

International Advisory Group
Chad-Cameroon Petroleum Development and Pipeline Project

REPORT OF MISSION 14

TO CAMEROON

JUNE 20-26, 2008

International Advisory Group

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July 28, 2008

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EXECUTIVE SUMMARY

This report provides an account of the International Advisory Group's (IAG) fourteenth statutory visit to Cameroon from June 20-26, 2008. During the mission, the IAG took stock of current issues related to the Pipeline project, with particular emphasis on FEDEC, the Social Statement, CAPECE and the new capacity-building program recently approved by the World Bank (WB), and the Lom Pangar dam project.

FEDEC and the IPP and National Parks Programs

- FEDEC's **financial crisis** continues to be a source of major concern and requires action by the parties involved in its creation (Government, Consortium and World Bank). In April, these parties agreed to take all steps necessary to ensure that the Foundation can continue to fulfill its responsibilities. A disruption in FEDEC activities would constitute a violation of the Pipeline project's Environmental Management Plan (EMP) and could jeopardize the progress made to date in terms of environmental and social protection.

→ *Before further thought is devoted to optimizing the mechanism put in place by the EMP, FEDEC's three founders must commit to taking concrete financial steps by the end of 2008 to ensure, at a minimum and in the short term, FEDEC's survival and the sustainability of its EMP-related activities.*

- The Ministry of Forests and Fauna's (MINFOF) stated determination to assume its full responsibility for managing the **national parks**, including Campo-Ma'an and Mbam and Djerem, is encouraging.

→ *MINFOF is urged to act on these intentions as quickly as possible by taking over payment of the ecoguard salaries, particularly those that FEDEC had been covering up to the end of 2007, and by signing an agreement with FEDEC in time for the parties to define their respective roles and responsibilities and plan activities for 2009.*

- Implementation of the **Indigenous Peoples Plan** (IPP) is still producing positive results. However, it is difficult to capitalize on this success given the lack of a solid, long-term strategy.

→ *The International Finance Corporation still needs to act on its offer to contribute funding for the preparation of an IPP master plan.*

Platform for Cooperation and the Social Statement

Despite its difficulties, the tripartite COTCO-PSMC-NGO platform for cooperation has become an increasingly open and privileged forum for dialogue. The various meetings and joint site visits conducted since the beginning of the year have enabled the platform to make progress with the Social Statement process, especially on the cases lacking consensus among the parties. However, despite the fact that the partnership is functional, the NGOs and the IAG feel that the claims processing time is still too lengthy.

→ *COTCO, the PSMC and NGOs must take care to maintain an inclusive mechanism within the platform and come to an agreement on reasonable deadlines for resolving pending claims. In particular, COTCO must adhere to its stated schedule for restoring water points.*

Capacity-Building Projects

- At the time of the IAG visit, the CAPECE **completion report** was in the final drafting stages, although some project-related activities were still pending.

→ *Despite the fact that CAPECE is now closed, the PSMC must take steps to ensure that the NOSRP, its Enforcement Manual and the implementing decrees for the Framework Law on the Environment are approved by the Prime Minister and implemented without delay. The PSMC must also ensure that the studies conducted as part of CAPECE are published, distributed and put to use.*

- The new capacity-building project approved by the WB on June 24, 2008, **PRECESSE**, will provide multi-sector support in managing environmental and social externalities associated with future large infrastructure projects in Cameroon's energy sector. The project targets several ministries, including those in charge of the environment (MINEP), energy (MINEE) and social affairs (MINAS), and civil society. The PSMC is not a party to this new project.

→ *Based on lessons learned from CAPECE, the WB and Cameroon must ensure that PRECESSE begins quickly in order to fully maximize the capacity-building efforts. They must also ensure that the funds allocated to MINAS to support implementation of the IPP will lead to expansion and improvement of the work already accomplished by FEDEC.*

→ *The Government must continue to fund all the PSMC's monitoring activities of the Pipeline project.*

Lom Pangar Dam Project

The additional studies requested by MINEP are underway and the Government has reportedly agreed to fund the work to adapt the Chad-Cameroon pipeline based on the technical solution previously agreed upon with the Consortium. The Cameroonian authorities anticipate that construction of the dam will begin in the first half of 2009, with filling scheduled to begin in October 2012. The WB has agreed to fund the preparatory activities for the dam, but nothing more for the time being.

Collateral Issues

Progress has been made on the issues relating to archeology and the artificial reef off the coast of Kribi. New issues involve the burying of asbestos in Bélabo, for which COTCO has provided reassuring information, and a concern expressed by the PSMC regarding the oil transit fees in Cameroon.

In **conclusion**, the IAG notes Cameroon's demonstrated willingness to make headway on important issues. These positive intentions must still be translated into action, and the Government must take charge of the unresolved issues.

Cameroon has the opportunity to use the Pipeline project as a springboard for improving its performance on future large infrastructure projects. It should not miss this opportunity.

The IAG was unable to travel to Chad as initially planned since the World Bank was not in a position to assume its contractual responsibilities toward the Group. Nevertheless, the Group had an opportunity to meet informally with Chadian authorities and to discuss Chad-WB relations in particular.

INTRODUCTION

1. The International Advisory Group (IAG) for the Chad-Cameroon Petroleum Development and Pipeline Project ("Pipeline project") conducted its fourteenth statutory visit to Cameroon from June 20-26, 2008.

Mission Description and Objectives

2. In accordance with its January 2008 work plan, the IAG assessed progress on the Pipeline and related projects since its last visit in November 2007, paying particular attention to four critical issues: (1) the financial situation of the Foundation for Environment and Development in Cameroon (FEDEC), (2) the Social Statement, (3) closure of the Cameroon Petroleum Environment Capacity Enhancement Project (CAPECE) and the new capacity-building project recently approved by the World Bank, and (4) the interaction between the Lom Pangar dam project and the pipeline.
3. The Group held working sessions with its usual contacts: Cameroon Oil Transportation Company (COTCO) in Douala and, in Yaoundé, the Pipeline Steering and Monitoring Committee (PSMC), the Ministry of Forests and Fauna (MINFOF), the World Bank (WB), Cameroonian non-governmental organizations (NGOs), FEDEC and the implementing agencies it has contracted to manage Campo-Ma'an and Mbam and Djerem national parks, as well as representatives from the Ministry of Energy and Water (MINEE) and for the first time, the Ministry of Social Affairs (MINAS).
4. Finally, as part of its efforts to monitor implementation of the Indigenous Peoples Plan (IPP), the Group visited two Bagyeli settlements (Nkoundoung-Nkoundoung and Ndtoua) and the Bidjouka Integrated Health Center in the Kribi-Lolodorf region, accompanied by the NGO RAPID (*Réseau d'Actions Participatives aux Initiatives de Développement*).
5. Scheduling constraints prevented the Group from meeting with the Prime Minister to brief him on the mission.
6. The mission itinerary and meeting schedule can be found in Appendix 1.

Mission Context

7. On the **political level**, this mission coincided with the ninth Summit of Member States of the Economic and Monetary Community of Central Africa (CEMAC), which was held in Yaoundé.
8. From a domestic policy point of view, recent months have been marked by the constitutional amendment passed by the National Assembly on April 10, 2008. This amendment lifts the presidential term limits, thereby opening the way for President Paul Biya to run for reelection in 2011.
9. On the **economic and financial level**, Cameroon has entered the post-completion phase under the Heavily Indebted Poor Countries (HIPC) Initiative. The International Monetary Fund recently completed its fifth review of Cameroon's performance under the Poverty Reduction and Growth Facility (PRGF) arrangement as of the end of December 2007. The review showed mixed results and the IMF Executive Board had to grant a waiver for non-compliance with a performance criterion related to domestic debt.

10. On June 24, 2008, the World Bank's Board of Directors added four new projects, worth US \$125 million equivalent, to its Cameroon portfolio. Among these projects is the new Environmental and Social Capacity Building for the Energy Sector Project (PRECESSE).
11. Several large infrastructure projects have been further defined, especially in the energy sector. Following the Lom Pangar dam project, the Government is planning to build a gas-fired thermal power plant in Kribi and several more dams and hydroelectric plants. The goal is to reduce selective power cuts, increase electrification within the country and eventually be able to export electricity to neighboring countries.
12. The **Pipeline project** logged 23 loads of crude oil between January 1 and May 31, 2008 for a total of 19.83 million barrels, which generated US \$8.13 million in transit fees for Cameroon. The Project is currently producing an average of approximately 130,000 barrels per day.
13. On the **social level**, the rioting in several large cities in February 2008, arising from demands related to the high cost of living, led the Government to take steps to raise the index point for civil servants and increase the public's purchasing power. However, civil society organizations cite the continued impoverishment of the people despite the increase in oil revenues and other royalties collected by the Government.
14. The initial results of the 2007 household budget survey, which indicate that Cameroon's poverty rate has apparently decreased by less than 1% since 2001, are cause for concern and should certainly be taken into account in the second National Poverty Reduction Strategy that is currently being drafted and that will serve as a basis for the WB's next Country Assistance Strategy (CAS) for the period 2009-2011.

15. *The IAG was unable to travel to Chad as initially planned since the World Bank was not in a position to meet its contractual responsibilities toward the Group. Nevertheless, the Group had an opportunity to meet informally with Chadian authorities who were in Yaoundé for the CEMAC Summit and to discuss Chad-World Bank relations in particular.*

1. FEDEC AND THE IPP AND NATIONAL PARKS PROGRAMS

16. The compensation measures provided under the Pipeline project's Environmental Management Plan (EMP)—management of the Campo-Ma'an and Mbam and Djerem national parks (CMNP and MDNP) and the advancement of the Bakola/Bagyeli pygmy populations along the Kribi-Lolodorf road—are now directly threatened by FEDEC's financial problems as the Foundation risks exhausting its capital by 2009 instead of 2030 as initially planned.
17. This situation is alarming for all parties involved in creating the Foundation.

1.1 A Critical Time for FEDEC

18. The various programs under FEDEC's purview are now functional but the implementation costs in the first few years were higher than anticipated. This situation is the result of several factors in particular: the depreciation of the US dollar against the CFA franc, the extension of Phase 1 of the park projects from three to six years culminating in the launch of the Park Management Plans, and the costs borne by FEDEC instead of the Government.
19. Given the situation's urgency, FEDEC's Board of Directors has taken various steps in recent months to boost the Foundation's financial capacities, including a meeting in Yaoundé on April 2, chaired by MINFOF's Secretary General. Attending the meeting were representatives of the Ministry of Environment and Protection of Nature (MINEP), MINAS, the World Bank, the International Finance Corporation (IFC), COTCO and the PSMC. The IAG was also invited to attend and was able to help facilitate discussions among the participants.
20. The meeting concluded with an agreement among the participants to a schedule of actions to be taken between now and the end of 2008 to ensure FEDEC's financial survival. All agreed to "do whatever is necessary" to enable the Foundation to continue its work.
21. The first action was FEDEC's preparation of a document entitled FEDEC Re-Financing Plan, which it submitted in June to the parties that attended the April 2 meeting, including in particular FEDEC's three "founding" institutions: the Consortium represented by COTCO, the Government and the World Bank Group. This financial document clearly explains the circumstances that led up to the current situation and proposes various scenarios for bringing FEDEC back to where it should be.
22. The next step is a meeting of the partners that was held in Yaoundé on July 25 at which the "founders" were to be asked to specify in concrete terms what steps they are prepared to take to ensure that the Foundation can fully assume its responsibilities.
23. Some feel this is a good opportunity to use this period of reflection to rethink how best to comply with the Environmental Management Plan. Although this exercise could be pertinent in the long run, it should not delay the critical agreement on refinancing needed to ensure continued compliance with EMP obligations. A disruption in FEDEC activities would constitute a violation of the EMP and would also jeopardize the progress made to date in terms of environmental and social protection.
24. The various partners must, therefore, make concrete financial commitments for implementation by the end of 2008. If they do not, current programs may be further jeopardized or even disappear altogether, making it impossible to effectively plan the activities mandated by the EMP.

1.2 Managing Campo-Ma'an and Mbam and Djerem National Parks: Is MINFOF Assuming its Full Responsibility?

25. ● Concerning **Campo-Ma'an National Park**, the NGO World Wildlife Fund (WWF) is continuing to work with FEDEC under its three-year agreement that expires at the end of 2009.
26. WWF is involved in four major areas under the FEDEC project: technical support for park management, co-management with the local communities, biodiversity preservation and cross-border issues. In the first half of 2008, priority was given to continuing the process of gathering basic information and conducting an inventory of large mammals in the park, along with establishing park management structures, capacity-building for the ecoguards and poaching prevention and monitoring activities.
27. However, WWF is concerned about the status of 18 of the 35 ecoguards currently posted to CMNP. As announced, FEDEC stopped paying their salaries on January 1, 2008 and MINFOF has not yet taken over as expected. This is clearly a troubling and demotivating situation for the guards.
28. WWF has emphasized the importance of clearly marking the park boundaries. It would also like for the road that crosses the park from east to west to be repaired. In its current state of disrepair, the road necessitates a detour of several hundred kilometers between Ma'an and Campo. This major operation will not happen without a sizeable contribution from the Government and the logging companies operating in the region. It must also be preceded by an analysis of both the negative and positive impacts.
29. ● The Park Management Plan for **Mbam and Djerem National Park** was officially launched on March 28, 2008. This major step now accomplished, the second phase of FEDEC's intervention in the park can begin, implementation of the park management plan.
30. However, given the precariousness of FEDEC's current financial situation and the difficulties encountered by the implementing agency Wildlife Conservation Society (WCS), the FEDEC-WCS contract was allowed to expire in January 2008. Notwithstanding, FEDEC did disburse the second installment of the additional funding it had granted to WCS up to June 2008 in an attempt to ensure that the anti-poaching activities continue uninterrupted.
31. During the past six months, WCS has continued its activities in the areas of environmental protection and education, research and monitoring, the development of income-generating activities for area residents and overseeing and coordinating activities. It appears to have had positive results.
32. As with CMNP, the issue of MINFOF paying ecoguard salaries remains. Meanwhile, WCS is covering the salaries with FEDEC project funds, to the detriment of other activities.
33. ● For several months, **MINFOF** has been expressing its determination to fully assume its role in managing the national parks, including those created under the EMP. It has already allocated funds to equip all guard posts and it has received authorization from the President to recruit 700 additional guards to protect all the national parks and reserves. In the long run, this should make it possible to incorporate the ecoguards who are not yet government employees into the civil service, especially those at CMNP and MDNP. For those who do not meet the civil service requirement, MINFOF has said that it is willing to hire them as government contractors.

However, none of the ecoguards posted to these two parks for which MINFOF was to assume responsibility has been paid since January 2008.

34. MINFOF says it will sign a bipartite agreement with FEDEC once the Foundation's financial situation has been clarified. This agreement, which will define the Ministry's and the Foundation's respective responsibilities, should enable FEDEC to plan its activities and those of its implementing agencies within a well-defined framework that supports MINFOF's management policy.

1.3 IPP Implementation: Inability to Capitalize on Positive Results for Lack of Clear, Long-Term Strategy

35. The NGO RAPID, whose contract with FEDEC was renewed until the end of 2008, is continuing to implement the IPP. Its activities are still centered around education, health, agriculture and citizenship. In addition, RAPID has been providing training in small-scale trades in recent months in response to Bakola/Bagyeli requests.
36. RAPID also has plans to build three additional huts as part of the improved habitat program subsidized by COTCO. As in 2007, COTCO provided FEDEC with a 3-million CFA franc grant for this program in 2008.
37. Since December, RAPID has been giving priority to the agricultural program in order to provide support for the start of the first growing season in February. The results of these efforts indicate that the Bakola/Bagyeli people are increasingly interested in this program but that they would benefit from additional support with appropriate and systematic technical follow-up.
38. In the area of health, RAPID's development of advanced strategies that entail subsidizing direct intervention by health care workers in the Bakola/Bagyeli settlements is commendable.
39. In general, RAPID continues to favor a participatory approach intended to gradually empower the Bakola/Bagyeli pygmy populations. The local liaison system has had varying degrees of success depending on the settlements.
40. However, in some cases, especially in the area of education, the IAG notes that RAPID needs to improve its communication with the Bakola/Bagyeli in order to ensure that they fully understand RAPID's role and activities.
41. Despite the fact that relations between the Bantu and the Bakola/Bagyeli appear to be improving in certain areas, the main problem cited by RAPID is the land ownership issue between the two communities. The Bantu claim ownership of the land and authorize the Bakola/Bagyeli to occupy it only on a temporarily basis. This situation poses a threat to the sustainability of the IPP activities undertaken thus far, especially those in the area of agriculture. One promising prospect, however, is the Indigenous People ("pygmy") Development Plan that was recently launched under the National Community driven Development Program (PNDP), and which includes a component on securing land rights and promoting inter-community dialogue.
42. With support from FEDEC, the implementing agency organized a forum in January to present the activities it has conducted since August 2006. The forum was attended by representatives of government agency technical units, especially from MINAS, and representatives of the Bakola/Bagyeli peoples. A list of conclusions and recommendations was produced at the end of

these assessment days. RAPID and others working with indigenous peoples should take this list into account when planning future activities.

43. The mid-term master plan for which the IFC has been pledging financial support for several years is still not done. The IAG is surprised that the IFC has not yet followed through on its commitment to contribute funding for the drafting of this IPP work plan.

XIV.1 The IAG recommends that:

44. - *The three parties involved in creating FEDEC—COTCO, the Government and the World Bank—urgently take the necessary financial steps to ensure, at a minimum and in the short term, FEDEC’s survival and the sustainability of its EMP-related activities;*
45. - *FEDEC’s ability to fulfill its statutory obligations without interruption be guaranteed before any thought is devoted to optimizing the current mechanism so as to ensure long-term implementation of the environmental compensation measures and the programs to support vulnerable indigenous populations required by the EMP;*
46. - *Having stated its role as manager of the national parks, MINFOF reach a formal agreement with FEDEC on their reciprocal responsibilities and the ways to fulfill them. A bipartite agreement should be signed without bureaucratic delays and in time to define a plan of activities starting in 2009;*
47. - *MINFOF proceed to hire or contract with the ecoguards assigned to CMNP and MDNP as quickly as possible and begin paying the salaries of all the agents in question without further delay, particularly those in CMNP who were being paid by FEDEC until January 2008;*
48. - *RAPID support its agricultural programs with ongoing technical assistance and follow-up with the Bakola/Bagyeli people;*
49. - *The Government, FEDEC and RAPID agree, particularly in the context of the PNDP, to seek a long-term legal solution to the ongoing land ownership dispute between the Bantu and the Bakola/Bagyeli that endangers the results of the actions taken under the IPP;*
50. - *RAPID take into account the recommendations from the January 2008 forum in its future activities;*
51. - *The IFC finally take concrete action on its offer to contribute funding for the preparation of an IPP master plan.*

2. PLATFORM FOR COOPERATION AND THE SOCIAL STATEMENT: A FUNCTIONAL PARTNERSHIP, BUT PROCESSING STILL TOO SLOW

52. ● Despite lingering problems, tension and dissatisfaction, the three parties say that the COTCO-PSMC-NGO **platform for cooperation** has become an increasingly open and privileged forum for dialogue. The keys to the success of this mechanism are mutual respect among the partners, sensitivity to each other's needs and a willingness to modify procedures when necessary.
53. Since the beginning of 2008, the platform has had three meetings, made progress on claims files and held a session to introduce subjects unrelated to compensation, which is a prelude to taking broader action.

54. ● Three joint COTCO-PSMC-NGO site visits have been conducted since December 2007 in connection with the **Social Statement**. The goal of these visits was to further document and verify all the Social Statement's Category 3a claims that still lack consensus. Of the 159 cases in question, 142 were investigated during this process.
55. Regrettably, however, two of the four NGO members of the platform were not informed of the site visits in time to participate. This type of miscommunication must be avoided in the future if the inclusive nature of this forum for dialogue is to be maintained.
56. The results of these site visits were detailed in reports and discussed within the platform, which at the time of the IAG mission had temporarily categorized the cases as follows:

Total 3a Claims	Claims investigated	Claims settled	Claims pending	Claims still to be investigated
159	142	59	83	17

Source: COTCO, June 24, 2008

57. COTCO has agreed to process the simplest and most clear-cut claims as quickly as possible. For the more complex cases, it will submit a technical proposal for settling the claims to the platform for its approval before taking any action in the field.
58. It would be advantageous for the parties to agree by the end of 2008 on how to settle these claims, some of which date back several years, and on a reasonable timeframe for closure.
59. - Concerning the Category 2 claims, for which COTCO feels it has fulfilled its commitments but has expressed a willingness to “contribute” to solutions, 38 claims were pending at the time of the IAG mission. COTCO plans to process 21 of these claims by the end of 2008 and 17 in 2009.
60. The processing time for these claims, which for the most part involve water points, is still being discussed by the platform. Both the IAG and the NGOs would like to see these claims settled more quickly. COTCO blames the delays on technical constraints related to the difficulty of intervening during the rainy season, while civil society organizations claim that sufficient resources have not been allocated. COTCO has pledged to settle the remaining claims prior to the start of the 2009 rainy season, that is, nearly six years after the pipeline began operations.
61. - COTCO has kept the promise it made last November to settle all pending Category 1 claims (i.e. those for which it was liable) before the end of 2007.
62. - One NGO member of the tripartite platform has commissioned a study to assess 73 water points that COTCO constructed and/or restored along the pipeline route. The preliminary report indicates a number of problems, especially in terms of sanitation.
63. COTCO maintains that it has already taken some of the report's recommendations into account in preparing for the next round of water supply restoration projects. However, it is waiting for the final report before providing a more systematic response and taking any necessary steps to improve its procedures and make the required modifications.

XIV.2 The IAG recommends that:

64. - *The COTCO-PSMC-NGO platform for cooperation continue to maintain an inclusive mechanism that gives all members, especially the NGO representatives, the possibility of participating in discussions, site visits and decision-making;*
65. - *For the same reasons, Cameroonian NGOs that participate in the tripartite platform for cooperation communicate with each other more frequently outside the quarterly meetings;*
66. - *COTCO adhere to its stated schedule for restoring water points that fall under Category 2 of the Social Statement;*
67. - *The NGO that commissioned the study on the water points built and/or restored by COTCO finalize its report and send the conclusions to the other platform members; that this report be reviewed at the next platform meeting so as to resolve any problems identified within a mutually-agreeable timeframe.*

3. CAPACITY-BUILDING PROJECTS

3.1 CAPECE: Project Closed, Actions Still Pending

68. ● At the time of the IAG visit, the **completion report** for the CAPECE project, which closed on November 30, 2007, was in the final drafting stages¹.
69. Without trying to second-guess the conclusions and lessons learned that will appear in the completion report, one preliminary observation can already be made: despite some documented success, not all of CAPECE's objectives were met. This is particularly true of the efforts to strengthen the institutional, legal and regulatory framework for environmental management of the oil sector, which fell short of expectations.
70. ● The Government still has not officially approved the National Oil Spill Response Plan (**NOSRP**) and its Enforcement Manual. These documents, returned to the PSMC six months ago to be updated in accordance with the new Government organization (where MINFOF and MINEP have replaced the former Ministry of Environment and Forests), are still with the PSMC. This procedure could be avoided in the future if all references to the ministry in question were worded in generic fashion rather than giving the specific title of the ministry at the time.
71. It should again be reiterated there has been an ongoing risk of an oil spill in connection with the Pipeline project since the pipeline came on line in 2003. It is therefore critical to fill this legal void that has persisted for several years. The next step is to ensure proper implementation of the NOSRP by training the necessary personnel and allocating sufficient material and financial resources. A plan of action for implementation with target deadlines and objectives is required.
72. There were lessons to be learned from the oil spill off the coast of Kribi in January 2007. Yet it is surprising that the central government has made no efforts since then to enable local government agencies to improve their ability to react and to prevent oil spills.
73. ● Eleven of the implementing decrees for the 1996 **Framework Law on the Environment** (Law 96/12) that were also prepared as part of the CAPECE project are still awaiting approval from the Prime Minister's office.

¹ The CAPECE Project Completion Report was finalized on June 25, 2008.

74. Even though approval of these decrees is still pending, the Government has announced its intention to amend Law 96/12 and the implementing decrees that are already in effect, which could further prolong the current legal void.
75. With the impending start of major new infrastructure projects that will carry environmental and social risks, it is important for Cameroon to finally adopt appropriate legislation that will adequately protect its citizens and the environment.
76. ● Other CAPECE-funded studies—such as the follow-up study on protecting the coastal zone and marine environment, the study of the socio-economic impact along the Chad-Cameroon pipeline route, and the study on the long-term vision for environmental and social management of the oil sector—have not received systematic attention from the relevant government agencies.
77. Although CAPECE has ended, the next step should be to use the conclusions and recommendations from these studies to formulate action plans for immediate implementation. It would also be useful for the PSMC to publish the results of these studies and distribute them to the affected communities as needed, thereby responding to the repeated requests by civil society organizations.

3.2 PRECESSE: Multi-Sector Support for Environmental and Social Management of Future Large Infrastructure Projects

78. On June 24, 2008, the World Bank Board of Directors approved a US \$20 million International Development Association (IDA) credit for a five-year Environmental and Social Capacity Building for the Energy Sector Project (PRECESSE) in Cameroon.
79. This project will provide separate support to help the various ministries improve their ability to manage environmental and social externalities associated with future large infrastructure projects. It will also build the capacity of civil society organizations working in the area of environmental protection. PRECESSE will focus on the energy sector initially. Then, at the mid-term review, the possibility of mobilizing additional resources to focus more specifically on the transportation and mining sectors will be discussed.
80. This new operation is broader than CAPECE, which was limited to the oil sector, and will include three components:
81. - Component 1: Strengthening the Ministry in charge of the Environment (currently MINEP) so it can better monitor and control the environmental and social obligations related to large infrastructure projects, in compliance with the Framework Law on the Environment and its implementing decrees.
82. - Component 2: Establishing frameworks to manage social externalities associated with large infrastructure projects, in compliance with international best practices.
83. This component calls for a strengthening of MINAS, the Ministry of Culture, the Ministry of State Property and Land Affairs, the Ministry of Public Health and civil society organizations.
84. Explicit support for IPP implementation is included under the MINAS component.

85. - Component 3: Support for MINEE's Environmental Unit to ensure that environmental and social issues arising from large infrastructure projects in the energy sector are handled in accordance with international best practices.
86. MINEP is the Government's designated point of contact for the overall PRECESSE project, but there will also be two fiduciary units housed respectively at MINEP, to manage Components 1 and 2; and at MINEE, to manage Component 3.
87. This institutional arrangement does not include any specific assistance for the PSMC. Pursuant to its establishing decree, the PSMC's mandate within the framework of the Pipeline project is limited to the monitoring of operations, EMP implementation and interaction with other projects such as the Lom Pangar dam project.
88. However, the Ministry of Economy, Planning and Regional Development recently sent a request to the World Bank for a separate support project aimed at preserving some of the gains under CAPECE, with the PSMC as the coordinating agency. The WB has said that this request will be examined in the context of its next CAS in 2009. Meanwhile, the government should continue to fund the PSMC so that it can perform its current tasks.

XIV.3 The IAG recommends that:

89. - *The PSMC take steps to expedite the process of obtaining approval for the revised NOSRP and its Enforcement Manual from the Prime Minister;*
90. - *An action plan be devised for disseminating the NOSRP and securing the training required for its implementation. The plan should include target deadlines and objectives so as to ensure implementation of the plan on a practical level;*
91. - *The Prime Minister's office adopt and enact the implementing decrees for the Framework Law on the Environment prepared under CAPECE, without waiting for the law to be amended, and update them later as needed;*
92. - *The PSMC work with the relevant government agencies to ensure that the various studies conducted under the CAPECE are published, widely distributed (on its web site for example) and put to use;*
93. - *Based on the lessons learned in implementing CAPECE, the World Bank and Cameroon ensure that the capacity-building activities for the ministries and civil society organizations under the PRECESSE are conducted in time for the beneficiaries to be ready to monitor new large infrastructure projects, particularly dam projects, before they begin;*
94. - *The World Bank and the Government more clearly define the objectives, timeframe, geographic scope, institutional channels and amount of funds to be allocated to MINAS to implement the IPP under the PRECESSE and ensure that these parameters will be adequate to expand and improve upon the work already accomplished by FEDEC;*
95. - *The World Bank consider the importance of capitalizing on the knowledge gained and lessons learned through CAPECE, as it reviews the Government's request for an additional project to support the PSMC;*
96. - *Meanwhile, the Government continue to fund all the PSMC's activities involving monitoring of the Pipeline project.*

4. LOM PANGAR DAM PROJECT UPDATE

97. Some of the thematic studies requested by MINEP to the MINEE to supplement the overall study on the environmental and social impact of the Lom Pangar dam reservoir are still being carried-out. These studies focus on the interaction between the dam and the Chad-Cameroon pipeline, the implications for the Deng Deng forest and the appropriate protection measures.
98. Based on an optimization study, the reservoir's storage capacity was reduced from seven to six billion cubic meters. The reservoir crest can therefore be lowered by 1.8 m, thereby reducing the length of pipeline that will be submerged.
99. The Government and the Consortium have agreed on a technical solution for adapting the pipeline to the reservoir, which the Government has reportedly agreed to pay for.
100. COTCO is waiting for MINEE to furnish the study on the impact of an oil spill in the reservoir and for the financial arrangements for the pipeline adaptation project to be finalized before preparing a Management of Change (MOC) order and forwarding it to the Pipeline project lenders.
101. The Government has announced that work on the dam will begin in the first half of 2009 with filling scheduled to begin on October 2012.
102. The state-owned company Electricity Development Corporation (EDC) will be the contracting authority for the dam construction project and will be assisted by Rio Tinto/Alcan, designated as the contracting authority's representative through a partnership agreement signed on November 29, 2007. Rio Tinto/Alcan, owner of *Compagnie Camerounaise d'Aluminium* (Alucam), will help EDC steer the preparation phase up until the actual start date of construction. However, since Alucam is a current and future user of the electricity produced downstream from the Lom Pangar dam, questions have been raised about the possible conflict of interest between these two roles. The Government has explained that the contract to supply Rio Tinto Alcan/Alucam with electricity pre-dates its mandate as the developer, thus avoiding any conflict of interest.
103. As part of the new Energy Sector Development Project approved by its Board of Directors on June 24, 2008, the World Bank has formally agreed to fund the preparatory activities for the dam project, including technical studies (both environmental and social) in order to attenuate the considerable risks associated with the project, in accordance with its safeguard policies. The WB has specified that this does not constitute a commitment to fund construction of the dam.

5. COLLATERAL ISSUES

104. During this mission the Group had an opportunity to take stock of several pending issues inherited from the construction phase or more recent operations.
105. ● **Archeology:** The final manuscript of the book on the archeological finds in Chad and Cameroon, complete with a foreword by the Republic of Cameroon and the Republic of Chad and a scientific preface, has been sent to the publisher. The book is scheduled to be published in September 2008 and will be presented during an international conference in Yaoundé in November 2008.
106. The two doctoral students funded by COTCO scholarships have started their field work. However, the PSMC notes that they lack the necessary equipment to successfully complete this work. COTCO should rectify this situation without delay.

107. ● **Artificial Reef Off the Coast of Kribi:** The assistance program for six coastal villages related to the laying of the artificial reef is in progress. The micro projects selected by three villages have been completed. COTCO plans to finalize the work in the remaining villages prior to year-end.
108. In connection with its regular monitoring program, COTCO hired a subcontractor to photograph the reef but had not yet received the results of this inspection at the time of the IAG mission.
109. ● **Asbestos:** Shortly before the IAG's visit, a Cameroonian newspaper reported that a certain amount of asbestos had been removed from the Floating Storage and Offloading Vessel (FSO) in Kribi and buried in COTCO's hazardous waste disposal site at the pumping station in Bélabo. The article alerted readers to the risks associated with the presence of this asbestos in Bélabo.
110. Having learned from its experience with the January 2007 oil spill, COTCO intervened immediately to inform the various parties (government and administrative authorities, civil society organizations, etc.), providing details on the volume of waste buried and the necessary information on the safety of the waste disposal site. Subsequently, COTCO also organized a visit to the disposal site for local authorities in order to explain its waste burial procedures and the precautions taken. However, it did not feel the need to inform the central or local authorities in advance.
111. These types of events always raise concern and questions in a population that easily feels itself at risk. NGOs had the following questions:
- How is it that asbestos was found despite the fact that the FSO was inspected prior to delivery?
 - How can one be certain that there is no more asbestos?
 - Was the FSO crew ever at risk?
 - Above all, shouldn't COTCO inform the authorities and citizens prior to conducting non-routine operations of this nature?
112. An internal investigation is underway at COTCO. Concerning the last point, the company asserts that the asbestos removal operation, the procedures for which are defined in the EMP, is not out of the ordinary.
113. The question as to when and under what circumstances it is appropriate for COTCO to inform the general public and the authorities of such operations remains open and is a judgment call. It is undoubtedly through this type of experience, just as with the 2007 oil spill, that the company will learn how much information to provide, as will the PSMC, which was aware of the situation but chose to remain silent to avoid adding to the public's confusion.
114. ● **Calculating Transit Fees:** At its meeting with the IAG, the PSMC raised the issue that under the fixed-price formula for oil transit fees in Cameroon (US \$0.41/barrel), the country could not take advantage of the increase in oil prices even though it is feeling the negative impact of much lower than anticipated production and the depreciation of the US dollar against the CFA franc.
115. The PSMC has reportedly brought this matter to the attention of the Consortium. However, since the Government of Chad is the party most affected by changes to the financial agreements that govern the Pipeline project, the question should undoubtedly be raised, if need be, at the appropriate levels in the Chadian Government.,.

CONCLUSION

116. One observation can be made following this mission: Cameroon is increasingly showing its willingness to make headway on important issues. However, these good intentions still need to be translated into action.
117. - It is highly encouraging that MINFOF has taken a firm position in assuming its responsibilities to properly manage all national parks, including the two parks that are part of the Pipeline project's ecological compensation.
118. However, this position should immediately result in MINFOF taking responsibility, as already announced, for some of the ecoguards whose salaries have put a severe strain on FEDEC's budget up to now.
119. A MINFOF-FEDEC agreement must also be signed without further delay in order clearly to define their respective roles and responsibilities and thereby enable the Foundation to better plan its future activities and its contractual obligations with the implementing agencies.
120. - During the meeting on April 2, 2008, FEDEC's three "founding institutions" agreed to take all necessary steps to ensure that FEDEC can fully assume its responsibilities. However, no specific commitments have been made. The July 25 meeting should be a step in the right direction. Concrete solutions must be found and put into action by the end of 2008. Otherwise the parties risk a failure to meet their obligations under the EMP, which would cause FEDEC's premature demise and tarnish their reputations.
121. - Progress has also been made by COTCO, the PSMC and NGOs in terms of their commitment to ongoing dialogue made possible by the platform for cooperation. Despite the challenges that this dialogue represents and the disappointment with the pace of progress, all parties have expressed a willingness to persevere. The resolution of all pending claims will be an important step toward a forward-looking dialogue rather than a backward-looking one. This cannot happen too quickly.
122. - Finally, the issues surrounding the Lom Pangar dam project seem to have been clarified. Cameroon now bears the heavy responsibility of ensuring that the many public investment projects (Lom Pangar and others) are implemented with the benefit of the knowledge gained and lessons learned from the Pipeline project. Cameroon's international partners, starting with the World Bank, will lend their assistance.
123. Some issues are unfortunately still unresolved. No action has been taken to enact and/or implement the NOSRP and the environmental decrees of Law 96/12 and there appear to be no efforts to make use of some of the studies conducted under CAPECE. The Government must put these issues on its agenda.
124. In light of the knowledge gained and lessons learned, the Pipeline project can serve as a starting point for Cameroon to be better prepared to handle future large infrastructure projects. But it must be able to fully meet the obligations that stem from the Pipeline project: the Social Statement, improving environmental and social standards (NOSRP and implementing decrees for Law 96/12) and managing and regulating the oil sector; and it must be able to impose the same quality standards applied to the Pipeline project on future projects.

ACKNOWLEDGEMENTS

The IAG thanks all of the interlocutors who accompanied us on our field visits, welcomed us and shared their concerns, aspirations and satisfaction in response to the implementation of this Project. Each of them made a significant contribution to the Group's information and understanding of the evolution of the stakes that affect the fate of the people.

The IAG also thanks the Government Cameroon, the Consortium members and the World Bank whose welcome, availability and logistical support all contributed to a smooth visit.

The IAG welcomes written reactions and comments pursuant to this report and will be pleased, upon request, to post these on its web site (at www.giq-iaq.org), in accordance with the terms of use of the site.

The IAG in particular encourages its principal partners to provide it with information on actions taken in response to its recommendations, on a regular basis and before the Group's next visit.

All reports of the IAG's working visits are available on its web site, at www.giq-iaq.org, and on the World Bank site, at www.worldbank.org/afr/ccproj.

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Appendix 1

Chronology of Meetings

Friday, June 20, 2008

Team 1 : Yaoundé

- WB

Team 2 : Douala

- COTCO

IAG : Kribi

- Internal working session

Saturday, June 21, 2008 – Kribi

- Prefect of the Ocean department
- Bagyeli settlement: Nkoundoung-Nkoundoung
- RAPID

Sunday, June 22, 2008 – Kribi-Lolodorf area

- Bagyeli settlement: Ndtoua
- Sub-Prefect of Bipindi (courtesy visit)
- Bidjouka integrated health center

Monday, June 23, 2008 – Yaoundé

- WB
- NGOs
- PSMC

Tuesday, June 24, 2008 – Yaoundé

- MINEE
- FEDEC / WCS / WWF
- IAG internal working session

Wednesday, June 25, 2008 – Yaoundé

- MINAS
- MINFOF
- Working session with PSMC, COTCO, NGOs, WB
- IAG internal working session: preparation for the mission report

Thursday, June 26, 2008 – Yaoundé

- IAG internal working session: preparation for the mission report

Appendix 2

Acronyms and Abbreviations

Alucam	<i>Compagnie Camerounaise d'Aluminium</i>
CAPECE	Cameroon Petroleum Environment Capacity Enhancement Project
CAS	Country Assistance Strategy
CEMAC	Central African Economic and Monetary Community
CMNP	Campo-Ma'an National Park
COTCO	Cameroon Oil Transportation Company
EDC	Electricity Development Corporation
EMP	Environmental Management Plan
FEDEC	Foundation for Environment and Development in Cameroon
FSO	Floating storage and offloading vessel
HIPC	Heavily Indebted Poor Countries
IAG	International Advisory Group
IDA	International Development Association
IFC	International Finance Corporation
IPP	Indigenous Peoples Plan
MDNP	Mbam and Djerem National Park
MINAS	Ministry of Social Affairs
MINEE	Ministry of Energy and Water
MINEP	Ministry of Environment and Protection of Nature
MINFOF	Ministry of Forests and Fauna
NGO	Non-Governmental Organization
NOSRP	National Oil Spill Response Plan
PNDP	<i>Programme National de Développement Participatif / National Community driven Development Program</i>
PRECESSE	Environmental and Social Capacity Building for the Energy Sector Project
PRGF	Poverty Reduction and Growth Facility
PSMC	Pipeline Steering and Monitoring Committee
RAPID	<i>Réseau d'Actions Participatives aux Initiatives de Développement</i>
WB	World Bank
WCS	Wildlife Conservation Society
WWF	World Wildlife Fund