



Project Information Document/ Identification/Concept Stage (PID)

Concept Stage | Date Prepared/Updated: 17-Mar-2022 | Report No: PIDC257173



BASIC INFORMATION

A. Basic Project Data

Project ID	Parent Project ID (if any)	Environmental and Social Risk Classification	Project Name
P178272		Low	Chad: Promoting transparency and its social externalities in the extractive sector
Region	Country	Date PID Prepared	Estimated Date of Approval
AFRICA WEST	Chad	17-Mar-2022	
Financing Instrument	Borrower(s)	Implementing Agency	
Investment Project Financing	Republic of Chad	Ministere des Finances et du Budget	

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PROJECT FINANCING DATA (US\$, Millions)

SUMMARY

Total Project Cost	0.40
Total Financing	0.40
Financing Gap	0.00

DETAILS

Non-World Bank Group Financing

Trust Funds	0.40
Extractives Global Programmatic Support	0.40

B. Introduction and Context

Country Context

The extractive sector plays an important role in Chad’s economy and society. Historically, Chad’s principal mineral resource was natron (a complex sodium carbonate), which is dug up in the Lake Chad and Borkou areas and is used as salt and in the preparation of soap and medicines. There are deposits of gold located in various parts of Chad, including those mined in the southwestern part of the country. Other mineral deposits include uranium, titanium, and bauxite. The discovery of oil in the Doba basin (South of N’Djamena) led to



further exploration and development, and in 2003 Chad began producing oil, which quickly became the country's most important resource and export, raising hopes that the revenues generated would improve the country's economic situation. However, over a decade of reliance on oil has somewhat reduced incentives to diversify the economy and promote competitiveness, leaving the country more vulnerable to exogenous shocks. Oil revenue volatility has been a major determinant of the country's negative growth dynamic in recent years, and it has led to the adoption of painful fiscal consolidation programs.

Many factors affect Chad's ability to improve the benefits derived from the exploitation of its non-renewable resources. Some of these factors are exogenous such as commodity prices and the cost of equipment and material. Other are internal, such as efficiency gains, attractiveness to investors, and good governance. A growing body of empirical research points at the positive relationship between transparency, fiscal sustainability and equality, with a stronger correlation among low and middle-income countries. Since 2014 Chad has embarked in the reform of its governance systems to improve the transparency of public finance and open access to information. These principles are reflected in Law n° 018/PR/2016 on the code of transparency and good governance in public finance management. However, Chad's performance on selected indicators of transparency, accountability, and corruption is below that of peers in the Sahel region and SSA. The importance of building more inclusive, transparent, and accountable institutions has been recognized by the Government of Chad in the National Development Plan 2017–2021 as means to strengthen the citizens' trust and achieve a more sustainable and inclusive development model.

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Sectoral and Institutional Context

Chad became Extractive Industry Transparency Initiative (EITI) compliant in October 2014. EITI is one of the most widely adopted interventions aimed at improving knowledge of income distribution in the extractive sector around the world. Since the start of oil development in 2003, the EITI National Coordination has overseen the production of oil revenue reconciliation reports from 2007 to 2016. Major progress has been made in recent years in terms of transparency in the management of the extractive sector. These include the publication of all oil contracts and mini cadaster, the publication of the quarterly oil sector note by the Chadian Observatory of Public Finance (OTFiP) and the adoption of Decree No. 1838 On the Policy of Publication of Information on Extractive Industries in Chad. With regard to the use of petroleum revenues, the Ministry of Finance and Budget through the Directorate General of Information Technology and Budget Services produces a quarterly report on budget implementation, which is published on the Ministry's website.

Despite major advances in the publication of data and information on the extractive sector (particularly on the oil sector), the low level of internet penetration hinders EITI and government efforts to disseminate such data and information to the general public. The lack of financial resources for printing, the organization of workshops, the implementation of outreach campaigns (including by promoting industry transparency through social media) compounds the difficulty.



This project aims to address these issues by improving the dissemination of information and data on the extractive sector and the use of revenues derived from the exploitation of extractive resources with a focus on social and women's empowerment expenditure. The project will also contribute to raising awareness among CSOs/NGOs and the media on data and analyses related the extractive sector, as well as advocating for better performance of women's social and empowerment spending.

Relationship to CPF

The proposed project is aligned with the Country Partnership Framework (CPF) for FY16-20, which was extended to 2022, and complements on-going technical assistance and budget support operations. The CPF, is based on three engagement themes: (i) strengthening fiscal management; (ii) improving the returns to agriculture and developing agricultural value chains; and (iii) building the stock of human capital and reducing socioeconomic vulnerability. The proposed project is firmly aligned with the CPF's first pillar and is also complementary to the measures and activities identified in pillar II of the Economic Recovery and Resilience Policy Development Operation series (P163424 and P168606), and component B of the Domestic Resources Mobilization and Management Project (P164529).

The World Bank has been supporting the implementation of measures designed to mainstream extractive industry transparency into public finance reporting under P168666, which was financed by an EGPS grant that completed its activities at the end of April 2021. The proposed project builds on the achievements of P168666, and further expand the scope of public disclosure to include social spending, women empowerment and climate change impacts of extractives.

Strengthening inclusive and transparent governance is also a central theme of the SCD under preparation, which will serve as essential input for the preparation of the 2022-2026 CPF.

C. Project Development Objective(s)

Proposed Development Objective(s)

The project's development objective is to promote transparency in the extractive sector and awareness of its social externalities.

Key Results

1. Detailed information on extractive sector's activity and its social and environmental implication are available to the general public
2. CSOs and NGOs are actively involved in dissemination of information and analyses of data related to the extractive sector.



D. Preliminary Description

Activities/Components

Component A. Data Collection and Analysis (\$180,000).

A.1. Collecting data (\$100,000). This activity will finance the establishment of a databank and the collection of data and documents on the extractive sector, including on social expenditure, women's empowerment expenditure, and the climate impact of/on extractive activities. In addition to the oil sector, the data collection will cover other minerals such as gold, which are currently being explored and for which production is expected to begin soon. This will also include natron, which is supporting communities' livelihood around Lake Chad, and artisanal mining. Data will be collected from key players in the sector (oil and mining ministries, SONAMIG, SHT, private sector oil and mining companies, industry associations, etc.).

A.2. Preparing quarterly notes on the extractive sector and decarbonization expenditure (\$80,000). This activity will finance the preparation of 8 quarterly budget implementation reports that will highlight extractive revenue and expenditure associated with the extractive sector. The notes will cover the period from April 2022 to March 2024, and include revenue from exploration and production, as well as licensing rounds and license awards, social and women's empowerment expenditures, as well as the climate impact of extractives and expenditure to support the transition to low-carbon economy.

Component B. Training and dissemination (\$180,000).

B.1. Involving and educating stakeholders (\$60,000). This activity aims to strengthen the capacity of CSOs/NGOs and the media to understand key data related to Chad's extractive sector. It will support training of CSOs/NGOs and the media on the analysis and processing of information on the extractive sector, as well as advocacy on social spending and in relation to women's empowerment.

B.2. Making information accessible to the local audience (\$70,000). Since Chad joined the EITI data availability on the extractive sector has been steadily improving. However, such data focuses primarily on financial transparency, is complex and geared to a global audience, omitting information on local impacts and non-financial factors. This activity will finance the preparation of thematic videos on the extractive sector, including social and women's empowerment expenditure, and expenditure to support the transition to low-carbon economy. Short information videos will be produced to facilitate the dissemination of complex topics related to the extractive sector and spending of oil resources for social and women's empowerment programs. The successful implementation of this project component will support the future dissemination of documents and activities of the Ministry of Finance and Budget through short information video clips in the two main languages of the country (French and Arabic).

B.3. Leveraging digital platforms to increase dissemination (\$50,000). This activity will include dissemination through internet and digital platforms, as well as the organization of workshops and stakeholders' forums. The OTFiP website (www.observatoire.td) and the Associated Facebook and Twitter pages will also be used to promote the dissemination of information and material on the extractive sector. A promotional campaign



will be carried on widely used and easily accessible social networks to increase awareness and stakeholders' use of dissemination material and outlets.

Component C. Project management (\$40,000).

This component will finance incremental administrative costs to be incurred by the Project Implementation Unit to undertake project activities, including project audits and the project launch workshop.

An additional \$50,000 will be provided by the Government as parallel financing, to support the implementation of project activities, including compensation of civil servants associated with the project.

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Environmental and Social Standards Relevance

E. Relevant Standards

ESS Standards		Relevance
ESS 1	Assessment and Management of Environmental and Social Risks and Impacts	Relevant
ESS 10	Stakeholder Engagement and Information Disclosure	Relevant
ESS 2	Labor and Working Conditions	Relevant
ESS 3	Resource Efficiency and Pollution Prevention and Management	Not Currently Relevant
ESS 4	Community Health and Safety	Not Currently Relevant
ESS 5	Land Acquisition, Restrictions on Land Use and Involuntary Resettlement	Not Currently Relevant
ESS 6	Biodiversity Conservation and Sustainable Management of Living Natural Resources	Not Currently Relevant
ESS 7	Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities	Not Currently Relevant
ESS 8	Cultural Heritage	Not Currently Relevant
ESS 9	Financial Intermediaries	Not Currently Relevant

Legal Operational Policies

Safeguard Policies	Triggered	Explanation (Optional)
Projects on International Waterways OP 7.50	No	
Projects in Disputed Areas OP 7.60	No	



Summary of Screening of Environmental and Social Risks and Impacts

This project promote transparency and inclusive stakeholder participation. No direct extractive activities are expected to be financed by the project. Data collection, training, realization and dissemination of report and communication supports are the main activities of this project. The environmental and social risks are rated as Low.

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Borrower/Client/Recipient

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