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INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT *AND/OR*
INTERNATIONAL DEVELOPMENT ASSOCIATION

PROJECT PAPER

ON A

PROPOSED GRANT

IN THE AMOUNT OF
US$ 0.4 MILLION

TO THE

REPUBLIC OF CHAD

FOR

CHAD: PROMOTING TRANSPARENCY AND ITS SOCIAL EXTERNALITIES IN THE EXTRACTIVE SECTOR

May 27, 2022

Energy & Extractives Global Practice
Africa West Region

CURRENCY EQUIVALENTS

(Exchange Rate Effective {Apr 25, 2022})

Currency Unit =	US$
US$1 =	US$1

FISCAL YEAR
January 1 - December 31

Regional Vice President:	Ousmane Diagana
Country Director:	Clara Ana Coutinho De Sousa
Global Director:	Demetrios Papathanasiou
Practice Manager:	Boubacar Bocoum
Task Team Leader(s):	Silvana Tordo

ABBREVIATIONS AND ACRONYMS

CEN	Country Engagement Note
CSO	Civil Society Organization
DGBIT	Directorate General of Budget and Information Technology
EITI	Extractive Industries Transparency Initiative
FM	Financial Management
GoC	Government of Chad
M&E	Monitoring and Evaluation
MoFB	Ministry of Finance and Budget
NGO	Non-Government Organization
OTFiP	Chadian Observatory of Public Finance
ST-PAMFIP	Technical Secretariat of the Action Plan for the Modernization of Public Finance Management
ToRs	Terms of Reference

BASIC INFORMATION

Is this a regionally tagged project?		Country (ies)
No		
Financing Instrument		Classification
Investment Project Financing		Small Grants
Approval Date	Closing Date	Environmental and Social Risk Classification
03-Jun-2022	31-May-2024	Low
Approval Authority	Bank/IFC Collaboration	
CDA	No	

Please Explain

Proposed Development Objective(s)

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

Components

Component Name	Cost (USD Million)
A. Data Collection and Analysis.	0.17
B. Outreach and Dissemination.	0.20
C. Project Management.	0.03

Organizations

Borrower :	Republic of Chad
Implementing Agency :	Ministere des Finances et du Budget

PROJECT FINANCING DATA (US$, Millions)

SUMMARY

Total Project Cost	0.40
Total Financing	0.40
Financing Gap	0.00

DETAILS

Non-World Bank Group Financing

Trust Funds	0.40
Extractives Global Programmatic Support	0.40

Expected Disbursements (in USD Million)

Fiscal Year	2022	2023	2024
Annual	0.01	0.21	0.18
Cumulative	0.01	0.22	0.40

INSTITUTIONAL DATA

Financing & Implementation Modalities

Situations of Urgent Need of Assistance or Capacity Constraints

[ ] Fragile State(s)
[ ] Fragile within a non-fragile Country
[ ] Small State(s)
[ ] Conflict
[ ] Responding to Natural or Man-made Disaster

Other Situations

[ ] Financial Intermediaries (FI)
[ ] Series of Projects (SOP)
[ ] Performance-Based Conditions (PBCs)
[ ] Contingent Emergency Response Component (CERC)
[ ] Alternative Procurement Arrangements (APA)
[ ] Hands-on Expanded Implementation Support (HEIS)

Practice Area (Lead)

Energy & Extractives

Contributing Practice Areas

OVERALL RISK RATING

Risk Category	Rating
Overall	Substantial

COMPLIANCE

Policy

Does the project depart from the CPF in content or in other significant respects?

[ ] Yes [✔] No

Does the project require any waivers of Bank policies?

[ ] Yes [✔] No

Environmental and Social Standards Relevance Given its Context at the Time of Appraisal

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

Legal Covenants

Conditions

PROJECT TEAM

Bank Staff

Name	Role	Specialization	Unit
Silvana Tordo	Team Leader(ADM Responsible)	Extractive Sector	IEEXI
Monique Ndome Didiba Epse Azonfack	Procurement Specialist(ADM Responsible)	Procurement	EAWRU
Herve Cossi Ahouissou	Financial Management Specialist(ADM Responsible)	FM specialist	EAWG1

Mahamat Seidou Seidou Ahmat	Environmental Specialist(ADM Responsible)	Environmental safeguards	SAWE1
Ndoya-Allah Bantiga	Social Specialist(ADM Responsible)	Social safeguards	SAWS4
Aurelie Marie Simone Monique Rossignol	Environmental Specialist	Environmental safeguards	SAWE1
Halime Mahamat Hissene	Team Member	Environmental consultant	SAWE1
Jose M. Rodriguez Alvarez	Team Member	governance	IEEXI
Mistoura Iyabo Motunrayo Salami	Team Member	Financial management	EAWG1
Nicolas Amadai	Team Member	Team assistant	AWMTD

Extended Team

Name	Title	Organization	Location

CHAD
CHAD: PROMOTING TRANSPARENCY AND ITS SOCIAL EXTERNALITIES IN THE EXTRACTIVE SECTOR

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I. STRATEGIC CONTEXT

A. Country Context

1. ***The extractive sector plays an important role in Chad's economy and society.*** Since the start of oil production in 2003 the petroleum sector's relevance has steadily grown. The economy, previously agrarian, saw a per capita GDP increase from about $220.8 in 2002 to about $669.9 in 2017, well above other low-income countries (although still far from average Sub-Saharan Africa). However, the combined effect of the drop in international oil prices in 2014 and the weak security environment led the country into a deep recession, resulting in sharp cuts in public expenditure and low foreign direct investment. After a short recovery from the 2015-16 crisis, Chad fell back into recession in 2020. While the country experienced economic recovery in 2018 and 2019 mainly due to an increase in oil production, COVID-19 and the decline in oil prices changed this trajectory, resulting in the economy shrinking by 0.9%. Although oil revenue grew to 9 percent of GDP in 2021, it remained too low to provide sufficient fiscal space for investment and growth.

2. ***Harnessing extractive revenue for fiscal sustainability and economic diversification remains a priority for Chad's long-term development strategy.*** Over a decade of reliance on oil has somewhat reduced incentives to diversify the economy and promote competitiveness, leaving the country more vulnerable to exogenous shocks. Oil revenue volatility has been a major determinant of the country's negative growth dynamic in recent years, and it has led to the adoption of painful fiscal consolidation programs. However, in the short and medium term the extractive sector remains well placed to support Chad's investment in economic resilience. Many factors affect Chad's ability to improve the benefits derived from the exploitation of its mineral resources. Some of these factors are exogenous such as the price of commodities price and the cost of equipment and material. Other are internal, such as efficiency gains, attractiveness to investors, and good governance. The extractive sector could also be leveraged to lay the basis for a more diversified economy, which in turn would increase resilience to exogenous shocks, create productive jobs, and lay the foundation for sustainable growth.

B. Sectoral and Institutional Context

3. **The Extractive Industry Transparency Initiative (EITI) has contributed to bringing transparency in the oil and gas sector in Chad. EITI Reports are a trusted source of information for all stakeholders.** A growing body of empirical research points at the positive relationship between transparency, fiscal sustainability, and equality, with a stronger correlation among low and middle-income countries. Beyond EITI, Chad has embarked in the reform of its governance systems to improve the transparency of public finance and open access to information. These principles, which are reflected in Law n° 018/PR/2016 on the code of transparency and good governance in public finance management, are fully aligned with the guiding principles of the 2016 Extractive Industry Transparency Initiative (EITI) Standards. Following the Economic Development Forum in 2018, several institutional reforms have been announced by the government, aimed at streamlining administrative processes and checks and balances, and achieving cost cutting measures. However, EITI remains a cornerstone for citizens engagement and transparency in extractives, and an

important entry point for examining the social and economic impacts of extractive industries.

4. **Since 2014 Chad has embarked in the reform of its governance systems to improve the transparency of public finance and open access to information**. These principles are reflected in Law n° 018/PR/2016 of November 24, 2016 on the code of transparency and good governance in public finance management. However, Chad's performance on selected indicators of transparency, accountability, and corruption is below that of peers in the Sahel region and SSA. The importance of building more inclusive, transparent, and accountable institutions has been recognized by the Government of Chad in the National Development Plan 2017–2021 as means to strengthen the citizens' trust and achieve a more sustainable and inclusive development model. To operationalize the principles of good governance in public finance management (section 8 of Law No. 18/PR/2016), the Chadian Observatory for Public Finance (OTFiP) was created by Decree No.010/PR/SG/2017 of 20 January 2017. The OTFiP, whose permanent secretariat is provided by the Directorate General of Budget and Information Technology (DGBIT), aims to improve transparency and good governance in the management of public finances.

5. **Additional measures are needed to ensure that transparency can lead to informed public**. Following the conclusion of the 2018 validation process, the EITI Board determined that Chad has made meaningful progress overall in implementing the EITI Standard. However, more remains to be done to support the active participation of civil society, with focus on ensuring that information sharing does lead to informed public debate over the exploitation of natural resources and its externalities. The lack of financial resources to support outreach activities, coupled with the low level of internet penetration and scarce understanding of extractive industries and their workings, contribute to hinder the Government of Chad's (GoC) ability to support active civil society engagement. This project aims to address these issues by improving the dissemination of information and data on the extractive sector and the use of revenues derived from the exploitation of extractive resources with a focus on social and women's empowerment expenditure. The Project will leverage current transparency initiatives spearheaded by the MoFB. In The project will also contribute to raising awareness among CSOs/NGOs and the media on data and analyses related the extractive sector, as well as advocating for better performance of women's social and empowerment spending.

C. Higher Level Objectives to which the Project Contributes

6. **The proposed project is aligned with the Systematic Country Diagnostic (SCD) update Boosting Shared Prosperity in a Landlocked Country Beset by Fragility and Conflict (P500020) and complements on-going technical assistance and budget support operations.** The SCD identify good natural resource management among the cross-cutting pre-requisites to address binding constraints to poverty reduction. The activities supported by the Project are designed to contribute to the SCD's objective of creating well-designed fiscal institutions responsible for developing and maintaining sound fiscal policies while guaranteeing transparency. The Country Engagement Note (CEN) for FY23-25 under preparation (P500092) makes governance the cornerstone of the policy dialogue going forward. Project's activities are also complementary to the measures and activities identified Chad First Energy Access and Fiscal Management Development Policy Financing (P173755) under preparation and the Chad Digitalization of Revenue Administrations and COVID-19 Response (P164529).

7. **Greater transparency and accountability in extractives are central to the World Bank's country program, and extractive sector engagement in Chad.** The proposed project consolidates and furthers the

achievements of the EITI Post compliance implementation project (P156857) that closed in May 2018 and the Mainstreaming EITI in Chad (P168666) that closed in April 2021 – also supported by grants from the Extractives Global Program Support multi-donor trust fund managed by the Energy and Extractives Global Practice. Notable results of these projects include (i) the realization of an impact assessment study on the ability of the Chad-EITI process to generate sustainable institutional and governance reforms in the country; (ii) the broadening of the scope of EITI reporting to include oil transport and oil refining; (iii) the establishment of practical measures to strengthen internal control and institutional governance of Chad's EITI permanent secretariat ; and (iv) the publication and maintenance of the oil and gas contracts mini-cadaster; (v) the mapping of transparency stakeholders and the identification of targeted communication strategies; and (vi) the establishment of a methodology to assess the effectiveness of EITI communication. The Project builds on previous sector transparency work, and further expands it by including social spending, women empowerment, and climate change impacts of extractives. To improve transparency in the extractive sector in Chad this Project proposes a methodological approach based on active stakeholders' participation. CSOs/NGOs will be called upon to engage in discussion on the reports and data produced by the Project, and actively support additional data analysis and dissemination through their constituencies.

II. PROJECT DEVELOPMENT OBJECTIVES

A. PDO

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

B. Project Beneficiaries

8. The GoC, through the Chadian Observatory of Public Finance (OTFiP) will directly benefit from this project through efficiency gains and improved quality of reporting. A competent and efficient OTFiP lends credibility to GoC's reform program on the transparency of public finance and open access to information and contributes to fiscal sustainability. NGOs/CSOs and representative of the press will also directly benefit from the training provided by the Project and their active participation in knowledge dissemination and advocacy activities.

9. Indirect beneficiary will be the general population of Chad who will benefit from quality information, increased awareness, and opportunities for engagement; and the Ministry of Petroleum and Energy and Ministry of Mines who will benefit from increased sector transparency and attractiveness to investors.

C. PDO-Level Results Indicators

10. Detailed information on extractive sector's activity is available to the general public;
11. CSOs are actively involved in the dissemination of information related to the extractive sector.

III. PROJECT DESCRIPTION

A. Project Components

Component A. Data Collection and Analysis ($173,000):

12. ***A.1 – Data collection ($95,000).*** This activity will fund the collection of data and documentation on the extractive sector, including on social spending, women's empowerment spending, and the climate impact of extractive activities. In addition to the oil sector, the data collection will cover other minerals such as gold, which are currently being explored and for which production is expected to begin soon. This will also include natron, which is supporting communities' livelihood around Lake Chad, and artisanal mining. Data will be collected as a combination of desk work and interviews with key players in the sector (Ministry of Mines and Geology, Ministry of Petroleum and Energy, the national mining company, the national oil company, the private sector oil and mining companies, and industry associations), as well as surveys in the provinces of Batha, Mayo Kebbi West, Guera, Borkou, and Lac.

13. ***A.2 – Information notes on the extractive sector ($78,000).*** The MoFB has been publishing quarterly notes on the petroleum sector since 2017, providing the public with insights on market prospects and an account of revenue generated from the sale of petroleum. Building on this knowledge, this activity will finance the preparation of eight (8) quarterly economic reports covering the period from April 2022 to March 2024. The economic reports will expand the coverage of the current quarterly notes by including information on oil and gas licensing, exploration activities, production levels, oil and gas revenue and social expenditure. This activity will also support the preparation of thematic reports on the state of the petroleum sector (prospects, low-carbon development policy, environmental and climate impacts, local content) and of the gold and natron sectors (level of activity, participants, government policy, prospects, social benefits, environmental impacts). Four (4) validation workshops are envisaged to share and debate the thematic reports with the relevant stakeholders.

Component B. Outreach and Dissemination ($202,000):

14. ***B.1 – Involving and educating stakeholders ($34,000).*** This activity aims to strengthen the capacity of CSOs/NGOs and the media to understand key data related to Chad's extractive sector. It will support outreach activities targeting a representative group of CSOs/NGOs and the media through interactive workshops on critical aspects of the extractive industry. The aim of this activity is to improve stakeholders' capacity to analyze and process information on the extractive sector, and to carry out advocacy on social spending, environmental protection, and women's empowerment. A combination of information sharing and problem solving is envisaged as workshops delivery mode, which will be organized and facilitated by technical experts from the OTFiP and other GoC's administrations as relevant.

15. ***B.2 – Making information accessible to the local audience ($118,000).*** Since Chad joined the EITI data availability on the extractive sector has been steadily improving. However, such data focuses primarily on financial transparency, is complex and geared to a global audience, omitting information on local impacts and non-financial factors. This activity will finance the preparation of thematic videos on the extractive sector, including social and women's empowerment expenditure, and expenditure to support the transition to low carbon economy. Information videos will facilitate the dissemination of complex topics related to the extractive sector and its economic and social impact, including women's empowerment programs. This

component will finance training on the production of engaging social media videos and images to a select group of OTFiP's officials and contribute to the acquisition of equipment and material associated with video production and dissemination. The successful implementation of this project component will support the MoFB capacity to design and implement effective dissemination strategies and associated material. Videos and material will be produced in the two main languages of the country (French and Arabic).

16. ***B.3 – Leveraging digital platforms to increase dissemination ($50,000)*.** This activity will include dissemination through internet and digital platforms, as well as the organization of workshops and stakeholders' forums. The OTFiP website (*www.observatoire.td*) and the Associated Facebook and Twitter pages will also be used to promote the dissemination of information and material on the extractive sector. The site will make available to the public the analyses and reports prepared by the Project and will provide access to underlying raw data thus enabling stakeholders to carry out independent analysis using original data collected by the Project. A promotional campaign will be conducted on widely used and easily accessible social networks to increase awareness and stakeholders' use of dissemination material and outlets.

Component C. Project management ($25,000).

17. This component will support incremental costs to be incurred by the project implementation unit to undertake project management activities, in accordance with the World Bank's fiduciary and other guidelines, including incremental operating costs, equipment, training on fiduciary and project management issues, project audits, and the Project launch workshop.

B. Project Cost and Financing

18. The Project Cost and Financing table is provided below. An additional $50,000 will be provided by the Government as parallel financing, to support the implementation of project activities, including compensation of civil servants associated with the Project (such as OTFiP's technical specialists, and MoFB's communication unit).

Project Components	Project cost	Trust Funds	Counterpart Funding
Component A. Data Collection and Analysis	**173,000**	**173,000**	
A.1 – Data collection	95,000	95,000	
A.2 – Information notes on the extractive sector	78,000	78,000	
Component B. Outreach and Dissemination	**202,000**	**202,000**	
B.1 – Involving and educating stakeholders	34,000	34,000	
B.2 – Making information accessible to the local audience	118,000	118,000	
B.3 – Leveraging digital platforms to increase dissemination	50,000	50,000	
Component C. Project Management	**25,000**	**25000**	
Total Costs	400,000	400,000	
Total Project Costs	**400,000**	**400,000**	
Total Financing Required	**400,000**	**400,000**	

IV. IMPLEMENTATION

A. Institutional and Implementation Arrangements

19. The institutional and implementation arrangements for the project will harness the capacity created by previous projects, with some modifications aimed at better aligning responsibilities and building better ownership, knowledge, and sustainability among the beneficiaries.

20. **The Ministry of Finance and Budget (MoFB) will be responsible for the overall coordination and implementation of the project, including the drafting of annual work programs and budgets of the project.** The Directorate General of Budget and Information Technology (DGBIT), through the OTFiP, will participate in the drafting of terms of reference (ToRs), the definition of technical requirements related to the implementation of activities to be financed by this grant, and the oversight of consultants' deliverables and installation of goods. Being the ultimate beneficiary, the DGBIT will also hold final responsibility for quality assurance of deliverables. Outreach and training activities will also leverage the expertise of the Communication Unit of MoFB, as well as the EITI National Secretariat's expertise and network of CSOs and NGOs already invested in extractive sector transparency. The MoFB will prepare progress implementation reports for the project four times a year in a format and content acceptable to the World Bank. The MoFB will resolve any conflicts that may arise between the different entities involved in the implementation of the project.

21. A tested project implementation unit – **the Technical Secretariat of the Action Plan for the Modernization of Public Finance Management (ST-PAMFIP)**, embedded in the Ministry of Finance and Budget who is a member of the National Hight Committee, will implement the project. The ST-PAMFIP is currently the project implementation unit of the Chad Digitalization of Revenue Administrations and COVID-19 Response (P164529), which includes activities designed to improve the governance and transparency of the petroleum sector that are synergic to those to be supported by this grant, as well as other projects that fall under the responsibility of the MoFB. The head of the ST-PAMFIP is the project coordinator, who reports directly to the Director General of the Ministry of Finance and Budget. Key staff within the ST-PAMFIP have the required experience and skills to effectively manage the activities of the project. In addition to its fiduciary responsibilities, the ST-PAMFIP will also compile implementation progress reports every six months for submission to the World Bank and IFRs and assist the DGBIT in the preparation of the ToRs for the activities envisaged under this Project.

B. Results Monitoring and Evaluation

22. Monitoring and evaluation will be managed by the ST-PAMFIP, in collaboration with the DGBIT. The Results Framework is included in Annex 1 of this Project Paper. The World Bank will assist the DGBIT and ST-PAMFIP in tracking performance indicators during regular supervision missions. The DGBIT will also be responsible for overall day-to-day technical supervision of the implementation of the project activities.

C. Sustainability

23. The GoC is committed to the implementation of the Project. The authorities and stakeholders realize that, when properly managed, the extractive sector can be driver of growth and a lever for the development of other productive activities. Informed and engaged stakeholders provide critical checks and balances to ensure that sector policies lead to environmentally conscious and socially sustainable extractive industries.

24. Successful implementation of the Project is expected to lead to increased quality and coverage of GoC's communication on critical issues related to extractives industries, including climate change and economic linkages. The extensive use of social media platforms and the active participation of ONGs/CSOs and the media in outreach and dissemination of technical and economic information will lead to increased public awareness and accountability.

25. To address sustainability, activities under this Project are designed to leverage existing transparency and open budget programs of the GoCs, and to boost the capacity of the institutions tasked with their implementation, namely the OTIFiP and the Communication Unit of the MoFB. The Project is also designed to complement broader governance reforms supported by the Chad First Energy Access and Fiscal Management Development Policy Financing (P173755) under preparation, the Chad Digitalization of Revenue Administrations and COVID-19 Response (P164529), and the EITI.

V. KEY RISKS

A. Overall Risk Rating and Explanation of Key Risks

26. The overall risk rating of the proposed grant is **substantial** because of several interrelated risks that could impact the achievement of the PDO.

a. **Political and governance risk**. Chad's political and governance systems present significant risks for the implementation of World Bank Group-supported operations as demonstrated by the country's poor performance on the 2018 World Governance indicators relative to its Sahelian neighbors. This risk has been mitigated by aligning project activities with: i) the need to build more inclusive, transparent, and accountable institutions recognized in the Government National Development Plan 2017-2021; and (ii) other Bank-financed operations. The Government's agreement to provide parallel financing is also a risk-mitigation factor. Overall political and governance risk is considered **moderate**.

b. **Institutional capacity for implementation risk**. The Chad's limited institutional capacity may hinder project implementation. The proposed institutional arrangements address this risk by entrusting the strategic coordination of the project to the DGBIT. Furthermore, the use of an experience project implementation unit such as the ST-PAMFIP also mitigates capacity constraints associated with project management. Overall institutional capacity risk is considered **Substantial**.

c. **Fiduciary risk.** Delays in procurement processes being experienced with the Chad Digitalization of Revenue Administrations and COVID-19 Response (P164529) and the recently closed Mainstreaming the Extractive Industry Transparency Initiative Project (P168666) may also affect the Project. This risk is partially mitigated by the recent reform of the procurement code (Decree No. 2499 / PR / 2020) that is expected to substantially simplify the procedure for the award, control and approval of public contracts previously requiring the authorization of the President of the Republic. To further mitigate this risk, a set of measures relating to planning, procurement consolidation, and close supervision have been proposed. In addition, a special commission was created to oversee procurement processes associated with project implemented by the Ministry of Finance through the STP-PAMFIP, including the proposed project. Overall fiduciary risk is considered **moderate**.

d. **Stakeholders' risk.** Although CSOs are actively engaged in the EITI in Chad, there is only very limited evidence of published analysis on substantial issues pertaining to the management of the extractive sector produced by local CSOs or the local press. The complexity of the sector requiring technical knowledge and uneven access to information, contribute to limiting CSOs effectiveness. This project includes activities designed to improve the capacity of critical stakeholders to understand the impact and local involvement of extractive industries through the targeted training, and the roll out of activities that strengthen joint work and active participation of CSOs/NGOs and the press. The identification of strategic CSOs/NGOs and press will leverage the stakeholders mapping recently completed by the EITI National Permanent Secretariat with the financing of P168666. Provisions will need to be made to ensure the resilience of these activities to the COVID-19 pandemic. The project will also finance the realization of an information databank, and the publication of regular notes on the extractive sector covering fiscal, environmental, and social aspects. The overall stakeholders' risk is rate as **substantial**.

VI. APPRAISAL SUMMARY

27. **Economic benefits and costs of the Project**. The proposed project is purely a technical assistance project to support the government's efforts to implement Law n° 018/PR/2016 on the code of transparency and good governance in public finance management and thereby establish the principles of a sustainable resource management system through transparency and public debate. Project activities focus on: i) improving the quality and reliability of public disclosure on issues associated with the exploitation of mineral resources; ii) providing training and tools to CSOs/NGOs to help improve their understanding and ability to interpret extractive industry data; and (iii) improving the MoFB's capacity to effectively engage CSOs. These measures will contribute to improving the efficiency and credibility of the MoFB's open data policy. Benefits associated with the implementation of these activities are not easily quantifiable making it difficult to accurately carry out a traditional cost benefit analysis. The publication of data and analyses on the extractive sector increases economic benefits to Chad as it improves transparency, accountability, and governance in the extractive industries. By enhancing stakeholders' capacity to engage in the management of extractive industries, the Project is also expected to help reach sustainable agreements in the extractives industries and to make these industries better contributors to shared and environmentally responsible growth.

28. **Key FM and procurement issues**. Financial management and procurement activities will be carried out by an existing and tested project implementation unit – the ST-PAMFIP. A summary capacity assessment was carried out, which lead to the following conclusions:

(a) Financial Management.

(i) Applicable financial management rules and procedures. Financial and Accounting procedures already being implemented at the ST-PAMFIP will be applied to this Project. The adequacy of these procedures has been assessed and found satisfactory. However, to accommodate the project in the existing financial management system the following measures are proposed: (i) maintain separate books of accounts; (ii) open a designated account in a commercial bank within one month of the project effectiveness or once the restriction described in (a)(ii) is lifted, whichever comes later; (iii) generate quarterly interim financial reports within 45 days of the end of the trimester and (iv) submit annual audited financial statements. It is expected that the ST-PAMFIP's appointed external auditor will also be appointed the external auditor of this Project.

(ii) Temporary restrictions. The portfolio currently has a lapsed loan, which prevents the use of the Advance method. The opening of a designated account will be deferred and, if necessary, re-assessed one the restrictions are lifted.

(iii) Assessment of the ST- PAMFIP PIU and financial management capacity. The FM assessment of the ST-PAMFIP concluded that the current arrangements meet the Bank's minimum requirements under Bank Policy Investment Project Financing. Key staff within the unit have the required experience and skills to effectively manage the fiduciary aspects of the proposed project. Therefore, no additional recruitment or further capacity building of the Fiduciary team is expected to be financed with the proposed small grant.

(iv) Financial management risk of the project. The Simplified Financial Management Assessment Report (FMAR) carried out by the Bank's Financial Management Specialist found the overall financial management risk of the Project to be **substantial**. After the implementation of the agreed mitigation action plan summarized below, the risk will be **moderate**.

Risk	Action	Responsibility	Date
1. Internal administrative procedures my increase delays in the submission of work plans and Interim Financial Reports	• The Project will prepare an annual work plan and budget.	ST-PAMFP/PA	At project effectiveness and then two months prior to the start of the fiscal year
	• Actual expenditures will be compared to the approved budget and significant variances will be analyzed, addressed, and explained in the quarterly Interim Financial Reports to be submitted to the Bank.	ST-PAMFP/PA	During the life of the Project and within 45 days of the end of each quarter
2. Internal administrative procedures my increase delays in the submission of audited financial statements.	• The project's financial statements will be audited by an independent external auditor acceptable to the Bank. The audit will be conducted in accordance with International Standards on Auditing and under terms of reference satisfactory to the Bank. • Being a small grant, it is expected that the ST-PAMFIP's external auditor for the Chad Digitalization of Revenue Administrations and COVID-19 Response Project (p164529) and this Project will be the same.	ST-PAMFP/PA	Audit report together with the auditor's management letter and management responses, will be submitted to World Bank within six (6) months after closing date of the Recipient's Fiscal Year.

(b) Procurement.

(i) Applicable procurement rules and procedures. Procurement for the proposed project will be carried out in accordance with the procedures specified in the World Bank 'Procurement Regulations for IPF Borrowers' (Procurement Regulations), dated November 2020 under the "New Procurement Framework (NPF), and the World Bank's Anti-Corruption Guidelines: Guidelines on

Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants (revised as of July 1, 2016), as well as the provisions stipulated in the Financing Agreement. Agreement. **The proposed project will use the Systematic Tracking of Exchanges in Procurement (STEP) system.** The project will implement using STEP, a planning and tracking system, in accordance with clause 5.9 of the Procurement Regulations. Procurement Plans and their updates and requests for prior reviews will be sent to the World Bank for clearance through this tool. Procurement activities not requiring World Bank prior reviews will be recorded in STEP as well. Use of STEP is mandatory for all procurement transactions subject to post and prior review under the project.

(ii) All procuring entities as well as bidders and service providers (including suppliers, contractors, and consultants) shall observe the highest standard of ethics during the procurement and execution of contracts financed under the project in accordance with the Procurement Regulations (paragraph 3.32 and annex IV). When procurement is done in the national market, as agreed in the Procurement Plan, the country's own procurement procedures may be used with the requirements set forth or referred to in the National Procurement Procedures (paragraphs 5.3 to 5.6). For all contracts, procurements that apply standard procurement documents (SPD) will adopt provisions of the World Bank related to environmental, social, including sexual exploitation and abuse (SEA) and GBV, as well as health and safety (ESHS) risks and impacts. This includes codes of conduct that include prohibitions against sexual harassment and sexual abuse

(iii) Assessment of the ST- PAMFIP PIU and procurement capacity. The procurement activities will be carried out by an existing and tested project implementation unit, the ST-PAMFP, which was created ten (10) years ago and since gained capacity to be responsible of the procurement for the proposed project. The PIU is well staff with an experienced Procurement Specialist. The main procurement related risks identified at appraisal are related to the country Procurement System that may cause delays, inadequate communication, insufficient competition, poor contract management and filling. The table below summarizes the main risks/issues and mitigation actions to be taken by the ST-PAMFIP.

(iv) Procurement risk of the project. As part of the Procurement Risk Assessment and Management System (PRAMS) exercise carried out by Bank Procurement Specialist, the overall procurement risk of the Project is assessed as **Substantial**. After the implementation of the agreed mitigation action plan summarized below, the risk will be **moderate**.

Risk	Action	Responsibility	Date
1. Staff involved in the Project may not have enough knowledge of the NPF and/or risk of confusion with the former guidelines.	• Organize workshop sessions on the NPF to train all staff involved in the procurement of the Project. • Continuous hands-on trainings on the NPF for identified key staff and the Communities/APE involved in procurement.	ST-PAMFP/PCU ST-PAMFP/PCU	Two months after effectiveness During the life of the Project
2. Inadequate communication and interaction between the beneficiaries and the PCU which may lead to delays in procurement processes and poor estimation of the costs.	• Update the Project Implementation Manual (PIM) for P164529 to reflect and clarify the role of each team member involved in the procurement process of the Project and the maximum delay for each procurement stage, specifically concerning	ST-PAMFP/PCU	three months after effectiveness

	the review, approval system, and signature of contracts.		
3. Internal administrative procedures may increase delays in the procurement processes and affect project implementation.	• Exercise quality control on all aspects of the procurement process, including developing ToRs, technical specifications, bidding documents, proposals, request of quotations, evaluation, and award. • Monitor, on regular basis, the Procurement Plan's implementation and set up a close follow-up in relation with beneficiaries to ensure that appropriate actions are taken on time.	ST-PAMFP/PCU ST-PAMFP/PCU	During the life of the Project During the life of the Project
4. Poor contract management and administration of contracts	• Develop contract management plans and the contract execution mechanism.	ST-PAMFP/PCU	During the life of the Project
6. Poor filing which can lead to loss of documents.	• Improve the filing system at the PCU level to ensure compliance with World Bank procurement filing manual.	PCUs/Procurement Specialist	During the life of the Project

(v) Project Procurement Strategy for Development (PPSD)-As part of the preparation of the project, the **PAMFIP** prepared the PPSD that was found satisfactory to the World Bank. The PPSD describes how fit-for-purpose procurement activities will support project operations for the achievement of project development objectives and deliver Value for Money (VfM). The PPSD ensure that procurement activities are packaged and will be prepared to minimize the risk. It considers institutional arrangements for procurement, roles and responsibilities, thresholds, procurement methods, and prior review. The markets analysis carried out as part of the PPSD shows that there are no major difficulties in the implementation of the few project activities.

(vi) Procurement Plan. The Procurement Plan covering the project implementation has been drafted. Any updates of the Procurement Plan shall be submitted for the World Bank's approval.

A. Legal Operational Policies

	Triggered?
Projects on International Waterways OP 7.50	No
Projects in Disputed Areas OP 7.60	No

B. Environmental and Social

29. The Environmental and Social Risk Classification (ESRC) of the project is identified as **Low**, implying that anticipated potential environmental and social risks and adverse impacts are likely to be minimal or negligible. The grant will not finance studies or assessments linked to potential mineral extraction, and none of the project activities have direct or indirect impact on the environment. Most project activities are expected to be in N'Djamena and are not anticipated to have major environmental and social impacts.

30. Awareness campaigns may be rolled out across the country. The Project will prepare concept paper for each of

the CSO/NGOs and press outreach and capacity building workshops planned by the Project. Concept papers will cover the topic of the workshop, envisaged participants, workshop organization, expected result, and learning assessment framework. Messaging and training material provided to workshop attendees shall be consistent with the applicable requirements of the ESSs 1–10. The project's training and dissemination program - particularly that aimed at helping stakeholders understand the impact and local involvement of the extractive industries through targeted dissemination of activity reports that support joint work and active participation of civil society and CSOs - will consider the inclusion of environmental and social dimensions in accordance with the provisions of the social standards and national legislation.

31. Given the nature of the proposed activities, the client has prepared an Environmental and Social Commitment Plan (ESCP) and a Stakeholder Engagement Plan (SEP). The monitoring and evaluation specialist of the ST-PAMFIP will be responsible for monitoring the implementation of the ESCP and SEP and associated reporting throughout Project implementation.

VII. World Bank Grievance Redress

Communities and individuals who believe that they are adversely affected by a World Bank (WB) supported project may submit complaints to existing project-level grievance redress mechanisms or the WB's Grievance Redress Service (GRS). The GRS ensures that complaints received are promptly reviewed in order to address project-related concerns. Project affected communities and individuals may submit their complaint to the WB's independent Inspection Panel which determines whether harm occurred, or could occur, as a result of WB non-compliance with its policies and procedures. Complaints may be submitted at any time after concerns have been brought directly to the World Bank's attention, and Bank Management has been given an opportunity to respond. For information on how to submit complaints to the World Bank's corporate Grievance Redress Service (GRS), please visit *http://www.worldbank.org/en/projects-operations/products-and-services/grievance-redress-service*. For information on how to submit complaints to the World Bank Inspection Panel, please visit www.inspectionpanel.org.

VII. RESULTS FRAMEWORK AND MONITORING

Results Framework
COUNTRY : Chad
Chad: Promoting transparency and its social externalities in the extractive sector

Project Development Objectives

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

Project Development Objective Indicators

Indicator Name	Corporate	Unit of Measure	Baseline	End Target	Frequency	Data Source / Methodology	Responsibility for Data Collection
Name: Detailed information on extractive sector's activity is available to the general public		Text	Quarterly notes on oil and gas are published by the Chadian Observatory of Public Finance (OTFiP)	Quarterly notes on oil, gas, and thematic notes oil, gas and mining sector are published by the Chadian Observatory of Public Finance		Observatory of Public Finance	Project Implementation Unit

Indicator Name	Corporate	Unit of Measure	Baseline	End Target	Frequency	Data Source / Methodology	Responsibility for Data Collection
				(OTFiP)			
Description: The Chadian Observatory of Public Finance (OTFiP) prepares and makes publicly available quarterly reports on the status of the extractive sector, covering production, export, fiscal revenue, local value creation, climate footprint and other environmental and social externalities.							
Name: CSOs are actively involved in the dissemination of information related to the extractive sector		Text	CSOs are recipient of information on the extractive sector	CSOs actively disseminate information on extractives data to the more remote stakeholders	Annually	Stakeholders' engagement survey	Project Implementation Unit
Description: At least 50 percent of the CSOs whose members have been trained to understand and analyze information on the extractive sector provided by OTFiP and EITI, disseminate such information to their constituency and to stakeholders in remote communities.							
Name: Key messages issued by the OTFiPs that appear in media coverage		Percentage	0.00	60.00	Annually	MoFB' communication unit press review	ST- PAMFIP
Description: Key messages contained in quarterly reports and thematic notes are reported and discussed in local newspapers							

Intermediate Results Indicators

Indicator Name	Corporate	Unit of Measure	Baseline	End Target	Frequency	Data Source / Methodology	Responsibility for Data Collection
Name: OTFiP's website allows users to download data on extractives industries		Percentage	0.00	70.00	Annually	OTFiP website use statistics	Project Implementing Unit
Description: At least 60 percent of visitors of the OTFiP's website download data on the extractive sector collected by the Projet.							
Name: Information videos on the extractive sector are accessible to the public		Text	No information video on extractive sector	At least 8 information videos on petroleum and mining sectors are available on electronic platforms	Annually	OTFiP's and EITI's Website statistics for videos click rate and watch rate	Project Implementation Unit
Description: Information videos on complex extractive sector concepts and issues (covering licensing policies, exploration and production activities, contracts and revenue generation, SOEs, local value creation, employment, environmental risks and impact, climate footprint and decarbonization policies, and women participation) are prepared by the OTFiP and disseminated to the general public in French and Arabic.							
Name: Number of NGOs/CSOs that participate in information		Number	0.00	30.00	Annually	OTFiP status reports	ST-PAMFIP

Indicator Name	Corporate	Unit of Measure	Baseline	End Target	Frequency	Data Source / Methodology	Responsibility for Data Collection
workshops							
Description: Number of NGOs and CSOs that participate in workshops organized by the OTFiP to discuss quarterly notes and thematic reports							

Target Values

Project Development Objective Indicators

Indicator Name	Baseline	End Target
Detailed information on extractive sector’s activity is available to the general public	Quarterly notes on oil and gas are published by the Chadian Observatory of Public Finance (OTFiP)	Quarterly notes on oil, gas, and thematic notes oil, gas and mining sector are published by the Chadian Observatory of Public Finance (OTFiP)
CSOs are actively involved in the dissemination of information related to the extractive sector	CSOs are recipient of information on the extractive sector	CSOs actively disseminate information on extractives data to the more remote stakeholders
Key messages issued by the OTFiPs that appear in media coverage	0.00	60.00

Intermediate Results Indicators

Indicator Name	Baseline	End Target
OTFiP's website allows users to download data on extractives industries	0.00	70.00
Information videos on the extractive sector are accessible to the public	No information video on extractive sector	At least 8 information videos on petroleum and mining sectors are available on electronic platforms
Number of NGOs/CSOs that participate in information workshops	0.00	30.00