panel (CDAP) to provide independent advice on the economic, social, and environmental impacts of BP's activities in the Caspian region. BP's detailed public responses to concerns raised by the CDAP illustrated to external stakeholders the seriousness with which BP approached CDAP recommendations and helped maintain momentum for follow-up action. *(Photo courtesy of BP)*

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