

# Practice What You Preach: Theory and Practice of China National Petroleum Corporation (CNPC)'s Stakeholder Engagement Plan in Chad

*Anna Bulzomi*



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## Editorial

### **Practice What You Preach: Theory and Practice of China National Petroleum Corporation (CNPC)'s Stakeholder Engagement Plan in Chad**

**Author:** Anna Bulzomi

**Layout:** Anne Hullebroeck

**Front Cover image:** Engaging with community leaders in Djermaya, Chad (IPIS 2013)

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## List of acronyms

BICC	Bonn International Center for Conversion
CNPC	China National Petroleum Corporation
CNPCIC	China National Petroleum Corporation International Chad
CNPC HSE	China National Petroleum Corporation Health, Safety & Environment Department
CPPN	Commission Permanente Pétrole N'Djamena
CSR	Corporate Social Responsibility
FDI	Foreign Direct Investment
FOCAC	Forum on China-Africa Cooperation
IFC	International Finance Corporation
IPIS Research	International Peace Information Service
NEPAD	New Partnership for Africa's Development
OECD	Organization for Economic Cooperation and Development
SOE(S)	State-owned enterprises
SSE	Strategic stakeholder engagement
UNGPs/ GPs	United Nations Guiding Principles on Business and Human Rights

# Background

The past decade has seen a staggering increase in Chinese investment flows in Africa, leaping from USD 392 million in 2005 to USD 2520 million in 2012<sup>1</sup>. Although there is a growing understanding that China's impact on sub-Saharan Africa is far-reaching and complex, and that Chinese investments on the continent are highly diversified, the majority of business & human rights analysts have tended to focus primarily on China's seemingly insatiable hunger for natural resources.

Undeniably, even if China's African adventure is not all about oil and mines<sup>2</sup>, Africa's raw materials and China's 'Go Out'<sup>3</sup> strategy have paved the way for an acceleration of Beijing's economic engagement with a vast array of African countries.

Chinese Government officials often describe the burgeoning Sino-African ties as 'win-win partnerships', emphasizing how their 'non-interference' policy truly allows African countries to choose their own development path.

Against this background, doubts may arise with regard to the environmental and social standards applied by Chinese companies conducting business overseas, especially in post-conflict states with poor human rights records and inadequate governance structures.

The case discussed in this paper concerns the operations of the Chadian branch of the China National Petroleum Corporation (CNPC).

In January 2013, the independent research institute International Peace Information Service (IPIS) was contracted by a Berlin-based network of NGOs working on Chad, the Arbeitsgruppe Tschad, to shed light on the gaps between theory and practice of the stakeholder engagement plan designed and implemented by CNPC in their Rônier project. IPIS was also tasked to facilitate the dialogue between the company and the largest coalition of Chadian civil society organizations working on natural resources, the Commission Permanente Pétrole N'Djamena (CPPN).

After introducing the context of Sino-Chadian relations and the details of the Rônier operations, this study will focus on the discrepancies noted between CNPC's policies on paper and the reality on the ground in Chad.

It is our hope that this document could feed into the current discussion on stakeholder engagement in large-scale oil projects in Chad and serve as baseline for both CNPC and CPPN to revise current engagement policies and progressively improve their engagement practices, even more so in light of the next phases in the Rônier project and of CNPC's interest in developing corporate-NGO partnerships.

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<sup>1</sup> Source: Ministry of Commerce People's Republic of China (<http://english.mofcom.gov.cn>)

<sup>2</sup> The Organization for Economic Cooperation and Development (OECD) has noted that '*while natural resource seeking is clearly a primary motivation for Chinese investors, China's outward foreign direct investment in Africa has not been particularly skewed towards the natural resources sector in international comparison*'. (OECD Investment Policy Reviews: China (<http://www.oecd.org/daf/inv/investmentfordevelopment/41792683.pdf>).

<sup>3</sup> The phrase "China's Go Out policy" (or 走出去略) refers to China's strategy of encouraging its enterprises to invest overseas.

# Methodology

This paper is the outcome of field research conducted by the author in Chad<sup>4</sup> in February and March 2013, as well as of a thorough analysis of CNPCIC official documents concerning stakeholder engagement and a desk-based study of the relevant literature<sup>5</sup> and press. In an attempt to capture the multiplicity of views on the theory and practice of stakeholder engagement in Chad, the author consulted a broad range of sources and held semi-structured interviews<sup>6</sup> with representatives of CNPCIC, the Chadian Government, Chadian trade unions, local and international civil society organizations and other independent experts from pertinent fields of research (international human rights law, anthropology, international relations, Chinese & African studies).

Interacting with different groups (who often held contrasting views) enabled the author to fully appreciate the complexity and sensitivity of the topic.

In Chad, information and data were collected through the following activities:

- Review of primary documents collected in N'Djamena and Djermaya;
- Confidential interviews with CNPCIC HSE staff in N'Djamena, and follow-up telephone conversations with the CNPCIC team in charge of environmental and CSR matters;
- Semi-structured interviews with representatives of Chadian and international NGOs based in N'Djamena and Djermaya. Among these, the author greatly benefited from an extensive collaboration with CPPN, who facilitated field visits and access to key informants;
- Semi-structured interviews with local communities (more than 80 individuals) living in Djermaya and in the neighboring villages. Most notably, the author conducted focus group interviews<sup>7</sup> in both Djermaya and Riguegue Al Koudou, a village where 100% of the population has been displaced after the construction of the CNPCIC refinery.
- An IPIS-facilitated roundtable with a wide range of stakeholders (among these: representatives of CNPCIC, of Chadian trade unions and of the NGOs CPPN, Misereor, Oxfam International, Swiss Aid)

In Europe, the author compared all accounts and data gathered in the field with available literature and conducted follow-up interviews with numerous stakeholders based in Europe and North America, to discuss and address potential biases<sup>8</sup>; these included oral and written exchanges with members of the Arbeitsgruppe Tschad network and a roundtable convened by the Bonn International Center for Conversion<sup>9</sup>, where the author shared the high level findings of her field research with a small group of experts on natural resources and CSR matters in the oil sector in Chad.

Lastly, this report also builds on a confidential working paper<sup>10</sup> compiled by the author in May 2013, with the purpose of advising CPPN on next steps to be taken in the framework of a more structured corporate/ civil society dialogue in Chad.

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<sup>4</sup> For the purpose of this paper, field research conducted by the author covered: N'Djamena, Djermaya, and twelve different villages in the Prefecture of Chari-Baguirmi.

<sup>5</sup> This includes literature on Chad-China diplomatic and investment relations, (see Chapter 1) as well as literature on CSR, business & human rights and, most specifically, stakeholder engagement (see Chapter 2).

<sup>6</sup> These are interviews that ask predominantly open-ended questions. See: Linda G.Morra Imas and Ray C. Rist, *The road to results*, World Bank 2009, p.317.

<sup>7</sup> This is a research method that enables collection of data through group interaction on a topic determined by a researcher. See D.L. Morgan, *Focus groups*, In *Annual Review of Sociology*, Vol.22, 1996, pp. 129-152.

<sup>8</sup> All self-reported data are vulnerable to bias. Therefore, all interviews and field notes were thematically re-organized and subject to cross-analysis to identify areas of agreement and contradiction.

<sup>9</sup> The roundtable was convened by BICC in Bonn, Germany, in June 2013, in the framework of a broader Forum concerning environmental and human rights matters in Chad.

<sup>10</sup> This study (title: *Rendre le plaidoyer auprès de la China National Petroleum Corporation au Tchad plus efficace*) is unpublished and only available in French. For more information please contact the author ([anna.bulzomi@ipisresearch.be](mailto:anna.bulzomi@ipisresearch.be)).

# 1. Introducing Sino-Chadian Relations

## 1.1 The 'scramble for Africa' narrative (revisited)

Nowhere is China's rapid rise to power more evident than in Africa. Over the last decade, China has asserted itself as a major player in the continent, with the capacity to develop a very efficient strategy for penetrating markets in Sub-Saharan countries. In the face of frequent fluctuations on the global energy market, Beijing is discreetly securing its energy supplies. At the same time, China's public pronouncements and current practice convey a desire for a relationship of South-South cooperation, where one of the world's fastest-growing economies commits itself to meeting the needs of its African partners in terms of industrial and infrastructure investments.

In the early 2000s, China strongly encouraged its companies to move into Africa. Ten years later, Chinese banks, manufacturers, exporters and construction firms see much of Africa – even those conflict-ridden corners of the continent – as wide open for business. China currently accounts for 20% of Africa's total trade, while Africa has become China's fastest-growing export destination, with Africa's imports hitting the record of 18% in 2012 (to be compared with the 16.8% of 2011)<sup>11</sup>.

However, even if Chinese companies operating south of the Sahara seem to be enjoying a dominant position in many industry sectors, Chinese managers still dislike the word 'domination'. "*We work in a spirit of collaboration, not of domination*"<sup>12</sup>, states Song Dongsheng, President of the giant company Sinohydro, currently involved in discussions concerning the construction of the Inga III dam on the river Congo.

In 2012, the fifth summit of the Forum on China-Africa Cooperation (FOCAC)<sup>13</sup> delivered a dazzling mix of pledges intended to emphasize China's enduring friendship and 'collaborative spirit', with Beijing being depicted as Africa's closest ally.

Looking at the natural resources sector, Chinese friendship has often translated in deals that are worth billions of dollars and have the potential to change the socio-economic landscape of the host countries.

In Angola, China has granted approximately USD 5 billion in loans and investments in infrastructure. In return, it now receives 30% of Angola's<sup>14</sup> oil exports. Guinea and Gabon have entered into similar agreements for the exploitation of their iron mines, and Sudan has followed the example to sell its oil.<sup>15</sup> The Democratic Republic of Congo (DRC) has negotiated a USD 9 billion contract for the supply of copper and cobalt in exchange for the opening of a new mine and the launch of a large range of equipment-related projects.<sup>16</sup>

It has been argued that, in order to strike such deals, China is taking full advantage of the cracks in Africa's relations with the West (sometimes labeled as 'paternalistic' and 'post-colonial') and is offering the continent a completely new strategy based on the implementation of 'natural resources in exchange

<sup>11</sup> *The Year of the Snake*, in *Africa-Asia Confidential*, Vol.6, No.3, January 2013, p.1

<sup>12</sup> *Entreprises et marchés. Entretien avec Song Dongsheng*, in *Jeune Afrique*, 2-8 June 2013, p.105

<sup>13</sup> The FOCAC (or 中非合作论坛) is an official forum between the People's Republic of China and the states in Africa. To date, five summits have been held; the most recent meeting took place on July 19-20, 2012 in Beijing, China. Previous summits were held in October 2000 in Beijing, December 2003 in Addis Ababa, November 2006 in Beijing, and November 2009 Sharm El-Sheikh, Egypt.

<sup>14</sup> *Exportações aumentaram em fevereiro*, in *Jornal de Angola*, 13 March 2013, <http://www.luanda-media.com/exportacoes-aumentaram-em-fevereiro-jornal-de-angola/>

This newspaper writes: "*A China pode tornar-se o maior importador mundial de petróleo antes de 2015, ultrapassando os Estados Unidos, informou a imprensa oficial do país. Em 2012, a China importou, em média, 5,4 milhões de barris por dia, menos 2,01 milhões que os Estados Unidos*"

<sup>15</sup> Yang Jiangning, *Chinalco, Rio Tinto ink Africa deal*, in *CaiXin News*, 19 March 2010, <http://english.caixin.com/2010-03-19/100128152.html>. On Sudan, see: Wang Xiacong, *CNPC nears resumption of oil projects in Sudan and South Sudan*, in *CaiXin News*, 3 September 2012, <http://english.caixin.com/2012-09-03/100432404.html>. See also: Saferworld Briefing, *China and South Sudan*, August 2012.

<sup>16</sup> Global Witness, *China and Congo: Friends in need*, March 2011; See also: Joanna Jansson, *The Sicomines Agreement: change and continuity in the Democratic Republic of Congo's international relations*, SA Paper Series, October 2011; Amnesty International, *Profits and loss: mining and human rights in Katanga, Democratic Republic of the Congo*, June 2013.

for infrastructure' projects financed by Chinese State banks<sup>17</sup> and executed by Chinese state-owned enterprises (SOEs).

These types of contracts have caused a stir both regionally and internationally; reflecting this wariness, Adebayo Adedji, the former head of the Economic Commission for Africa, has noted that Africa's trade and investment links with China, especially in those cases where African economies' role is limited to supplying primary commodities, risk perpetuating the structural inequities found with traditional Western trading partners<sup>18</sup>.

Whereas Chinese diplomacy emphasizes the philosophy of South-South dialogue and collaboration based on a win-win partnership, some analysts claim that contracts involving raw materials in exchange for infrastructural development risk reinforcing Africa's dependence upon its basic products.<sup>19</sup> Moreover, a whole array of concerns surrounds the 'no political strings attached' approach that has accompanied China's breaking into African markets. Norms and values articulated as part of the NEPAD (the New Partnership for Africa's Development) agenda, and incorporated in the African Union's founding constitution, support accountability and the protection of human rights, while the new Beijing Consensus emboldens African states to opt out of the complexities that these requirements introduce to their political and economic programs. This happens because, from a Chinese perspective, sovereignty is a basic norm that will always trump other international standards, including those concerning human rights, as explained by leading author on China-Africa relations Deborah Brautigam<sup>20</sup>.

Critics of the Chinese model stress the fact that not only the Chinese will not be promoting democracy or good governance, but they will go as far as bringing to Africa the poor labor standards, lower wages, inadequate safety standards and weak environmental criteria<sup>21</sup> that dominate China's industry culture. Ultimately – so the argument goes- this neo-mercantilist logic will lead to even less transparency in the already opaque African economies.

Nonetheless, these critics only show one side of the issue, and seem to paint all Chinese investment with the same brush.

While it is true that Chinese companies in Africa have had a bad environmental track record so far, Beijing has recently started to show a desire to improve the image and performance of its companies. When China installed its new leadership, in October 2012, many were watching for hints of a new direction on matters such as environmental and social issues, CSR and corporate/ civil society dialogue- all elements that could lead to developing sound stakeholder engagement policies and practices. Isabel Hilton, founder of China Dialogue, an organization concerned with matters of environmentalism and sustainable use of natural resources says: "*The Chinese government now recognizes the need for civil society organizations and the contribution they can make to China's modernization, environmental protection and sustainable development*"<sup>22</sup>.

This sustainability-friendly discourse becomes even more relevant outside the boundaries of mainland China, notably in the overseas operations of Chinese SOEs. Already in November 2010, the conduct of these enterprises was put under scrutiny by a poll held by China Radio International and the Chinese-African People's Friendship Association, aimed at finding the top ten Chinese companies in Sub-Saharan Africa. Surprisingly, voters judged the companies' performances on criteria such as their 'love and respect for Africa', their 'roots in Africa' and their CSR and community engagement programs<sup>23</sup>.

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<sup>17</sup> The financial arm of the Chinese policy for investment in Africa is the giant China Export-Import Bank (ExIm Bank), which plays a key role in offering loans at preferential rates and in negotiating public works contracts.

<sup>18</sup> Chris Alden, *Raising the red lantern in Africa*, LSE Magazine, Vol.21 No.1, Summer 2009, pg.9

<sup>19</sup> Saad Adoum, *Les investissements pétroliers chinois au Tchad. A la recherche d'un "gagnant/gagnant"*, April 2012, <http://www.ifri.org/?page=detail-contribution&id=7107>.

<sup>20</sup> D. Brautigam, *China in Africa: think again*, in The European Financial Review, 16 August 2010, <http://www.europeanfinancialreview.com/?p=1336>.

<sup>21</sup> Ibidem

<sup>22</sup> *China column: a chance for civil society?*, in Ethical Corporation, 6 October 2012, <http://www.ethicalcorp.com/stakeholder-engagement/china-column-chance-civil-society>

<sup>23</sup> *China/Africa: the next big plan*, in Africa-Asia Confidential, Vol.4 No.2, December 2010.



## 1.2 Chinese investment in Chad's oil industry: a novel venture

The case of Chad, a nation of 11 million people with a per capita GDP of less than USD 900/ year, epitomizes the tensions that animate the current debate on the Chinese presence in African energy markets.

In August 2006, the Republic of Chad and the People's Republic of China re-established their diplomatic relations, thus laying down the foundations for a new politico-economic partnership between the two countries. Shortly afterwards, China National Petroleum Corporation acquired a stake in what was then an Encana-led consortium. The following year, the company purchased the totality of the consortium's shares, opening a new window of opportunity in Chad, right next to its previous investments in Sudan's and Niger's oil sectors<sup>24</sup>.

During his state visit to China in September 2007, the President of Chad, Idriss Déby Itno, met the then President of the PRC, Hu Jintao; the consensus that resulted from this meeting now serves as a guide for further development of the Sino-Chadian partnership and exchanges. Several local experts, with whom IPIS held talks during its visit to Chad<sup>25</sup> pointed out that the central government (especially the Presidency of the Republic and the Ministries involved in supervising the Chinese investment projects) clearly emerge as winners in this process, whereas it is far less clear whether the balance of the Sino-African exchanges is actually positive for the Chadian population.

During field research conducted in December 2009, researchers of BICC and Arbeitsgruppe Tschad were told informally by an advisor to the Prime Minister that CNPC was provided with a *carte blanche* by the government for their activities concerning environmental impacts<sup>26</sup>. Declarations running along these same lines, but with regards to social impacts, were gathered by IPIS during field research conducted in early 2013.

On the other hand, political ties seem to be flourishing. Bilateral relations seem to be characterized by a certain degree of stability and long-term vision: China has now become a preferred partner of Chad in several different fields, such as oil, cement works, agriculture, infrastructure, health, road and rail construction, electricity network installation<sup>27</sup>.

Chinese SOEs are among the very few economic actors willing to invest in Chad, despite the fact that the country is still recovering from a prolonged phase of instability and that it consistently ranks among the worst performers in international business indices<sup>28</sup>. The Rônier adventure is an example of Chinese investors' exceptional interest in Chad.

CNPC considers the Rônier Project to be one of the main upstream projects since the company's overseas exploration strategy was first implemented.

The authors of a very recent publication issued under the auspices of the Chinese embassy in Chad<sup>29</sup> confirm: *"It has not only political but also economic dimensions; it reinforces the bilateral relations between Chad and China, and is proof of the progress achieved in terms of energy collaboration between the two countries since diplomatic relations were re-established in 2006"*.

Rônier's status of flagship project is in line with the model that China developed in Sudan (and elsewhere outside of the Central African niche): the 'full package' entailing political and economic dimensions includes food donations, urban roadway funding, the construction of a cement factory and loans from

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<sup>24</sup> It could be argued that China is determined to establish its presence in oil-bearing Central Africa, a relatively 'untouched' area with considerable potential. This is in stark contrast with other African regions, where Western majors have built strong positions: Shell in Nigeria, Total in Gabon and Congo, Exxon in Equatorial Guinea.

<sup>25</sup> IPIS interviews in N'Djamena and Djermaya, February-March 2013. See also: Saad Adoum, op.cit.

<sup>26</sup> BICC, *We were promised development and all we got is misery: The influence of petroleum in conflict dynamics in Chad*, Brief 41, December 2009, p. 56

<sup>27</sup> IPIS interviews with representatives of the Chadian Government in N'Djamena, February-March 2013

<sup>28</sup> For instance, Chad scored last on the World Bank's Ease of Doing Business Index in 2013. See: <http://www.doingbusiness.org/rankings> (last checked November 2013)

<sup>29</sup> *Tchad-Chine, une vision commune, un partenariat gagnant-gagnant*, written by various authors with a preface by Yang Guangyu, Ambassador of the People's Republic of China in the Republic of Chad, May 2011.

China Exim Bank, to finance Chad's participation in the refinery project<sup>30</sup>. A series of cooperation measures in other fields (from biofuels and farming to solar energy) is also part of the deal.

Discussions between Chad and Eximbank have also touched upon the possibility of financing the construction of an airport in Djermaya, in proximity to the refinery, as well as on the project of a railway line through Chad, linking Ngaoundéré (Cameroon) to Nyala (Sudan). The Chadian Government has expressed an interest in this project, as the presence of the railroad could facilitate the full economic integration of the currently *enclavé* Chad basin.

From the long-run perspective of Africa's economic history, the Rônier project is a novel venture<sup>31</sup>, and differs greatly from the other big oil project undertaken on Chadian soil – the Doba project.

Such difference lies not only in the adoption of the "full package" approach, but also in several other remarkable features that render Rônier a unique deal in the Chadian context. Doba, launched in 2000, has been implemented by a consortium led by the oil giant Exxon and has been supported by the World Bank, with the bank's involvement leading to Chad becoming the largest recipient of private investment in Africa<sup>32</sup>.

Also, the Doba project only enabled crude oil to be exported (100,000-225,000 bbd), while the CNPCIC project offers the opportunity to develop the refining capacity<sup>33</sup> and to benefit from positive spillover effects, the main being access to energy. The thermal power station required to run the Djermaya refinery will supply 20MwH to the electricity network of the capital N'Djamena.<sup>34</sup>

The two projects are therefore inherently different, as is well documented by CNPCIC<sup>35</sup> (See Table 1).

Chad-based observers with whom IPIS held talks have expressed both enthusiasm and concern towards the Rônier project and its possible outcomes. Some have argued that the project presents a very high level of risk for the host environment and for the host communities, whose enjoyment of human rights might be undermined by inevitable dynamics of displacement and loss

### Box 1. The Rônier project at a glance

In 2008, the Government of the Republic of Chad and China National Petroleum Corporation – International Chad (CNPCIC or CNPC Chad) signed an agreement to operate the permit H oil field concession located in Central-Southern Chad, approximately 20 km south of the town of Bousso. The oil fields concerned (Rônier 1, Rônier 4, Rônier C1 and Mimosa 4) are located in the Chari-Baguirmi region, in the Loug Chari Department. The oil is extracted in Koudalwa, on the N'Djamena-Sarh route. The site is a regular supplier of oil to a Chinese-built refinery situated in Djermaya (40 km to the north of the capital) and connected to the oilfields via a pipeline stretching over a distance of 311 km.

Chad, through the Société des Hydrocarbures du Tchad (SHT)<sup>1</sup> is a 40% shareholder of the Société de Raffinage N'Djamena, established to manage the refinery. The remaining 60% is held by CNPCIC. It is CNPCIC that provides the investment necessary for developing the oilfields and building/managing the oil transportation system. The project comprises of three components: the oilfields, the pipeline and the refinery, and has been estimated having a total cost of USD 1 billion.

Huang Youg Zhang, CNPCIC Vice President, stated that the Rônier and Mimosa oilfields can currently supply 1 million tons/ year – an amount that may increase and reach a production of 3 million tons/ year in the second phase of the project<sup>2</sup>.

<sup>1</sup> La Société de Hydrocarbures du Tchad (SHT) is a Chad Government-owned company established in July 2006 by presidential decree. Its aim is to implement Chad's industrial and commercial policy for hydrocarbons by promoting various activities (prospection/research, production, transport, refining).

<sup>2</sup> The Republic of Chad's presidential office's website, consulted in February 2013

<sup>30</sup> Geert van Vliet and Géraud Magrin, Interview with Mr Huang Mingyuan, N'Djamena, June 2010.

<sup>31</sup> Geert van Vliet and Géraud Magrin (eds.), *The environmental challenges facing a Chinese oil company in Chad*, Focales 09, November 2012, pg.119

<sup>32</sup> Id, pg.77

<sup>33</sup> It should also be noted that, after refining, any products not intended for use in Chad can be sold on the international market, thus promoting the economic ascent of various sectors of industry linked to oil production and its derivatives.

<sup>34</sup> IPIS, interviews in N'Djamena and Djermaya, February-March 2013.

<sup>35</sup> CNPCIC, *Projet Rônier: Etude d'impact sur l'environnement. Plan de consultation publique et de communication – Volume 5*, December 2009, p.9

of land<sup>36</sup>; others firmly believe that the project will mark a turning point in Chad's development by providing energy and stimulating industrialization<sup>37</sup>.

**Table 1. The Rônier Project and the Doba Project**

	Rônier Project	Doba Project
<b>Dimensions</b>	Bilateral (involving Chad and CNPCIC)	International Development project (involving Chad and Cameroon, with support from the World Bank)
<b>Duration of construction works</b>	3 years	5 years
<b>Duration of production</b>	30 years	30 years
<b>Chad shareholding</b>	40%	4%
<b>Main purpose of production</b>	Chad energy requirements Upon completion of the works in 2011, the refinery was expected to produce 5,131,000 bbl/d of gasoline and diesel; 146,600 bbl/d of kerosene, and 260,000 bbl/d of liquefied petroleum gas to cover the demand of the local Chadian market*.  <i>*Data kindly provided by BICC, relying on BICC interviews with Odette Tombalbaye, Mahmat Masri, CNPC, December 2009</i>	Export

What everybody seems to agree on, is the fact that Rônier inaugurates a third phase in the history of oil in Chad, after the so-called 'period of missed opportunities' (1973-2000), and the implementation of the Doba project (since 2000).

While international media kept silent on the launch of Rônier, perception of Chadian officials is skewed towards enthusiasm, and the Chadian press gave extensive coverage to the official work site inauguration ceremony, held on 29 June 2011. On that occasion, Yang Guangyu, the Ambassador of China in Chad, emphasized that "*the era when Chad, an oil-producing country, paradoxically had to import fuel is definitely a thing of the past*".<sup>38</sup>

However, the long-term plan of China and CNPC in Chad, defining how this 'Third Phase' will advance, is far from clear. Much of it depends on whether CNPCIC follows through its commitments to work in a spirit of collaboration and in accordance with international standards to constructively engage with Chadian stakeholders on an ongoing basis. Finally, the official documents presenting the Rônier project only give a description of the initial project phase, and any hypothesis for project progress is pending on future developments in the exploitation of Chad's oil; new discoveries are not excluded, nor is excluded a rekindling of the dialogue between all players in the oil game (Chad, CNPC and Exxon).

<sup>36</sup> The pipeline's construction called for the occupation of 1,000 hectares of land, of which 90% were to be later returned to their owners once the works were finished and the oil pipeline buried.

<sup>37</sup> IPIS interviews with a broad range of government actors and civil society groups in N'Djamena, Djermaya and other localities in the Chari-Baguirmi district, February-March 2013

<sup>38</sup> Dany Danzoumbe Padiré, Dossier: Mise en production de la raffinerie de N'Djamena, in SHT Magazine, No. 007/ September 2011, p.5

## 2. CNPC's Social Impact Management Plan: a lofty corporate exercise?

### 2.1. Introducing Business and Human Rights: the basics

In June 2011, the UN Human Rights Council unanimously endorsed the Guiding Principles (GPs) on Business & Human Rights, a document put forward by the then UN Special Representative for Business and Human Rights, Prof. John Ruggie<sup>39</sup>.

The GPs sanction the existence of a corporate responsibility to respect human rights, alongside the reiteration of the state's duty to protect against human rights abuses by third parties and the need for greater access to effective remedies (judicial and non-judicial) for victims of abuse.

In his 2010 report to the UN Human Rights Council, Ruggie explained that the term 'responsibility' to respect, rather than 'duty' is meant to indicate that respecting rights is not an obligation that current international human rights law imposes directly on corporate actors<sup>40</sup> (even though in some cases elements of it might be reflected in domestic legislation). At the international level, the responsibility to respect is a standard of conduct; it means that companies should act with due diligence to avoid infringing on the rights of others.

In the past five years, the phrase 'human rights due diligence' has become a key entry in the lexicon of international business, yet one should always bear in mind that there is no such thing as a 'one-size-fits-all' due diligence toolkit, and that every company has to design and implement its own due diligence strategy in accordance with matters of context, industry sector, company size and scale of operations, to name but a few issues. At the same time, whatever the granular operationalization of due diligence that a company develops, the process has to meet certain criteria set out in the GPs.

A GPs-compliant due diligence process should include the following steps:

- **STEP 1: Development of a comprehensive human rights policy**
- **STEP 2: Assessment of actual and potential human rights risks and impacts**
- **STEP 3: Integration of the findings across relevant internal functions and processes and mitigation of adverse human rights impacts**
- **STEP 4: Public report that communicates to external stakeholders how due diligence has been carried out.**

Companies should also be able to track their performance, evaluate the effectiveness of their due diligence efforts and make improvements where necessary. Far from being a passive responsibility stemming from a basic interpretation of the 'do no harm' principle, the responsibility to respect calls

#### Box 2. Due Diligence

"Due diligence" is a legal expression referring to a certain standard of care. It is not a norm in itself, but a process whereby individuals and entities discharge their responsibilities with reference to a given standard. The concept of due diligence has been used in private law for a long time, and was first used in the business & human rights context by John Ruggie in his 2008 report<sup>1</sup>. This document, which lies at the foundation of the UNGPs, introduces the concept of due diligence to define the scope of the corporate responsibility to respect human rights (including those human rights covered by international labor standards)

<sup>1</sup> Report of the Special Representative of the Secretary General on the issue of human rights and transnational corporations and other business enterprises, A/HRC/8/5, p.17 (Full text in English: <http://daccess-dds-ny.un.org/doc/UNDOC/GEN/G08/128/61/PDF/G0812861.pdf?OpenElement>)

<sup>39</sup> Report of the Special Representative of the Secretary General on the issue of human rights and transnational corporations and other business enterprises, A/HRC/17/31. (Full text in English: [http://www.ohchr.org/Documents/Issues/Business/A-HRC-17-31\\_AEV.pdf](http://www.ohchr.org/Documents/Issues/Business/A-HRC-17-31_AEV.pdf))

<sup>40</sup> Ibidem

on companies to be proactive and take steps to assess and address their impact on human rights<sup>41</sup>.

In total, 14 of the 31 principles outlined in the GPs speak directly to business, setting the bar much higher than any voluntary CSR initiative undertaken by business prior to 2011. However, it might be too early to say that the era of voluntary CSR and lofty social impact assessment plans is over. It is not unusual for some corporate actors to still regard social (seldom called 'human rights') impact assessment plans as a necessary evil and an inconvenient nuisance to be handled with minimum cost and as little effort as possible. It should not come as a surprise then that the companies engaging in an effort to articulate their human rights commitment in policies and reports represent a minority of those globally active.

Industry-led initiatives, like the international oil and gas industry association for environmental and social issues (IPIECA), are encouraging member companies to embrace the GPs and play an active role in shaping the way forward. Yet not all corporations are ready to partake in this kind of dialogue, and some continue to perpetrate human rights abuses. In addition, even without going as far as pointing out abuses, one cannot fail to notice that the integration of the principle of corporate responsibility into 'business as usual' continues to be patchy – especially for companies conducting operations in emerging economies. The GPs are still a non-binding document, and the corporate responsibility to respect gets some (legal) teeth only in those scenarios where national laws, namely labor standards, non-discrimination, minorities and indigenous peoples' rights, health and environment standards, are applicable to the company's operations. In most developing countries, however, such national laws are not properly enforced - and Chad is no exception.

### **BOX 3. The UN Guiding Principles as an internationally recognized standard**

The GPs can be considered the cornerstone for all action on human rights and business at the international level. In its 2011 version of the Guidelines for Multinational Enterprises, the OECD has taken the Framework as reference, and the European Investment Bank is incorporating it into its project social performance standards. Furthermore, key concepts have found their way in the International Finance Corporation's (IFC) revised performance standards on environmental and social sustainability, which became effective in January 2012.

## **2.2 Understanding risks and assessing impacts**

An active player in the Chadian oil sector, CNPCIC does not have a due diligence policy in line with the GPs. The language of 'risk' and 'impact' utilized by CNPCIC Health, Safety & Environment Department (HSE) relates to unearthing potential problems with the aim of reducing business risk. Indeed, due diligence at its core is about risk reduction and mitigation/ management of impacts. Yet this 'core' has now expanded to incorporate non-financial aspects of a company's activity, such as the environmental footprint and the human rights impacts of specific operations.

CNPC Chad and the consultancy ISM-Consult (who have been in charge of developing CNPCIC's impact assessment plans) do not seem acquainted with a post-GPs understanding of non-financial risks. When interviewed about what should fall under this 'risks and impacts' rubric in order to devise a sound due diligence strategy, CNPCIC's HSE managers mentioned the following as being the major considerations: political risks (risks associated with the precarious security situation in Chad); social risks<sup>42</sup> (mainly relating to potential tensions arising between Chadian workers and Chinese expatriates); environmental risks (described as the possibility of serious negative impacts linked to the oil extraction phase, transport phase, processing phase and, to a smaller extent, to the export and trade in refined products) and all risk relating to activities carried out by subcontractors that might adversely impact CNPCIC's operations or reputation.

Even though some of the risks listed depict situations that might lead to adverse human rights impacts, none of the interviewees mentioned any CNPCIC internal process to assess and mitigate the human rights component of these risks. This silence points to a lack of knowledge about the language of due diligence

<sup>41</sup> Institute for Human Rights and Business, *The state of play of human rights due diligence*, 2011, p.18

<sup>42</sup> 'Social risks' is an umbrella term used by CNPCIC HSE Department to describe all tensions relating to the interaction of Chadian and Chinese workers in the context of the Rônier project.

within a business & human rights context, a gap that was also identified by GRAMP-TC, a N'Djamena-based research institute which has extensive experience in researching the various dimensions of non-financial risks in the Chadian oil sector<sup>43</sup>.

CNPC Chad HSE Department was made aware of these issues during a working session with IPIS, where key concepts enshrined in the GPs were explored.

However, this should not lead to simplistic conclusions such as the assumption that CNPCIC is now actively involved or even ready to steer a multi-stakeholder conversation around these issues; follow-up activities will be necessary, to ensure that this early sign of interest does not end up being an isolated one.

Furthermore, it should be kept in mind that the GPs recommend that business that lack in-house expertise on how to frame these issues hire human rights law specialists to conduct ad hoc risk/ impact assessments studies. It is also recommended that businesses (or their consultants) keep their finger on the pulse of tense situations by proactively engaging with stakeholders - even more so when operating in fragile states such as Chad.

#### **BOX 4. Policies on paper: overview of CNPCIC official documents on impact management and stakeholder engagement**

IPIS had access to the main impact assessment study conducted by CNPC Chad since they launched the Rônier project. This is a very detailed plan, organized in 5 volumes and covering a wide range of issues:

- The environmental impact study (EIE, Volume 1) identifies and analyzes the factors of environmental vulnerability, impacts and risks;
- The environmental management plan (PGE, Volume 2) puts forward preventive or mitigation measures to deal with the various risks identified, as well as devising follow-up measures;
- The intervention plan in case of an accidental oil spill (PIDAH, Volume 3) describes the measures for health & safety and intervention in case of an oil leak, the organization and the coordination measures necessary;
- The compensation and resettlement plan (PCR, Volume 4) outlines compensation systems for the populations affected by the project, as well as the measures with regard to follow-up, assessment and upgrading;
- The communication plan (PCP, Volume 5) addresses the issue of communication, outreach, stakeholder engagement and public consultation systems throughout the entire duration of the project;

### **2.3 What is strategic stakeholder engagement (SSE)?**

Extractive companies regularly find themselves embroiled in community-related conflicts, and this is often imputable to the lack of strategic stakeholder engagement (SSE).

If we look at the Rônier project, we see that the communities living in or around Djermaya feel threatened by *the company taking over the land and the population being resettled without adequate consultation nor compensation*<sup>44</sup>.

When designing complex energy projects that are likely to span over decades, companies should strive to build and maintain good relations with all stakeholders involved, from engaging transparently with governmental authorities when signing a contract to consulting with the populations or communities affected by their operations<sup>45</sup>. To achieve this objective, they are expected to engage in strategic stakeholder engagement (SSE): an ongoing, inclusive and culturally appropriate process of sharing

<sup>43</sup> GRAMP-TC, *Projet Pétrole Rônier et la raffinerie à Djermaya: préoccupations environnementales et violations des droits des populations riveraines*, May 2010

<sup>44</sup> IPIS focus group interview with a broad range of civil society groups and community representatives in Djermaya and other localities in the Chari-Baguirmi district, February-March 2013.

<sup>45</sup> On consultation of vulnerable stakeholders/ communities, such as minorities and indigenous peoples, see: C. Lennox, *Corporate responsibility to respect the rights of minorities and indigenous peoples*, 2012 (for an overview of the problems and relevant case studies) and United Nations Global Compact, *A business reference guide to the UN Declaration on the Rights of Indigenous Peoples*, December 2013

information about the project, seeking to understand concerns of stakeholders, build trust with 'the others' (i.e. non-corporate stakeholders) and ensure that their views are properly taken into account throughout the decision-making process<sup>46</sup>.

A successful SSE strategy is a set of guiding principles upon which the company commits to operate and to which it is accountable<sup>47</sup>.

The list below is not meant to be a one-size-fit-all tool, but constitutes an attempt to sketch out some key features SSE should include. Engagement should be:

- **Timely:** stakeholder should be engaged before decisions are taken, in order to allow sufficient time for meaningful dialogue, consultation and modification to the project's roadmap.
- **Transparent:** the company should provide stakeholders with meaningful information on relevant aspects of project activities
- **Inclusive:** the widest range of views should be represented; women, minorities, customary authorities, indigenous populations and other vulnerable groups should be encouraged to join the conversation and should be free to voice their concerns
- **Two-way:** SSE essentially means opening up to exchanging information and views. A company should be responsive to stakeholders' needs and reach out internally to make sure that engagement does not become an exercise of pure listening/ information gathering. Doing so requires a shift in the corporate mindset: stakeholders' issues should no longer be treated as outside concerns, but rather as business intelligence that can inform the company's decisions<sup>48</sup>. To achieve this goal and properly integrate stakeholders' feedback into project/ program design, companies should invest in 'translation' across the many different 'languages' spoken in the context of business & SSE<sup>49</sup>, e.g. corporate staff might be uncomfortable with the language of human rights, while community leaders might not be familiar with the language of business risks or technical business processes.
- **Appropriate:** all exchanges should happen in a language that is understandable and tailored to the target stakeholder group. An appropriate dialogue should also be culturally sensitive<sup>50</sup>.
- **Free:** SSE should be free of all manipulation or coercion.

The GPs refer to stakeholders engagement at several key moments of the due diligence process, making therefore the first an essential component of the latter. Companies are required to consult with affected players at the risk identification/ impact assessment stage; at the moment of tracking and reporting on their strategies to tackle those risks and impacts; and during the phase of design and operationalization of adequate grievance mechanisms and remediation processes.

CNPCIC management in N'Djamena is fully aware of the potential benefits of engaging directly with civil society organizations and community-based networks. One of the CNPCIC managers with whom IPIS

### **BOX 5. Stakeholders: who's in and who's out**

In general, stakeholders are defined as a group of people with an interest in an organization, since they may affect or be affected by the organization's actions, objectives or policies. A company's stakeholders are owners/ shareholders, employees, clients, suppliers, consumers, governments, and the community from which the company draws the resources needed for its operations. Stakeholder categories should not be perceived as rigid and completely sealed off from each other. On the contrary, an individual often belongs to different groups, and therefore he/she could embody different stakeholders (e.g. an individual can be an employee as well as a consumer).

<sup>46</sup> United Nations High Commissioner for Human Rights, *The Corporate Responsibility to Respect Human Rights: An Interpretive Guide*, p.8

<sup>47</sup> EMG, *Strategic stakeholder engagement (SSE) and human rights*, 26 November 2013 (<http://www.emg-csr.com/blog/stakeholder-engagement/>)

<sup>48</sup> BSR, *Back to basics: how to make stakeholder engagement meaningful for your company*, January 2012, p.4-5

<sup>49</sup> Shift, *Bringing a human rights lens to stakeholder engagement*, August 2013, p.14

<sup>50</sup> In this context, cultural sensitivity can be defined as encompassing the knowledge, awareness and acceptance of other cultures

had a meeting in N'Djamena stated: *'We are willing to cooperate with civil society organizations, as well as with other stakeholders, as long as the approach adopted is collaborative rather than confrontational.'*<sup>51</sup>

It remains to be seen what 'confrontational' means in this context; as many other words indicating qualitative judgments, it could be misleading. 'Collaborative vs Confrontational', just like 'Constructive vs Destructive' are all labels that could be used by corporate actors to water down their commitment to proactively engage with civil society groups.

To avoid the pitfalls of the Doba project<sup>52</sup>, CNPC felt the pressure to tick the box of stakeholder engagement. However, the way the topic was approached during interviews with IPIS also reveals that the company had placed engagement in what BSR rightly called 'the outreach buckets of public relations and communications'<sup>53</sup>, instead of recognizing its 'core business' status.

#### **BOX 6. The business case for SSE**

Bitter disputes with communities resulting from poor engagement strategies should not be overlooked by companies. Adverse human rights impacts often occur in a SSE vacuum, and a genuine commitment to dialogue and interaction could have prevented or mitigated them. Instead, by failing to address stakeholders' concerns early and effectively, or by simply turning a blind eye on them, many companies would let the tension escalate into more serious impacts. The company that does 'too little too late' is often pushed into facing great financial losses and reputational damages. Goldman Sachs conducted a study looking at 190 projects from major oil companies and found out that a mix of resistance from communities, demonstrations against the projects, occupation of the land by protesters and legal action significantly delayed the timeline of most of these projects<sup>1</sup>. Community grievance can result in various forms of community resistance to the project, from anti-corporate demonstrations to acts of sabotage to lawsuits, depending on the socio-economic environment in which operations are carried out. In a country like Chad, this kind of matters hardly ever gets decided upon by the judiciary, since very often rural communities are unaware of the exact terms of the agreement between the Chadian state and the foreign investor. However, episodes of kidnapping of CNPCIC staff in 2009<sup>2</sup> confirm that frustration could lead to violent behavior if the company does not start a conversation with affected communities soon enough.

<sup>1</sup> Business Ethics, *Business and Human Rights: interview with John Ruggie*, 30 October 2011, p.3 (<http://business-ethics.com/2011/10/30/8127-un-principles-on-business-and-human-rights-interview-with-john-ruggie/>)

<sup>2</sup> BICC, op.cit. p.58

## **2.4 A detailed analysis of CNPCIC stakeholder engagement strategy: current shortcomings and suggestions for improvement**

In the internal documents of CNPCIC analyzed by IPIS, dialogue is defined as *'a process of continuous and inclusive exchange based on active listening and an effort to understand each other's points of view.'*<sup>54</sup>

One CNPCIC HSE manager stated: *'CNPC undertakes to retain public trust in all of its operations by maintaining a dialogue with the stakeholders outside of the company for the entire duration of the project.'*<sup>55</sup>

IPIS has verified whether CNPCIC achieved these aims with regards to engaging the relevant stakeholders in N'Djamena and Djermaya. In particular, the analysis will focus on engagement of civil society organizations and affected communities living in Djermaya and in neighboring villages in the Canton

<sup>51</sup> IPIS interviews with CNPCIC HSE Department, N'Djamena, February 2013

<sup>52</sup> GRAMP-TC was established in 2001 to build the capacity of civil society to monitor the impact of the Chad-Cameroon pipeline on transparency, accountability and poverty in Chad. Since 2001, the GRAMP-TC has been providing research on the socioeconomic, legal and environmental aspects of oil revenues, as well as providing technical advice and support to stakeholders in the oil sector.

<sup>53</sup> BSR, op.cit., p.4

<sup>54</sup> CNPCIC, *Projet Rônier: Etude d'impact sur l'environnement. Plan de consultation publique et de communication – Volume 5*, December 2009, p.23

<sup>55</sup> IPIS interview with CNPCIC HSE Department, N'Djamena, February 2013



de Boutelfil, close to the refining facilities (Riguegue Al Koudou, Riguegue Al Sharafa and their fractions). Several gaps between policies on paper and practice on the ground have been identified; the main ones are presented below, accompanied by suggestions for CNPCIC to bridge the gaps between their current practices, their official policies and stakeholders' expectations.

**Box 7. CNPC Chad lists the objectives and expected outcomes of the 'dialogue'**

- Identify and get to know the stakeholders
- Share information (inform all interested parties, in an open and transparent way, on the works performed, their progress and the challenges facing the company)
- Establish and operate complaints procedures and suggestions
- Organize direct meetings
- Generate strategic partnerships<sup>1</sup>

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<sup>1</sup> No partnerships have been forged yet. Therefore, the last point on CNPCIC's list will not be addressed in this report.

## 1/Identifying and getting to know the stakeholders

According to the Environmental Impacts (EIE) Document Volume 5, the stakeholders with whom CNPCIC will engage throughout the Rônier project include the following:

- Chadian Government<sup>56</sup> authorities at various levels<sup>57</sup>;
- Traditional authorities (*chefs coutumiers*) where they are recognized (i.e. in the Canton de Boutelfil, home to the Djermaya refinery);
- Other private sector players;
- Residents' associations;
- NGOs and civil society organizations at large;
- The media.

### Box 8: Bringing governments onboard: the Chadian case

- **Why?** The role of governments as partners in this dialogue is crucial: a company can endeavor to achieve compliance with international human rights standards, yet all efforts will be in vain unless the government is brought into the conversation. Long-term results in the fields of human rights and sustainable business do not only require companies to meet their responsibility to respect, but also governments to meet their duty to protect. This becomes particularly challenging in contexts like Chad, where the governance structures are weak, corruption is rampant and local populations continue to face displacement from their ancestral lands and other abuses of their rights caused by unregulated private sector development.
- **How?** Keeping both the government and third parties (especially NGOs and affected communities) onboard requires an ability on the company's side to understand the very different perspectives these actors adopt when analyzing an investment project. In emerging economies like Chad, governments tend to look at foreign direct investment and huge extractive projects as opportunities for development and benefits – employment, infrastructure improvement, tax revenues all feature in this list. In those very same emerging economies, however, local populations often fear that oil drilling or minerals extraction will translate in a loss of land and livelihoods, a loss that will dwindle on even after all the benefits have vanished. In Djermaya, the community saw the advent of the Chinese investor as a potential threat to the integrity of their social fabric. The presence of CNPCIC has been described as 'destabilizing' by many of the interviewees, who told IPIS that they fear CNPCIC's operations could damage their health, jeopardize their crops and destroy the environment they live in.

## PITFALLS AND SHORTCOMINGS

### a. Lack of a sound stakeholder prioritization strategy

The list lumps together very diverse stakeholders, ranging from authorities within the central government to NGOs and research institutes to local *chefs coutumiers*. CNPCIC tried to delineate the project's area of influence although it did not go as far as articulating what impact its operations might have on the different actors listed. As a result, CNPCIC has so far failed to set priorities and be strategic in its engagement efforts. Realistically, it is not possible to engage with all groups with the same level of intensity all of the time, and setting priorities by assessing the significance of the project to each group can save time and money, while avoiding missteps.

<sup>56</sup> Legislative, executive, judicial

<sup>57</sup> National, regional, local

### How to improve?

When prioritizing stakeholders' concerns and needs, CNPCIC HSE staff should consider the following:

- Who will be adversely affected by potential environmental and human rights impacts in the project's geographic sphere of influence?
- Who are the most vulnerable among those potentially affected? Are special engagement efforts required?
- At which stage of the project will stakeholders be mostly affected?
- Who could help with identifying the early scoping of risks and impacts?
- Who strongly supports or opposes the project?
- What is the optimal engagement sequence?

## b. Lack of consideration of general points about stakeholders' expectations and understanding of SSE

The level of understanding of SSE theory and practice varies remarkably among different groups, and failing to appreciate these differences might undermine the efficacy of the entire SSE effort. For instance, the *chefs coutumiers* with whom the author held meetings were not aware of current international expectations on governments and companies to protect and respect human rights. As a consequence, they often raised issues that lie outside the boundaries of human rights due diligence, such as shortcomings in the state's obligation to fulfill the economic, social and cultural (ESC) rights of rural communities<sup>58</sup>. Also, local civil society groups based in the Canton de Boutefil often emphasized issues that should not be addressed within the corporate realm, or at least not only; for instance, speaking up against corruption will not help if the only interlocutor is CNPCIC: the Chadian government should be there too.

### How to improve?

Albeit discouraging, experiences showing a 'lack of focus' on the stakeholders' side should not lead to the company's decision of excluding those stakeholders altogether, a risk that CNPCIC is currently running. The chiefs of the villages Riguegue Al Koudou and Riguegue Al Sharafa felt arbitrarily deprived of their right to be informed on the project's risks and benefits, and shared that: '*Communication with CNPC is non-existent. We are not considered as stakeholders. We do not even know whom to approach within CNPC in Djermaya*<sup>59</sup>. CNPCIC should not shy away from engagement with traditional authorities, specifically because by failing to consult those leaders that have traditionally been the decision-makers at the local level, the company (a newcomer) may be perceived to be challenging the established local hierarchy.

## c. Cherry-picking stakeholders

When brainstorming a list of potential 'interested parties', CNPCIC limited itself to including those NGO representatives that are based in N'Djamena<sup>60</sup>, leaving aside NGOs and community groups who operate in the regions affected by the Rônier project, as well as representatives of other vulnerable groups (women's organizations) or of groups the company might feel uncomfortable with (trade unions). An

<sup>58</sup> For instance, the chief of the village Riguegue Al Koudou kept emphasizing how the state has failed to put in place a system ensuring primary education for the village's children. With CNPCIC establishing its refinery facilities close to his village, the chief hoped that either the Chadian state or the company would consider investing in education and training of the new generations of Riguegue Al Koudou.

<sup>59</sup> IPIS focus group interview with community representatives in Djermaya and other localities in the Chari-Baguirmi district, February-March 2013.

<sup>60</sup> For instance, contacts with the CPPN were established already in 2011

example of dangerous cherry picking is provided by the exclusion of the largest Chadian trade unions: they are not mentioned in the list of stakeholders contained in Volume 5, and the company has never consulted them. Two spokesmen from one Chadian trade union added: *'CNPCIC states that it undertakes to take into consideration the interests and questions of stakeholders with different points of view, but we are not even on the list of those who should be regularly consulted by the HSE department.'*<sup>61</sup>

Another example of exclusion involves women's groups. The representatives of a network of women lawyers based in N'Djamena<sup>62</sup> emphasized the lack of female participation in the majority of meetings and consultation session, *'as if women's organizations had been wiped out of the map of stakeholders'*<sup>63</sup>. This problem has also been highlighted by the representative of a women's organization based in Boutefil and coordinating advocacy efforts in the field of sustainable management of resources.<sup>64</sup>

### **How to improve?**

In performing his task to rekindle the engagement process and bring those excluded onboard, IPIS organized an open workshop in N'Djamena in March 2013, in close cooperation with CNPCIC and the CPPN. On that occasion, the company's representative in charge of CSR and public consultation had the opportunity to meet with the representatives of two trade unions. Follow-up action to this meeting is necessary, and IPIS has encouraged the company's representative to consider revising the list in Volume 5, in order to include the trade unions as contributors to the dialogue. Also, IPIS has encouraged the HSE Department of CNPCIC to collaborate with the CPPN in drawing up a list of women's organizations and select individuals that could represent these organizations' perspectives in the following meetings. Finally, since identifying the stakeholders is not simply a one-way process steered by the company, IPIS encouraged the HSE Department to share the contact details of the persons in charge of public consultation processes and ensuring that they are available in case other stakeholders need to reach them.

#### **d. Lack of reference to historical stakeholder information**

Not all stakeholders in a particular sub-group (e.g. all NGOs working on natural resources in Chad) will necessarily share the same concerns or have the same priorities. In particular, those experiencing stakeholder engagement for the first time may need time to fully understand and accept the process. By the same token, the 'experienced' ones may suffer from engagement exhaustion or be negatively biased because of previous disappointing exercises. For instance, the CPPN, who took a leading role in the dialogue with Exxon in the framework of the Doba project, knows very well how to approach corporate actors and is striving to shape a results-driven and human rights-focused dialogue with CNPCIC.

### **How to improve?**

Rônier is a complex project with potential impacts upon the environment and the human rights of communities living in a large geographic area. The list of civil society stakeholders to be consulted is going to be very long; inevitably, those mentioned will range from experienced SSE organizations based in N'Djamena to rural civil society groups scattered all over Chari-Baguirmi region. The first might have developed an expertise in flagging up risks and liabilities or examining multifaceted economic and social rights issues since 2003, the year Doba was launched; while the latter might still be struggling to find their place in the whole 'oil in Chad' debate. To make sure that CNPCIC has an understanding of the 'identity' and needs of the different organizations it talks to, IPIS suggested that CNPCIC HSE Department

<sup>61</sup> IPIS interview with trade union representatives in N'Djamena, February 2013

<sup>62</sup> IPIS interview with Les Femmes Juristes (Secretariat) in N'Djamena, February 2013

<sup>63</sup> Ibidem

<sup>64</sup> IPIS interview with advocacy groups in Boutefil, March 2013

hires an experienced consultant familiar with the local area to (1) develop socio-economic fact sheets with a focus on vulnerable groups and (2) map out stakeholders.

BSR described stakeholder mapping as an exercise that allows companies to see where stakeholders stand when evaluated by the same criteria, as well as figure out the interplay of issues and relationships in which different stakeholders are involved<sup>65</sup>.

The development of fact sheets is a preliminary (and complementary) exercise; it entails collecting data with regards to the social, economic and cultural dimension<sup>66</sup> of the areas affected by the project, for distribution to HSE staff. This will ensure that everyone is on the same page in terms of understanding to what extent the identified stakeholders could contribute to the SSE process.

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<sup>65</sup> BSR, op.cit., p.11

<sup>66</sup> Examples of data to be collected in a designated area include: levels of literacy; ability to access technical information; social organization and power dynamics; information on the status of women, economic livelihood (permanent, seasonal, statistics on migrant labor and unemployment). land tenure and land rights controversies

## 2/ Sharing information concerning the Rônier project

Environmental Impacts (EIE) Document Volume 5 states that CNPC undertakes to share a wide range of information concerning the Rônier project, including the project calendar and any future developments. The Plan also mentions CNPCIC's intention to publish information concerning payments made to the Government of Chad throughout the duration of the project in accordance with the standards of the Extractives Industries Transparency Initiative (EITI), of which Chad is a member.<sup>67</sup>

Similarly, Volume 5 states that CNPC undertakes to publish annual reports concerning progress and challenges in the implementation of CSR measures, and promises that a section of these will be dedicated to information-sharing methods and practices utilized for SSE purposes.

### PITFALLS AND SHORTCOMINGS

#### a. CNPCIC's official documents on impact management and stakeholder engagement are not public yet

Even if a manager at the ISM-Consult agency assured IPIS that over the last two years there have been several meetings between CNPCIC, the Ministries for Health, the Ministry of the Environment and Oil and the largest Chadian NGOs to discuss the details of the EIE Plans (all 5 Volumes)<sup>68</sup>, it should be noted that these documents are not public yet.

IPIS interviewed N'Djamena-based stakeholders, as well as Chari-Baguirmi civil society organizations and traditional authorities about the amount and the quality of the information they had received by the company since the Rônier project was launched. The answers received show that information has been disclosed in a non-structured way, often deliberately avoiding engagement with stakeholders that might have opposed the project.

N'Djamena-based NGOs such as Oxfam and research centers such as GRAMP-TC, told IPIS: *'On those Information Days, we have had the opportunity to comment on the summary of the EIE Plan (Environmental Impacts), but we have never received the actual Plan itself. So, we have never really had the opportunity to gain access to the specific information concerning the management of the social impacts of the project'*<sup>69</sup>. In addition, all the *chefs coutumiers* interviewed<sup>70</sup> have complained about the lack of transparency in the dialogue with CNPCIC, and pointed out they have not even been able to read and comment on the summaries circulated in N'Djamena.

#### How to improve?

Much of the practice of stakeholder engagement tends to be reactive, and companies often fear that by sharing information at a very preliminary stage (or even throughout 'Phase 1' of decades-long, very complex projects) could lead to delays in the implementation of business activities<sup>71</sup>. Most fear that sharing project-related information with third parties will open a 'Pandora box' of complaints, for which the company cannot provide clear responses or immediate redress. However, the practice of not sharing key materials (such as EIE Plans) with affected stakeholders undermines the entire SSE process, and stakeholders' trust in their corporate counterparts could crumble as a result of prolonged silence, broken promises or vague answers. IPIS suggested that CNPCIC and their consultants ISM-Consult share the EIE Plan as soon as possible, to facilitate informed discussion and ensure that, in case of an exogenous shock, all affected parties can swiftly get to work together on remediation measures.

<sup>67</sup> Concerning the participation of Chad in the EITI, See: <http://www.itie-tchad.org/index.php>

<sup>68</sup> IPIS interview with ISM-Consult, N'Djamena, March 2013

<sup>69</sup> IPIS interview with Oxfam representatives, N'Djamena, February 2013 and with GRAMP-TC representatives, N'Djamena, March 2013

<sup>70</sup> The list includes: the leader of the Canton of Boutelfil and twelve other village chiefs in charge of representing the communities of Djermaya and neighboring villages. IPIS conducted the interviews in March 2013

<sup>71</sup> Shift, op.cit., p.11

## **b. Inability to close the feedback loop**

Other NGOs operating in N'Djamena point out that the dialogue lacks accountability, since CNPCIC does not provide feedback to the stakeholders after having consulted them, nor shares updated versions of the documents discussed. N'Djamena-based NGOs referred to the author that: *'Our views have not been included into the Plans, and if they have, we are not even aware of it, because we never received a copy of the final documents.'*<sup>72</sup>

### **How to improve?**

CNPCIC currently fails to keep its stakeholders informed and 'engaged'. SSE is ultimately about building a trust-based, ongoing dialogue among different parties. The effort of writing up Volume 5 of the EIE Plan will only be valuable if after a set of engagement activities, the company draws up a long-term strategy to integrate stakeholders' comments in the official documents' revised versions. Closing the feedback loop and designing robust feedback-integration mechanisms is critical to achieve the SSE's ultimate outcome: a landscape where internal and external stakeholders are equally stimulated to share their views and concerns about the project. IPIS discussed the current shortcomings in this area with CNPCIC HSE staff, and suggests that (1) CNPCIC lets stakeholders know how their feedback is used, (2) CNPCIC avoids all inconsistency in communication (i.e. saying that feedback from NGOs is highly valued and then doing nothing with it results in misunderstandings and creates tensions) and (3) CNPCIC allows enough time for all interested parties to provide feedback, taking into account the logistical complexities faced by those who are not based in N'Djamena and do not have access to materials shared online.

## **c. No CSR report including SSE best practice and shortcomings has been published**

To date, CNPC has not published any of the relevant reports mentioned in Volume 5 of the EIE Plan.

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<sup>72</sup> IPIS interview with representatives of Oxfam, SwissAid, and NGOs members of the Publish What You Pay (PWYP) Coalition in Chad, N'Djamena, February- March 2013

### 3/ Establishing a Grievance Procedure

CNPCIC guarantees the existence of several grievance management procedures. The HSE Department in N'Djamena confirmed that grievances can be raised either orally or in writing, and designated company staff are tasked with recording stakeholders' complaints and recommendations during site visits, at meetings or via an hotline<sup>73</sup>.

#### PITFALLS AND SHORTCOMINGS

##### a. Inaccessibility of the grievance mechanisms and lack of follow-up

In Djermaya, none of the interviewees has ever heard of or used any of the grievance mechanisms described by CNPCIC. Most were not even aware that CNPCIC had launched a hotline service. Complaints shared by local communities with IPIS are manifold, ranging from cases of displacement without either prior consultation or ex post compensation to breaches of labor law suffered by Chadian unskilled workers employed to work in Djermaya's refinery and industrial area.

The chief of the village Riguegue Al Koudou recounted that: *'Since 2011 the community I represent has not been able to cultivate their fields; some have been expropriated without adequate compensation, whereas other arable land has become building land for the project's ancillary infrastructure such as roads.'*

Local NGO representatives also flagged up lack of follow-up as an issue that seriously weakens any grievance structure put in place by the company.

#### How to improve?

When seeking redress in some of the above-mentioned cases, such as instances of displacement, it should be clarified that the lack of due diligence on the side of the Chinese investor is deeply intertwined with the inability of the Chadian state to protect the rights of the communities under his jurisdiction.

On the other hand, a company-wide complaint procedure could pave the way to actual ability of all interested parties (injured parties or whistle-blowers) to flag their concerns with regards to the conditions of extraction, processing and marketing of the oil from the Rônier basin, thus alerting the company of any risks linked to its operations and of any problems that may arise in the field. CNPCIC should develop and implement a complaints procedure in close collaboration with expert mediators or *ad hoc* external bodies. For a mechanism to be credible, follow-up on individual cases should be ensured at all times, avoiding delays that could allow operations to continue even if an injured party has stepped up in an effort to temporarily halt activities.

<sup>73</sup> IPIS interview with CNPCIC HSE Department in N'Djamena, February 2013



## 4/ Organization of Direct Meetings

In order to maximize exchanges between the company and its stakeholders, the EIE plan (Volume 5) lists the following methods of information-sharing, outreach and engagement of all actors:

- Small group meetings
- Workshops
- Site visits
- Public Information Days

Over the last few years, CNPCIC has organized Public Information Days<sup>74</sup> and large-scale meetings, attended either by the Government or the NGOs based in N'Djamena.

### PITFALLS AND SHORTCOMINGS

#### a. High attendance figures do not automatically mean better SSE

Despite high attendance figures, some stakeholders have commented that the meetings were just 'publicity windows' for CNPCIC, during which civil society representatives could not take the floor to ask questions to the company managers or share observations with the audience<sup>75</sup>.

Also, several stakeholders complained that the number of these Public Information Days should be reduced, whilst the number of small group meetings should be increased.

#### How to improve?

If dialogue means a constant exchange of opinions and sustained sharing of information, direct meetings between CNPCIC and the stakeholders are the main forums for this purpose.

Successful SSE can only happen if meetings are treated as real opportunities to field ideas from the stakeholders or to engage in detailed conversations on specific portions of the project. CNPCIC should let go of large-scale, conference-like meetings and should embrace a strategy where smaller working sessions with informed stakeholders are privileged. Also, sites visits should happen on a more regular basis (so far, no community representative in Djermaya and neighboring villages has ever had a conversation with a company's representative). Reaching out to communities means organizing meetings in a venue where these stakeholders feel comfortable and can identify their own representatives, preventing misunderstandings that could occur if they had to delegate N'Djamena-based organizations to debrief the company on their concerns during the Public Information Day *kermesse*.

<sup>74</sup> IPIS interview with CNPCIC HSE Department, N'Djamena, February 2013. The information issued by CNPCIC was confirmed by ISM- Consult during interviews conducted in N'Djamena in March 2013

<sup>75</sup> IPIS interview with representatives of a wide range of civil society organizations, N'Djamena, February-March 2013

