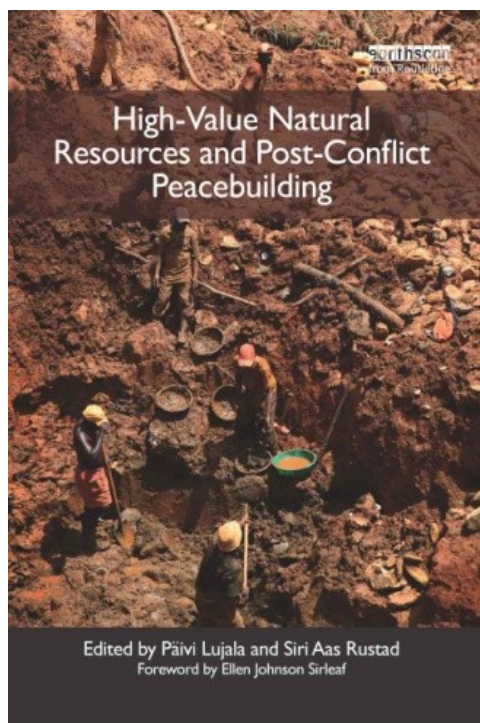


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Petroleum blues: The political economy of resources and conflict in Chad

John A. Gould and Matthew S. Winters^a

^a*Colorado College, University of Illinois at Urbana-Champaign*

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John A. Gould and Matthew S. Winters

In July 2003, Chad—a poor and landlocked state—joined the league of oil-exporting nations. Reaching this point required several consortiums of international oil companies; extended analysis and consultation with environmentalists, anthropologists, and activists; the passage of a law detailing how the government could spend oil revenues; the creation of oversight bodies at the national and international levels; and the construction of a 1,070-kilometer pipeline terminating off the port of Kribi, Cameroon.

The World Bank was at the center of this effort. As the gatekeeper for international investment, the Bank hoped to make Chad into a model of responsible resource extraction among poor countries beset by conflict and weak governance. Unfortunately, the Bank's efforts to hold the government accountable for its spending failed in the face of Chad's illiberal governance and entrenched patronage politics, allowing President Idriss Déby and his inner circle to benefit disproportionately from the revenues and sparking a renewal of conflict.¹

This chapter describes the World Bank's attempt to ensure the equitable use of oil revenues through the creation of new laws and institutions, and analyzes why it went astray. The years from 2000 to 2003, when the oil pipeline was

John A. Gould is an associate professor of political science at Colorado College. Matthew S. Winters is an assistant professor in the Department of Political Science at the University of Illinois at Urbana-Champaign. The authors would like to thank Amanda Cronkhite, Nicole Gruttadauria, and Edward Moe for research assistance on this project. They would also like to thank Marielle Debos and their dear friend Karen Ballentine (1961–2010) for their helpful suggestions on earlier drafts of this paper.

¹ As used in this chapter, *liberal* and *illiberal* refer to the accountability of a government and to the civil and political rights of its citizens. An illiberal political environment is one in which executive power is unchecked by other authorities; citizens' political choices are not heeded; and civil and political rights are violated. *Patronage politics* occur when those who control resources (patrons) provide favors or preferential treatment to individuals of lower socioeconomic status (clients), with the expectation that the clients will reciprocate by offering general support and assistance (Scott 1972). Patron-client relationships are particularly likely in countries where state officials control access to jobs and basic services and enjoy significant discretion in allocating them (Chandra 2004, 2009).

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constructed, were a period of relative calm in Chad's tumultuous history. Historically, government transitions in Chad have occurred only by force—and at any given moment, there have been at least a handful of rebel groups trying to wrest control of the government from the incumbent. Nevertheless, as the oil pipeline project was realized, President Déby seemed to have relatively firm control of the country, an appearance that was reinforced by his victory in a flawed 2001 presidential election. But beginning with a mutiny of the presidential guard in 2004, Chad reverted to its old ways. Rebel attacks in April 2006 and February 2008 both came close to toppling the Déby regime. Déby was able to hang on in no small part because of new military hardware that had been purchased using oil revenue.

Contrary to the Bank's hopes, natural resource revenue seems to have reignited conflict and led to little development outside the bank accounts of the president's inner circle. Patron control over revenues fueled jealousies and resentments among those who had been part of patronage networks in the past and among others who felt consistently excluded. Oil revenues also allowed the president to take a more militaristic stance on the country's eastern border, adjacent to the conflict-torn Darfur region of Sudan. Threatened from abroad and within, Déby secured the Bank's reluctant approval to take oil funds that had been earmarked for development and use them for government and army salaries instead (Massey and May 2005). In 2008, in the face of additional local conflict and the government's wholesale lack of compliance with the original agreement, the Bank withdrew from the project entirely.

The chapter does not contend that the addition of oil revenues to Chad's volatile political mix is at the root of its conflicts. Chad has a history of significant internal and transboundary strife, both before and since it became an oil-producing state (Pegg 2009; Massey and May 2005). Yet oil has proven to be a catalyst for increased conflict. It enriches those who hold power and provides unprecedented incentive to rebels to seize the state apparatus. To protect his power, President Déby has invested heavily in state capacity. Sadly, it is capacity of the wrong sort: what Déby has "purchased" is the ability to maintain power indefinitely and to spend Chad's new resource wealth as he sees fit.

The chapter is divided into four major sections: (1) a summary of the theoretical relationship between oil and conflict that has informed events in Chad; (2) a review of the history of conflict in Chad; (3) a description of the development, and subsequent dissolution, of Chad's oil-revenue management framework; and (4) a brief conclusion.

OIL AND THE POLITICAL ECONOMY OF CONFLICT

Oil has subtly altered the shape of politics in Chad. First, the regime's distributional choices have altered the stakes of the political game. Second, the political geography of Chad's oil resources has shaped the strategies of Chad's diverse competing actors. Finally, oil revenues have allowed Chad to build new state capacity—although



not necessarily of the sort that one would wish. In combination, these three factors have added a deadly new chapter to Chad's history of illiberal politics.

Distributional choice

The means of distributing oil revenues in a low-capacity, illiberal political environment can affect the stakes of conflict and shape opportunities to build more accountability into governance structures.² A simple distributional model can be used to clarify this point: at one end of the spectrum of distributional possibilities,

² In the context of this chapter, *state capacity* refers to the government's ability to provide essential public goods, such as security, to its inhabitants. A low-capacity state, for example, may not have a monopoly on the use of force within its territory, may fail to provide basic infrastructure and services to its citizens, and may maintain a bureaucracy that puts its own interests above those of its citizens.

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the state may allow oil revenues to concentrate in the hands of a narrow group of political elites. Where this happens and oil revenues are significant in size, politics are likely to be characterized by a “winners take all” model in which time horizons tend to be short and resentments among losers may provide incentives for armed conflict. With millions of dollars of oil revenues in play, those who benefit from the revenues will strive to maintain power by any means.

This outcome is bad news for those who wish to consolidate the political expectations of the elite around institutions that promote liberal governance.³ Oil beneficiaries are likely to feel threatened by domestic political institutions that offer rivals access to political power. They will therefore have an incentive to undermine liberal political accountability in all its forms—accountability to the citizenry through regular, free, and fair elections; accountability to other branches of government in the form of checks, balances, and institutional independence; and accountability to a civil society that is capable of monitoring government activities, resisting government encroachment, and demanding policy changes. Where large resource rents are on the line,⁴ incumbent elites are more likely to see the rule of law as an encumbrance and civil society as a nuisance. Resources become a “curse” rather than a blessing (Fish 2005; Easterly 2006). Oil does not cause illiberalism, but it does have the potential to reinforce weak and illiberal institutions where they already exist.

At the other end of the spectrum, the state facilitates broad regional or social distribution of the benefits from oil revenues. Such distribution patterns offer an opportunity to build “win-win” politics that can serve as the basis for a wider social peace between formerly hostile factions. Broad and equitable distribution of resource revenues can also lower the cost of losing the political game and reduce the incentive to attempt to win power through extra-institutional means. In other words, distribution based on broad regional or social formulas might encourage social peace and permit the political behavior of the elite to consolidate around an emerging set of liberal political institutions. Thus, under the right conditions, oil revenues might encourage liberal institution building.

There are two caveats to this argument, however. First, while broad distribution is preferable to “winners take all,” it may fail to build the sorts of civic structures characteristic of a strong society. In fact, centralized patronage structures may simply be replaced by more dispersed patronage structures, leading citizens to meet their basic political needs by relying on local power brokers rather than on

³ Institutional consolidation occurs when elite political actors confine their political behavior to a given framework of formal and informal rules, norms, and decision-making procedures. Behavior can consolidate around either liberal or illiberal institutions. Liberal democratic consolidation occurs when democratic rules of the game are, to quote Juan Linz and Alfred Stepan, “the only game in town” (1996, 5).

⁴ The term *rent* is used to refer to revenue that is not derived from productive activity but instead accrues simply through the fact of ownership (George 1920).

civic organizations and democratic participation. Local and regional patronage risks reinforcing clan or tribal identities—and, in ethnically divided societies, may also reinforce the tendency for democratic elections to serve as referenda on ethnicity (Collins 2004).⁵ Second, regardless of how an illiberal government distributes oil benefits, a government that can raise enough revenue to function without taxation is less dependent on societal cooperation to maintain its rule (Ross 1999). Thus, societies can exert little leverage over illiberal governments with access to natural resource revenues: when a government has ready access to oil rents, demands for self-restraint on the part of the state are backed by less social leverage—and, when asked to engage in self-restraint, governments have fewer reasons to do so (Gould and Sickner 2008).

Introducing oil revenues in illiberal, low-capacity states can thus create pernicious incentives that limit opportunities for both conflict resolution and institution building. The more narrowly concentrated the benefits of oil revenues are, the more intense these effects are likely to be. Yet oil revenues also offer an opportunity for a low-capacity state to build its functional competence and to provide important public goods—including education, infrastructure, justice, basic health care, and internal and external security—that it could not provide before. The major difficulty is that most public goods require soldiers, police, and bureaucrats. Unless these three elements are incorporated into a governance system that is accountable and responsive to citizens, capacity-building efforts can go badly wrong. Soldiers and police can prey on citizenry rather than protecting them, or they may focus on guarding the interests of a narrowly constituted ruling clique or clan. Similarly, bureaucrats in a patronage-based political system can make biased decisions in areas where the economy and the state intersect—most notably by ensuring that favored clients get preferential treatment in bidding, contracts, and the application of laws and regulations.

In sum, more state capacity is arguably desirable, but it must be capacity of the right sort. Good governments provide crucial public goods—and, most importantly, protect rather than prey upon their citizens. In the absence of improved government transparency and accountability, efforts to build state capacity can potentially fuel conflict and a broader sense of injustice. The ideal is to build capacity within an accountable state.

⁵ Regional and social distribution schemes may also be easily disrupted by rapidly changing demographics—an influx of refugees, for example. In addition, fluctuations in oil prices may threaten politically important distributional agreements: payouts established when international market prices are high are difficult to reduce when prices are low. As will become clear later in the chapter, such risks can be overcome, but only through the creation of stabilization funds—something the World Bank tried to do in Chad. Without the stability provided by such funds, governments may be forced to take on costly foreign debt when prices drop, in order to avoid upsetting the delicate and potentially explosive distributional schemes that have been used to purchase social peace. For more on this issue, see Pegg (2006).

Political geography

Oil can also affect the strategies that rival political actors choose in attempting to resolve their conflicts. Philippe Le Billon has noted that oil is a geographically concentrated “point resource” that is accessible only to capital-intensive modes of extraction (2007). Capturing oil rents thus requires capturing the apparatus of the state (or forming a new state or other entity that has a local monopoly on the use of force in the vicinity of the extractive facilities). Efforts to capture oil rents are therefore likely to take one of two forms: a coup d’état or a war of secession. The fact that oil is a point resource certainly does not prevent other forms of conflict from occurring, but Le Billon has predicted that secessionist movements will be the more likely form of rebellion when the oil sector is located far from the center of power (“distant” resources), in areas that can more easily be “carved out” by insurgent groups. Where the state has firm control over point sources (“proximate” resources), as in Chad, Le Billon has argued that the most likely path to riches is through control of the state itself (Le Billon 2007).

CONFLICT IN CHAD

Chad is a highly fractionalized society made up of many relatively small ethnic groups.⁶ Nomadic Toubou, Gorane, and Zaghawa—three groups that are generally practitioners of Islam—live in the Saharan north; a mix of sedentary and nomadic people live in the Sahelian central region; and the Sara, a traditionally Christian group—and the largest ethnic group in Chad—live in the tropical south. When the country gained independence, in 1960, the dominant political party was predominantly made up of Sara.

François Tombalbaye, a Sara, led Chad for its first fifteen years—transforming it, in 1962, into a single-party state and dissolving parliament the following year. In the view of Muslims in the north, the government was both unrepresentative and actively discriminatory; the particular points of contention were allegedly unfair—and violently enforced—taxation practices (e.g., head taxes on cattle that disproportionately affected the nomadic people of the north), exclusion from civil service (despite the Sara’s lack of bureaucratic training), and cultural restrictions (e.g., the prohibition of turbans, part of the traditional garb in the north) (Azevedo 1998). In 1966, the country descended into civil war, with the regimes in Libya and Sudan sponsoring various northern rebel groups. Although French intervention restored some semblance of order in 1968, rebel groups continued to fight against the government into the 1970s. They never formed a single coalition, however, and were known for fighting against each other as much as against the Tombalbaye government.

In 1969, Chad granted Conoco, a U.S. company, the right to explore for oil. By 1975, oil deposits had been confirmed in the south of the country (see figure 1).

⁶ This section draws, generally, on Massey and May (2005), Fearon, Laitin, and Kisara (2006), and ICG (2009).



Figure 1. Oil and tribal concentrations in Chad

Source: World Bank (2001).

That same year, General Noël Milarew Odingar, another Sara, led a coup in which Tombalbaye was killed. Although the coup was preceded by growing tensions between Tombalbaye and the military, there were allegations that France provided support for the coup in response to the government's decision to award the oil contract to a U.S. company (ICG 2009). Regardless of its causes, the coup caused enough concern among international investors to delay progress toward oil extraction. Odingar peacefully transferred control to the Supreme Military Council, which elected Félix Malloum, a southern politician and soldier, as president.

In 1978, Malloum brokered a peace with a major rebel group led by Hissen Habré, a northerner living in exile in Sudan. Habré successfully negotiated an equal sharing of government positions between northerners and southerners, but the military government never implemented the agreement. In 1979, ethnic riots pushed the country into anarchy. For the next three years, Chad existed as a patchwork of small, warlord-controlled territories. In 1982, Habré unified the

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country under his command and gained the support of both France and the United States, which saw him as a counterweight to Libyan influence in the region.

In April 1989, Idriss Déby, the nation's chief military adviser, mounted an unsuccessful coup against Habré, then fled to the Darfur region of Sudan, where he recruited both Chadian and Sudanese members of his Zaghawa ethnic group into a Libyan-funded rebel movement. (Throughout his rule, Habré had been in nearly constant conflict with Libya.) In 1990, Déby's rebels took N'Djamena. The United States was preoccupied with the 1990–1991 Gulf War, and the French refused to assist Habré.⁷

Déby was not afforded much of a honeymoon. He soon faced challenges from two new rebel groups: the National Revival Committee for Peace and Democracy (Comité de Sursaut National pour la Paix et la Démocratie, or CSNPD) and the Armed Forces for a Federal Republic (Forces Armées pour la République Fédérale, or FARF). The CSNPD, which formed in 1992, allegedly wanted to prevent the Déby government from exploiting oil in the Doba Basin (Buijtenhuijs 1998). It also demanded the introduction of federalism in Chad, as a means of keeping oil revenues local. The FARF, which was based in the oil-rich region of Logone, was a breakaway faction of the CSNPD that formed in 1994, when the CSNPD signed a cease-fire with Déby's government. Through violence and negotiation, Déby was able to obtain a settlement with the FARF in 1998; the settlement granted general amnesty for FARF members, the integration of both civilian and military rebels into the Chadian bureaucracy and army, and the legalization of the movement as a political party (Europa Publications 2004; Massey and May 2005).

As Déby moved toward exploitation of the southern oil fields near Doba, he risked alienating his core constituency: the Zaghawa in the northeastern part of the country. The south had long been the more prosperous part of Chad—what the French called *le Tchad utile* (the useful Chad)—and northerners feared that oil exploitation would further consolidate southern economic dominance over the country (Massey and May 2005). As is detailed later in the chapter, once oil extraction began in the early 2000s, this resentment spurred some of the subsequent conflict.

Chad's oil-revenue management framework

In 1988, when Chad was still ruled by Habré, a consortium made up of Exxon, Chevron, and Royal Dutch Shell signed a thirty-year exploration and extraction agreement whose terms have been described as “abusive” because of the limited share of oil profits assigned to Chad (Massey and May 2005, 253). In 1992, the French company Elf Aquitaine replaced Chevron in the consortium.⁸ The following

⁷ Millard Burr and Robert O. Collins (1999) have argued that France was trying to improve its relations with both Libya and Sudan in order to gain access to oil; Mario Joaquim Azevedo (1998) claims that the French were upset because Habré was considering granting oil exploitation rights to an American company.

⁸ There have been allegations that French intelligence services supported Déby's 1990 rebellion in exchange for his favoring French commercial interests (ICG 2009); in other words, the involvement of Elf Aquitaine may have been the realization of a quid pro quo.

year, geologists determined that the reserves near Doba were substantial: around 900 million barrels.⁹

The consortium made some progress toward beginning exploitation, but significant capital investments were still required. Because Chad is landlocked, the oil would need to be piped to port by means of a 1,000-kilometer pipeline. In addition to the construction of the pipeline itself, this arrangement would require the construction of an offshore facility and intermediate pumping stations. Moreover, because of the low quality of the oil, the pipeline would need to be heated in order to reduce resistance to flow.

Given these high start-up costs, the consortium—and the Western banks that were underwriting the initial expenditures—sought both protection against government expropriation and promises of noninterference in operations. They also wanted to deflect criticism, from nongovernmental organizations (NGOs), of new natural resource exploitation in Africa (Mallaby 2004). With these goals in mind, the consortium approached the World Bank, requesting that it act as an intermediary. Exxon flatly stated that it would not proceed without World Bank support “to help defray risks and complications” (Runyan 2000, 10).¹⁰

Consultations between the oil companies, the government, and the World Bank continued under Déby. In line with its core mission, the World Bank was interested in ensuring that the natural resource wealth would be used for poverty alleviation; in fact, the Bank saw the Chadian case as an opportunity to demonstrate that the “resource curse” could be overcome if the appropriate legal framework were in place. The Bank therefore worked to design mechanisms that would require the government to channel oil revenues to antipoverty projects.

As it appeared more likely that the Bank would sign off on the pipeline project, international NGOs—including Amnesty International and the Environmental Defense Fund—became increasingly strident in their opposition. Critics argued that the consortium’s community “consultation” did more to market the project among the people affected than to incorporate their needs. Despite Bank measures in 1998 to stiffen environmental safeguards, critics felt they were inadequate. In July of that year, eighty-six NGOs from twenty-eight countries sent an open letter to World Bank president James Wolfensohn, calling on the Bank to suspend its participation. The letter included descriptions of civilian massacres at the hands of Chadian security forces and noted the Chadian government’s failure to investigate these incidents. The Bank responded with a nineteen-volume analysis and strategy for managing environmental risks but did not directly respond to the human rights concerns (Hernandez Uriz 2001; Horta and Nguiffo 1998).

During the second half of the 1990s, as the World Bank negotiated with the oil companies, the government of Chad, and international NGOs, Déby won a

⁹ Note that in terms of global reserves, 900 million barrels is not that much. Worldwide, about a hundred oil fields have estimated reserves of more than 1 billion barrels. Chad’s estimated reserves are comparable to those of Australia, Brunei, Colombia, or Equatorial Guinea.

¹⁰ See also Horta and Nguiffo (1998).

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1996 presidential vote, and his party dominated a 1997 general election that appeared to have been rigged in its favor (May and Massey 2000). Ngarleji Yorongar, the Doba-based leader of the Federation, Action for the Republic (Fédération, Action pour la République, or FAR) political party and a critic of the pipeline, spread rumors that the oil consortium had provided Déby with illegal election funding (Massey and May 2005). Summarizing the elections that were held as Chad inched toward beginning oil extraction, one international observer said, “Oil is really what is at stake” (*Africa Research Bulletin* 1997, 12530).

The World Bank formula

In January 1999, after several years of negotiations with the World Bank, the Chadian parliament passed the Petroleum Revenue Management Law 001 (PRML).¹¹ The new law met the Bank’s conditions: (1) it provided a specific spending schedule for direct oil revenues (royalties and dividends), and (2) it created a governance institution, the Petroleum Revenue Oversight and Control Committee (Collège de Contrôle et de Surveillance des Ressources Pétrolières), to oversee this spending.¹² In addition, the International Advisory Group—an entity created and funded by the World Bank, with members appointed by the Bank, in consultation with the governments of Chad and Cameroon—would monitor the project from abroad.

The PRML promised to address many of the aspects of oil extraction that threatened to contribute to conflict in Chad. The law created a broadly distributive framework that was intended to knit together the nation’s regions through poverty reduction and equitable distribution of resources. It also included provisions that were designed to reduce vulnerability to the boom-bust cycles that afflict oil-dependent states. Finally, the law was designed to increase state capacity to ensure fairness and transparency. In sum, the PRML was “an unprecedented regulatory arrangement designed to ensure transparency and accountability” (Massey and May 2005, 254). At the same time, however, because the law would dictate overall budget allocations and require the creation of a new governance institution, it could also be viewed as undermining state sovereignty—leading former U.S. ambassador to Chad Donald Norland to grumble about the Bank’s “infringement on the independence of a newly independent African country” (*Religion & Ethics Newsweekly* 2002). The pipeline project was thus a test of how far the Bank could push a key clause in its charter, which prohibited interference in the internal affairs of sovereign states.

¹¹ Loi No. 001/PR/99 Portant Gestion des Revenus Pétroliers (Petroleum Revenue Management Law).

¹² Indirect revenues, which were not covered by the agreement, included those from taxation. Ultimately, these were a substantial portion of the overall revenues accruing to the Chadian government.

The distributional framework of the PRML

The World Bank's primary concern was to reduce poverty and to build state capacity to ensure that oil resources were managed wisely and transparently. But the agreement with the Bank, as expressed in the law, also made a lot of sense from the perspective of conflict reduction. The Bank's negotiators sought to ensure that the benefits of oil revenues would be shared socially, regionally, and even across generations; the law also placed precise limitations on how the government could spend direct oil revenues from the project. The Bank requested that by the end of January 2003 the government of Chad develop a mechanism for disbursing the funds.

The distributional framework of the PRML was designed as follows:

- Revenues would gather in a Citibank escrow account in London that the World Bank had the power to freeze.¹³ To avoid fostering inflation and to help isolate the national economy from boom-bust cycles in the international price of oil, revenue from this account could be steadily reintroduced into Chad's economy. While this provision was designed to avoid the well-known phenomenon of "Dutch disease" (Pegg 2006),¹⁴ it would also reduce pressure on the government, during a downturn in the oil market, to make the sorts of budget cuts that could lead to distributional conflict.
- After deductions for debt service payments, 10 percent of the revenues would go to the Future Generations Fund, a means of redistributing money from the current generation to later generations that will inherit a Chad drained of oil.
- Of the remaining 90 percent of post-debt-service oil revenues, the PRML allocated 80 percent to priority development sectors—including health, education, rural development, and the environment—to ensure that the revenues would help the population at large rather than Chad's political and economic elite.
- Five percent of the remaining revenues were earmarked to develop the Doba oil-producing region. Doba is a Christian region in a largely Muslim country, and

¹³ As with escrow accounts in real estate or business transactions, the purpose of such an account is for the commercial bank to hold the money until both parties acknowledge that the terms of the agreement have been met. In this specific case, Citibank was to hold Chad's direct oil revenues until the World Bank certified that Chad was meeting the conditions specified under the PRML, at which point the money would be released to Chad.

¹⁴ *Dutch disease* is a phenomenon in which the discovery of substantial natural resource wealth negatively affects a nation's economy. The discovery often causes sudden appreciation in the value of the nation's currency—which, in turn, decreases the nation's competitiveness in the international commodity markets. This reduces the country's exports of manufactured and agricultural commodities and increases its imports. At the same time, the natural resource sector draws a substantial share of domestic resources such as labor and materials, increasing their cost to other sectors. Moreover, when the initially booming resource sector eventually declines, the non-resource-based sectors may find it difficult to recover. The higher prices also reduce the capacity of nonresource sectors. See Pegg (2006) and Sachs and Warner (1995).

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this *cinq pour cent* fund was implicitly designed to alleviate conflict by reassuring the Christian south that the Muslim north would not expropriate the benefits of the oil revenues.

- The remaining 15 percent could be used completely at the government's discretion.

Efforts to build capacity

In addition to requiring a fair and broad distributional formula, the World Bank sought to help Chad build the capacity to ensure that revenues would be effectively spent. The purpose of the *Collège* was to oversee governmental spending. Nongovernmental *Collège* members included one representative each from Chadian NGOs, unions, human rights organizations, and religious groups. State representatives included two parliamentarians, the head of the central bank, the director of the treasury, and a supreme court justice. While state officials technically outnumbered civil society representatives five to four, the institutional diversity of the state appointments appeared to ensure independence from the president.

In January 2000, the World Bank provided a US\$17.5 million capacity-building loan that was intended to build budgeting and auditing capacity and to upgrade financial management software. The funds were allotted to both the *Collège* and to other government ministries. A second capacity-building loan, of US\$23.7 million, followed six months later. Two major components of this loan were capacity building for environmental management and the creation of a pilot development fund for the Doba region (World Bank 1999, 2000).

Patronage politics trump institution building

The PRML was an innovative attempt to ensure that oil revenues would help to reverse illiberal trends in Chad and build the state capacity that was needed to govern the country responsibly and fairly. Conflict reduction—through broad distribution of revenues specifically targeted to benefit the poor and the oil-producing region—was an implicit part of this approach. Unfortunately, however, the Bank's efforts failed to overcome Chad's heritage of illiberal politics, patronage, and conflict. Between 2000 and 2006, President Déby reshaped the Bank's broad revenue-distribution scheme to meet his own political needs and systematically undermined the power of the *Collège* to call him—and his increasingly muscular state apparatus—to account. Instead of creating good governance, social peace, and equitable development, the Bank-sponsored oil pipeline ultimately funded the further consolidation of an authoritarian political system based on centrally controlled patronage.

Patronage was already built firmly into Chad's politics. Déby's government was staffed by a close inner circle of ministers and officials drawn from Déby's kinsmen and allied tribal groups. At the same time, special deals were constructed

to maintain the loyalty of groups that might otherwise have felt left out: the prime minister was traditionally a southerner, for example.¹⁵

Given Chad's illiberal heritage, the Bank had trouble persuading skeptics that its intervention would actually improve things. In 1999, despite the Bank's safeguards, Elf Aquitaine and Royal Dutch Shell withdrew from the consortium—after having been persuaded by international NGOs that the human rights and environmental issues associated with the project made the risk to their reputations too high.¹⁶ After James Wolfensohn, president of the World Bank, personally intervened, Chevron and Petronas, the Malaysian state-owned oil company, stepped in to take the place of Elf Aquitaine and Royal Dutch Shell. Construction of the pipeline from the Doba fields to the port in Cameroon began in 2000.

With a consortium of investors firmly in place, Déby spent one-fifth of a US\$25 million investment signing bonus on weaponry, at a time when the country was appealing for international food aid (Massey and May 2005). The purchases were technically legal under the PRML, and Déby was facing a rebellion in the far north, led by the Movement for Democracy and Justice in Chad (Mouvement pour la Démocratie et la Justice au Tchad),¹⁷ but many observers felt that the weapons purchases violated the spirit of the law (Raeburn 2001).

In May 2001, Déby engineered his reelection. During the run-up to the vote, the opposition parties lamented the government's control of the media and of the Independent National Electoral Commission; documented the government's use of intimidation tactics to influence voting; and accused the government of simultaneously excluding eligible voters from the electoral list and adding ghost voters in the pro-Déby north (May and Massey 2003). Déby celebrated his manufactured victory by having all six opposition candidates arrested; Wolfensohn again personally intervened, this time to secure the candidates' release (Massey and May 2005).

A general election held in 2002 was boycotted by many of the opposition parties, allowing pro-Déby forces to take 113 of the 155 seats in the parliament. As a nod to the pipeline region, Déby's government allowed the Doba-based FAR to claim the ten seats that it had won. Déby also appointed a prime minister from the south. These measures helped the pipeline project gain support among former opponents in the south.

The years 2002 and 2003 were a period of relative calm in Chad. Construction proceeded apace on the pipeline, and the government faced fewer armed challenges (ICG 2009). By early 2004, the project seemed to be quite successful: the pipeline, which employed 13,000 people from Chad and Cameroon during construction (IFC n.d.), finished a year ahead of schedule. Oil began flowing to Cameroon in July 2003, and the first tanker filled with Chadian oil left Kribi in October.

¹⁵ It is important to note, in this context, that the *cinq pour cent* fund may not have come into existence without pressure from the FAR.

¹⁶ The withdrawal of Elf Aquitaine led to protests outside of the French embassy in N'Djamena.

¹⁷ Thanks to Marielle Debos for pointing this out.

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In 2004, as exports mounted, oil revenues from the London escrow account augmented the budget, and the *Collège* began to review the government's fiscal performance. Critics, meanwhile, pointed out that the rapid completion of the pipeline had outstripped the Bank's emphasis on capacity building, creating a "two-speed problem" in which oil revenues would accrue to the government before it had developed the institutions to ensure that they would be spent in accordance with the letter and the spirit of the PRML (Pegg 2006; International Advisory Group 2001).

Worse, just as oil revenues began to take on significant proportions, Chad's apparent stability disintegrated. First, Déby further centralized power, undermining the Bank's efforts to build social and institutional checks on Chad's growing state capacity. Déby's particular target was the Bank's formula for broad social and regional distribution of benefits. Second, new patterns of conflict emerged, largely as a result of the Déby regime's growing resource wealth and the resentment it generated.

Déby centralizes power

Part of the two-speed problem may have originated in the reluctance of Déby and his supporters to tolerate an independent monitoring body. Déby began undermining the independence of the *Collège* even before oil revenues began to return to Chad. As noted earlier, the opposition's 2002 electoral boycott delivered 72 percent of the parliamentary seats to Déby's supporters. In 2003, Déby replaced the southern prime minister with a close relative (a northerner), ensuring firm control over the legislature's choice of two parliamentary appointments to the *Collège*. Déby also placed his brother-in-law in charge of the central bank, thus securing his influence over the bank's *Collège* representative. A year later, in violation of the constitution, Déby selected a new head of the supreme court, thereby securing influence over yet another member of the *Collège*. By 2004, the president had strengthened his sway over the actions of a majority of the members of the *Collège*. Although the government had already gained apparent majority control, international civil society groups accused it of interfering in the selection of the nongovernmental members of the *Collège* (Gary and Reisch 2005).

In 2004, the *Collège* nevertheless delivered a relatively critical summary report, citing "incidents of irregularities in transfers of funds; poor quality of, and long delays in the delivery of goods and services; lack of competitive bidding processes, and cases of overpricing of goods and services" (World Bank 2005b). But the *Collège*, in addition to being underfunded and understaffed (Gary and Reisch 2005), lacked the legal standing to compel the government to act on its findings.

The erosion of the influence and independence of the *Collège* was part of the president's larger effort to concentrate and retain power. Déby campaigned for constitutional amendments that would allow him to run for a third term, replace the upper house with a presidentially appointed council, and amend the constitution at will. In 2005, in another flawed process that included the intimidation of

journalists and the creation of progovernmental (and hence obedient) NGOs that diluted the voice of legitimate members of civil society, Déby won the referendum (Economist Intelligence Unit 2006; Gary and Reisch 2005).

Meanwhile, a smoothly functioning patronage system was shaping the government's use of the new oil revenue. According to anecdotal evidence collected by various observers, firms with ties to the president received preferential consideration and were engaging in overbilling, contract padding, and other forms of corruption (Gary and Reisch 2005). Such arrangements siphoned resources away from legitimate government activities and made it difficult for the civil service to provide public goods (Economist Intelligence Unit 2006). Déby's political vehicle, the Patriotic Salvation Movement, even created NGOs in order to win lucrative contracts associated with the spending of oil revenue in priority development sectors (Gary and Reisch 2005).

Thus, as the government's fiscal resources grew, state capacity failed to keep pace; this had a devastating effect on the PRML's social and regional distribution scheme because much of the money designated for poverty reduction was instead diverted to politically connected subcontractors. In the south, *cinq pour cent* funds were slow to disburse because the government had failed to develop a mechanism for their distribution, despite having promised to do so. When the government finally did distribute the funds, through subnational government agencies operating in the Doba area, the money went to a mere seven projects in two cities, and the largest project—a new stadium that absorbed 39 percent of the total fund—had only marginal potential to alleviate poverty. Despite claims of decentralization, Stephen Reyna has reported that the projects undertaken through the *cinq pour cent* funds originated in the president's office and were awarded to politically connected firms from the north. In the east, meanwhile, development was limited to the construction of an east-west road used primarily for military purposes (Reyna 2007). As part of its Petroleum Sector Management Capacity Building Project, the World Bank had established a pilot social development fund, but it had only a small budget (US\$3.5 million) and was ultimately described by the International Advisory Group as “disappointing” (International Advisory Group 2004).

Major conflict returns to Chad

Conflict in Chad takes many forms—but, in keeping with Le Billon's prediction, growing oil revenues coincided with an increase in attempted coups and other assaults on the capital. Although the 1999–2003 period was relatively stable by Chad's standards, conflict intensified in May 2004, when Déby's personal guard launched a small-scale military revolt—a prelude to the emergence of a larger rebel movement that would renew pressure on the regime.

The conflict had two origins: first, in discontent about the way in which the Déby regime was spending the oil revenues; second, in Déby's attempt to defuse discontent by becoming newly enmeshed in the conflict in Darfur between rebel groups opposed to the Sudanese government and the government-allied

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Janjaweed militia. In 1990, Déby's movement to take power in Chad had originated in Darfur, where his Zaghawa ethnic group has a stronghold.¹⁸ After becoming president, Déby developed an arrangement with Omar al-Bashir, the president of Sudan, in which each refused to support rebel bases in their territories that were arrayed against the other nation.

In 2003, violence intensified in Darfur, and refugees began to spill across the border into Chad. At first, Déby remained uninvolved, even though his Zaghawa kinsmen were the targets of the Sudanese government and the *Janjaweed* militia. Déby even spoke out publicly against his older brother—a strong supporter and a financial backer of two Darfur-based insurgent groups (Marchal 2008).

Members of the Zaghawa group, meanwhile, were allegedly disappointed that Déby's patronage system did not extend beyond his innermost circle of supporters (Marchal 2008). After Zaghawa contingents within Chad's army rebelled in 2005, Déby shifted his stance on Darfur in an attempt to regain the support of his Zaghawa kinsmen (Prunier 2008). In 2005, he concluded a "gentleman's agreement" with the Sudan-based Zaghawa Justice and Equality Movement, allowing the group to attack Sudanese forces in Darfur from bases in Chad. According to some observers, he soon extended this arrangement to the Sudan Liberation Army, another Sudanese insurgent group, and began to use oil revenues to finance military supplies for groups opposed to the Sudanese government. At the same time, the Sudanese government began to actively support Chadian rebels on its territory (Marchal 2008; Sany and Desai 2008).

Meanwhile, Déby intensified his use of patronage in an ultimately failed attempt to consolidate support at home. First, he improved his position in the south by appointing a southern prime minister and thereby restoring the traditional link between southern Chad and that political office (Economist Intelligence Unit 2006). Second, he worked throughout 2005 to integrate rebel soldiers into the national army or otherwise provide them with jobs (Grawert 2008).¹⁹

Chad's showdown with the World Bank

By the end of 2005, however, Déby's push to resolve the various conflicts—with the Zaghawa, with the south, and with the various armed groups threatening Chad from Sudan—had reached its fiscal limits. Most of Déby's military spending went to improve the capabilities of his intelligence service and his personal guard, leaving little to pay the salaries of the rank-and-file military—which generated resentment and new rounds of defections, like those of May 2004. Significant numbers of former rebels deserted the army and became rebels again, many of them joining the groups that had formed in the wake of the May 2004 coup

¹⁸ Zaghawas make up less than 2 percent of the population of Chad—but across the border in Darfur, they make up 10 percent of the population (Grawert 2008; Sany and Desai 2008).

¹⁹ See also Debos (2008).

attempt (Grawert 2008). Déby faced similar pressures from his civil servants, who went on strike to demand that their salaries be paid.

Déby's patronage needs had simply outstripped his growing resources from the oil royalties and dividends (which were covered under the PRML) and from the taxes (which were not). Instead of restructuring government spending to eliminate corruption and waste, the president used the crisis to demand that the Bank release a greater proportion of oil revenues for discretionary use. In late 2005, the Chadian government informed the World Bank of its intention to alter the PRML to gain access to more oil revenue and use it for nondevelopment purposes. Government officials claimed that the PRML had been "a leap into the unknown," creating a budget crisis that had pushed the government's "back to the wall" (White 2006, 7). Given the importance of patronage to Déby's political support, fiscal restraint—that is, reducing the level of patronage transfers—could indeed have threatened his political survival.²⁰ In an October 2005 meeting with European leaders, Déby called for the immediate release of the resources in the Future Generations Fund.

On December 8, 2005, the World Bank issued a formal response, urging Chad "to take urgent and credible measures to strengthen the safeguards in the management of the country's public finances" and offering to help uncover the sources of the country's fiscal problems and improve its financial management (World Bank 2005a). Undaunted, parliament revised the law unilaterally. In return, the World Bank froze the oil revenues in the escrow account and suspended its other lending to Chad.

As Déby battled the World Bank in negotiations in Paris, he faced an increasingly hostile atmosphere at home. In March 2006, Déby's twin nephews, Timane and Tom Erdimi, took control of a coup that had been undertaken by mutinous army forces led by one of the nephews. Timane was the secretary-general of the presidential administration, and Tom was the former coordinator of the oil project. Both were Bideyet, a Zaghawa subgroup.²¹ Allegedly, they resented Déby's efforts to exclude them from decision making and from the benefits of the oil money. After the coup failed, they fled to Darfur and founded the Rally of Democratic Forces (*Rassemblement des Forces Democratique*). Déby, for his part, accused his nephews of having used their positions to siphon oil revenues for personal use (ICG 2009).

In April 2006, a second coalition of rebel forces, the United Front for Change (*Front Uni pour la Changement*), marched on N'Djamena from Darfur, demanding a national forum, a transitional government, and new democratic elections. With logistical assistance from the French government, Chadian troops beat back the rebel attack (Mekay 2006). Déby blamed the attack on Sudan and threatened to expel 200,000 Sudanese refugees if the international community did not do more to stop rebel activities (Neuhaus 2006).

²⁰ The International Crisis Group (2009) has argued that growing Sudanese support for rebel groups was an additional factor in Déby's decision to challenge the existing rules.

²¹ Thanks to Marielle Debos for pointing out this detail.

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Later in April, oil minister Mahmat Hassan Nasser threatened to cut off oil flows in three days unless the World Bank ended the freeze on the escrow account or the oil consortium paid US\$125 million directly to the state treasury. Despite four months of tough talk, the World Bank capitulated. At the end of April 2006, Chad and the World Bank reached an agreement that loosened the conditions on the spending of oil revenues; a July 2006 memorandum of understanding institutionalized the changes. Chad agreed to greater oversight of its expenditures and pledged to support the *Collège*, while the Bank allowed Déby to fundamentally reorient the PRML's revenue distribution framework.

Given the weakness of the *Collège*, Chad's side of the agreement amounted to little, but the Bank's concessions were devastating to the original spirit of the PRML: Déby fundamentally revised the Bank's social and regional distributional scheme so as to gain the freedom to spend much more of the oil revenues as he saw fit. The first casualty was the *cinq pour cent* development program for Doba. Remarkably, under the original PRML, the president had already been given the discretion to eliminate this fund. But by explicitly cutting distributions to the Doba region, Déby violated the norm of interregional solidarity that had been established by the Bank. Déby also eliminated the Future Generations Fund. By far the biggest concession, however, was the Bank's agreement to allow oil revenues to be spent in the governance and justice sectors—thereby permitting Déby to strengthen the state security services and increase the number of police and military personnel.

The World Bank appears to have backed down because of pressure from Western donors, most notably France and the United States. Ironically, the threat to the regime's stability ultimately served as a bargaining chip for Chad. Simon Massey and Roy May have noted that American companies had a 65 percent stake in the oil project; they also cite the importance of Chad in the U.S. Global War on Terror, and argue that World Bank president Paul Wolfowitz ultimately "succumbed to U.S. pressure" in reaching a deal with Chad (Massey and May 2005; 2006, 446–447). The International Crisis Group (2009) has also observed that the standoff came at exactly the time when the United States was trying to diversify its energy sources by expanding African oil imports. French pressure on the Bank in favor of its ally was apparently also intense (Massey and May 2006).

Déby followed up on his victory over the Bank by renegotiating Chad's taxation scheme with Chevron and Petronas—charging them a higher rate and pocketing an additional US\$450 million in the process. Both companies were acutely aware that the Chinese were willing to take their place should they fail to come to an agreement with the government (*Economist* 2006; *Chad News* 2006).²²

²² Obsolescing bargain theory, which predicts that outside investors have bargaining leverage before they make their investment and then rapidly lose it afterward, provides insight into how the Bank could have done more to protect against a loss of its leverage over Chad after signing the initial agreement. For additional information on this issue, see Gould and Winters (2007).

In March 2007, giving in to its lack of resources, independence, and capacity, the *Collège* stopped reporting on budget allocations. The following year, with oil prices on the rise, Chad earned US\$1.2 billion on 53 million barrels. Much of this money was devoted to large public works projects, for which members of Déby's inner circle won numerous contracts (ICG 2009).

Winners take all

Earlier in the chapter, it was argued that a winners-take-all model—that is, the concentration of oil benefits in the hands of a narrow group of political elites—would raise the stakes of political competition and weaken opportunities to consolidate elite expectations around more liberal institutions. Chad's record of almost constant conflict since the 2006 memorandum of understanding confirms that greater centralized discretion over oil revenues has done little to build the foundations of a lasting peace. As predicted, the prospects for liberal institutional consolidation are now more remote than ever.

In keeping with Le Billon, Chad's history since oil extraction began demonstrates that attempts to capture state control of point resources are likely to take the form of coups and rebellions. Since the 2006 presidential election, rebellion has served as the primary vehicle for attempted government turnover. In October 2007, Déby attempted a peace deal with several rebel groups during a meeting in Tripoli, but by January of the following year, Chad had launched attacks on rebel bases in Darfur. Later that same month, with Sudanese support, a 4,000-man coalition of forces entered N'Djamena and attacked the presidential palace, and, allegedly, the radio station. Meanwhile, civilians allegedly sacked the oil ministry (ICG 2009; Small Arms Survey 2009). The rebellion came close to succeeding, but a lack of unity, superior firepower in the area of the capital, and some minor support from southern-based government troops and the Sudan-based Justice and Equality Movement (a Zaghawa-dominated group) prevented a government collapse (Prunier 2008; Marchal 2008; ICG 2009). In May 2009, rebels launched yet another major attack from Darfur, but the government, with its increasingly impressive arsenal, was able to easily repel it.

Between 2000 and 2009, Chad's annual military spending rose from about US\$14 million to about US\$315 million (ICG 2009). The International Crisis Group has described Déby's military as "one of the best-equipped" in sub-Saharan Africa (2009, 13). In February 2010, Chad and Sudan agreed to normalize relations, to stop sheltering rebel groups that were launching attacks against the other nation, and to set up a joint border patrol to improve stability. But in April, Chad had to again repel an insurgency near the Sudanese border. Despite the relative civility of relations between the governments of Chad and Sudan since the February agreement, analysts speculate that the insurgents are unlikely to have attacked without at least tacit Sudanese backing (*BBC News* 2010). Although the agreement may make it more difficult for Darfur-based rebels to attack Chad, whether the détente will last remains to be seen. As new oil fields come on line in Chad, they

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are likely to serve as continued objects of contention—sources of wealth being fought over by competing factions in Chad’s political landscape—rather than as sources of national unity or peacebuilding.

CONCLUSION

Oil did not cause the conflict in Chad, nor is it the source of the country’s illiberal government. Oil did, however, shape both conflict and governance in mutually reinforcing and ultimately destructive ways. In particular, the pattern of armed conflict in Chad demonstrates how oil revenues can build up the military capacity of the state while undermining the consolidation of political institutions. Granted, Chad’s competing elites have never fully accepted the legitimacy of either the formal or the informal rules that shape the political game in Chad. Yet oil, for all its promise, appears to have made things worse.

The Bank designed the PRML to ensure that oil revenues would promote equity, peace, and development. The most notable potential beneficiaries of the law were the poor, the oil-producing region, and the future generations that will inherit a Chad without oil. The agreement was to have been policed by the *Collège* and monitored by the International Advisory Group. But as oil flows provided the government with unprecedented fiscal resources to fight poverty and fund development, Déby’s patronage networks asserted increasing control (Pegg 2009). The Bank’s broad social and regional distribution scheme deteriorated as wealthy, politically connected clients, mostly from the north, siphoned wealth from public projects and demanded side deals in exchange for political support. With wealth flowing to some but not others, resentment was bound to fuel conflict. As Le Billon (2007) predicts, elites fell out over control of the state apparatus and the associated oil rents, and conflict took the form of elite-led coup attempts and armed marches on the capital.

The *Collège* proved remarkably courageous at first, but in practice remained ineffectual throughout its short life. While the Bank might have done more to ensure that its capacity-building efforts proceeded at the same pace as the pipeline, the project suffered from a more fundamental flaw: the Bank created the *Collège* as if Chad already had a semblance of checks and balances on executive power. As Bank negotiators must have known, this was not the case: with the agreement in place, the executive easily leashed, then neutered, his watchdog. A larger budget, more resources, and better training would likely have done little to alter this outcome.

Déby, of course, bears much of the blame for the country’s prolonged civil and international conflicts. In particular, in 2005 he disturbed a fragile entente with Sudan by supporting his Zaghawa kinsmen in Sudan in their struggle against Khartoum. One wonders, however, whether he would have had the courage to take this step had he not had access to oil revenues. Déby’s state apparatus, which has become increasingly well armed since the fiscal crisis of 2005–2006, may eventually stand a chance of establishing a monopoly of force within its boundaries

and defending itself from incursions from the east. Yet it is hard to find solace in a state that has built military capacity without accountability. Not coincidentally, Chad's rise to oil riches has accompanied the consolidation of Déby's personal power and a further erosion of the formal institutions of democracy. Seven years following the first rush of petroleum through the pipeline, power in Chad is more concentrated and exercised more arbitrarily than ever.

From 1999 to 2008, the World Bank made an extensive effort to use oil revenues to reduce conflict, relieve poverty, and establish good governance. In 2008, having accomplished only a fraction of its goals, the Bank ended its efforts to ensure that oil revenues would be funneled toward reducing poverty in Chad, giving up its requirements that Chad adhere to a specific spending schedule, its support for the *Collège*, and its control over an off-shore escrow account into which Chad's direct oil revenues were flowing. The Bank left the remainder of its Chad portfolio intact: as of August 2010, seven World Bank projects continue to operate in Chad, although only one new project has been approved since 2007 (World Bank n.d.).

The intervention of the World Bank has arguably done Chad's people irreparable harm. In 2000 Chad was an illiberal, conflict-ridden country without oil; today it is an illiberal, conflict-ridden country *with* oil. The main things that have changed are that the benefits of retaining power are vastly higher, and that the government now has the money to buy arms. While revenues may eventually be used to broker peace agreements, the prospects for building democratic institutions have never been lower.

The authors are sympathetic to the argument that Chad needs oil revenues to enhance the capacity of the state; the Bank's original intent, which was to use its leverage to direct oil revenues toward education and development, was compelling. Nor do the authors deny that Chad's people deserve a government that can protect its citizens from the depredations of internal rebellion and foreign attack. But greater capacity is a dual-edged sword. In Chad, the Bank inadvertently helped create capacity without restraint. By facilitating the extraction of oil, the Bank bears some responsibility for providing a brutal dictatorship with the revenue it needs to retain its repressive hold on power. Ultimately, the World Bank placed too much faith in its ability to create capacity for good governance in an illiberal political setting.

Could things have turned out differently? That is doubtful. The Bank might have done more to front-load capacity-building projects into its initial agreement. It might even have demanded provisions in the PRML under which revenues would have been withheld, pending improvement in interregional equity, human rights, progress toward resolving inter- and intraclan conflicts, and the creation of effective checks and balances on executive power. But the Bank's charter prohibits such heavy intervention in the domestic politics of recipient countries, and it is unlikely that any African leader would have accepted such conditions. Sadly, the authors believe that the Bank did just about as well as it is likely ever to do in such a context. For this reason, the Bank would be well-advised to

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exercise much greater caution in any future efforts to develop oil resources in low-capacity, illiberal countries.

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