The Chad-Cameroon Pipeline Project

... A failed attempt to beat the Resource Curse

Master’s Thesis

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Abstract

The thesis is a single case study of the World Bank’s oil extraction project in Chad called the Chad Cameroon Pipeline Project (CCPP). The Project was launched for Chad to export their oil. However, according to the Resource Curse theory, natural resource abundance such as oil often leads to negative development outcomes. The theory presents a number of economic- and political- mechanisms that link oil abundance to negative development outcomes. These are, inappropriate management of government finances; corruption; anti-democratic structures; and increased military pending. Therefore, the CCPP also had an objective to avoid these Mechanisms from materializing in Chad. It did so by trying to change the government policy in Chad so that the oil revenues would be directed in a developmental direction.

However, the policies designed to avoid the Resource Curse did not work in Chad and the World Bank withdrew from the project. The objective of the thesis is to analyze why the project failed to avoid these mechanisms of the Resource Curse from materializing in Chad by addressing the research question, Why did the CCPP fail as a medium for avoiding the Resource Curse in Chad?

To answer this question the thesis turns to African State Development theory that can inform the Resource Curse theory and explain the institutional reasons for why the CCPP failed to avoid it. In the analysis it is assessed how the Resource Curse policy recommendations were followed. Next it is analyzed to what extent the efforts to avoid each of the mechanisms of the Resource Curse failed. Last, the failure to avoid each of the mechanisms is analyzed from an African State Development theory point of view. This will give institutional explanations for why the mechanisms were not avoided. The findings thereby give institutional reasons for why the CCPP failed and at the same time they also inform the Resource Curse of why its policy recommendations were not suitable for the Chadian context.

The conclusions of the thesis show how African State Development theory has informed the Resource Curse theory and its practitioners of why the policy recommendations were not successfully implemented in the Chadian context. It is found that specific Chadian institutional characteristics counteracted the effectiveness of the CCPP to avoid the mechanisms of the Resource Curse. For each of the mechanisms it is thus found that Chadian institutions worked against the policy recommendations suggested to avoid them.

First, the economic mechanisms were not avoided by the policy recommendations of keeping oil revenues abroad in various savings funds. This proved to be impossible since the government
depends on access to all state revenues and thus did all it could to gain leverage over the oil
revenues. The African State Development theory characteristics privatization of power and the
shadow state, which explains that power and influence must be bought, explains this. Second, the
corruption mechanisms was not avoided due to the fact that the political elite of Chad depends
on corruption as a means through which they conduct politics when trading in influence. This is
also explained by the institutional characteristics of privatization of power and the shadow state.
Third, the anti-democracy mechanism was not avoided because colonial and post-colonial
legacies such as the use of violence as means to exercise power by the government has
characterized Chadian rule since colonization. Furthermore, the democratic link of accountability
between the government and the population, which oil is believed to weaken, has never been
strong in Chad. This is also explained by institutional characteristics deriving from the history of
Chadian state building such as lacking de facto structures like national feeling. Furthermore,
politics in Chad have always been of an elite character where taxes for instance are used to
oppress the population rather than creating accountability links between the government and the
people. This made efforts to strengthen this link in order to avoid the anti-democracy
mechanisms meaningless since the political elite has no interest in the development of such a
link. Last, with regards to the military spending mechanism this was not avoided due to the
regional character of the ongoing conflict between Chad and its neighbouring countries. This
conflict calls for a constant military dependence, which will not disappear before the root causes
of the conflict are addressed. According to African State Development theory the root causes for
the conflict is to be found in the colonial legacy of weak borders that are difficult to control and
the lack of de facto structures such as national feeling. These characteristics create inviting
structures for rebel groups as they can get support from other countries and easily attract fighters
with no cultural affiliation to their own government.
The policy recommendations did thus not work as expected in the Chadian context because they
were counteracted by institutional characteristics as suggested by African State Development
theory. Therefore, Resource Curse was fulfilled and the oil is now playing a role of exacerbating
the already existing development impeding structures that prevailed in Chad long before the
introduction of the CCPP.
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List of Acronyms

bpd – barrels per day

CAR - Central African Republic

CCPP Chad Cameroon Pipeline Project

CCSRP - Collège de Contrôle et de Surveillance des Ressources Pétrolières

CTNSC - Comité Technique National de Suivi et de Contrôle

ECMG - The External Compliance Monitoring Group

FGF - Future Generations Fund

GDP – Gross Domestic Product

IAG – International Advisory Group

IBRD - International Bank of Reconstruction and Development
1. Introduction

African countries that are rich in natural resources have often suffered from what has been termed the ‘Resource Curse’ whereby they find themselves worse off than their resource poor neighboring countries. The Resource Curse refers to the paradox that countries that are rich in natural resources tend to suffer from a number of economic and political causal mechanisms. These mechanisms link natural resource abundance to negative development outcomes. Examples of such mechanisms are inappropriate management of government finances; corruption; anti-democratic structures; and increased military spending. Therefore, it has become common knowledge that being rich in natural resources is not necessarily a positive thing for developing countries.

However, in spite of this knowledge the World Bank had a firm belief that the Resource Curse could be avoided so that resource extraction could be development enhancing. Therefore, in the late 1990s, the Bank launched a project in order to avoid the Resource Curse from materializing in Chad called the Chad-Cameroon Pipeline Project (CCPP). As the name implies the CCPP entailed the building of a pipeline for the transportation of oil from Chad to the coast of Cameroon wherefrom it could reach world markets. Apart from this the project also entailed a number of initiatives put in place in order to avoid the economic and political mechanisms of the Resource Curse. The idea behind the CCPP was therefore to change Chadian government policy

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1 Kojucharov 2007:479
2 The CCPP was launched in cooperation with an oil consortium consisting of three private oil firms and the governments from the two countries Chad and Cameroon - Eriksson & Hagströmer 2005:57 and Pegg 2005:7
3 Kojucharov 2007:481
4 This had not been possible before due to Chad’s geographic position as a landlocked country.
according to the Resource Curse policy recommendations in order to avoid the negative economic and political mechanisms from materializing.\textsuperscript{5} Therefore, according to the World Bank, the investment in the extraction of oil would be beneficial for Chad as reflected in their statement on the CCPP, \textit{“The exploitation of oil is a major new opportunity to accelerate development in one of the world’s poorest countries.”}.\textsuperscript{6}

However, the policies designed to avoid the Resource Curse did not work in Chad and the World Bank withdrew from the project in 2008.\textsuperscript{7} Today the CCPP is viewed as a failure; the exploitation of oil in Chad has increased corruption levels; deteriorated the quality of democracy in the country; allowed for an increasing military spending by the government and has thus led to an increasing popular mistrust in the government.\textsuperscript{8}

The puzzle is thus why the attempt to avoid the Resource Curse failed in spite of the efforts to follow its policy recommendations. This is what this thesis will look at by posing the following research question,

\textit{Why did the CCPP fail as a medium for avoiding the Resource Curse in Chad?}

This thesis is not the first attempt to explain the reasons for the failure of the CCPP. Overall the project has received a vast amount of criticism - not least of the World Bank’s management of it. What these various criticisms suggest is that the project failed due to institutional weaknesses in Chad and a lacking understanding of these by the World Bank.\textsuperscript{9} This focus on the importance of institutions\textsuperscript{10} is also to an increasing extent to be found amongst Resource Curse scholars. They agree that institutions matter, as they are often the intervening variable, which will determine the developmental outcomes for resource abundant countries.\textsuperscript{11} There is thus, amongst CCPP critics and researchers, a consensus saying that natural resource abundance is not the only

\begin{footnotesize}
\textsuperscript{5} Pegg 2005:1 and Gary & Karl 2003:60
\textsuperscript{6} World Bank 2002 – on the CCPP in Gary & Karl 2003:60
\textsuperscript{7} World Bank 2008
\textsuperscript{8} International Crisis Group 2009:1
\textsuperscript{9} See Pegg 2005 and Kojucharov 2007 and Gary & Karl 2003
\textsuperscript{10} In this thesis ‘institutions’ should be understood in a broad sense encompassing all of the underlying reasons or “rules” behind all kinds of human exchange. Therefore, Douglas North’s definition of institutions is applied, “Institutions are the rule of the game in a society, or more formally, are the humanly devised constraints that shape human interaction. In consequence they structure incentives in human exchange, whether political, social or economic.” - North 1990:3
\textsuperscript{11} Jones 2008:14-15
\end{footnotesize}
reason for negative development outcomes but that institutions are also important for how the resource revenues will affect a country.\textsuperscript{12} This thesis will look deeper into the specific institutional characteristics that led to negative developmental outcomes for Chad in spite of the efforts by the World Bank to change Chadian government policy and follow Resource Curse policy recommendations. Thereby it will not stop the discussion of the reasons for the failure of the CCPP by simply concluding that institutions do play an important role for the development outcomes in Chad. This is because, other than stating that institutions play a vital role for how natural resources are managed, the criticisms of the CCPP and the Resource Curse theory offer limited insights to the specifics of institutions in Chad.

With this aim of better comprehending the specific institutional explanations for why the CCPP failed in avoiding the Resource Curse in Chad it is imperative to turn to other strands of theory. These must complement the Resource Curse literature by giving insights to the specific character of Chadian institutions. For this purpose this thesis turns to African State Development theory\textsuperscript{13}. Apart from describing the history and development of Sub-Saharan African states it also gives insights into specific institutional characteristics in Chad. These institutional characteristics can fill the gaps of the Resource Curse theory and give insights to why the World Bank’s attempt to avoid the Resource Curse through government policy in Chad failed.

In the analysis it will first be assessed how the Resource Curse policy recommendations were followed. Next it will be analyzed to what extent the efforts to avoid each of the mechanisms of the Resource Curse failed. Finally, the failure to avoid each of the mechanisms will be analyzed from an African State Development theory point of view. This will give institutional explanations for why the mechanisms were not avoided. The findings thereby give institutional reasons for why the CCPP failed and at the same time they also inform the Resource Curse of why its policy recommendations were not suitable for the Chadian context.

\textsuperscript{12} Jones 2008:19

\textsuperscript{13} In spite of its name African State Development theory does not cover the entire African continent, i.e. Northern African countries such as Marko and Egypt are not covered by the theory. Therefore in this thesis ‘Africa’ should be understood as the African countries south of Sahara.
1.1 Structure of the Thesis

The thesis contains a methodology section, two theory reviews, a description of the CCPP and the analysis. The thesis ends with a conclusion seeking to answer the research question followed by a perspective. The structure is schematically outlined on the following page 7 and will be presented in the following. First, the chapter Methodology will describe and evaluate the methodological approach to the research problem of the thesis. It thus serves the purpose of positioning the research and validating the data applied in the analysis. Two chapters reviewing the theories applied in the analysis follow the methodology chapter. The first one, Theory I – Resource Curse theory review, describes the Resource Curse theory and its economic and political causal mechanisms linking natural resource abundance to negative development outcomes. At the end of the chapter there is a section called the The Resource Curse and the Importance of Institutions. It is devoted to the explanation of how institutions to an increasing extent have been perceived as an intervening variable determining the developmental outcomes for resource rich countries. This thus opens up for contributions from the following chapter Theory II – African State Development theory review. This chapter aims at describing the history and the development of the African state. In addition to this it also describes and explains a number of the most important institutional characteristics of African states. These descriptions and institutional characteristics help fill the gaps of the Resource Curse theory by giving insights into why the World Bank’s attempt to avoid it through government policy in Chad failed.

The chapter following the two theory reviews, Description and History of the CCPP, tries to give an overall presentation of the CCPP in order to give an indication of the scope of the project; the role played by the various partners involved; together with a brief outline of the history of events. This is followed by the chapter Analysis, which will be structured by use of the economic and political mechanisms described in the Resource Curse theory review chapter. For each of the mechanisms (economic mechanisms; the corruption mechanism; anti-democracy mechanism; and increased military spending mechanism) it will firstly be described which Resource Curse policy recommendations the World Bank adhered to in order to avoid it. Next it will be analysed to what extent this failed to generate developmental gain. Finally, the failure to avoid each of the mechanisms will be analyzed from an African State Development theory point of view. This will give institutional explanations for why the mechanisms were not avoided.
Research Question, Why did the CCPP fail as a medium for avoiding the Resource Curse in Chad?

Theoretical Framework

Resource Curse:
- Presents a list of Mechanisms linking oil to negative development outcomes
- Offers policy recommendations to avoid these negative mechanisms
- It has gaps: Lacks focus on specific institutional characteristics in Chad

African State Development theory:
- Talks about institutional development and institutional characteristics in Africa
- Helps to explain the underlying institutional causes for why the Resource Curse policy recommendations failed in Chad

The two strands of theory complement each other

Analysis

Economic Mechanisms:
1. Mitigation Tools: What did the CCPP do to avoid the economic mechanisms?
2. Outcomes
3. Causes: African State Development theory explanation for the failure to avoid the economic mechanisms

Political mechanism: Corruption:
1. Mitigation Tools: What did the CCPP do to avoid the corruption mechanism?
2. Outcomes
3. Causes: African State Development theory explanation for the failure to avoid the corruption mechanism

Political mechanism: anti-democracy:
1. Mitigation Tools: What did the CCPP do to avoid the anti-democracy mechanism?
2. Outcomes
3. Causes: African State Development theory explanation for the failure to avoid the anti-democracy mechanism

Political mechanism: increased military spending:
1. Mitigation Tools: What did the CCPP do to avoid military spending?
2. Outcomes
3. Causes: African State Development theory explanation for the failure to avoid military spending

Conclusion

Perspective
2. Methodology

This chapter will seek to explain and evaluate the choice of the methodology used to reach the conclusions and thus answer the research question. The chapter is supposed to give the reader an idea of the frame in which the thesis is written and thus inform him/her of the “rules” followed in order to reach the conclusions. It also seeks to shed light on the positive and negative consequences of the methodological decisions made. The chapter is organized as follows; first, A Case Study of the CCPP will describe how the case of the thesis will be dealt with. Second, Deductive Method will try to describe the deductive approach this thesis applies and its advantages and disadvantages. Third, Data Choice and Validation will outline the various data applied in the thesis together with an assessment of their validity. Fourth, Limitations will describe how and why the focus of the thesis has been chosen together with an assessment of the advantages and disadvantages that this implies. Fifth, Relevance will be an account of the relevance of the thesis in relation to the various actors involved in the CCPP.

2.1. A Single-Case Study of the CCPP

This thesis is a single-case study of the CCPP. Case studies both have advantages and disadvantages, which the researcher must be aware of when working with it. In the following it will be outlined how the case of the CCPP has been approached taking these advantages and disadvantages into consideration.

First, put in general terms, a case study can be characterized as an analytical tool to frame empirical borders within which the research is carried out. However, it is not suitable for generalization due to its one of a kind character. However a case study can be very useful in informing existing theory by either confirming, challenging or extending a well-formulated theory.\(^\text{14}\) “The single case can then be used to determine whether a theory’s propositions are correct or whether some alternative set of explanations might be more relevant”\(^\text{15}\). In the case of the CCPP the World Bank tried to avoid the Resource Curse by changing government policy in Chad and adhering to the Resource Curse policy recommendations. Theoretically this would have been possible, however empirically it turned out to be a failure. Therefore this thesis looks

\(^{14}\) Yin 2009:47 and Andersen 2003:153
\(^{15}\) Yin 2009:47
at the case of the CCPP in order to see in which way the Resource Curse theory can be informed in order for it to be applied more appropriately in the future.

A second point to be mentioned is that, in case studies, the contextual factors surrounding a phenomenon are always important to understand. This is because these are rarely distinguishable from the phenomenon itself:16 “A case study is an empirical inquiry that investigates a contemporary phenomenon in depth and within its real-life context, especially when the boundaries between phenomenon and context are not clearly evident”17. In the analysis of why the CCPP failed to avoid the Resource Curse in Chad, factors relating to the specific institutional conditions in Chad, as explained by African State Development theory, will be taken into account. These represent the contextual conditions of the case because they help to describe the underlying institutional causes for the failure of the project, which the Resource Curse lacks focus on.

When applying theory in a case study, as is done in this thesis it is important to be aware of the advantages and disadvantages of the methodological approach adhered to. This is what the following section will do when discussing the consequences of the deductive method adhered to.

2.2. Deductive Method

According to Robert Yin, both multiple and single case studies can generate knowledge from which one might generalize. According to him, what is of primary importance is to describe the case study as well as possible and from this draw conclusions in an inductive manner. Thereby you can create knowledge from which you might generalize.18 This thesis does not follow an inductive method as suggested by Yin. This is because it makes use of the already existing African State Development theory to explain the failure of the CCPP in a deductive manner. Consequently, this means that the thesis does not live entirely up to the criteria characterizing a case study stating that it has many explanatory variables.19 The reason for this is that the use of African State Development theory as an explanatory theory limits the number of explanatory variables for why the CCPP failed. This is because focus is restricted to the variables suggested by this specific African State Development theory. A consequence of this is that there might be

16 Yin 2009:18
17 Yin 2009:18
18 Andersen 2003:155 and Yin 1994
19 Yin 2009:18 and Andersen 2003:152
other explanations for why the CCPP failed than the ones concluded in this thesis. Consequently there is a risk that these will be overlooked due to the extensive focus on institutions and their specific empirical characteristics that the African State Development theory directs focus on.

However, there are two reasons why African State Development theory is applied. First, there are already a large number of studies criticizing the CCPP and suggesting different explanations for why the project failed. For the most part, these all adopt an inductive method since they do not use other theories to explain the failure of the CCPP. However, they also all point to the fact that institutions play an important role for the failure of it. This thesis does not seek to contest these studies and their conclusions. Rather it seeks to add to their findings by suggesting yet another explanation for why the project failed instead of just repeating already reached conclusions. It does so by introducing African State Development theory as explanatory theory for why the CCPP failed. This is because the existing literature points to the need to understand the specific nature and role played by Chadian institutions in the failure of the CCPP.

The second reason for using African State Development theory in explaining the failure of the CCPP is to be found in the Resource Curse theory itself. As will be elaborated on in section 3.9. The Resource Curse and the Importance of Institutions on page 21 the Resource Curse theory accepts that institutions seem to be an important variable deciding the developmental outcome for resource abundant countries. This focus on institutions by the Resource Curse literature itself is what also led the research to turn to African State Development theory scholars. This is because they offer very central points for the understanding and explanation of the characteristics of Chadian institutions.

In addition to the use of African State Development theory to describe the institutional Characteristics in Chad the thesis also draws on empirical findings to support the theoretical arguments put forward in the analysis. The data applied in the analysis will be evaluated in the following section on Data Choice, Validation and Triangulation

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21 See Pegg 2005 and Kojucharov 2007
22 The findings of these other studies will appear in various places in the analysis
23 Jones 2008:19
2.3. Data Choice, Validation and Triangulation

In this thesis African State Development theory is a strong explanatory element for why the CCPP failed. However, it is imperative to combine it with specific data on Chad supporting its arguments. This is being done constantly in the analysis where both reports on the CCPP and academic articles on the history and characteristics of Chadian institutions, written independently from CCPP, are being applied. This empirically supports the African State Development theory and thereby increases the validity of the conclusions reached.

Most of the data applied is of a secondary character. The empirical foundation relies on articles, both academic and newspaper articles; and reports, such as None Government Organization (NGO) and World Bank reports. There is thus no primary data included such as interviews or questionnaires. It would have been an advantage for the validity of the analysis and the richness of the empirical foundation to conduct one or more interviews with people with knowledge of Chad and/or the CCPP. Also World Bank employees and others working with the CCPP would have been relevant to talk to. However it was difficult to get a hold of people with such knowledge in Denmark and the economic resources did not allow me to go abroad to do this.

In compensation for this shortcoming it has been of constant concern throughout the research that the secondary data used such as analytical reports and articles of the CCPP were of a valid character. Making use of data triangulation has ensured the validity of the data applied. Thereby, the validity has been ensured either by checking the sources of the various statements and conclusions in the articles and rapports used or by not including dubious claims that have not been confirmed by other writers. This will also appear from the footnotes in the analysis where two or more sources are often listed in the same footnote.

The data used is mainly of a qualitative character such as descriptive and analytical rapports and articles. This is due to the primary focus on the political mechanisms of the Resource Curse and on institutional characteristics of Chad. This calls for qualitative understandings rather than quantitative proofs. Therefore, when applied, quantitative data is mostly used as support of qualitative arguments in the analysis.

2.4. Limitations

The focus of the thesis is on Chad as opposed to Cameroon, which was also a part of the CCPP. This is simply explained by the fact that including Cameroon would be far too extensive and the
single-case nature of the thesis would no longer apply. Furthermore, the thesis could have also included another African resource rich country such as Botswana as a comparative element. Botswana has succeeded in avoiding many of the negative mechanisms of the Resource Curse in their management of their diamond industry.\(^{24}\) Further insights to the reasons for Botswana’s success compared with Chad’s failure could have been interesting to include not least due to the fact that two-case designs often increases the validity of the conclusions.\(^{25}\) However, including Botswana would have been too broad for this thesis. Instead, the thesis keeps a tight focus on Chad where a profound understanding of the specific institutional causes of the failure of the CCPP have been prioritized over a more broad approach to the issue including other country cases.

With regards to the institutional focus of the thesis this is primarily of an empirical character rather than of a conceptual one. For instance African State Development theory does not have a deep focus on the institution as a concept. Rather it focuses its attention on a descriptive and historically grounded explanation for the empirical nature of African institutions. This approach has been taken due to the need to understand the specific Chadian institutional reactions to the policy recommendations given by the Resource Curse theory in order to change government policy.

Finally it should be mentioned that the thesis has excluded a focus on the environmental effects of the Resource Curse and the CCPP in Chad due to the vastness of this issue. It would simply have been too extensive to include and would have just resulted in a more shallow and broad analysis of the reason for the failure of the CCPP.

2.5. Relevance

This thesis deals with the CCPP as a development project carried out on an international level. It both includes multinational oil firms, the World Bank as an international organization, various NGOs from around the world and the governments of the two countries involved (Chad and Cameroon). With regards to its relevance to organizations and companies it can be pointed out that the conclusions should first and foremost be relevant for the World Bank and similar international development organizations. This is because they offer explanations for why the

\(^{24}\) See Sarraf 2001

\(^{25}\) Yin 2009:24
CCPP failed in spite of the adherence to the Resource Curse policy recommendations. Such information is relevant for the World Bank for future projects of the same kind. Moreover, the thesis should also be relevant for Resource Curse scholars and practitioners. The conclusions reached in this specific case of Chad can inform the Resource Curse theory of its problems when applied in the real world. Even though the relevance of the thesis is mostly directed towards the World Bank, Resource Curse practitioners and scholars companies, such as the oil firms operating in Chad and Africa more generally, could also find the conclusions of the thesis interesting and relevant. This is for instance the case for firms that work with the Resource Curse theory as part of their risk management or corporate social responsibility activities.

3. Theory I - Resource Curse Theory Review

When the World Bank launched the CCPP the Resource Curse theory played a very central role. The aim of the CCPP was to change the government policy in Chad according to the Resource Curse policy recommendations so that Chad’s oil riches would be development enhancing and poverty reducing. The following will be a review of the Resource Curse theory describing the development impeding political and economic mechanisms that it comprises together with the policy recommendations on how to avoid them. These were followed in the Revenue Management Program (RMP) of the CCPP as stated by Kojucharov, “the World Bank made a concerted effort to design a Revenue Management Program (RMP) that would combat each mechanism of the ‘resource curse’ and channel oil revenues to the most impoverished sectors of the population.” The chapter therefore traces the theoretical foundation from which the World Bank developed the mitigation tools in the CCPP in order to avoid the Resource Curse.

Before turning to the description of the various development impeding economic and political mechanisms, the historical development of the theory will be briefly outlined as an introduction. This is followed by a description of the economic mechanisms and the political mechanisms: corruption mechanism; anti-democracy mechanism; and increased military spending mechanism. At the end of the chapter there will be a section devoted to the explanation of the gaps of the Resource Curse theory concerning its limited insights to the specifics of institutions, their characteristics and how they affect the management of natural resource revenues in Chad.

26 Pegg 2005:1
27 Kojucharov 2007:481
28 Kojucharov 2007:477
3.1. Historical Development of the Resource Curse Theory – An Introduction

The Resource Curse theory describes what has also been known as the ‘paradox of plenty’, which is the puzzle of why a country that is rich in natural resources will often end up worse off than its natural-resource-poor counterparts.

In the late 1980s a number of scholars pointed to the fact that being rich in natural resources was not a blessing but rather a curse.\(^{29}\) It had become evident that there was a correlation between the abundance of certain natural resources such as oil and minerals and poor negative development outcomes.\(^{30}\) This point of view has been sustained until today and is perceived by most scholars and development organisations to be conventional wisdom.\(^{31}\) This is reflected in the fact that the World Bank had adopted a firm belief in this theory and its policy recommendations when launching the CCPP. Furthermore, the fact that the development of the theory lead to practice in the form of a project such as the CCPP also reflects a firm belief in the validity and applicability of the theory and its policy recommendations.\(^{32}\)

The Resource Curse has been described as a multidimensional phenomenon containing a number of different mechanisms that link natural resource endowments to negative economic, political and social outcomes. These mechanisms overlap and are often interlinked but roughly they can be divided into economic and political mechanisms. The following will be an outline of these two groups of mechanisms.

3.2. Economic Mechanisms of the Resource Curse

During the early stages of the development of the Resource Curse theory the economic mechanisms were the primary factors explaining the negative development outcomes for resource abundant countries.\(^{33}\) They all point to the fact that the management of natural resource revenues is an extremely challenging task for governments. The economic mechanisms played quite an important role in the CCPP where many of the policy recommendations suggested by the Resource Curse were applied. Four of the most important economic mechanisms and their appertaining policy recommendations will be outlined here; Dutch Disease; unstable commodity

\(^{29}\) Prior to the late 1980s there was a consensus pointing that natural resource endowments were development enhancing and could be vital for developing countries in their transit towards industrialisation - See Rostow, Walter 1961; Balassa, Bela (1980); Krueger, Anne (1980); and Drake, P. (1972) in Rosser 2006:7

\(^{30}\) Rosser 2006:7

\(^{31}\) Rosser 2006:7

\(^{32}\) Jones 2008:33

\(^{33}\) Rosser 2006:8 and Ross 1999
markets; increased foreign debt; and poor economic linkages between resource and non-resource sectors. The Chadian government was encouraged to follow the policy recommendations to avoid these four mechanisms by the World Bank.

The first economic mechanism to be mentioned is Dutch Disease. Dutch Disease has been used as a reference to describe the most well known economic downside to a resource boom. According to Michael Ross, Dutch Disease consists of two effects that in combination lead to a decline in the export of agricultural and manufactured goods and thus harm these sectors. The first effect is an appreciation of the real exchange rate due to the sharp rise in exports deriving from the booming resource sector. The second effect is a tendency of the resource sector to draw labour and capital away from other sectors such as manufacturing and agriculture and thereby raising their production costs. This leaves agriculture and manufacturing sectors in a declining and less competitive situation. This can have serious consequences since these sectors are characterised as being labour intensive as opposed to most resource sectors that are more capital intensive. Dutch Disease is difficult to avoid, especially in developing countries where sudden resource revenues are perceived as incomes that ought to be spent inside the country straight away. However, the only way to avoid currency appreciation is to do the exact opposite, namely, to keep the foreign exchange earned from the sudden resource exports out of the local economy. The trick is therefore to invest it elsewhere i.e. in other countries and bring it into the economy on a gradual basis in order for the population to adapt to changes in prices, output and income.

Another economic mechanism that has been written about for many years is the problem of fluctuating commodity prices or unstable commodity markets. The market prices for natural resources such as oil, gas and minerals are characterised as being more volatile than industrial goods and they leave countries trading these natural resources vulnerable to international price chocks. The fluctuating commodity prices make it very difficult for governments to plan ahead

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34 The term derives from the economic problems that the Netherlands experienced in the 1960s-'70s after the development of their big gas fields - Swanson 2002:15
35 Ross 1999:306
36 Nicolaj Kojucharov adds another angle to the problem of Dutch Disease by saying that when revenues from natural resources grow, the incomes in the economy will rise and so will the demand for local goods and services. This leads to an increase in prices of local goods and services and in cases where oil revenues are not evenly distributed the poor will suffer, as they cannot afford the rising living costs - Kojucharov 2007:479
37 Stiglitz 2004 and Kojucharov 2007:482
38 Kojucharov 2007:479
and make reliable budgets since revenue streams are never certain.\textsuperscript{39} The most common mitigation tool against this mechanism is to create natural resource funds such as stabilisation funds smoothing out fluctuations in the world price. Additionally, future generations funds (FGF) can be established to save parts of the resource revenues for future generations.\textsuperscript{40}

The third economic mechanism is increased foreign debt. Paradoxically, many resource exporters end up with large amounts of foreign debt in spite of their increasing income through the export of natural resources. Increased foreign debt in resource exporting countries relates to the problem of unstable commodity markets cf. the above. It occurs because governments tend to increase public spending when resource incomes are high. Then when international prices fall it creates budget deficits. This accumulates debt because of the governments’ difficulties at reducing public expenditures.\textsuperscript{41} This tendency is mostly seen in countries with weak institutions, weak political leadership and weak economic stabilisation mechanisms. Therefore it points to the importance of discipline in public spending and long-term economic management perspectives.\textsuperscript{42}

The fourth economic mechanism explains how natural resource abundance leads to poor economic linkages between resource and non-resource sectors. This mechanism occurs because natural resource endowments create little growth in other sectors of the economy. This derives from the fact that natural resource activities tend to be of an ‘enclave’ nature creating few linkages to other sectors of the economy such as manufacturing and the service sector.\textsuperscript{43} The daunting task is thus for governments to promote and foster linkages between the natural resource sector in question and other sectors of the economy. Therefore many policy recommendations suggest that the resource revenues be invested in sectors such as education and health care.\textsuperscript{44}

3.3. Conclusion

What the above description shows is that the economic mechanisms of the Resource Curse are challenging to overcome but that a number of policy recommendations should be followed in

\textsuperscript{39} Kojuscharov 2007:479
\textsuperscript{40} Tsalik 2003:10 \textit{and} Kojucharov 2007:482
\textsuperscript{41} Tsalik 2003:7-8 \textit{in} Eriksson & Hagströmer 2005:13
\textsuperscript{42} Eriksson & Hagströmer 2005:14
\textsuperscript{43} According to Hirschman (1958) this is worsened by the fact that Multinational Companies operating in natural resource industries tend to repatriate profits rather than reinvest them in the producing country - Hirschman 1958 \textit{in} Rosser 2006:14
\textsuperscript{44} Tsalik 2003 \textit{in} Eriksson & Hagströmer 2005:17
order to avoid them. It is thus advised to invest the resource revenues abroad and place them in stabilization funds and FGFs in order to avoid Dutch Disease, and the negative effects of the fluctuating commodity prices. Moreover, discipline in public spending and long term economic management is necessary in order to avoid increased foreign debt. Also the fostering of links to other sectors of the economy is imperative if wanting to avoid the mechanism of poor economic linkages between resource and none-resource sectors.

3.4. Political Mechanisms of the Resource Curse

A great deal of attention has been given to the political mechanisms of the Resource Curse in past years. It has to an increasing extent become apparent that the challenge of the Resource Curse lies in the political mechanisms, and therefore in how resource windfalls are managed and spent.\textsuperscript{45} This is reflected in the fact that the World Bank tried to avoid the Resource Curse by changing the government policy in Chad according to the Resource Curse policy recommendations.\textsuperscript{46} The following is a review of the most important political mechanisms and their appertaining policy recommendations, the corruption mechanism; the anti-democracy mechanism; and the increased military spending mechanism. They all have relevance for this thesis because they were fought against in the CCPP\textsuperscript{47}, which will also appear from the analysis.

3.5. Political Mechanism: Corruption

In their study from 1999, Leite and Weidmann contributed to the Resource Curse literature by arguing that part of the reason for the negative correlation between natural resource abundance and growth is to be found in corruption. This derived from a belief that natural resource abundance tends to create rent-seeking behaviour as reflected in the following citation, “\textit{Issues of corruption may be particularly relevant in the context of natural resource abundance, as natural resource exploration is an extremely high rent activity likely to foster rent-seeking behaviour}”.\textsuperscript{48} The conclusion of their study suggests that there is a strong indication that capital-intensive natural resources are a major determinant of corruption. Furthermore, the study suggests that rapid growth (which characterizes resource extraction) will always increase

\textsuperscript{45} Rosser 2006:14
\textsuperscript{46} Pegg 2005:1 and Gary & Karl 2003:60
\textsuperscript{47} Kojucharov 2007:481
\textsuperscript{48} Leite and Weidmann 1999:3
corruption and that corruption will always reduce growth but this latter effect is more pronounced in less developed economies.  

The most important policy recommendation given by the Resource Curse theory to avoid corruption is transparency and monitoring. Transparency gives the population access to information about the spending of the oil revenues and is thus a tool to hold politicians accountable for their actions. Apart from transparency there are other suggestions to how to mitigate against high corruption levels. Lite and Weidmann’s research points to the importance of strong state institutions, “both our theoretical and empirical results stress the importance of strong (or at least strengthened) institutions in the wake of natural resource discoveries as a way to curb the associated negative growth effects of corruption.” This indicates that institution building is also important for reversing the corruption mechanism.

3.6. Political Mechanism: Anti-Democracy Mechanism

In his study on the anti-democratic effects of oil from 2001 Ross concludes that there are strong indications of the validity of the oil-impedes-democracy thesis. He presents three effects or different causal mechanisms that each explains the correlation between oil exports and authoritarian rule, the rentier effect; the repression effect; and the modernization effect. The rentier effect argues that natural resources dampens democratic effects because governments in oil rich countries are able to use government spending and low taxes to reduce potential pressures for democracy. The second mechanism explaining the correlation between oil exports and authoritarian rule is the repression effect. This effect describes how oil wealth allows governments to spend more on internal security and block the population’s demands for democracy. The last mechanism suggested by Ross is the modernization effect. This effect is not a political one but rather it is a social mechanism. The central claim suggests that oil prevents the social and cultural changes, such as rising educational levels and rising occupational

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49 Leite and Wiedmann 1999:30-31  
50 Tsalik 2003 in Eriksson & Hagströmer 2005:18  
51 Leite and Weidmann 1999:31  
52 Ross 2001b  
53 Ross 2001b:332  
54 Rosser 2006:20  
55 Rosser 2006:20
specialization that facilitate democratization.\textsuperscript{56} Since oil represents a ‘free’ income for which there is no need to work it prevents such modernizing developments form taking place. Therefore the workings of the modernizing effect underlines that wealth alone does not create democracy.\textsuperscript{57}

With regards to mitigation tools in order to avoid these three effects the fostering of links of accountability between the government and the population is advisable. Moreover the encouragement of investment in development enhancing sectors of the society such as education are advisable together with refraining from spending the oil revenues on internal security such as military spending, which could foster the repression effect. With regards to the modernization effect this should be avoided by ensuring that the economic development generates the cultural and social changes needed for a country to develop in a modernizing and democratic direction.\textsuperscript{58}

3.7. Political Mechanisms: Increased Military Spending

As already touched upon in the above, one of the political mechanisms that also derives from natural resource abundance increased military spending. According to Gary & Karl and Le Billon, governments in oil rich states rely to an increasing extent on repression in order to maintain their position due to the fact that petrodollars fail to keep pace with demands from the population.\textsuperscript{59} Therefore, oil dependence is often associated with militarization.\textsuperscript{60} One of the reasons behind this behaviour is pure self-interest of the government. Another reason relates to the fact that increased spending on internal security derives from the conflicts and civil war that oil incomes are often strongly associated with.\textsuperscript{61} The following will be a brief outline of the reason for this tendency that natural resources have to create conflict and foster civil wars. It is important for this thesis since it relates to the increased military spending that took place in Chad after the CCPP. This will be elaborated on in the analysis.

\textsuperscript{56} i.e. by making the population better equipped to organize themselves, communicate, think more critically and enforce the bargaining power vis-à-vis the government. - Ross: 2001b:336-337
\textsuperscript{57} Ross: 2001b:336-337
\textsuperscript{58} Ross 2001b:336
\textsuperscript{59} Le Billon 2003:16 and Gary & Karl 2003:23
\textsuperscript{60} Swanson points to the fact that increased military spending also derive from the fact that governments seek to protect the oil companies in the country in order to guarantee that the oil producing companies will remain in the country. - Swanson 2002:17-18
\textsuperscript{61} Ross 2001b:335-336
Civil wars are a result of a number of effects that link natural resource abundance to the triggering, prolonging and financing of civil conflicts.\textsuperscript{62} Two of the most prominent arguments for the correlation between natural resource abundance and civil war are greed and grievances. The grievances thesis points to the problem of an unsatisfied population as mentioned above. It thus states that civil wars occur because the economic instability often associated with oil production tends to create political instability and frustration. This is due to the unfair distribution of the oil incomes, the loss of jobs and general uncertainty. This, in turn, makes the population more prone to be recruited by rebel armies fighting the power-holders\textsuperscript{63}.\textsuperscript{64} Therefore in order to avoid increased military spending to be used to fight an unsatisfied population with grievances, a fair distribution of oil revenues are of vital importance.

In contrast to the grievances thesis for why oil abundance leads to civil war there is the greed thesis. This suggests that the link between civil war and natural resource abundance is to be found in the economic possibilities and incentives that rebel movements are presented with. This is due to their access to the natural resources in question. Collier and Hoeffler’s conclusions from their 2000 study suggest that greed plays a much more important role than grievances, ”\textit{We test a ‘greed’ theory focusing on the ability to finance rebellion, against a ‘grievance’ theory focusing on ethnic and religious divisions, political repression and inequality. We find that greed considerably outperforms grievance”}\textsuperscript{65} According to Collier, civil war is thus more likely to occur in natural resource-rich states because the presence of natural resources offer more inviting economic prospects for rebellion\textsuperscript{66} as they represent a potential source of funding for the rebellion such as buying arms and recruiting soldiers\textsuperscript{67} This greed effect points to the importance of distributing oil revenues in a way so that the incentives for rebel movements to fight the government will be diminished. One way of doing this is by ensuring that (potential) rebels also get access to the oil revenues for instance by distributing certain percentages to the producing region.\textsuperscript{68}

\begin{itemize}
\item \textsuperscript{62} Rosser 2006:9 and Ross 2003:17
\item \textsuperscript{63} Ross 2008
\item \textsuperscript{64} These grievances can stem from the unequal distribution of incomes; lack of political rights; and ethnic or religious divisions but they can also stem more directly from the exploitation of the natural resources such as environmental degradation; the lacking job creation; insufficient compensation of land expropriation; and labour migration - Rosser 2006:17
\item \textsuperscript{65} Collier & Hoeffler 2000 in Humphreys 2005:footnote 6 p. 510
\item \textsuperscript{66} Collier 2000:97
\item \textsuperscript{67} Rosser 2006:17
\item \textsuperscript{68} The greed vs. grievance view on the link between natural resources and conflict has been contested by researcher’s such as Humphreys who does not agree with the conclusion that greed is more important than grievance
\end{itemize}
Even though natural resources can be linked to civil wars it must be noted that natural resources alone do rarely create conflict; there are many underlying reasons for why the conflicts in resource rich states occur. Nevertheless, natural resources such as oil are often linked to conflict. This is because they often exacerbate pre-existing tensions because they provide governments and their opponents the funds to keep fighting which thus explains why the military budget tends to increase in resource abundant countries.69

3.8. Conclusion

The above summary of the political mechanisms shows that in order to avoid these, governments of resource abundant countries must follow some recommendations. First, in order to avoid corruption, transparency and institution building are of importance. With regards to the anti-democracy mechanism the link between natural resource abundance and authoritarian rule can be described with three effects, the repression effect, the rentier effect and the modernization effect. These must be avoided by fostering links between the government and the population and by investing resource revenues in modernizing and development enhancing sectors such as health and education. Last it is advisable to not spend resource revenues on the military since this could help foster the repression effect. The increased military spending mechanism often occurs due to either greed or grievances amongst rebel groups and the population in general. Therefore, it is advisable to distribute resource revenues in a fair manner, which considers as many actors as possible. i.e. by distributing some of the revenues directly to the producing region in stead of spending them on military equipment and internal security.

3.9. The Resource Curse and the Importance of Institutions

The failure to avoid the Resource Curse despite the fact that the Chadian government initially agreed to follow the CCPP framework with Resource Curse policy recommendations indicates that there are other reasons behind the negative development outcomes than what the Resource

69 Ross 2008
Curse describes. One of the main factors that seem to be of importance for the developmental outcomes of resource abundant countries is the character of their institutions. Together with the increasing focus on political mechanisms, institutions have also been given an increasing amount of attention in past years in the Resource Curse theory. This also appears from some of the mechanisms described above where, for instance, it has been noted that many of the economic mechanisms are mostly seen in countries with weak institutions and weak political leadership.70

The same can be said about the corruption mechanism where, it was noted that there is a need for strong institutions in order to avoid corruption.71

In support of this argument for the importance of institutions is the case of Norway. In spite of its oil richness it has not been a victim of the Resource Curse due to its tradition of government transparency and accountability.72 This indicates that the quality of a country’s institutions is the intervening variable that will determine whether natural resource wealth will lead to negative or positive development outcomes.73

Sam Jones takes this argument further in his critique of the Resource Curse theory. Here he indicates that underlying structures are the root causes behind the Resource Curse and that natural resources only play a role of exacerbating them as reflected in the following citation, “Applying the classic argument of the second best, one notes that if the core problem is an absence of robust institutions before discovering natural resources, then a first best solution is to identify and tackle the root causes of these weaknesses.”74 Jones therefore points to the importance of understanding natural resources in the context of other factors shaping institutions.75

This increasing focus on institutions and their characteristics is important for this thesis because it can help explain why the CCPP failed in spite of its efforts to follow the Resource Curse policy recommendations. The Resource Curse theory, however, does not give insights to specific institutional characteristics of Chad or any other country and therefore it does not take into account to what extent its policy recommendations are at all viable and possible to implement in a concrete Chadian context. Therefore, there is need for some other theories to complement and

70 Davis et al. 2003 in Rosser 2007:24 and Eriksson & Hagström 2005:14
71 Leite and Weidmann 1999:31
72 Davis et al. 2003 in Rosser 2007:24
74 Jones, 2008:19. In support of this argument Jones points to the fact that other kinds of government rents such as aid and import duties have similar effects as natural resources - Jones 2008:19
75 Jones 2008:19

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inform the Resource Curse theory in order to answer the research question. This is where African State Development theory comes into the picture. It will be used in the attempt to describe the specific Chadian institutional characteristics, which might explain the institutional causes for the failure to avoid the Resource Curse in Chad. The following theory chapter will be a review of this African State Development theory.

3.10. Conclusion

Even though the Resource Curse theory describing the workings behind the ‘paradox of plenty’ is not “bulletproof” it has become a widely accepted theory. This is reflected in the adoption of it by international organisations such as the World Bank.

The economic mechanisms behind the Resource Curse all call for serious efforts in the management of natural resource revenues, as this is a very challenging task. Governments in resource rich countries must thus be capable of avoiding rising exchange rates; manage the fluctuating commodity prices; promote the fostering of linkages to other sectors of the economy; and adopt long term economic perspectives as opposed to borrowing against future oil incomes and thereby increase the countries’ foreign debt.

The focus on the economic mechanisms have increasingly been left aside by Resource Curse scholars who have become more occupied with the political mechanisms such as corruption, anti-democracy effects and increased military pending. This is due to the recognition that the management of natural resources and thus government policies is important for the development outcomes of resource abundant countries. This was not least reflected in the World Bank’s efforts to avoid these mechanisms by adhering to the Resource Curse policy recommendations in the CCPP.

However, in spite of the various policy recommendations for how to avoid both the economic and political mechanisms, the Resource Curse theory has also to an increasing extent realised that the nature of a country’s institutions is of paramount importance for how its natural resource revenues will affect its development. This is supported by the fact that a country like Norway, as mentioned before, has never been affected by the negative consequences of oil abundance. But apart from stating that institutions matter the literature offers limited insights to the specific institutional characteristics of Chad or any other country. As a consequence it does not take into account to what extent its policy recommendations are at all viable and possible to implement in a Chadian context. Therefore, in order to answer the research question the thesis will turn to
African State Development theory so that it can fill the gap of the Resource Curse concerning the understanding of specific institutional characteristics of Chad and their consequence for its development as an oil exporter.


As the above section on the Resource Curse has shown there is a need to comprehensively understand the institutional characteristics of the Chadian society. These are important for the explanation of why the Resource Curse was not avoided through government policy in the CCPP as expected. This section presents the African State Development theory, which will be used to analyse these institutional root causes for the negative development outcomes in Chad in spite of the CCPP. The chapter will be structured as follows: First the history of the African state will be outlined because it holds a lot of essential information for a deeper understanding of the characteristics of the African State today. A section describing some of the most important characteristics of African by also drawing on the history of the African state follows this. Together these theoretical findings will be used in the analysis to help answer the research question of why the CCPP failed.

4.1 History of the African State

When studying the development of the African state one of the first things that come to mind is the big difference that exists between the nature of African and European state building. The following will be an account of the history of African state building from pre-colonial times to the time around and after independence.

4.1.1 The Pre-Colonial African State

What characterized the African state prior to colonization is that there was a very different understanding of the concept of power compared to that of Europe at the time. The continent was characterized by having vast amounts of open land and very low population densities. Therefore power was not synonymous with the control over land, as this was a plentiful resource of low value. In stead the most valuable resource was people and control over people was perceived as

76 Herbst 2000
reflecting more power than the control over land.77 Already, this approach to power differs from the conventional European wisdom, which assumes that full territorial control is the ultimate symbol of power. Therefore it is a misperception saying that pre-colonial Africa had neither states nor state systems just because the European model was not followed. 78

This non-territorial nature of power meant that there was no need for borders, as they would have no role to play in such an environment. The way power was exercised was through a concept of overlapping sovereignty. This meant that one leader could own a certain territory while another owned the people living there.79 Concepts of possession and control were not synonymous nor were concepts of occupation and ownership.80 This was reflected in the Ashanti culture where, according to Jefferey Herbst, “rights of sovereignty were regarded as distinguishable from the exercise of authority”81

This approach to sovereignty created very dynamic state structures where sovereignty and power over people and territories were not something that was ensured by hard borders but rather power had to be earned and was often challenged.82 This is reflected in the fact that it was easy to exit from rulers by simply escaping their reach of power. This created the dynamic structures that characterized Africa as described by Herbst, “…states rose and fell, expanded and contracted, largely in relation to the amount of coercion they were able to broadcast from the center”83. The fact that the option of exit was so widely used is also reflected in the fact that territorial competition was a very rare feature of the pre-colonial African state. This is the exact opposite to the case for Europe where territorial wars were the root causes of the creation of nation states.84 This sharing of authority and the dynamic concept of power also affected the international relations in pre-colonial Africa. Because there were no hard borders, interstate affairs were not always possible to distinct from domestic affairs since there was no defining line between the two.85

77 This was reflected in the widespread use of slavery - Herbst 2000:42-43
78 Herbst 2000:36-37
79 Herbst 2000:40
80 Herbst 2000:40-41
81 Herbst 2000:40
82 Bayart 1999:33 and Herbst 2000:136
83 Herbst 2000:52
84 Herbst 2000:38
85 Herbst 2000:55
4.1.2. Colonization

The colonization of Africa happened very fast and also quite late. The Berlin conference held in 1884-85 is seen as the starting point of European colonization of Africa. This was when the continent was divided between the Europeans by the drawing of borders in order for the colonizers to gain full territorial sovereignty. In many ways, however, the Europeans continued the long tradition of overlapping sovereignty and control that characterized pre-colonial Africa. The borders were not drawn in order to ensure full control over the territory, which was not at all the objective since control over the capital was the focus of attention. Therefore it can be said that the maps that were drawn did not reflect reality but helped create it.

Another characteristic of the colonial period is the high level of autonomy that the colonies had vis-à-vis the European metropoles. The capitals in Europe did not have a great interest in their African colonies and few white people could live under the hard conditions the continent offered. Therefore Africa was ruled by a relatively small number of European officials and the focus of attention was kept on the African capitals. All these conditions made it unnecessary to broadcast power to the sparsely populated areas far away from the capital. Herbst even writes that before 1945 many countries were not really altered by colonization outside of the capitals because large areas were not affected at all. Chad is an example of a country, which was not very affected by the European presence as is reflected in the citation by Decalo, “60 years of colonial rule did not effect any major changes in Chad”.

Even though large areas were not affected by European presence, colonization does have an importance for the way the African state developed. Many scholars have noted the weak nature of African borders and claimed that they have no real importance as has also been touched upon above. However, according to Herbst, this is not entirely true. The borders allowed the Europeans to operate without the fear of being attacked from external intruders and therefore allowed them to build administrative structures at a convenient pace, however, mainly in the capitals. These structures did not reach the hinterlands and were mainly build to serve European interests. In the hinterlands however, pre-colonial structures prevailed but treaties were signed with local chiefs and indigenous intermediaries in order for the Europeans to gain control over

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86 Bayart 1999:46 and Herbst 2000:80
87 Herbst 2000:78 and Decalo 1980a:31
88 Decalo 1980a:31
these areas in a legalistic manner.\textsuperscript{89} Furthermore, due to the weak European presence and the need for links to the local populations the colonizers made use of political and economic intermediaries such as interpreters, office-messengers, clerks and catechists. These intermediaries took, to a high degree and systematically, advantage of their position by profiting economically from their function as i.e. tax collectors, organizers of forced laborers or their access to formal legal services and bank loans.\textsuperscript{90}

Therefore it can be said that the Europeans build upon pre-colonial structures while locals adapted to the new structures by engaging in what was later to be called corrupt activities. However, with the introduction of hard borders, the colonizers forgot to take into account the dynamic nature of the pre-colonial structures allowing for continual change in the nature and size of units. This dynamic nature was exactly what was critical to overcoming the challenge of low population densities and vast territories challenges that they tried to overcome differently.\textsuperscript{91} Therefore, what was build was not nation states but rather territorial states. Furthermore, the European presence was weak and incomplete which led to a very violent mode of exercising power through the limited presence of administrative structures.\textsuperscript{92} These weak and incomplete structures still prevail today and by the time of independence the new leaders were left with the task of creating the nation states that the Europeans never did\textsuperscript{93}, “\textit{However, neither was the case that the Europeans had established states that actually sought to rule over all the territories that were indeed said to be theirs. That would be the stated ambition of their African successors}”\textsuperscript{94}.

\textbf{4.1.3. Independence}

At the time of independence it was decided by the new African leaders to preserve the existing borders and thus build upon the state structures introduced by the Europeans.\textsuperscript{95} There are several reasons for this; first of all independence happened very fast so there was hardly any time to discuss and consider the question and in addition to this there were not really any intellectual

\textsuperscript{89} Bayart 1999:46 and Herbst 2000:74
\textsuperscript{90} Bayart 1999:46
\textsuperscript{91} Herbst 2000:95
\textsuperscript{92} Herbst 2000:91
\textsuperscript{93} Herbst 2000:96
\textsuperscript{94} Herbst 2000:96
\textsuperscript{95} Herbst 2000:97&101
alternatives to the sovereign nation state\textsuperscript{96}, and the option of letting borders reflect concepts of territorial control was not very popular because this would mean that most African countries would shrink in size.\textsuperscript{97} But most importantly, the continuation of the European introduced state structures was supported by the international society which itself was based on the concept of territorial sovereignty. This is reflected in the fact that institutions such as the United Nations, the World Bank, IMF etc. only recognize nation-states as legitimate actors in the international society.\textsuperscript{98} This meant that even though leaders could not exercise control over their full territories and were not perceived as leaders by their populations they were still recognized as legitimate governments by the international society. Therefore, very often the sovereignty concept in Africa came down to whether you could maintain control over the capital because the rest of the territory would not be challenged due to the rules of the international community as reflected in the citation by William J. Foltz, “the greatest thing in common among those who attend OAU\textsuperscript{99} summits is that they control capital cities”.\textsuperscript{100} Ultimately this allowed and still allows weak states to persist because self-determination is not an option as it was in pre-colonial Africa.\textsuperscript{101}

This paradox is what Robert Jackson and Carl Rosberg touch upon when discussing the difference between the empirical and juridical concepts of statehood. The empirical state derives from the Weberian definition of the nation state and is one in which “…its government can lay claim to a monopoly of force in the territory under its jurisdiction”.\textsuperscript{102} This state is a sociological given and is the case in European states where the existence of states has come about due to internal forces creating it. This is contrary to the Africa state, which was created by borders drawn by external actors. Furthermore, Weber’s definition of a state emphasizes means rather than ends and the \emph{de facto} rather than the \emph{de jure} attributes to state-hood.\textsuperscript{103} The juridical definition of statehood however, has been developed by international legal scholars and refers to the development of a state due to the external recognition of its juridical sovereignty by the international society. The international society is built on the doctrine of sovereignty and protects

\begin{footnotes}
\footnote{96} Herbst 2000:100
\footnote{97} Herbst 2000:103
\footnote{98} Herbst 100-101 and Jackson & Rosberg 1982:20-22
\footnote{99} Organization of African Unity
\footnote{100} Foltz, William J. 1983:18 in Herbst 2000:110-111
\footnote{101} Herbst 2000:106-107 and Jackson & Rosberg 1982:22
\footnote{102} Jackson & Rosberg 1982:2
\footnote{103} Jackson & Rosberg: 1982:2-3 and Eriksson & Hagströmer 2005:8
\end{footnotes}
the rights of states rather than the rights of individuals, populations and private groups. Therefore, the juridical attributes of statehood are *territory* and *independence*. This implies that a government has political independence and is under no higher authority in its territorial jurisdiction.¹⁰⁴ In the African context, where the state is not an empirical given, this often results in a statehood view associated with the welfare and security of the ruler rather than the population.¹⁰⁵ "...The guarantee of external protection which had been conferred by international consensus on African states at independence was transferred from the state in a broad sense, as a corporate body representing the identities of the majority of people within it, to the state in the much narrower sense of the group of people who currently constituted its government."¹⁰⁶ Ultimately this resulted in a situation where a single individual, as opposed to the population, could become synonymous with the state.¹⁰⁷

The fact that the African state to a large extent was based on the juridical concept of statehood and was created by artificial borders produced problems concerning the broadcasting of power that still persist today. After independence the countries were still very large and sparsely populated and at the same time there was still no external threat such as war that would help promote the development of an empirical nation state.¹⁰⁸ According to Herbst war as an external threat played an important role for state consolidation in most European states as it makes the state more efficient in collecting revenues such as taxes to be used to defend it. Furthermore, war also creates a climate and symbols around which a population can unify and thus strengthen the national feeling, which gives legitimacy to the government and thus reinforces the empirical state in the Weberian sense.¹⁰⁹ War in Africa, however, is rarely due to the desire to conquer territory¹¹⁰, rather African domestic security threats come from hostility between various population groups and therefore it does not give legitimacy to the government and help create an empirical state.¹¹¹ Furthermore, conflicts in Africa are increasingly regional as opposed to between two individual nation states.¹¹² All of these factors made the *de facto* state consolidation

¹⁰⁴ Jackson & Rosberg 1982:12-13
¹⁰⁵ Clapham 1996:5-6
¹⁰⁶ Clapham 1996:268
¹⁰⁷ Clapham 1996:126 and Reno 1998:1
¹⁰⁸ Herbst 2000:113
¹⁰⁹ Herbst 2000:113
¹¹⁰ Herbst 2000:104
¹¹¹ Herbst 2000:130
¹¹² Bayart 1999
in the Weberian sense very difficult and has sometimes resulted in failed states where only the juridical attributes of states persist.¹¹³

4.2. Characteristics of the African State

The history and development of the African state shows that many of the structures that have been created over time such as borders, state institutions and the concept of sovereignty were of an artificial character and did thus not reflect the actual or de facto structures in these states. This has generated a number of institutional characteristics that prevail in many African countries today and that have importance for how these states function. These characteristics are vital to understand when wanting to understand the root causes for why the CCPP failed. The following will be a description of the most important and relevant characteristics of the African State for this thesis. These are, first, the privatization of power and the shadow state, second, taxes: a manifestation of the state’s power and third, lack of national feeling.

4.2.1. Privatization of Power and the Shadow State

Two of the most important characteristics of the African State today is the privatization of power and the shadow state. Privatization of power basically means that power and influence is something that to an increasing extent must be bought. This is explained in the fact that it is not automatically granted to a given government by its population. Rather it has been granted in the form of sovereignty by an external actor namely the international society as pointed out by Jackson and Rosberg in their explanation of the juridical state cf. page 28-29 section 4.1.3. Independence. Nor is power and influence something that can be earned as it was during the dynamic structures of pre-colonial Africa. This is due to the existence of hard borders preventing population’s option of exit. Moreover, the colonial legacy of weak formal institutions in many African countries and the tradition of economic and political intermediaries taking advantage of their favorable position in society, as described above, have created an environment in which influence is not a right but rather a merchandise that can be traded and must be paid for.¹¹⁴ A very important part of this environment has been called the shadow state. The concept of the shadow state refers to a network of informal structures that exist behind the scene of the formal state structures and institutions. These informal networks have also been called “unofficial

¹¹³ Eriksson & Hagströmer 2005:8
¹¹⁴ Bayart 1999:47
boards of directors” by Bayart, which explains the fact that the people and institutions seen as representing the state in the public view are not necessarily the most powerful.\footnote{Bayart 1999:88} The shadow state is constituted by people who are relatively little known and often with no official position. They act as gatekeepers to the inner state similar to how the political and economic intermediaries did during colonialism.\footnote{Bayart 1999:22-23 & 46} The shadow state reinforces and is itself being reinforced by the concept of privatization of power. This is because rulers need to make informal deals with individuals from the shadow state who exercise power in their own right in order for the rulers to maintain their position.\footnote{Reno 1998:2} According to William Reno the shadow state is, “a very real, but not formally recognized, patronage system that was rigidly organized and centred on rulers’ control over resources. This control bound rulers’ potential rivals to them in exchange for largesse without the need to create strong bureaucracies they feared would heighten independent tendencies among elites.”\footnote{Reno 1998:2} This definition shows that rulers are not interested in creating formal structures such as strong bureaucracies because these will undermine their power if used by potential rivals.\footnote{Reno 1998:1-2 and Erikson & Hagströmer 2005:9} Ultimately, in the extreme case of state weakness, there is a complete absence of collective interest and formal bureaucracy. The state resembles a mafia more so than a government because external actors come to play roles that are normally reserved to the state.\footnote{Reno 1998:2-3 and Bayart 1999:74} Moreover, these structures create an environment where governments are more concerned with external respectability than internal legitimacy because the survival of the government increasingly depends on its external resources and recognition.\footnote{Bayart 1999:97} The role of the government is thus not one of accountability towards its population but rather, “the fundamental focus around which political life is conceived is that of the succession to the head of state (...) the whole art of governing consists in regulating the play of factions in such a way as to divide and rule and assemble supports without being taken over by them”.\footnote{Bayart, 1996:7} Formal statehood thus becomes undermined because it is only used as a façade behind which rulers can conduct personal survival strategies.\footnote{Clapham 1996:5} In such an environment where power and influence must be bought, corruption becomes an integrated part of society because it is the means by which power
is traded. Corruption was also at the heart of colonial rule; in the nationalist movements of independence; and in the postcolonial regimes as a legacy of the mercantilist trade system in Africa that started in the 1930s.\textsuperscript{124}

4.2.2. Taxes: a Manifestation of the State’s Power

According to Herbst, the ability of collecting taxes is an excellent measure of a state’s reach of power and taxes play an important role for the way states function and the way power is consolidated.\textsuperscript{125} Together with Bayart he states that taxes play a very different role and have a different status in many African societies compared to Europe.\textsuperscript{126} The payment of taxes is not considered an expression of the state’s domestic sovereignty and legitimacy for instance by letting taxes be the means by which the population holds the government accountable for its spending. Rather taxes are perceived as a manifestation of the state’s power over the population and its international sovereignty.\textsuperscript{127} This perception of taxes derives both from the pre-colonial era, colonialism and the time after independence. During pre-colonial times, before the state became centralized and borders fixed, the raising and payment of taxes were seen as a form of tribute and submission to the ruler. Those who did not pay were subject to armed raids or had the possibility of exit.\textsuperscript{128} During colonialism and after independence taxes were very difficult to collect and were collected in a very arbitrary fashion due to the low population density and the low value of land.\textsuperscript{129} Therefore states mostly relied on indirect taxes such as on trade and on non-tax revenues for instance from natural resources and on foreign support and aid.\textsuperscript{130} Furthermore, many of the state’s revenues during colonialism came from the colonial trading companies. The collection of taxes from the population was to a large extent privatized because local chiefs took advantage of their position as tax collectors and collected extra tax revenues for themselves on top of what the colonial masters charged without being punished.\textsuperscript{131} Furthermore, as a result of the privatization of power, many people, and mainly from the political and economic elite, are exempted from paying taxes due to the high levels of fiscal indiscipline and lack of legitimacy of

\textsuperscript{124}Bayart 1999:8
\textsuperscript{125}Herbst 2000:113
\textsuperscript{126}See Herbst 2000 and Bayart 1999
\textsuperscript{127}Bayart 1999:87
\textsuperscript{128}Bayart 1999:86-87 and Herbst 2000
\textsuperscript{129}Herbst 2000:121 and Bayart1999:86-87
\textsuperscript{130}Herbst 2000:116-117
\textsuperscript{131}Bayart 1999:86-88
public authorities. Therefore taxes do not constitute a close link between the population and the state calling for legitimacy and accountability of the government. Rather, paying taxes is perceived as a submission to the ruler(s), which is demonstrated in the fact that only the weak and recalcitrant and whoever is not in power are being taxed.

4.2.3. Lack of National Feeling

With regards to nationalism it is important for state consolidation as it gives legitimacy to power holders and thus makes it easier for leaders to broadcast power as touched upon on page 29 in section 4.1.3. Independence. Lack of national feeling in the African state is the last characteristic to be explained here. According to Herbst and Bayart, the populations of these countries have stronger cultural affiliation with their tribes and local communities than with the state as a creator of national identity. According to Herbst, National feeling is not a given, neither has it been in Europe. However, (as also touched upon on page 29 in section 4.1.3. Independence) war and thus an external threat enhance the national feeling amongst the population, which is how the European national feelings were often created. Due to the recognition of sovereignty for African states there was no such external threat and thus no war or collective struggle after the attainment of independence, which could have enforced the creation of a national feeling. Therefore, shortly after the attainment of independence, where the excitement over the departure of the colonizers had vanished, the problems of building ties between the state and the population and the challenges these states faced concerning the broadcasting of power became apparent and the feeling of national unity evaporated.

According to Bayart, it is important to look further back in history to explain the lacking national feeling of the populations of African states. According to him, the lacking national feeling has to do with the extreme geographical and cultural mobility and adaptability that persisted in pre-colonial times. Cultural identities were very fluid and they were permanently being redefined and renegotiated similar to the borders and territories that these states were characterized of having. Therefore it would seem odd to apply a static concept of cultural affiliation such as

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132 Bayart 1999:86-87
133 Bayart 1999:88
134 Herbst 2000:126 and Chesterman et al. 2004:1
135 Herbst 2000:127 and Bayart 1999:33
136 Herbst 2000:126-129
137 Bayart 1999:33
national feeling onto people who have more dynamic and fluid traditions of cultural affiliation. What seems more important in terms of cultural affiliation in these states can be explained by what Bayart calls a Lineage System. This refers to a set of informal ties between members of the same tribe or family, which bind them closer together than from being from the same (nation) state. This phenomenon is also important for the workings of the shadow state because often these ties bind the official power holders to informal networks that belong to i.e. their tribe or family.  

4.3. Conclusion

The objective of this chapter was to review African State Development theory in order to reach an understanding of the institutional characteristics of Chad in the coming analysis.

One of the first conclusions reached in this review is that the African state development trajectory differs on many levels from the European one. This is not least due to the different geographical characteristics of the two continents such as the role of land, which is a scarce resource in Europe while plentiful in Africa. There is thus a need to understand the African states in their own right and not from a European point of view.

Some of the features of the three historical periods (pre-colonization, colonization and independence) described above still persist today. First, the dynamic approach to sovereignty and fluid borders of pre-colonial times has in many ways resulted in contemporary state structures where borders are weak. Moreover, the broadcasting of power and thus control of the full territory is a challenge often faced by African leaders. Second, the introduction of a more static approach to sovereignty during colonization has resulted in a condition where the control of the capital city is by far the most essential proof of power for the political elite. This is linked to the fact that very often this new concept of sovereignty has also resulted in the development of *de jure* states rather than *de facto* states. Ultimately this has in some cases resulted in a situation where a single individual, as opposed to the population, has become synonymous with the state. Third, the role of war as an external threat did never play the same role in African state consolidation as it did in Europe. The dynamic structures of sovereignty during pre-colonial times followed by the introduction of fixed borders during colonialism never allowed for territorial wars. Instead, war in Africa has always been, and still is, of a regional character and

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138 Bayart 1999:39
characterised as being between various population-groups as opposed to between two nation states. This has also weakened the legitimacy of African governments. These cannot use territorial war as an external threat to promote empirical state consolidation through the paying of taxes and the development of national unity.

All these historical features have contributed in different ways to a number of more specific institutional characteristics of contemporary African states. First, privatization of power and the shadow state describe power as merchandise that must be paid for. This trade in influence has made corruption the rule rather than the exception in African politics. The shadow state describes the informal networks that operate alongside the formal state institutions and control large amounts of the political and economic structures of these countries. In extreme cases of state weakness this generates mafia structures with total absence of collective interests and formal bureaucracy and institutions. At the end of the day, formal statehood becomes nothing more than a façade behind which rulers can conduct personal survival strategies.

Second, the role that taxes play in African states differs radically from that of Europe. The payment of taxes is not considered an expression of the state’s sovereignty and legitimacy. Rather taxes are perceived as a manifestation of the state’s power over the population. Paying taxes is thus a symbol of submission to the ruler rather than a means with which populations hold their leaders accountable for their actions.

The third characteristic that has been described in this chapter is the lacking national feeling amongst many African populations. Instead of a feeling of national unity, which plays an important role in state consolidation, most Africans have a stronger cultural affiliation with their tribes and local communities than with the nation state. This is also referred to as lineage structures.

5. Description and History of the CCPP

This chapter offers a descriptive introduction to the CCPP in order to give an overview of the scope; the various actors; and the history of the program. The chapter is structured as follows. First, the section Scope of the CCPP will present figures and information giving an impression of the scale of the program. Next, the section the Consortium will describe the consortium behind the CCPP, which is the main body that initiated the project. In this section the actors involved
and their individual importance will be outlined. The section *Content of the CCPP*, which outlines the various technical assistance projects, laws and components of the CCPP, follows this. The last section is a historical overview of the most important events of the CCPP called *History of Events*.

### 5.1. Scope of the CCPP

The CCPP is the largest private sector investment in sub-Saharan Africa. It involves the development of the Bolobo, Komé and Miandoum oil fields in the Doba region of Chad with the drilling of over 300 wells together with the building of the 1070 km. pipeline running from this region to an offshore oil-loading vessel off the Atlantic coast of Cameroon.\(^{139}\) The pipeline has a capacity of 250,000 barrels pr. day (bpd).\(^{140}\) The total cost of the project amounted to $3.72 billion and it was thought to bring $1.82 billion in oil revenues to Chad over the operating period of 28 years.\(^{141}\) Later estimates point to a much higher gain of about 5 billion over this period\(^{142}\) not least due to higher oil prices than initially anticipated.\(^{143}\) These revenues would more than double Chad’s budget.\(^{144}\)

The construction of the pipeline was finalised in July 2003 and the first oil reached international markets one year ahead of schedule in October that same year. In the first year of production an average of 140,000 bpd went through the pipeline. This figure grew to reach the peak of 205,000 bpd in the third quarter of 2004.\(^{145}\) Today production levels are between 170,000 and 200,000 bpd while new oil fields are being explored for future production.\(^{146}\)

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\(^{139}\) Pegg 2005:7 and Pegg 2003:7  
\(^{140}\) Gary & Karl 2003:60  
\(^{141}\) World Bank 2000:12  
\(^{142}\) Gary and Reisch 2005:35 in Kojucharov 2007:481  
\(^{143}\) Pegg 2005:9  
\(^{144}\) Gary & Karl 2003:60  
\(^{145}\) Pegg 2005:8-9  
\(^{146}\) International Crisis Group 2009: 5-6
5.2. The Consortium

The CCPP is organised and run by a consortium consisting of 3 foreign oil companies, Exxon Mobil (40%), ChevronTexaco (25%) and the Malaysian state owned company Petronas (30%). The World Bank and the governments of Chad and Cameroon are also partners in the consortium. The reason for this organisation is due to the fact that the oil companies would not go forward with the project alone without World Bank participation. The existence of oil in Chad had been known for many years and production agreements had been negotiated since 1973 but without any results. It was the peace and the relative stability in Chad during the 1990s that gave room for new negotiations and thus the involvement of international oil companies. However, Chad was still perceived as a high-risk country to invest in and the companies also feared running into problems concerning their reputation that many oil companies operating in Sudan had encountered during its civil war. Therefore, they needed a ‘moral guarantor’ to ensure the viability of the investment. The World Bank filled that role with its participation whereby it acted as political risk insurance in the highly unpredictable African context. Moreover, it was also a catalyst for other external investors who agreed to participate in the financing of the

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147 Pegg 2005:7
148 Eriksson & Hagströmer 2005:57
149 Gary & Karl 2003:74
project. The role as ‘moral guarantor’ is summarized in the following citation by the director general of Exxon in Chad, “This partnership is intended to ensure that the World Bank can confirm the best possible conditions are in place, both as regards the installation, taking all necessary steps to prevent an ecological disaster, as well as to protect us from accusations that the newly discovered providential wealth will not benefit the whole country.” This primary role as ‘moral guarantor’ as opposed to investor is reflected in the fact that the World Bank’s share of the total investment of $3.72 billion was relatively small.

A part from being the ‘moral guarantor’, the World Bank also entered the project in order to transform a commercial project into a development project, which is reflected in the statement from the World Bank project appraisal document, “The project provides a unique opportunity for IFC and the Bank to play a significant complementary role in reducing poverty in one of Africa’s poorest regions.” The World Bank thus got the right to intervene in Chad’s management of its oil revenues in exchange for their participation in the project. The above citation shows that the World Bank had a firm belief that extractive industries could contribute to poverty alleviation and development. World Bank participation as ‘moral guarantor’ was imperative since it is certain that the private sector would not have invested in the project without World Bank involvement and approval and the CCPP would thus not have been a reality.

In addition to the above-mentioned actors, the CCPP was also characterized by a heavy involvement of various actors from the civil society who were concerned about environmental, social and developmental aspects of the project. It was to a large extent the critique that the CCPP received from local and international NGOs that made the oil companies seek cooperation with the World Bank. It also made the World Bank decide to work together with the oil

150 Pegg 2003:17
152 The total investment in the CCPP reached $4.2 billion when Exxon-Mobil revised its figures in Oct. 2004 - Gary and Reisch 2005:6
153 The World Bank share of the investment comprised $93 million in loans from the International Bank of Reconstruction and Development (IBRD) to finance the Chadian and Cameroon government’s investment in the project. Apart from this the International Financial Corporation (IFC), which is a member of the World Bank Group, provided $100 million in direct loans to the Consortium. It also mobilized $300 million in financing from commercial banks - Pegg 2005:7
154 World Bank 2000:12
155 Pegg 2003:17
157 Gary & Karl 2003:64
companies to mitigate against social and environmental impacts. In doing so, the World Bank consulted over 259 NGOs and held 10 conferences with the objective of creating a project of good management.\textsuperscript{158}

5.3. Content of the CCPP

The CCPP contained three World Bank technical assistance programs. These were put in place in order to help Chad and Cameroon build institutions and develop the technical capacity required to manage and address the environmental, social, financial and budgetary concerns associated with the sudden influx of petrodollars. The three programs put in place were, 1) the Petroleum Environment Capacity Enhancement Project in Cameroon, which will not be included in the thesis; 2) the Management of the Petroleum Economy Project in Chad (MPEP); and 3) the Petroleum Sector Management Capacity Building Project, also in Chad.\textsuperscript{159}

Overall the project has been characterized as having some innovative features for a World Bank program such as cooperation with private companies to overcome the challenges of accountability and transparency in the two countries. Furthermore, the World Bank also agreed to be monitored and scrutinized to a much higher degree than seen before in other World Bank projects.\textsuperscript{160} But the most innovative feature of the CCPP is the establishment of a legal framework to ensure that oil revenues were to be spent on poverty reduction and the creation of an oversight committee to ensure transparency.\textsuperscript{161} The legal framework and the monitoring bodies of the CCPP will be summarized in the following:

The Management of the Petroleum Economy Project (MPEP) was developed in order to improve the capacity for Chad to manage their oil revenues. The distribution of the oil Revenues is stipulated in the Revenue Management Law (RML) no 001/PR/99, which was adopted by the Chadian National Assembly in 1999.\textsuperscript{162} This law first of all stipulates that all oil revenues must flow through a foreign offshore escrow account before re-entering the distribution system. Secondly it specifies how oil revenues must be spent. Parts of the oil revenues are spent on debt servicing and thus paid to IBRD and the European Investment Bank. The remaining revenues are

\begin{itemize}
\item \textsuperscript{158} Eriksson & Hagströmer 2005:60
\item \textsuperscript{159} Pegg 2005:8
\item \textsuperscript{160} Gary & Karl 2003:65
\item \textsuperscript{161} Gary and Reisch 2005:1
\item \textsuperscript{162} Eriksson & Hagströmer 2005:44
\end{itemize}
divided into direct (royalties and dividends) and indirect revenues (taxes) and are to be spent as follows: The indirect revenues go to the treasury to be spent on general government expenses. The direct revenues are directed at three different areas, 10% are to be stored in a FGF. The remaining are to be spent as follows, 80% of the royalties and 85% of dividends are to be spent on poverty reduction in 5 priority sectors; education; health and social services; rural development; infrastructure; and environment and water resources. 163 5% of the royalties go to the producing Doba region. In cases where oil revenues are higher than what has been budgeted the exceeding revenues shall be sterilized i.e. stored up. For this purpose a stabilization fund has been established. This fund caters for price fluctuations in the oil market so that money are saved in years of high oil prices and spent in years of low. 164

The Revenue Management Plan (RMP) did not stipulate how the specific projects within the 5 priority sectors mentioned above were to be chosen, implemented and monitored. For this purpose the World Bank established the Collège de Contrôle et de Surveillance des Ressources Pétrolières (CCSRP) which also play the role of “watchdog” in the CCPP. 165 The CCSRP consists of representatives from the Chadian government and civil society and its role is to authorize and monitor the appropriation of funds from the oil revenues. 166 In addition to the CCSRP four other external monitoring bodies were also established. 1) The External Compliance Monitoring Group (ECMG) and the Comité Technique National de Suivi et de Contrôle (CTNSC). These bodies monitor the project’s compliance with its environmental and social management plans and publishes their reports so they are accessible for the population. 167 2) The International Advisory Group (IAG). This body makes field visits in Chad and Cameroon and writes publicly available reports assessing the compliance with environmental and social safeguards. 168 3) The Inspection Panel, which is a public forum where citizens can file complaints if they have been or could be harmed in any way by the CCPP.

165 Gary & Reisch 2005:2-3
166 World Bank 2000:103
167 Pegg 2005:10 and Kojucharov 2007:482
168 Pegg 2005:10
5.4. History of Events

The existence of oil in Chad has been known for many years and negotiations between the Chadian government and different oil companies had already taken place three times prior to the CCPP. However, it was not until 1999 that oil extraction became a reality when the Chadian government adopted the RML no 001/PR/1999 and the CCPP could get started.

Already in 2000 problems arose. The Chadian government received a signature bonus from signing the CCPP deal and shortly thereafter Déby was criticised by local newspapers for having spent $4.5 million of the $25 million bonus to buy weapons. Even though this was not against the law, because the RMP did not cover bonuses, it was perceived as a broken promise and the World Bank, together with the IMF, reacted by threatening the Chadian government with cancelling their debt relief. This resulted in an agreement between the World Bank and Déby that future incomes would be dealt with with more caution and the rest of the signature bonus was to be spent under the Revenue Management Plan.

The building of the pipeline was finalised one year ahead of schedule and oil started floating and generated revenues to be spent under the RMP in 2003. However, in January 2006 problems arose again when the Chadian government amended RML n°001/PR/1999 by signing the law n°002/PR/2006, which eliminated the FGF; allowed for more unrestricted government spending; and allowed for the purchase of weapons with oil revenues by modifying the list of priority sectors. For instance, energy, justice, security and territorial administration are now covered by the health and social services in the RMP. This made the World Bank decided to block all oil revenues by freezing the offshore escrow accounts and suspend all programs in Chad. Chad answered to this by ordering the revenues directly from the oil companies threatening them with suspension if they did not obey. Sudanese supported rebel attacks on N’Djamena in April 2006.

169 In 1973 president Ngarta Tombalbaye had signed an agreement with the American multinational company Conoco. This agreement was abolished due to the assassination of the president in 1975. During the four years between 1975-1979 the military were in power in Chad and had negotiations with a consortium consisting of Shell, Chevron and Exxon for the exploration of oil fields. These negotiations were also stopped due to the aggravation of the civil war in the country in 1979. Finally, in 1988 president Hissène Habré had prepared to give the multinational oil company Esso the permit to exploit oil in the south of Chad but this was also abolished with the coup d’état in 1990 that put current president Idriss Déby into power. - International Crisis Group 2009:3

170 Prunier 2007: 3 and Kojucharov 2007:488


172 Kojucharov 2007:488

173 International Crisis Group 2009:8
made France put pressure on the World Bank to loosen up on its position out of fear of a Muslim
dominated Chad. This ultimately resulted in an agreement between the World Bank and the
Chadian government, which restarted the suspended World Bank programs in Chad on the
condition that the government would spend 70% of the 2007 state budget on poverty alleviating
activities. 174

On the 5th of September 2008 the World Bank announced its withdrawal from the CCPP due to
Chad’s continuous failure to comply with the guidelines set up under the RMP.175 At that point
Chad had just repaid its last outstanding loans of $65.7 million and were thus no longer in debt
to the World Bank.176 In spite of the fact that the World Bank has withdrawn from the CCPP, oil
is still being pumped and oil revenues are to an increasing extent being spent on the military in
order for Déby to keep rebel groups and Sudan at bay which it seems he does not intend to do
through diplomatic means.177 The Chadian population still has not seen a rise in their living
standards and the majority of people still live with less than one dollar a day mostly in mud huts
and with only little access to water and sanitation.178

Overall the CCPP is now perceived as a failure both due to the withdrawal of the ‘moral
guarantor’ i.e. the World Bank because it became increasingly impossible for them to guarantee
a satisfactory level of moral standards in the cooperation with the disobeying Chadian
government. But the project is also a failure in its own right since it failed to avoid the Resource
Curse and thus made oil development impeding rather than enhancing.

6. Analysis

The following will present an analysis of the case of the CCPP and it’s failure to avoid the
Resource Curse. The chapter will be structured by adhering to the theoretical framework
described above and thus integrate elements from the Resource Curse theory with elements from
African State Development theory. It thereby seeks to answer the research question by taking
into account that the Resource Curse theory has gaps concerning institutional understanding of
Chad, which the African State Development theory will be used to fill. The chapter will be

174 International Crisis Group 2009:8 and Bank Information Center 2008
175 World Bank 2008
176 Bank Information Center 2008
177 International Crisis Group 2009:1
178 Kojucharov 2007:484
structured by looking at each of the Resource Curse mechanisms separately (economic mechanisms, corruption, anti-democracy mechanism and increased military spending). For each of the mechanisms it will first be described how the Resource Curse policy recommendations were implemented in the CCPP. Next it will be analysed to what extent this failed to generate developmental gain and finally suggest reasons derived from African State Development literature to why this was so by adding an institutional explanation for the reasons why it failed. Ultimately this should serve the purpose of answering the research question, *Why did the CCPP fail as a medium for avoiding the Resource Curse in Chad?*

### 6.1. Economic Mechanisms

When the CCPP was initiated it was believed that oil could be an important vehicle for the economic development of Chad as it could diversify the economy away from a dependence on agriculture. Traditionally Chad has been dependent on agriculture with cotton and cattle dominating the economy with exports representing 37% of GDP in 2003 and employing 72% of the population.\(^{179}\) But this sector is characterized as being both inefficient and uncompetitive therefore oil can represent a hope for the development of Chad.\(^{180}\) However, as suggested by the Resource Curse theory, the management of oil windfalls is a very challenging task. This is especially true for a developing country like Chad where the prospects for a successful management of the forthcoming revenues were not very bright. Therefore the World Bank placed a number of strong conditionalities on Chad concerning the management of its oil revenues.\(^{181}\) These conditionalities were followed to a certain extent in the years just after the initiation of the CCPP. But today, 10 years later, the Chadian government hardly follows any of the agreements in the CCPP concerning the economic management of its oil revenues. The following will be an analysis of how the economic mechanisms were sought counteracted in the CCPP where the World Bank adhered to a number of the Resource Curse policy recommendations; how Chad responded to this; and finally, with the contribution of African State Development theory, this section will give suggestions to why the efforts to avoid the economic mechanisms failed.

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\(^{179}\) EIU 2008:14  
\(^{180}\) IMF 2004:11  
\(^{181}\) Eriksson & Hagströmer 2005:52
6.1.1. Mitigation Tools: What did the CCPP do to avoid the economic mechanisms?

The primary initiatives put in place to avoid the economic mechanisms of the Resource Curse was the Management of the Petroleum Economy Project (MPEP) which was supposed to create capacity in the Chadian state apparatus for the management of oil revenues and the RMP which stipulated how oil incomes were to be spent.

In order to avoid Dutch Disease, policy recommendations within the Resource Curse theory suggest that the real exchange rate be managed so that it does not appreciate and thus harms other sectors of the economy making them less competitive (as mentioned in section 2.3 Economic Mechanisms of the Resource Curse on page 14).\textsuperscript{182} By virtue of being a member of the CFA Franc Zone the Chadian currency, the Franc, is linked to the Euro which thus excludes Chad from the risk of currency appreciation.\textsuperscript{183} This might explain why there has been no large change in the real exchange rate in Chad since the launch of the CCPP.\textsuperscript{184}

However, despite the Chadian membership of the CFA Franc Zone, the CCPP also created a stabilization fund in an offshore account in CitiBank in London in order to counteract real exchange rate appreciation. Here all the exceeding revenues that were not earmarked to be spent under the RMP and in the general budget were deposited.\textsuperscript{185} Another reason for the establishment of this stabilization fund was to avoid the negative consequences of fluctuating commodity prices such as unpleasant economic shocks when world prices fall, which can lead to increased foreign debt.\textsuperscript{186}

With regards to the poor linkages to other sectors of the economy that the Resource Curse is also believed to create the RMP stipulated that the oil revenues were spent on the five priority sectors as described in section 5.3. Content of the CCPP on page 40. Thereby the RMP did thus have potential to foster links to other sectors of the economy and thus create employment in these by investing the oil.\textsuperscript{187}

\textsuperscript{182} Stiglitz 2004 \textit{and} Eriksson \& Hagströmer 2005:17
\textsuperscript{183} Eriksson \& Hagströmer 2005:55
\textsuperscript{184} Kojucharov 2007:483
\textsuperscript{185} Kojucharov 2007:482
\textsuperscript{186} Eriksson \& Hagströmer 2005:46
\textsuperscript{187} Eriksson \& Hagströmer 2005:17
6.1.2. Outcomes: *Macroeconomic growth with no developmental gain*

“It is hard to convince a hungry man that he should save money for the future”188

According to Kojucharov, Chad experienced overall macroeconomic improvements after the first oil had been pumped but these did not benefit the Chadian population.189 During the first years of oil production Chad saw very high levels of growth with GDP growth of 29.5% in 2004. However this did not benefit other sectors of the economy as anticipated because all investments poured into the oil sector.190 Furthermore, GDP has been stagnating since 2006 with GDP growth levels of below 2%.191 The growth during the first years of oil production has improved some of the Chadian macroeconomic factors such as the current account, which has changed from a deficit of -47.4% of GDP in 2003 to a surplus of 1.8% in 2006. Furthermore the foreign debt has also been diminished from 50.2% of GDP in 2003 to 20.5% of GDP in 2006192 193

This analysis will not go further into the underlying reasons for the economic situation in Chad. However, what must be noted is that in spite of the fact that the Chadian government experienced dramatic growth and an overall amelioration of the macroeconomic factors in the first years of oil production it never benefitted the Chadian population.194 According to the 2007 Human Development Index, Chad was number 170 out of the 177 countries graded by the UNDP with a life expectancy of 50 years195 and the majority of Chadians live with minimum incomes and poor access to water and sanitation services.196 Moreover, at the end of the day the macroeconomic improvements did also not benefit the Chadian economy very much, “[… while the oil revenues have increased both the volume of money circulating through the economy and the state’s revenues, they have also pushed up public expenditure and fostered budget imbalances.]”197 The puzzle therefore remains why Chad never saw any real development in spite of the many precautionary steps taken in the CCPP in order to avoid the economic mechanisms. According to Kojucharov, the reason is to be found in the fact that the intervention was of an

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188 Eriksson & Hagström referring to Déby 2005:70
189 Kojucharov 2007:483
190 EIU 2008:3 and IMF 2007
191 EIU 2008:3 and IMF 2007
192 Please note that by virtue of being percentages, these figures can very well be a reflection of GDP growth and do thus not necessarily reflect any real change in the macroeconomic management.
193 Kojucharov 2007:483
194 Kojucharov 2007:484
195 International Crisis Group 2009:10
196 Kojucharov 2007:484
197 International Crisis Group 2009:7
external character: The World Bank imposed hard conditionalities on Chad to insure that the oil revenues were spent in order to benefit the population and enhance development. On top of this the World Bank only gave few concessions. Thereby it interfered with the Chadian sovereignty.\textsuperscript{198} This led to a power struggle between these two actors and the Chadian government slowly began to slack on their compliance with the RMP as oil revenues increased.\textsuperscript{199} Already in 2004 the Chadian government had been very reluctant to save revenues as part of the stabilization mechanisms.\textsuperscript{200} By the end of 2006, the Chadian government had grown strong vis-à-vis the World Bank and had total control over all oil revenues, which was manifested with the amendment of the RML no. 001/PR/1999 in January 2006.\textsuperscript{201} This gradual seizure of control by the Chadian government over the CCPP can be explained by the power struggle that existed between the World Bank and the Chadian government as suggested by Kojucharov.\textsuperscript{202} However, the question remains why it was in Déby’s interest to get control over the CCPP to such a high degree and at the same time did not let the oil revenues have any developmental outcomes that would benefit the Chadian population.

6.1.3. Causes: African State Development theory explanation for the failure to avoid the economic mechanisms

African State Development theory offers a number of explanations of why it was in Déby’s interest to gain control over the oil revenues in a way so that they did not benefit the population and create overall development for Chad. These explanations deal with the importance of the privatization of power and the shadow state; the nature of governance in an African context; and the importance of the survival of the leader rather than the population. These will be used as explanatory factors for why the economic mechanisms were not avoided properly in the CCPP.

One of the main reasons why Déby needed to be in control over the oil revenues can be explained by his need to personally control these in order to maintain his position in power. According to African State Development theory, as already mentioned, power is merchandise that must be bought since power and influence cannot be earned but rather must be paid for in one way or another.\textsuperscript{203} Déby has for a long time been dependent on revenues in order to buy off

\textsuperscript{198} Eriksson & Hagströmer 2005:52&62
\textsuperscript{199} Kojucharov 2007:488
\textsuperscript{200} IMF 2004:14 \textit{in} Kojucharov 2007:487
\textsuperscript{201} International Crisis Group 2009:7-8 \textit{and} Debo 2008a:211
\textsuperscript{202} Kojucharov 2007:488
\textsuperscript{203} Bayart 1999:47
potential enemies such as rebel factions that are more preoccupied with personal profits such as positions and money than genuine peace deals.\textsuperscript{204}

This trade in influence is also due to the fact that the Chadian state is of a \textit{de jure} character, and thus lacks the \textit{de facto} characters.\textsuperscript{205} For instance, the Chadian population does not identify with the state nor do they consider the state as being responsible for the maintenance of justice and security and for the provision of social welfare.\textsuperscript{206} Therefore, it can be said that in Chad the role of the government is not one that relies on the accountability towards its population. Rather, the essence of governing consists of regulating the surrounding factions; such as the shadow state and the political opponents in a way so that they will give support to the government\textsuperscript{207} and for this there is a need of access to the state’s economic resources such as oil revenues. This need of access to the oil revenues increases as the legitimacy of the president diminishes since the latter calls for even more resources to buy off the shadow state and opponents. This is the case for Déby whose risk of being turned over is indeed present; he came to power by military coup himself, which is the only way anyone has ever come to power in Chad.\textsuperscript{208} Furthermore, various rebel groups supported by Sudan have tried to seize power in N’Djamena and he is losing out on support from people from his own clan.\textsuperscript{209} The way he has managed this so far is by giving voice to opposition members. This is not due to reconciliation but is rather a means for him to divide and weaken opposition groups.\textsuperscript{210} It thus reflects the general nature of governing in conditions of privatized power (as described on page 31 in section 4.2.1. \textit{Privatization of Power and the Shadow State}). Here ruling becomes a question of dividing the surrounding factions in a way so that they give support without taking over the power.\textsuperscript{211} This develop clearly shows that Déby is struggling to maintain his position in power and thus needs as much revenue as possible to ensure the position of him and his immediate family.

\textsuperscript{204} International Crisis Group 2010
\textsuperscript{205} Miles 1995:63
\textsuperscript{206} Eriksson & Hagströmer 2005:32
\textsuperscript{207} Bayart, 1996:7
\textsuperscript{208} Eriksson & Hagströmer 2005:52
\textsuperscript{209} Debos 2008b:169
\textsuperscript{210} Debos 2008a:212
\textsuperscript{211} Bayart 1996:124
6.1.4. Conclusion

This analysis of the reason for the failure to avoid the economic mechanisms in the CCPP indicates that it failed due to a lack of willingness of the Chadian government to comply with the agreements set up in the CCPP. This is supported by authors such as Kojucharov who concludes that the failure of the CCPP was due to a power struggle between the World Bank and the Chadian government. However, the reason for this power struggle is not only to be found in the fact that the World Bank imposed on the Chadian sovereignty by making use of too hard conditionalities. The power-struggle, and notably the lacking willingness to comply with the CCPP guidelines, can be understood by using elements of African State Development theory. This theory explains the Chadian scenario where power is merchandise; where there are few *de facto* state structures from which to build trust in the population; and where the nature of governance lies in satisfying the shadow state while simultaneously dividing government hostile groups. This has created a scenario where Déby as a single individual becomes synonymous with the state.212 This scenario calls for means with which he can protect himself by trading in influence. The practice of trading in influences naturally increases the need to have access to economic resources such as oil revenues. This explains why Déby had such a need to take control over the CCPP rather than letting oil revenues benefit the population in a developmental fashion.

6.2. Political mechanism: Corruption

This section will describe the policy recommendations applied in the CCPP to avoid the corruption mechanisms of the Resource Curse in Chad. Next will be analyzed to what extent these efforts succeeded and finally it will be analyzed from an African State Development theory point of view why the corruption mechanism was not avoided in the case of the CCPP.

6.2.1 Mitigation tools: *What did the CCPP do to avoid corruption?*

The World Bank did to a very high degree follow the policy recommendations from the Resource Curse theory in the mitigation against corruption in the CCPP. Such efforts were reflected in the idea behind the various monitoring groups such as the CCSRP, the ECMG, the CTNSC and the IAG. These monitoring groups had a transparency enhancing function because

212 Clapham 1996:5
they secured a correct spending of the oil revenues according to the RMP and published reports accessible to the public concerning compliances with the environmental and social management plans. Furthermore the Petroleum Sector Management Capacity Building project was established for the building of capacity in state institutions to handle the increasing revenues in a transparent and uncrupt manner.

6.2.2. Outcomes: Transparency diminished - corruption increased

“We all know about the extensive corruption. Why should we believe that it would be different this time?”

In spite of the efforts made in order to create more transparency and thus avoid the corruption mechanisms the CCPP did not succeed. Corruption did not diminish in Chad as it ranks 175 out of 180 countries on Transparency International’s Corruption Perceptions Index only followed by failing and/or war torn states such as Somalia, Sudan and Iraq. Furthermore, various diplomats have described Déby’s government as one of the most corrupt in Africa.

After the initiation of the CCPP the oil revenues have been corruption enhancing. Many of the oil revenues were spent on physical infrastructure projects, which were characterized by very low levels of transparency and high corruption levels. This gave large economic benefits to the senior regime figures. The ministry of infrastructure has, apart from being the receiver of the second largest budget allocations (after the treasury), taken on a role as financial hub in the organization of public works. Therefore all public work capital expenditure allocations of other ministries are transferred to the ministry of infrastructure, which is also in sole charge of awarding all contracts. This organization has resulted in major public works such as public buildings, tarmac roads, schools and hospitals. But it has also fostered patronage structures, not least due to the opaque nature of the system that awards public contracts, and all in all reflects a tendency of centralization of power ensuring the government’s full control over all sectors of the Chadian economy.

References:

Kojucharov 2007:482 and Pegg 2005:10
Pegg 2005:8
Chadian woman in Eriksson & Hagströmer 2005: 61
Transparency International 2009
Eriksson & Hagströmer 2005:29
International Crisis Group 2009:10
International Crisis Group 2009:9
Another problem concerning low transparency levels in Chad after the CCPP was initiated concerns the CCSRP and its decreasing leverage over the spending of oil revenues. Originally the CCSRP was created as a watchdog over the Chadian government in order to ensure a fair and transparent distribution of the oil revenues. However, as time went by this body slowly lost its control over the oil revenues, which will be elaborated on further in section 6.3. Political Mechanism: Anti-Democracy Mechanism on page 53. Moreover, this became even more evident when president Déby’s brother-in-law was given a seat in the CCSRP and thus making it less independent from the central government.

It is thus clear that initiatives such as the Petroleum Sector Management Capacity Building project have failed in creating more transparency in the state institutions and thus in fighting corruption. According to most critiques of the CCPP this has to do with the fact that the CCPP was a two-speed process in which the building of the pipeline had higher priority than efforts of capacity building. Capacity building takes longer time than the building of a pipeline and the consortium failed to take this into account when deciding to start oil production ahead of schedule. This left state institutions ill prepared to receive the oil revenues. This is a very relevant and important critique of the CCPP, notably of the way it was managed. However it also shows to what high extent there was a need for strong external pressures in order to fight corruption, as these efforts did not come from within Chad itself. This was not least due to the fact that Chad’s institutions were characterized as being very weak and inexperienced at the initiation of the CCPP. As things turned out, in spite of these strong conditionalities, transparency did not increase. Rather it diminished as oil revenues increased patronage structures, increased the central nature of the government, diminished the independent nature of oversight bodies such as the CCSRP and all in all paved the way for less transparency and more corruption. The question therefore remains why the transparency measures were not adopted by Chad. The following section will answer this.

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221 International Crisis Group 2009:1
223 Eriksson & Hagström 2005:47-48
226 Eriksson & Hagström 2005:52
227 Kojucharov 2007:486
6.2.3. Causes: African State Development Theory explanation for the failure to avoid corruption

By looking at African State Development theory a number of reasons appear for why these efforts to increase transparency did not succeed in Chad. The first thing to note is that corruption is the rule rather than the exception in Chad. Here, as elsewhere in Africa, corruption is a colonial legacy that goes hand in hand with the characteristics of privatization of power and the shadow state where power is merchandise and the survival of the individual depends on his ability to trade in influence.\textsuperscript{228} Together these characteristics have made it more profitable to become a corrupt civil servant than for instance to work in an uncertain private sector, "Chad has traditions of inept policy to overcome, and a deep patrimonialism in the public administration with corrupt civil servants..."\textsuperscript{229} This shows that the rent seeking behavior that, according to the Resource Curse theory, is being created by oil windfalls was already a deeply rooted part of the Chadian institutions prior to the CCPP.\textsuperscript{230} This explains why Chad ranks so low on Transparency International’s Corruption Perceptions Index. It also explains why the construction sector grew corrupt when oil revenues started floating in.

The second issue to note is that, in addition to the high corruption levels in the ministry of infrastructure, the centralization of power and the need for the government to be in control over all sectors of the economy can also be explained by what has been mentioned in the above section 6.1. Economic Mechanisms on page 43. Here it was concluded that there is a need for Déby to be in total control of the entire Chadian economy.\textsuperscript{231} This need of control of the president also means that there is a need to maintain structures that can support Déby’s position such as informal institutions and corruption, which, according to African State Development theory, both are means through which the power holders can exercise their authority i.e. through the trade in influence.\textsuperscript{232}

Third, the loss of leverage over the spending of the oil revenues by the CCSRP can be explained by the privatization of power and shadow state characteristics of the Chadian state in combination with the strong de Jure characteristics that prevail in the country. The privatized power and the shadow state in combination with the attributes of the de jure state, such as the

\textsuperscript{228} Bayart 1999:47
\textsuperscript{229} Eriksson & Hagströmer 2005:52
\textsuperscript{230} Eriksson & Hagströmer 2005:52
\textsuperscript{231} International Crisis Group 2009:7-8 and Debo 2008a:211
\textsuperscript{232} Bayart 1999:47
lack of internal legitimacy of the state, often constitute a situation in which the political leader
does not have interest in creating formal structures such as strong bureaucracies and formal
institutions because these will undermine their power if used by potential rivals. Moreover,
nor can these formal institutions be built due to the obligations that the power-holders have to
members of the shadow state calling for a suitable environment to conduct illicit activities. The shadow state in Chad can be referred to as the “untouchables” this is a group of people who
are close to the state and belong to the Zaghawa tribe like Déby. They hold privileged positions
in society and can therefore not be “touched” by the regular populations such as road blocker’s
and fake Customs officers. Formal institutions would undermine the privileged position of the
“untouchables”. Therefore, the Chadian power-holders have little incentive to develop
bureaucratic institutions that cannot be centrally controlled. This explains why the CCSRP
was given less and less leverage over the oil revenues. It indicates that the Chadian government
tried to avoid the establishment of such an institution as the CCSRP, which, in addition to
enhancing transparency, also operates as a watchdog over the government, and gives voice to
civil society.

6.2.4. Conclusion

This section has shown that the policy measures put in place under the CCPP such as
independent watchdog institutions like the CCSRP and capacity building programs enhancing
transparency were not adequate to avoid the corruption mechanism from materializing in Chad.
This is not least due to Chad’s lacking willingness to adopt such measures, which also explains
why the CCPP was criticised for not putting enough emphasis on its capacity building efforts
under the CCPP. This critique shows how important such efforts were in Chad because without
them there was no willingness within Chad to adopt transparency measures to avoid corruption.
However, the lack of willingness to adopt anti-corruption measures has dominated the CCPP and
has resulted in a failure to avoid the corruption mechanism. It is explained by the African State
Development theory in three ways. First, corruption is an integrated part of Chadian political life
and institutions, which can be explained by the characteristics of the privatization of power and

235 Debo 2008b:168-171
236 Eriksson & Hagströmer 2005:29 and EIU 2008:5
the shadow state. These are all enhancing the tendency for the individual to trade in influence in order to ensure own (political) survival. In such an environment the oil is not the sole reason for corruption and corruption must be understood as an already integrated part of the political system, which is difficult to remove. Second, the tendency of corrupt activities in the infrastructure sector together with the centralization of the distribution of revenues reflects the importance for Déby to have full control over the oil revenues. This is not least because government revenues are the main means with which a leader can maintain his position in power. Third, it can be concluded that the reason for the decreasing leverage of the CCSRP over the distribution of oil revenues can be found in the reluctance by the government to create formal bureaucratic institutions. These can jeopardize the position of both the power-holders and their relations with the shadow state and are therefore unwanted. These findings present a paradox for the Resource Curse theory and its policy recommendations of increasing transparency; the case of the CCPP in Chad shows that it is nearly impossible to avoid corruption when external rents increase in a state system that thrives on and depends on structures of no transparency.

6.3. Political Mechanism: Anti-Democracy Mechanism

“With a democratic government a remarkable change of living conditions for the poor population could be achieved, but with the semi-authoritarian regime in power, even though elected by universal suffrage, there is an obvious risk that the increased state revenues will cause even wider injustices and violence.”238

The following will be an account of how the three anti-democracy effects put forward by Ross (as described in section 3.6. Political mechanism: Anti-Democracy Mechanism on page 18) were sought mitigated against in the CCPP. Next, the outcomes of these efforts will be described by analyzing to what extent the anti-democracy mechanism was avoided in Chad. Finally it will be analyzed from an African State Development perspective the reasons why the CCPP did not succeed in avoiding the anti-democracy mechanism from happening in Chad.

6.3.1. Mitigation Tools: What was done to avoid the anti-democracy mechanism?

The three effects, the rentier effect; the repression effect; and the modernization effect, which,

238 Eriksson & Hagströmer 2005:40
according to the Resource Curse, constitute the causal mechanism linking oil to the anti-
democracy mechanism, were sought mitigated against in the CCPP with various programs and
institutional bodies. First, the rentier effect says that natural resource rents make it easier for
governments to keep potential pressures for democracy at bay. Spending oil revenues and thus
lowering taxes do this, which will then weaken the accountability link between the population
and the government because the government does no longer need to be accountable towards a
tax paying population.\textsuperscript{239} This scenario has also been referred to as the ‘rentier state’.\textsuperscript{240} The
policy recommendation followed in the CCPP in order to avoid such a scenario was the fostering
of links between the Chadian government and various civil society groups representing the
Chadian population. A vast amount of voice given to civil society groups in Chad compared to
other development projects. For instance, the CCSRP was developed in order for civil society to
have a say in the decision making of how the oil revenues were to be distributed.\textsuperscript{241} This deep
involvement of civil society groups did thus have potential to avoid the rentier effect because it
could reinforce the accountability link between the government and the population represented
by these groups.

The second effect described by Ross, the repression effect, explains that governments can refrain
from adopting democracy by spending oil incomes on internal security such as the military and
thus block the population’s demands for democracy. In the CCPP this effect was sought
counteracted by the strict requirement that the World Bank set up, saying that oil revenues under
the RMP were to be spent on the five priority sectors in order to avoid it being spent on military
enforcement.\textsuperscript{242}

The third effect described by Ross, the modernization effect, explains that oil revenues prevent
democracy by preventing the social and cultural changes (i.e. such as rising educational levels
and general development) needed to facilitate democratic structures from taking place. In the
RMP large amounts of the oil revenues were to be spent on priority sectors such as education,
health, infrastructure etc.\textsuperscript{243} that would facilitate such a development and thus pave the road for
democracy in the long term.

\textsuperscript{239} Rosser 2006:20 and Yates 1996:15 in Kojucharov 2007:480
\textsuperscript{240} Yates 1996 in Kojucharov 2007:480
\textsuperscript{241} Eriksson & Hagströmer 2005:46&59 and World Bank 2000:103
\textsuperscript{242} Pegg 2005:13
\textsuperscript{243} Pegg 2005:13
6.3.2. Outcomes: *Democracy on the surface - centralization of power and repression a reality*

“La democratization de façade d’un régime resté fortement militarisé n’a pas changé radicalement les règles du jeu politique.”

The efforts to avoid the anti-democracy effects of oil in Chad failed on many levels. First of all, the initiatives involving civil society such as the CCSRP were not successful. As also described in the above section 6.2. Political Mechanism: Corruption on page 48, the CCSRP looks very different today than it was intended to at the initiation of the CCPP. Today it gives less voice to the civil society; it has fewer resources to carry out a satisfactory job ensuring transparency and control with the oil revenues; and it has a general lack of leverage over the spending of them.

“The committee is under-funded, understaffed and deprived of information by both Exxon and Chadian government.”

This indicates that the accountability link between the population and the government has not been strengthened but rather diminished since civil society has slowly lost out on its voice in the debate.

Second, the government’s increasing general leverage over the CCPP also widened this gap between the government and the population. It contributed to a further centralization of power in the capital N’Djamena and increased the power of the president as already touched upon. This was made clear when, in 2004, the parliament passed the constitutional amendment mentioned above, which removed the presidential term limits and thus allowed Déby to run for president in 2006 where he otherwise should have resigned.

Third, the effort to avoid military spending, and thus the repression effect to materialize, was soon to be regarded as a failure after the oil had started floating. This was made clear when Déby spent 25$ million of a signing bonus on military equipment in late 2000. Furthermore, as Déby’s leverage over the CCPP increased with the change of the RML no. 001/PR/99 more resources were channeled in direction of military spending. This was made possible by the amendment of this law on priority sector spending which meant that energy, justice, security,

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244 Comment on the Chadian Democracy by Débos 2008a:211
245 Eriksson & Hagströmer 2005:47-48
246 Citation of a CCSRP committee member, Vice President Therese Mekombe BBC News, 2004 in Eriksson & Hagströmer 2005:47-48
247 Eriksson & Hagströmer 2005:52
248 Pegg 2005:19
249 Pegg 2005:13 and Gary & Karl 2003:67-68
and territorial administration were now a part of the ‘social sectors’ initially listed. This allowed for oil money to be spent on the military and thus on activities related to oppressing opponents to the government.\footnote{International Crisis Group 2009:7-8}

Fourth, with regards to the measures put in place to avoid the modernization effect such as the RMP ensuring investment in modernity and development enhancing sectors such as education, health and infrastructure it is difficult to conclude to what extent it has been a success or not. As already mentioned in the above, the RMP has been changed with the amendment of RML no. 001/PR/1999 and it is thus not possible to say whether oil revenues will benefit the Chadian society in a modernizing way as this is a long term process. However, as suggested in the above, it seems that both the rentier effect and the repression effect have been strengthened with the centralization and isolation of the government and the widespread use of repression, which dampens a general democratic development of Chad. This might indicate that there is a long way to go before modernization will take place in Chad.

6.3.3. Causes: \textit{African State Development theory explanation for the failure to avoid the anti-democracy mechanism}

The following will, with suggestions drawn from African State Development theory, analyze why the efforts to circumvent the anti-democracy mechanism in the Chad failed.

First it must be noted, that the divide between the population and the government, which the rentier effect is believed to create, was not a new feature of Chadian society after the launch of the CCPP. Chad has always been characterized by suffering from the rentier effect, which the oil has now exacerbated, “Chad shows more and more signs of a country reached by the rent syndrome ... The external aid rent, democracy rent, geo-strategic rent, poverty rent and continued armed conflicts rent received in Chad earlier are now accompanied by the oil rent.”\footnote{Bérilengar 2002 in Eriksson & Hagströmer 2005:70 and Eriksson & Hagströmer 2005:70} In Chad politics have always been “\textit{an elite activity}”\footnote{Decalo 1980b:497} and the country has thus always been characterized of having a very deep gap between the strong government and the population, “\textit{while the governing regime, as holder of formal power, is strong, its connection with the population as a whole becomes more and more tenuous.”}\footnote{Miles 1995:64} This centralization and isolation of the government from the population can be explained by African State Development theory as a
colonial legacy. During European occupation, local intermediaries took advantage of their position by profiting economically from their function as political and economic intermediaries and created structures whereby the people in power held privileged and autonomous positions vis-à-vis the population.\textsuperscript{254} This was to a large extent the case in Chad where the mode of indirect rule was applied by the French colonizers due to their weak presence in the colony. This meant that local chiefs and sultans were used as surrogate rulers benefitting from their favorable positions\textsuperscript{255} reflecting an elitist approach to the mode of ruling.\textsuperscript{256} Furthermore, large parts of the Chadian territory were never affected by the central government during colonialism and many Chadian’s were thus never governed by N’Djamena but rather by the local structures prevailing in their individual regions.\textsuperscript{257} This has further widened the gap between the power-holders in the capital and the population in the periphery. Chad is thus a country with low levels of \textit{de facto} attributes such as national unity and respect for the rule of law\textsuperscript{258} with high levels of state autonomy. This autonomy of the state is possible due to the rents received by the government and its detachment from the population. It leads to domestic passivity of the elites while it institutionalizes clientelism and authoritarianism and diminishes the potential for progressive counter-power to the ruling elite.\textsuperscript{259} In such an environment it becomes very difficult for institutions that are independent from the state such as the CCSRP to survive. On the contrary, it should be expected as a natural part of Chadian history that increasing government revenues would increase the power and centralized nature of the government as it has always done.\textsuperscript{260} The oil, in the case of the CCPP, it can be argued, was thus just another source of revenue in the already very rent based Chadian society.\textsuperscript{261} And it turned out that this new source of revenue has only strengthened the already existing rentier effect in Chad and has thus moved the few hopes of any real democratic development in Chad even further away than before the CCPP was launched.

A very relevant issue concerning the rentier effect and the role of taxes in Chad must be mentioned here in order to fully understand the large gap between the ruling elite and the population. According to the rentier effect, paying taxes is perceived as an automatic creation of

\begin{thebibliography}{100}
\bibitem{Bayart1999} Bayart 1999:46
\bibitem{Decalo1980b} Decalo 1980b:495
\bibitem{Decalo1980b2} Decalo 1980b:497
\bibitem{Decalo1980a} Decalo 1980a:31
\bibitem{Eriksson2005} Eriksson \& Hagströmer 2005:71
\bibitem{Eriksson20052} Eriksson \& Hagströmer 2005:70-71
\bibitem{Eriksson20053} Eriksson \& Hagströmer 2005:70
\end{thebibliography}
an accountability-link between the government and the population of a country, “Theories of the rentier state contend that when governments gain most of their revenues from external sources, such as resource rents or foreign assistance, they are freed from the need to levy domestic taxes and become less accountable to the societies they govern.” There is thus an assumption, that by paying taxes the population expects to get something in return from the government such as security, welfare and protection. However, this does not fit very well with how the paying of taxes is described by African State Development theory where, according to Bayart and Herbst, taxes, as opposed to being something people pay with the expectation to get accountability in return, is perceived as a means of submission to the ruler. Furthermore, taxes are a manifestation of the state’s power over the population rather than vice versa. This is the reality in Chad where only few identify themselves with the state and do not expect the state to be responsible for the maintaining of neither security and justice nor social welfare. Therefore, the assumption behind the rentier effect of what paying taxes entails does not easily translate into the Chadian context. It is important to keep this in mind when wanting to circumvent the anti-democracy mechanism of the Resource Curse. This role that taxes play as a tool of submission rather than a tool of accountability shows that the accountability link that must be created between the government and the population in order to ensure a democratic development is very far from a reality in Chad as it has probably never existed. Therefore, the fact that the rentier effect is a given rather than a result of natural resource abundance makes it very difficult to counteract it with policy changing initiatives such as the CCSRP.

With regards to the failure to counteract the repression effect, where the avoidance of military spending failed, it is important to understand the nature of the mode of rule in Chad prior to the CCPP. There are many indications that the oil revenues in themselves were not the reason for an anti-democratic development resulting in repression of potential government opponents. The oppression, imprisonment and killing of government opponents were common practice before

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262 Pegg 2005:4
264 Bayart 1999:87 and Herbst
265 Eriksson & Hagströmer 2005:32
266 A concrete example of the domination of the government over the Chadian population through taxation is in the cultivation of cotton. This sector has traditionally been very important for the Chadian economy, but none the less it has created popular resentment. Cotton was a compulsory crop from which the government has earned many of its income taxes, however, at the same time it paid very low producer prices by the parastatal commercialization-monopolies, which left the farmers in a forced position of submission. This shows the domination of the Chadian government over its population, which is left with no choice but to submit to it by paying the required taxes. - Decalo 1980b:496
the extraction of oil even though Déby formally adopted democratic rule in 1996, which legalized opposition parties. An example of the repression effect practiced by the Chadian government was when opposition leader Ngarlédi Yorongar was imprisoned in 1998. He was part of the group of strong opponents of the CCPP who feared that oil production would worsen the already existing North-South divide of the country similar to what had happened in Nigeria. The imprisonment of Yorongar was a part of a larger number of violent abuses and executions of opponents of the CCPP by the Chadian military during the 1990s.

A number of features suggested by African State Development theory can explain this existence of the repression effect prior to the extraction of oil in Chad and thus the likelihood of it continuing in the future. First, the exercise of violence against the Chadian population by the government can be explained by the culture of violence that has always dominated Chadian politics. According to African State Development theory this is a colonial legacy deriving from the need to control the vast territories that were not within political reach due to the limited presence of administrative structures. In Chad, the territory is very large and borders weak, and at the same time there are hardly any de facto state structures such as the respect for the rule of the law and state authority that could have reinforced non-violent modes of exercising power. This is reflected in the fact that violent modes of exercising power are common practice in rural areas of Chad, “In rural areas it is still common that military staff and public administrators violate basic rights without fear of the law, because people are frightened to denounce the crimes. It is argued that it is only after the election of regional and municipal councils that the Chadian citizens would really be aware of their civic rights.”

In addition to this, as already touched upon on page 29 in section 4.1.3. Independence the protection of the president himself has higher priority than the security and welfare of the population. This further legitimates a culture of violence whereby opponents to the government must be punished in order to secure the position of the power-holders. All of this

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267 Eriksson & Hagströmer 2005:26
268 In Nigeria the minority Ogoni people of the producing region, the Niger Delta, had been subject to a government induced military junta - International Crisis Group 2009:4 and Amnesty International 1998
270 Eriksson & Hagströmer 2005:72
271 Herbst 2000:91
273 Hassan 2001 in Eriksson & Hagströmer 2005:38
274 Clapham 1996:5-6

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explains why the repression effect was already a fact in Chad prior to the extraction of oil. However, the fact that Yorongar was arrested and others killed due to their critique of the CCPP shows what role oil played for the weak Chadian democracy. It thus seems fair to say that oil has played a role of exacerbating an already existing repression effect.

Finally, with regards to the modernization effect and the reasons for why the CCPP failed in promoting a modernizing development of the Chadian society in order to ensure a democratic development in the long term African State Development theory suggest an explanation for why this is not likely to happen the way the World Bank expected it to. By looking at African State Development theory one of the first things to be noted is that the European modernization trajectory looks somewhat different than the African one. Therefore, the social and cultural development such as rising educational levels and rising occupational specialization that, according to Ross, facilitates a democratization might come in a very different form and through different means in the African context, where for instance few people have any particular attachment to the state and where democratic rule seems more appropriate and natural on a local or federal basis than on the national level due to the lacking nation wide de facto attributes. However, as long as the control of the capital determines the sovereignty and power of Déby there is little hope for such a development in Chad.

6.3.4. Conclusion

To answer why the CCPP failed to counteract the anti-democracy mechanism that oil had in Chad it has been found that both the rentier effect and the repression effect were already very much integrated parts of Chadian society prior to the launch of the CCPP. For instance, the rentier effect had already existed in Chad for many years i.e. because the country has been dependent on revenue flows from external sources rather than from a tax paying population. The mode of governing has always been an elite activity in Chad, which is a part of the colonial legacy leaving the ruling capital and its privileged civil servants far away from the rest of the population. This suggests that oil only played the role as yet another rent received by the Chadian government giving it the opportunity to adopt even more anti-democratic structures, such as the constitutional change, and letting the oil revenues widen the already existing gap between the state and the population. This was what happened when the CCSRP, (the channel

275 Herbst 2000:36-37
through which civil society could gain influence and thereby hold the government accountable for its spending of the oil revenues), slowly lost leverage over the distribution of the oil revenues. In order to fully understand the origins of the rentier effect in Chad it is important also to note what role the paying of taxes play in this country. It was found that in Chad the paying of taxes is a means of submission to the ruler rather than one of accountability required by him as suggested by the rentier effect thesis. This information informs the Resource Curse theory that even though measures are put in place to enhance a democratic development this might be very challenging. This is because the structures of the rentier effect are so deeply integrated into the Chadian society that not even the paying of taxes would diminish the gap between the elite government and the population as otherwise expected by the ‘rentier State’ thesis in the Resource Curse theory.

Similar to the rentier effect, the repression effect is not reserved to oil producing countries but is, to a large extent, a feature of many African countries. The use of violence as a means of exercising power is a colonial legacy that derives from lacking de facto state structures and the need to control people with little cultural affiliation with the nation state in the vast amounts of territory. Therefore, the oil revenues did nothing more than exacerbating this already existing repression effect in Chad. Furthermore, the policy measures, such as the requirements concerning the spending of oil revenues on none-repressive priority sectors, did not manage to diminish this since the very centralized government slowly gained leverage over both the CCPP and the distribution of the oil revenues.

At this stage it is difficult to say anything about how the measures to avoid the modernization effect will influence Chad in the future since this is a long-term process. However, it has been noted that the list of priority sectors that had the potential to enhance a long-term modernization of Chadian society, such as education, infrastructure and health have been accompanied by the investment in sectors that seem to have a modernizationimpeding character such as the military as a result of the repression effect. This, together with the strong presence of both the rentier effect and the repression effect indicate that Chad has a long way to go before reaching a democratic development.
6.4. Political Mechanism: Increased Military Spending

This section will analyze to what extent the political mechanism increased military spending was sought mitigated against and to what extent the military budget rose and why, despite efforts to avoid it. Last it will be analyzed from an African State Development perspective why the efforts to avoid the increased military spending mechanism failed.

6.4.1. Mitigation tools: What was done to avoid increased military spending?

The two Resource Curse scholars, Le Billon and Karl point to the need of governments in oil rich states to rely on repression in order to maintain their position in power (similar to the repression effect as described in section 6.3. Political Mechanism: Anti-Democracy Mechanism on page 53). Often this is because of grievances amongst the population because petrodollars fail to keep up with their demands.276 This was fought against in the CCPP with the creation of the RMP, which was to ensure a fair distribution of the oil revenues. The primary initiative for this was the spending of oil revenues in the five priority sectors which would enhance development so that there ultimately would be no unsatisfied population and thereby no need for repression. Furthermore, it was decided that 5 % of the royalties were to be spent on the local population in the producing Doba region.277 This both ensured a fair distribution of the revenues and that oil revenues were not spent on the military.

6.4.2. Outcomes: the military budget has exploded

“A large amount of the [oil] revenues are now allocated to the war effort and the re-equipment of the national army.”278

According to the Resource Curse theory military spending seems to increase in situations of resource abundance. In spite of the efforts to avoid it in the RMP this was also the case in Chad. Déby has increased Chad’s military spending since the launch of the CCPP from an annual budget of app. $14 million in 2000 to app. $315 million in 2009.279 Parts of the reason for this increased spending on military equipment have already been analyzed in section 6.3. Political Mechanism: Anti-Democracy Mechanism on page 53 on the repression effect. Here it was shown that Chad has a long history of repression due to the institutional characteristics and colonial legacies of the country. The oil thus played a role of exacerbating the already existing repression

276 Gary & Karl 2003:23 and Le Billon 2003:16
278 International Crisis Group 2009:7
279 International Crisis Group 2009:12
effect inside of Chad calling for more military spending. This corresponds very well with the Resource Curse theory suggesting that oil leads to repression due to the grievances amongst the unsatisfied population.\textsuperscript{280}

However, the Resource Curse theory forgets to take into account that large parts of the military budget are spent on the war efforts that take place on the regional level. By solely focusing on military spending on the national level the theory thus forgets the empirical reality of Chad, which has been in conflict with its neighboring countries for many years. This is for instance the case with the power struggle that has existed since 2005 between Chad and Sudan.\textsuperscript{281} In spite of various peace agreements between the Sudanese and Chadian governments\textsuperscript{282} not much has changed since 2005. The hostility between the two presidents has given rebels from both countries the opportunity to seek support from either Khartoum or N’Djamena in their efforts to overturn their respective governments.\textsuperscript{283} This has of course increased the instability within Chad where, for instance, rebel groups of the 2006 attack on N’Djamena carried Chinese arms provided by the Sudanese government.\textsuperscript{284} The spending of oil revenues on the military is thus not only due to internal security threats but also a means for Déby to show his strength towards Sudan, “The revenues have also allowed President Idriss Déby to reject political dialogue with his opponents and to respond to the threat from Sudan by overarming his military forces.”\textsuperscript{285}

Similarly, Chad and Libya has also had hostile relations for a while which is partly due to the latter’s support to the Chadian rebel groups MDJT in Northern Chad. Furthermore, the tense relations between the two countries have been worsened due to the Chadian involvement in the Central African Republic (CAR) coup d’état in 2002. Here a Chadian supported rebel group overthrew the CAR government supported by Libya.\textsuperscript{286}

This indicates that Chad’s security situation is not only of a national character where local rebel movements and an unsatisfied population must be repressed. It is somewhat more complex and multileveled since it takes place on a regional level. Furthermore, it is not a conflict between a

\begin{thebibliography}{286}
\bibitem{280} Ross 2008 and Le Billon 2003:16 and Gary & Karl 2003:23
\bibitem{281} This hostility derives from Al Bashir’s, the Sudanese president, announcement that he no longer had confidence in Déby due to his affiliation with the Zaghawa clan. In addition to being Déby’s tribe the Zaghawas are also the main fighting group in Darfur and many Chadian Zaghawas support the Dafurian fighters against the Sudanese government induced Arab militia in the region, Debos 2008a:212-213
\bibitem{282} The latest on January 15-2010 – Le Monde 2010
\bibitem{283} Debos 2008a:212-213
\bibitem{284} Debos 2008a:212-213
\bibitem{285} International Crisis Group 2009:1
\bibitem{286} Eriksson & Hagströmer 2005:35-36
\end{thebibliography}
government and national rebel groups. The conflict both exists between the presidents from the countries involved and the none-national rebel groups operating on a regional basis.

Another issue to be mentioned is the fact that the conflict in Chad is not due to recent developments such as the extraction of oil. The country has suffered from an ongoing civil war with short periods of peace since its independence.\(^{287}\) This constant nature of civil war has made the country very dependent on military spending and support. The military and security support has come from external actors such as France and recently also the USA.\(^{288}\) Some even suggest that Déby would not have maintained his position as president had it not been for French military support in the fight against national as well as regional attacks.\(^{289}\) The involvement of external actors such as France and the USA only adds to the multileveled character of the Chadian conflict since it gives the Chadian civil and regional war an international dimension as well.

\(^{287}\) Kojucharov 2007:487
\(^{288}\) Eriksson & Hagströmer 2005:36
\(^{289}\) Eriksson & Hagströmer 2005:35-36
All of the above suggests that Chad has an inherent high dependence on the presence of military in order to maintain a minimum of stability in the country and region. This is not least due to the fact that the war has been ongoing in Chad for many years and is not due the extraction of oil. Furthermore, the security issues in Chad are not restricted to the national level but are of a rather regional and somewhat also international character. Therefore in order to avoid the increased military spending mechanism there is a need to first understand the underlying structures creating the war and thereby the military dependence. It is thus imperative to understand the nature of the conflict in order to solve it. The following will help explain the underlying institutional reasons for the ongoing civil and regional war and thereby the military dependence.

6.4.3. Causes: African State Development theory explanation for the failure to avoid increased military spending

“Which country in the world, having the resources, would not buy arms to defend itself?”

The above-described scenario shows that there is a need for Déby to increase his military spending, as this citation by the man himself clearly suggests, ‘Without security there can be no development programs’. But it also shows that the security threat facing Chad is not only national but rather of a regional character with countries like Sudan, Libya and the CAR involved in Chad’s national security. This is explained by the pre-colonial and colonial legacies of overlapping sovereignty, weak borders and lack of control with the full territory of these states. The lack of control with borders has created structures favorable to rebel groups because it provides them with the opportunity to hide and get support in foreign territory. The scenario also bears witness of the institutional characteristic lack of national feeling in Chad, Sudan and the CAR where the affiliation to a specific clan has more importance than the affiliation with the nation state as reflected in the citation by Prunier, “This ethnic situation leads to a kind of continuous “rainbow” where, from the West of Sudan to the North of the CAR, tribes blend into each other without the colonially-created borders having much relevance.”

290 Déby’s response to the critique of him for spending oil revenues on military equipment in 2005 – Le Figaro 2006 in Massey & May 2006
291 Déby refers to the pressures of violence he was faced with from rebel groups in the beginning of the CCPP - Runyan 2001 in Kojucharov 2007:488
292 Déby himself has profited from that when he hid in Darfur and received support from both Khartoum and the Zaghawa clan in his rebellion against Hissène Habré in 1990 - Debos 2008a:12
293 Massey & May 2006:1 and Decalo 1980a: 29 and Eriksson & Hagströmer 2005:30
294 Prunier 2007:1
environment where problems in one region tend to resonate in other regions and countries.\textsuperscript{295} It also makes it easier for rebel groups to attack their own government and get support from the population since there are no cultural affiliations between the two entities.\textsuperscript{296} This is supported by Decalo who points to the importance of the fragmented social structures of Chadian society in the ongoing civil war in Chad, “The civil war was thus, in part, a reflection of the total social fragmentation of the country from pre-colonial days, and the intense centre-periphery cleavages not patched up by barely 60 years of half-hearted French rule.”\textsuperscript{297} Ultimately these structures create a nature of constant conflict, which calls for constant military spending. It also shows why Chad has developed such a dependence on military support from France before the launch of the CCPP.

The grievances that the Resource Curse theory talks about do therefore not only stem from dissatisfaction with the way natural resource incomes are managed and distributed. They were present in Chad prior to the extraction of oil and due to other reasons than oil. Rather, they characterize Chadian society because of the \textit{de jure} sovereignty that has been granted to the government without reflecting any \textit{de facto} structures of the state. The fact that Chad is dependent on military spending is part of a vicious circle characterizing the constant nature of conflict. The vicious circle explains how increased military spending generates grievances and thus rebellion attacks which again calls for increased military spending. According to African State Development theory the \textit{de jure} sovereignty that has been granted to the government gives it the right to exercise power over a territory and people that do not necessarily have any \textit{de facto} affiliation with the capital.\textsuperscript{298} Therefore, a fair distribution of oil revenues was not enough to prevent grievances and the vicious circle calling for increasing military spending.

\textbf{6.4.4. Conclusion}

The increased military spending in Chad since the launch of the CCPP is not only a result of what the Resource Curse theory points at such as the tendency of oil rich governments to rely on repression due to grievances amongst an unsatisfied populations. In the case of Chad the increased military spending was due to not only the security threat that Déby faced from his own

\begin{footnotesize}
\begin{enumerate}
\item Prunier 2007:1
\item Eriksson & Hagströmer 2005:30
\item Decalo 1980a: 29
\item Herbst 2000:106-107 and Jackson & Rosberg 1982:22
\end{enumerate}
\end{footnotesize}
population, but also to the conflict with neighboring Sudan and Libya. His insistence to spent the oil revenues on military enforcement right from the early stages of the CCPP shows that, in spite of the efforts to avoid this from happening, it could not have been avoided due to the inherent military dependence that prevails in Chad. The complex regional security situation and the military dependence is a reality due to the characteristics of the African state such as weak borders and difficulties to control them and the lack of de facto attributes such as national feeling amongst the populations in these states. These characteristics form inviting structures for rebel movements to form and operate and make it difficult for governments to control them. They also create the foundation of the vicious circle of constant conflict stemming from grievances over the de jure sovereignty given to the government to exercise power over territory without de facto state structures.

7. Conclusion

This thesis on the single-case study of the CCPP in Chad has sought to answer the research question why did the CCPP fail in avoiding the Resource Curse in Chad? by integrating the Resource Curse theory with African State Development theory. This has resulted in an analysis, which has encompassed both theories and thereby sought to explain the reasons for the failure of the CCPP to avoid the Resource Curse in Chad. The findings of the analysis confirm that the African State Development literature can inform the Resource Curse literature when the latter is applied in practice. And it has been found that specific Chadian institutional characteristics counteracted the effectiveness of the CCPP to avoid the mechanisms of the Resource Curse. For each of the mechanisms it has thus been suggested that Chadian institutions worked against the policy recommendations suggested to avoid them.

First, with regards to the failure to avoid the economic mechanisms, the case of Chad shows that the policy recommendations of precautionary spending and saving of oil incomes were not followed by the government. This can to a large extent be explained by African State Development theory with the characteristics privatization of power and the shadow state. These characteristics create an environment where the power-holder(s) must trade in influence with various fractions of society such as the shadow state in order to remain in power. This made Déby want to have full control over the oil revenues and have access to them. This need to trade in influence also derives from the lack of popular support that Déby receives, which can be
explained by the lacking *de facto* state attributes that prevail in Chad. If present, these would have given legitimacy to the government, which would consequently not have to trade in influences and thereby have a need to be in full control over the government revenues. It has thus been concluded that the Resource Curse policy recommendations such as the ones suggesting the saving of oil incomes in offshore accounts and creating stabilization funds and FGFs are not viable in the Chadian environment. This is because the survival of the political elite depends on its direct access to all government incomes. The policy recommendations have thus great implications when applied in a context different from for instance the Norwegian where power and influence are practiced differently than in Chad.

The political mechanisms of the Resource Course were also not avoided as intended by the CCPP. This thesis has shown that all of the development impeding mechanisms such as corruption; the anti-democracy mechanism; and increased military spending were all integrated parts of Chadian society prior to the extraction of oil. Therefore, the efforts to avoid them were counteracted by Chadian institutional characteristics.

First, with regards to the corruption mechanism this was not avoided by the initiatives concerning more transparency and institutional development. Corruption increased when oil revenues reached the government, which was due to a general unwillingness by the leader’s to adopt the transparency measures advised for. Institutional characteristics such as privatization of power and the trade in influence explain this reluctance on two levels. First the trade in influence that the privatization of power creates has made corruption an integrated part of Chadian political life and institutions. This is because corruption is the means used to trade in influence. Second, the institutional characteristics of Chad have also created a general reluctance to create formal institutions such as government watchdogs like the CCSRP. In sum, this shows that the Chadian political actors and institutions are very dependent on the lack of transparency and thus oppose to promote it. This explains why neutral oversight institutions such as the CCSRP became increasingly limited in carrying out their job as government watchdogs. It is perfectly understandable that the Resource Curse theory suggests that transparency is increased in order to avoid the corruption mechanism. However, the case of Chad shows that it is not viable to introduce transparency in a political system that depends on the lack of it.

Second, The anti-democracy mechanism was also not avoided by the efforts to fight the rentier effect, the repression effect and the modernizing effect. The efforts to avoid these effects involve
the strengthening of the accountability link between the government and the population i.e. by introducing watchdog institutions. Furthermore, developmental spending (i.e. in the five priority sectors) as opposed to military spending was also encouraged. However, the reality of Chad turned out not to be receptive towards these initiatives. This can be explained by the fact that, in Chad, the rentier effect and the repression effect are not oil induced as suggested by the Resource Curse theory. Rather, they have characterized Chadian society since independence and colonialism. According to African State Development theory the repression effect dominates Chadian politics due to lack of *de facto* state structures giving legitimacy to the government and therefore the country’s leaders tend to use violence and thus repression as means to exercise power. Similarly, the rentier effect has characterized Chad for a long time due to its dependence on external revenues and it has created a rentier state in which the government is completely detached from the population. The efforts to avoid the rentier effect with initiatives to involve civil society groups in the decision-making become meaningless when applied in a system that thrives on the very condition that politicians are isolated from the population. This fact is supported when analyzing the role that taxes play in the Chadian context. Here the paying of taxes has never been perceived as a means of accountability but rather as a means of submission of a population that is highly detached from the isolated and elitist government. This suggests that the rentier effect described by the Resource Curse theory stating that the paying of taxes diminishes the gap between a population and its government does not prove to be true for the case of Chad.

Third, the efforts to avoid the increased military spending mechanism proved to be just as challenging as the other mechanisms. Here it was recommended that the oil revenues were not spent on military equipment but rather on development enhancing sectors. This would prevent grievances amongst the population and thereby remove the need to spend oil revenues on national security such as the military. However, the military budget exploded and the security situation in Chad has not been improved. This is explained by African State Development theory informing the Resource Curse that increased military spending as a result of oil is not solely due to the need to repress an unsatisfied population. The weak presence of national feeling amongst the populations also contributed to the ongoing conflict. On top of this, the case of Chad shows that the need to increase the military expenses was due to the regional character of the ongoing conflicts between Chad, Sudan and Libya. These conflicts were built on the African State Development characteristics of weak borders that are difficult for the central government(s) to
control. These characteristics all provide attractive conditions for rebel movements that operate from border areas such as Darfur to fight with arms provided by whichever government having access to the funds needed. It has thus been suggested that the initiatives concerning a fair distribution of oil revenues and the sole focus on the national level will not stop the vicious circle of continuous war in Chad and its neighboring countries.

This thesis has tried to contribute to the understanding of why the CCPP failed in avoiding the Resource Curse. It has done so by bringing forward insights, rooted in African State Development theory, into how the specific Chadian institutions counteracted the effectiveness of the policy recommendations suggested by the Resource Curse. Because the policy recommendations did not work as expected in the Chadian context the Resource Curse was fulfilled rather than avoided. Therefore, the oil is now playing a role of exacerbating the already existing development impeding structures that prevailed in Chadian institutions long before the introduction of the CCPP.

### 7.1. Perspective

The above conclusion shows that it is important to keep institutions and their characteristics in mind when trying to avoid the Resource Curse. However, a profound knowledge of a country’s institutions is not only relevant for Resource Curse scholars and practitioners. It can be argued to be relevant for all kinds of development projects since institutions will often determine the outcomes of external interventions, as was the case with the CCPP. The importance of understanding institutions becomes even more relevant when considering the fact that many development researchers and practitioners are educated in the western world with its own institutional characteristics. Therefore, when designing development projects and theories there is a tendency of ‘mono-cropping’ whereby formal institutional solutions embedded in Western institutional ideal types are transferred to developing countries. However, as with the CCPP this will not necessarily benefit a developing country. There is thus a general need for development scholars and especially practitioners to take local institutional and cultural characteristics into account and not assume that the right solution for one country is the same for others.

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299 Jones 2008:33
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Figure 5.1: [http://www.columbia.edu/itc/sipa/martin/chad-cam/overview.html](http://www.columbia.edu/itc/sipa/martin/chad-cam/overview.html) Last viewed 5th of May 2010
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