

International Advisory Group
Chad-Cameroon Petroleum Development and Pipeline Project

**REPORT OF VISIT
TO CAMEROON
DECEMBER 1 TO 5, 2003**

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PRELIMINARY NOTE

The IAG made its sixth statutory visit to Cameroon and Chad from December 1 to 21, 2003. Upon leaving Chad on December 21, the IAG did not yet have all the information needed to complete its report on Chad. In the interest of promptness, the IAG is therefore publishing the Mission 6 reports for Chad and Cameroon separately. The report on Chad will be forthcoming.

EXECUTIVE SUMMARY

This report presents the observations, analyses, conclusions and recommendations suggested to the International Advisory Group (IAG) for the Chad-Cameroon Petroleum Development and Pipeline Project (the Project) by its sixth statutory visit to Cameroon from December 1-5, 2003.

Five months after the Chad-Cameroon pipeline was placed into production, and two months after the first oil exports from Chad were shipped to the international market from the offshore terminal off the coast of Kribi, the construction phase of the Project is nearly complete in Cameroon.

This mission focused on the conditions for completion of the construction phase and on assessing the benefits and shortcomings that characterized it. The mission also looked at how the ongoing risks and opportunities linked to the production phase of the Project are being managed.

RISKS

The risks were analyzed under three themes: lasting environmental challenges, pending social cases and issues being closed.

- **The lasting environmental challenges** of the Project have, potentially, the most serious consequences, given the ongoing risk of accidental oil spills.

The IAG visited the **floating storage and offloading facility (FSO)** off the coast of Kribi, where the group was briefed on the risks associated with the operations and activities of this ship and the measures the Cameroon Oil Transportation Company (COTCO) has implemented to prevent and minimize them. Fully securing the FSO requires the installation of an adequate security perimeter (COTCO) and the deployment of a regular maritime police force (Government of Cameroon – GC).

The fight against **accidental oil spills** is encompassed in the National Plan (PNLDAH) and COTCO's area-specific plans (ASOSRP). The Pipeline Steering and Monitoring Committee (PSMC) is awaiting the final version of the National Plan from the consultant and is urged to approve the plan as quickly as possible, to hold public information sessions to disseminate it and to ensure that the domestic legislation required to implement the plan is in place. A public awareness campaign on the ASOSRPs was conducted by COTCO along the pipeline route. The message seems to have been clearly understood with the exception of the coastal populations and the fishermen in the Kribi zone. COTCO is urged to conduct a new public awareness campaign to rectify this situation.

Progress has been made in the management of the **Campo-Ma'an and Mbam-Djerem national parks**, which were designated as ecological compensation under the Project. Recruiting personnel and drafting the Park Management Plans for each park are urgent tasks that must be accomplished so as to have integrated action by all the parties involved. Relations between the Foundation for Environment and Development in Cameroon (FEDEC), the Ministry of Environment and Forests (MINEF) and the executing agencies call for further clarification of the responsibilities of each party. The Government should approve this procedure through a written document.

In the context of its energy sector development policy, the GC is studying the possibility of building a hydro-electric dam across the Lom-Pangar. If this project comes to fruition, it will

cause a portion of the **protected Deng Deng forest** and part of the pipeline to be submerged. The Government and COTCO will thus need to examine the necessary mitigation measures to ensure the safety and physical integrity of the pipeline.

Demarcation of the pipeline right-of-way had been completed by the Consortium and was pending final approval by the PSMC at the end of the Group's visit. The oil company will need to specify the terms of employment for hiring local workers to regularly clear the right-of-way.

The **legal and contractual framework** for enforcing the Environment Code is still lacking in Cameroon. The Government should ensure that this legal void is filled. This task is especially crucial given the fact that the petroleum project carries environmental risks that need to be covered. The IAG was left with the impression that the government does not fully comprehend the contents of the insurance policies taken out for the Project. The Government should make sure that these policies guarantee appropriate compensation for the people in the event of an accident. Following its mission, the IAG received clarification from COTCO on said policies, the Group will analyse it.

- The **unresolved social issues** pertain to health and claims and disputes related to compensation in the zones along the Project route.

Follow-up on the **public health** issue in the Project zone is particularly important given the risk of spreading contagious diseases, notably HIV/AIDS. Collaboration has now been established between the Ministry of Health and COTCO. Additional action needs to be taken in order to have more effective follow-up. The reallocation of the Cameroon Petroleum Environment Capacity Enhancement Project (CAPECE) funds to the fight against HIV/AIDS is a welcome initiative.

Residual disputes related to compensation persist between COTCO and the populations affected by the Project. Numerous cases of individual compensation have been resolved and the distribution of regional compensation has begun. However, in both cases, COTCO needs to reexamine and address these cases before proceeding to finalize the social closure process by the end of the first quarter in 2004. To do so, the oil company will need to ensure that continuity is maintained among the socio-economic teams in charge of these issues.

The **fishermen** in the Kribi zone are seeking compensation for the loss of fishing resources that occurred when a submerged rock was destroyed in order to make way for the pipeline. COTCO is urged to fulfill its promise to replace the destroyed rock with an artificial reef. For its part, the Government should ensure that fishing statistics are available in the zone.

- Among the **cases being closed** are the following:
 - Water management: an independent inspection of the water quality in the Project zone shows that it appears to meet applicable environmental standards. This information now needs to be disseminated to the people so as to put their minds to ease (PSMC) and independent inspections should continue to be conducted at regular intervals (COTCO),
 - The Consortium is in the process of distributing the Project baseline studies at Cameroonian universities.
 - Compensation measures are being implemented for the situations of level III non-compliance with the Environmental Management Plan (EMP) that have been noted in the archaeological domain.

OPPORTUNITIES

The production phase of the Project offers long-term opportunities for Cameroon. These opportunities pertain to socio-economic development, capacity building, environmental protection and management, the successful integration of COTCO into the country and good governance.

- **Socio-economic opportunities**

The **Bakola-Bagyeli pygmies** along the pipeline route between Kribi and Lolodorf are benefiting from several training programs conducted by FEDEC and COTCO in the context of regional compensation and with the aim of integrating these people into Cameroonian society. FEDEC, with support from the Government, should find a way to expand upon and preserve the results that have already been obtained.

The **fishermen in the Kribi zone** would like to improve their production capacity. The Government should take this opportunity to incorporate their concerns into any program designed to develop traditional fishing in this zone.

The **transfer of temporary infrastructures** from the Project construction phase to the Government of Cameroon for public, administrative or sports-related use has suffered from delays that the GC should take care to rectify in order to prevent the deterioration of the facilities and to avoid potential negative impacts on neighboring sites due to lack of maintenance.

- **Environmental Protection and Management: FEDEC**

Progress has been observed with respect to FEDEC's organization and implementation of field programs in the area of environmental protection and management. FEDEC must now take the necessary steps to ensure its growth and development beyond the current work program. It should be able to count on effective support from the PSMC in its dealings with the authorities.

- **Capacity-building: CAPECE**

Progress has been made in the implementation of activities planned by the CAPECE. The mid-point review of the capacity-building project made it possible to reallocate funds on the basis of current priorities and to relax World Bank procedures, which is expected to step up the processing of cases that still need attention.

- **Integration of COTCO into the community**

Given that it will be present in Cameroon for at least 25 years, COTCO has a responsibility as a good corporate citizen to promote the development of its host community by its policies and actions, leading to its successful integration into the community.

- **Good Governance**

It would be advantageous for the Government to conduct **an assessment of the socio-economic and environmental impacts of the Project construction phase** in order to learn from this experience and to thus acquire an invaluable working tool that will enable Cameroonians to benefit more fully from future construction projects of this scale in Cameroon and abroad.

The IAG continues to urge the Government to establish a **permanent framework for dialogue** among the Project stakeholders.

Finally, although the GC is under no obligation to do so, it does have a good opportunity to display even greater transparency vis-à-vis its population in the **management of revenues** from this project.

In conclusion, this sixth mission reported on the situation at the end of the construction period, which is deemed to be generally satisfactory. It also highlighted the risks and opportunities of the production phase, which if managed carefully, can contribute to ongoing improvement of the national environmental, economic and social situation.

INTRODUCTION

1. The International Advisory Group (IAG) for the Chad-Cameroon Petroleum Development and Pipeline Project conducted its sixth statutory visit to Cameroon from December 1-5, 2003.
2. At the time of this visit, oil had already been flowing for five months and six ships had been loaded from the floating storage and offloading facility with oil destined for the international market. The construction phase was nearly complete in Cameroon and the development phase had begun.
3. In this context, the IAG wanted to ensure:
 - first, that work in the first phase had been successfully completed without laxness and without neglecting or trivializing the details, and that the strengths and weaknesses of this phase were thoroughly assessed;
 - second, that the permanent risks and opportunities of the petroleum development project (the Project) are being properly managed.
4. Cameroon must now prepare to face an unbalanced situation in which the most significant economic spin-offs, those linked to construction, are gone, while the environmental and social risks related to oil development are emerging and will be permanent in nature.
5. The IAG visited the Floating Storage and Offloading Facility (FSO) to gather information on the precautionary and emergency preparedness measures in place. The IAG then met with the Prefect and the fishermen in Kribi and traveled by road from Kribi to Yaoundé. Stops at the Fuh Giende pygmy camp (in Bilolo) and the villages of Ndtoua and Ngovayang III, accompanied by representatives from non-governmental organizations (NGOs), the World Bank and the Cameroon Oil Transportation Company (COTCO), provided information on the situation with regard to regional, community and individual compensation and the social closure process. In Yaoundé, the IAG met regularly with the central administration and certain members of the Government, representatives from the World Bank, the International Monetary Fund, the Foundation for Environment and Development in Cameroon (FEDEC), NGOs and COTCO. The mission concluded with a debriefing with all the partners.
6. The mission itinerary and chronology of the meetings can be found in Appendix 1.
7. This report presents observations, analyses, conclusions and recommendations concerning the management of risks and opportunities related to Project implementation.

1. RISKS

8. The risks have been analyzed from a long-term project point of view and are grouped under three themes:
- environmental challenges
 - social issues, including health, and
 - pending cases.
9. The objective is to identify these risks so as to ensure their proper management and to minimize any possible negative impacts.

1.1 Lasting Environmental Challenges

10. Environmental challenges will be present for the duration of the oil development and pipeline transportation project, especially for the offshore and floating storage portion. These are the risks with, potentially, the most serious consequences. This is why close attention needs to be paid to these challenges and strict compliance with the rules of safety must be ensured, in terms of both demarcation of the areas around and along the Project's permanent facilities, and the measures to be taken in the event of an accidental oil spill.
11. In order to compensate for ecological losses caused by the Project right-of-way, compensation has been provided for in the form of parks to be developed and the preservation of existing reserves. The challenge now is to ensure the best success of these nature conservation projects.
12. Finally, there are risks in the form of legal voids and deficiencies in the legal and contractual framework.

1.1.1 Floating Storage and Offloading Facility

13. The floating storage and offloading facility (FSO) off the coast of Kribi, the KOMÉ-KRIBI I, which COTCO owns and operates, is one of the last Project infrastructures put into place in completion of the Komé-Kribi transportation system.
14. The FSO is capable of storing 350,000 tons of oil and of loading this oil onto tankers for export to the international market. The first ships were loaded in October 2003, and a seventh round was imminent at the time of the IAG visit.
15. During its visit, the IAG received an explanation of the various environmental risks related to FSO operations and activities, as well as the measures in place to prevent and protect against fire, explosion and air and water pollution. These risks can be related to operations at the FSO, activities of neighboring ships or natural events such as storms and gale force winds.
16. The greatest environmental risk that the Project faces is still accidental oil spills. An oil spill would threaten the marine and coastal environment as well as the fishing and tourism industries.
17. The Project has implemented several measures to prevent and minimize these risks, which include among others:
- Certification and inspection of the FSO every five years,

- Reduction of air pollution through air filters,
 - An oil-water separator that ensures compliance with international standards in terms of the quality of the water that flows back into the ocean,
 - A ban on fishing near the FSO, and
 - A disconnect system that allows for rapid separation of a tanker being loaded from the FSO in the event of an emergency.
18. However, the security perimeter around the FSO that COTCO promised has not yet materialized despite the fact that operations have begun. Several conflicts have been reported between COTCO and traditional and recreational fishermen in the zone when the latter have come to fish in the perimeter that has been designated unauthorized by the oil company.
19. Moreover, there is no maritime police force helping to secure the FSO, which is currently being secured by a towboat that COTCO has assigned to this task full time.
20. *VI.1 The Government of Cameroon should have COTCO set up a security perimeter around the FSO as quickly as possible, which will help protect the physical integrity of ships in compliance with domestic and international procedures in effect.*
21. *COTCO should then launch a public outreach campaign, with the support of local authorities, targeting the local population so as to inform them of the measures taken and to raise awareness about compliance with the secured zone.*
22. *VI.2 The Government must ensure that a regular maritime police force is put in place to help secure the FSO and enforce the rules of navigation in this sensitive zone.*

1.1.2 Accidental Oil Spills

National Oil Spill Response Plan (PNLDAH):

23. The Pipeline Steering and Monitoring Committee (PSMC) has provided feedback on the provisional PNLDAH report which it received in March 2003, with assistance from an international expert. This feedback was sent to the consultant in charge of preparing the plan at the end of October 2003. The committee has since been awaiting the corrected version of the report, including the PSMC comments, for final approval.
24. It should be noted that the PNLDAH-ASOSRP (Area Specific Oil Spill Response Plan) sequence was reversed for reasons relating to the respective deadlines for preparing the plans. It was also deemed appropriate to adopt the PNLDAH before the end of 2003, so as to prevent the bias that was created from dragging on any longer. The IAG can only insist that this problem be resolved as quickly as possible.
25. *VI.3 The PSMC should hasten to obtain the corrected PNLDAH report and proceed to adopt it in the appropriate legal form.*
26. *The PSMC should then hold public consultations on the Plan, making sure that it is widely disseminated among the citizens, in particular in the national languages of Cameroon, and that it is discussed as part of the public awareness campaigns with the local populations.*
27. *The PSMC should also ensure preparation of the domestic regulatory instruments required for implementation of the Plan in the event of an accidental oil spill.*

Area Specific Oil Spill Response Plans (ASOSRP):

28. During its visit to the villages between Kribi and Yaoundé, the IAG systematically questioned the local populations about the effectiveness and intelligibility of the messages in COTCO's information campaign concerning the ASOSRP. The people said they were satisfied with the campaign. They apparently know what to do in the event of an accidental oil spill.
29. On the contrary, the coastal populations and the fishermen in the Kribi zone, who are especially vulnerable to the risks of accidental oil spills, said that they had received either little or poor information. COTCO held an informational meeting on the ASOSRPs in Kribi, which few people attended, but did not hold any such meetings in the neighboring villages.
30. *VI.4 COTCO should conduct a new public awareness campaign about the ASOSRPs for the coastal inhabitants and the fishermen in the villages in the Kribi zone.*

1.1.3 Protected Areas**FEDEC/ MINEF/executing agencies relationship**

31. In its last mission report (June 2003), the IAG highlighted the need to clarify the relationship between the Ministry of the Environment and Forests (MINEF), the Foundation for Environment and Development in Cameroon (FEDEC), and the two executing agencies – the World Wildlife Fund (WWF), and the Wildlife Conservation Society (WCS) – which are involved in protecting and managing the Campo-Ma'an and Mbam-Djerem national parks that were designated as ecological compensation under the Project. The responsibilities of each party must be spelled out so that these roles become more transparent and explicit.
32. From this standpoint, FEDEC submitted a provisional Memorandum of Understanding to MINEF a few months ago and is awaiting feedback from this agency before finalizing the document.
33. *VI.5 MINEF should work with FEDEC to review and finalize the Memorandum of Understanding without further delay. This will allow the Foundation to more clearly identify the terms of its intervention in the two national parks and those of the executing agencies (WCS and WWF) that it appointed in full respect of the national environment protection policy.*

Managing the Campo-Ma'an and Mbam-Djerem national parks

34. WWF and WCS, the executing agencies contracted by FEDEC to manage the Campo-Ma'an and Mbam-Djerem national parks, continue their activities. Field teams are progressively being put into place and a conservation director was appointed for each park.
35. At Campo-Ma'an, 20 ecoguards were recruited and 5 additional agents will soon complete the team. MINEF allocated some material resources to support WWF's activities. This organization has also obtained additional funding from the DGIS (the Dutch Directorate-General for International Cooperation) to conduct a 3-year program in the park.
36. At Mbam-Djerem, 25 ecoguards are currently being recruited and a project manager should be selected by the end of the year. MINEF has set aside a budget to contribute to park management.
37. WCS and WWF submitted their first half-yearly report to FEDEC in July 2003.

38. Despite this considerable progress, the park management plans, which are so crucial to the integrated management of these two parks, are not yet available. For Campo-Ma'an park, the conservation director is expected to finalize the document by April-May 2004, while the work has not yet begun for Mbam-Djerem.
39. *VI.6 MINEF must ensure that the Campo-Ma'an park management plan is finalized by the new deadline (May-April 2004) and that a plan is drafted for Mbam-Djerem as soon as possible.*
40. *VI.7 The next activity reports that the two executing agencies, WWF and WCS, will submit to FEDEC should provide more information about the desired objectives, the activities conducted and the results obtained during the period.*

The Deng-Deng forest and the Lom-Pangar hydroelectric dam project.

41. The Deng-Deng forest currently enjoys protected zone status due to its great wealth of biodiversity. Consequently, particular attention was paid to this forest and vigorous protection measures were taken in the context of the petroleum development project. The temporary bridge erected over the Lom River that gave induced access to this zone was dismantled by COTCO pursuant to the Environmental Management Plan.
42. However, within the framework of its policy for developing the energy sector, the Government of Cameroon is planning to build a hydroelectric dam across the Lom-Pangar River. If this dam is constructed, a large portion of the Deng-Deng forest will be submersed, as well as part of the pipeline, which was not constructed with this eventuality in mind.
43. This is one of the most important elements to consider in the social and environmental impact study that is currently being conducted on this project.
44. *VI.8 Once the results of the impact study are known, and if the Government exercises its option over the Lom-Pangar dam, the Government and Cotco should study the impact of the dam on the pipeline and determine what modifications would be required to the route or construction in order to protect its physical integrity and security.*
45. *COTCO must then make the appropriate modifications to the Area Specific Oil Spill Response Plan.*
46. *The Government could also examine the possibility of adopting ecological compensation measures similar to those adopted for the pipeline so as to provide ongoing protection for its forest resources.*

1.1.4 Demarcating and Using the Pipeline Right-of-Way

47. The demarcation of the Cameroonian transportation system, which began in February 2003, was finalized by COTCO at the end of November 2003. These boundaries mark the limits of the pipeline right-of-way along a 10-15 meter-wide stretch, which are subject to specific terms of use and upkeep. COTCO has also indicated that it has posted signs along the pipeline.
48. The demarcation and signage of the pipeline help the neighboring populations to identify the right-of-way zone, which carries restrictions on occupations and activities.
49. COTCO is under permanent obligation to maintain the pipeline right-of-way and to clear the zone regularly. To do so, COTCO will give preferential treatment to the local labor force, according to yet-to-be-defined terms.

50. This cohabitation between the population and the pipeline presents both a risk and an opportunity. Proper management by COTCO and proper supervision of this substantial formality by the authorities are necessary in order to minimize the risks and optimize the opportunities.
51. *VI.9 The PSMC should accept and approve the demarcation and signage of the COTCO transportation system without delay.*
52. *The PSMC must also provide regular oversight to ensure that the integrity of the pipeline is maintained and that the adjacent populations use the right-of-way zone appropriately. Regular public awareness campaigns should also be conducted to inform the administrative authorities involved and the adjacent populations on the types of activities that are authorized in this zone.*
53. *VI.10 In order to enable the people to take full advantage of the opportunities for employment, COTCO should specify the terms for hiring local laborers for clearing operations as quickly as possible, since these operations have already begun in the Kribi zone.*

1.1.5 Legal and Contractual Framework

54. Accidental oil spills, especially offshore, are among the permanent risks that are the most fraught with consequences. It is thus vitally important that in addition to implementing preventive measures, the Cameroonian Government take care to protect itself from unforeseen risks caused by a determinant legal void or insurance policies that do not provide adequate protection for the country.

Decrees for implementing the Environmental Protection Act

55. In its last mission report (June 2003), the IAG stressed the importance of drafting, publishing and enacting legal instruments for environmental legislation in Cameroon that would give effect to the Environmental Protection Act.
56. A committee was formed in April 2003 within MINEF and proceeded to revise all the environmental legislation. This process is not expected to conclude until the end of 2004 and between now and then, the Government apparently does not plan to enact the decree for implementing the Environment Act.
57. Thus, there is still a certain legal void concerning the application of environmental legislation and the Government does not seem to fully appreciate this risk.
58. *VI.11 The Government should hasten to implement the legal instruments for enacting the current Environment Act before mid-2004. These instruments can always be modified subsequently if modifications are made to the Environment Act at a later stage.*

Insurance policies

59. The insurance policies on the Project's facilities, infrastructures and equipment, especially those pertaining to the pipeline and the FSO terminal, serve as the base documents for disputes in the event of a disaster. The provisions therein will seal the fate of the populations, with a potential impact that could be even more painful than in other parts of the world where States have more resources than Cameroon.
60. In its discussions with representatives of the Cameroonian Government, the IAG did not have the impression that the contents of said insurance policies were fully mastered so as to guarantee adequate compensation for the population.

61. Following its mission, the IAG received information from COTCO concerning the insurance contracts covering the Project in Cameroon. The Group will analyze the documentation it was given and will continue to monitor this important issue closely.

62. *VI.12 Working through the relevant government agencies, the Government should pay particular attention to ensuring that the premiums for accidental oil spill insurance are adequate, that the pertinent clauses be drafted in such a way as to be binding, that the procedures and mechanisms for compensation be accessible and operative and that claims be paid in a timely manner.*

1.2 Social Impacts: Health, Disputes, Claims

63. One of the ongoing risks of a labor-intensive construction project such as the pipeline, is the propagation of contagious diseases, HIV/AIDS in particular, despite the precautions taken.

64. In addition, a project of this magnitude cannot avoid giving rise to disputes, claims, even social conflicts in the zones in its path. Ideally, these cases should have been closed before production began, but the early activation of production did not facilitate this objective. Thus these residual liabilities must be dealt with as quickly as possible.

1.2.1 Health

65. Funds provided for the health component of the Cameroon Petroleum Environment Capacity Enhancement Project (CAPECE) were reallocated to the second phase of the campaign to fight against and prevent AIDS, which is now being headed by the National AIDS Prevention Committee in the context of the National AIDS Prevention Plan. This is real progress that adds greater coherence and continuity to a program with serious resources.

66. Despite all the precautions taken by the Consortium and the health authorities, and despite COTCO's contributions to the fight against HIV/AIDS and malaria, it is not possible for so many people to travel and move along the pipeline route without leaving any traces.

67. This means that the health authorities must be constantly vigilant, both in terms of updating epidemiological files and ensuring the availability of health care as needed.

68. Without having the opportunity to verify the information in the field, the IAG learned from the Ministry of Health and from COTCO of effective cooperation between the health division of the oil company and the Health Ministry, and in particular, with the "focal points" designated to monitor the evolution of the health situation in the Project zone.

69. This new cooperation is positive and important. However, reinforcing the health care system along the pipeline still requires major investments to which the Consortium could contribute in the context of an appropriate social approach.

70. *VI.13 COTCO and the national and local health authorities should maintain ongoing collaboration so as to stay abreast of changes in the health situation in the Project zone and to continue providing the necessary health programs.*

71. *VI.14 Once responsibilities are transferred, the PSMC along with the Ministry of Health, should take care to preserve discrete data with regard to the impact of AIDS in the pipeline zone within the national information system.*

1.2.2 Residual Social Conflicts: Compensation and Social Closure

72. Inevitably social closure was not achieved by the end of 2003. COTCO is now planning to conclude this process by the end of the first quarter in 2004.
73. For the whole of the Project in Cameroon, individual, regional and community compensation amount to several thousand individual cases. The rate of resolution of these cases has been high and deemed satisfactory by the PSMC and COTCO. However, before completing social closure, there remain a large number of unresolved cases, which need to be re-examined in the light of objections and reservations expressed by the beneficiaries.
74. The terms of distribution for regional compensation have been agreed upon in almost all the communities. However, the construction, which is generally given in batches to small entrepreneurs operating sequentially at the sites, is not yet complete. The IAG mission saw some of the accomplishments firsthand in the form of classrooms and food markets in the villages visited between Kribi and Yaoundé. In one case, the IAG was able to resurrect the dialogue between the village, COTCO and the State concerning a strong demand for rural electrification.
75. The mission also drew COTCO's attention to some of the more noteworthy cases of outstanding claims for individual compensation that require prompt handling.
76. During this transition phase of the Project, the mission noted several instances of indecision in the resolution of disputed cases, due to a change in socio-economic teams. Care should be taken to ensure that these delays are due only to these specific circumstances. The mission also noted personnel transfers and decreases in staff size in the groups responsible for settling claims and ensuring social closure.
77. *VI.15 COTCO should be careful to avoid the risk of the replacement teams creating discontinuity in the social-economic activities and disorienting villages with dialogue and methods of approach that are too different from the past.*
78. *Likewise, during this transition period COTCO should avoid penalizing the social program in its budgeting decisions and should maintain the stability of field staff in charge of this task.*
79. *VI.16 The PSMC should be more actively involved in this process so as to ensure a smooth conclusion of the operations and at the same time, make the State's presence and if necessary, its intercession between COTCO and the communities and villagers, more visible.*

1.2.3 New Disputes: Claims by the Fishermen in Kribi

80. The fishermen in Kribi are especially bitter towards the Project. The construction of the underwater pipeline was marked by misunderstanding, a lack of communication and even a few incidents. The most serious seems to be the destruction of an underwater rock in order to make way for the pipeline. The loss of this rock continues to fuel compensation claims based on loss of fishing resources. The donations offered by COTCO and received by the various fishing villages as compensation for the inconveniences of construction have not satisfied this specific claim concerning the loss of the rock and the resources that it harbored.
81. According to COTCO, the fact that this rock was a resource by virtue of being a location for fish was not proven in the impact studies on the marine zone, nor was it confirmed in investigations in the fishing villages. Nevertheless, COTCO has promised to lay artificial reefs in order to curtail the controversy.

82. For its part, the IAG has not been able to obtain data concerning the estimated fishing losses reported by the traditional fishermen in Kribi nor to perform useful statistical verification.
83. *VI.17 COTCO should lay the artificial reef as soon as possible as ecological compensation for the destruction of the rock in the path of the underwater pipeline route off the coast of Kribi.*
84. *VI.18 In order to have all the facts in any potential dispute, the PSMC should work with the Ministry in charge of fishing to ensure that statistics are available for the relevant periods before and after the destruction of the natural rock and for the period before and after the laying of the artificial reef, without prejudice to any information that fishing and environmental experts may provide.*

1.3 Issues Being Closed

1.3.1 Water Management

85. The independent study of the water quality in the Project zone conducted by the *Institut Pasteur* confirms the results of analyses performed by the Consortium. It appears that the required standards for drinking water are respected. This progress is welcomed. Broad dissemination of this information should now follow. The Project should continue the analyses to verify that all the prescriptions of the EMP on water management are respected.
86. *VI.19 The IAG once again calls upon the PSMC to ensure that the information obtained be published so as to reassure the population with respect to a concern that has been voiced since the beginning of the Project.*
87. *The IAG encourages COTCO to continue independent monitoring at regular intervals.*

1.3.2 Baseline Studies

88. Pursuant to previous IAG recommendations, six Cameroonian universities received copies of the Project's Baseline studies. COTCO is in the process of identifying other possible recipients.
89. The IAG applauds this approach taken by the Consortium, which is helping to provide consistent scientific information to the national scientific community.

1.3.3 Archaeology

90. In March 2003, the ECMG undertook a specific mission to Cameroon to investigate the possible impacts of the construction activities of the Project on three high priority archaeological sites.
91. The mission identified weakness, which could have been avoided, in the management of those sites by the Project. The operators did not respect the prescriptions of the Site Treatment Plan annexed to the EMP. The integrity of two of the sites had been compromised by the works of the Project while the third site had been misidentified during the initial survey and did not have archaeological value.
92. Following this mission, the World Bank Group determined that the inadequate treatment of the two high priority archaeological sites constituted a level III non-compliance situation with the EMP.
93. A level III non-compliance event is defined as a critical situation, typically including observed damage to a specifically protected sensitive resource or a reasonable expectation of impending damage.

94. Given the level of the loss of archaeological material, and in accordance with the EMP and other legal commitments, COTCO was required to implement a mitigation process.
95. COTCO, in collaboration with the Cameroonian Government, committed to implement a three-part mitigation program:
- To prepare a comprehensive scientific report summarizing the findings and opportunities for future archaeological research in the pipeline area,
 - To provide financial support for doctoral studies of Cameroonian archaeologists,
 - To provide financial support to the Ministry of Culture for the establishment of a curator facility to treat future archaeological findings.
96. The mitigation program proposed by COTCO and judged appropriate by the World Bank, will contribute to the future development of archaeological research in Cameroon. The implementation of the program has apparently begun satisfactorily.
97. Following its visit, the IAG received from COTCO information concerning the actions undertaken to provide scholarships to two Cameroonian students at the University of Louvain (Belgium). The IAG has not yet obtained information concerning the implementation of the other components of the mitigation program.

2. OPPORTUNITES

98. The construction phase of the Project was a source of employment and economic gains for the workers, businessmen and public finances.
99. According to COTCO, contracts awarded to local businessmen amounted to some 385 million US dollars as of September 30, 2003, out of a total investment of 1.5 billion US dollars. Opportunities of this nature will obviously be fewer during the development phase, but will be stretched out over a 25-year period, which will allow for optimization of the Cameroonian share of transactions over the course of the Project lifespan.
100. In addition to these quantitative opportunities, the Project also harbors indirect opportunities that are more qualitative, and that are linked to other socio-economic aspects, to capacity building, to environmental protection and management, to a successful integration of COTCO in the community and to good governance.

2.1 Socio-Economic Opportunities

2.1.1 Vulnerable Indigenous Populations

101. Along with COTCO, a representative of the NGOs and of the World Bank, the IAG visited Fuh Giende, a Bagyeli camp where a model hut was built as part of regional compensation for pygmies.
102. Construction techniques and the materials used to construct this prototype gave the hut greater durability and functionality than customary homes in that zone, while respecting the sociological aspects of the Bagyeli lifestyle.

103. The Bakola-Bagyeli participate in the construction of model homes, which gives them training in construction techniques for durable homes. This approach ensures appropriation of techniques and the eventual creation of a corps of professional builders who are available to meet future needs. Training can be an important factor that contributes to spreading this type of improved housing within the Bakola-Bagyeli community.
104. COTCO has provided support in the form of training and in-kind contributions of some of the construction materials such as windows, doors, sheet zinc and nails.
105. COTCO is also contributing to the development of Bakola-Bagyeli agricultural practices by providing training in the techniques for growing the most common food crops in the zone.
106. Other support programs for the Bakola-Bagyeli along the pipeline route between Kribi and Lolodorf have been launched. FEDEC, while working with COTCO on the program to promote improved housing and agricultural training, has also supported education and health programs. In addition to helping register students in the various schools, FEDEC is also awarding scholarships to facilitate access to schools and school supplies for the Bakola-Bagyeli.
107. Finally, progress has been made in terms of registering the Bakola-Bagyeli in the registry of births, deaths and marriages, and in obtaining national identity cards for them, with the support from FEDEC.
108. Despite this progress, however, difficulties integrating the Bakola-Bagyeli into society persist. Social integration is problematic because the children tend to leave school before the end of the year. In addition, the Bakola-Bagyeli still do not have the ability to exert the same rights to occupy the land that they inhabit and farm as their fellow countrymen do, in particular the Bantou.
109. FEDEC has been seeking assistance in developing its business plan, a strategic plan and a logical framework for the indigenous people support program, all of which are essential to obtain additional financial support. The PSMC says it has identified and made available such assistance. Signs of a communication problem that needs to be cleared up.
110. *VI.20 FEDEC with support from the Government, could conduct a study, , to examine ways to promote the Bakola-Bagyeli and recognition of their rights by the authorities, neighboring populations and society.*
111. *FEDEC could round off its current support with activities and encouraging programs to motivate the young Bakola-Bagyeli to enter school, improve their attendance rate and discourage dropping out.*
112. *VI.21 The PSMC should provide support to FEDEC in developing the working tools required to successfully seek the additional financial support that will enable it to continue its work.*

2.1.2 Fishermen

113. In addition to the claims for compensation based on environmental issues, the fishermen in the Kribi zone ardently hope to improve their production capacity and to take advantage of the situation in order to make the best use of the ocean's resources. They seek to improve their dugout canoes and motors, access to fuel, to the methods, equipment and infrastructures used in preserving fish, as well as transportation and access to markets. The Government has the opportunity to take these needs into account in a program designed to promote and develop the

traditional fishing industry to expand its market of traditional customers and access the greater regional market.

114. *VI.22 The PSMC should organize a working session between the fishermen of Kribi and technicians from the Ministry of Fishing to ensure that their preoccupations are integrated into the program to develop traditional fishing in this zone.*

2.1.3 Populations seeking use of temporary facilities

115. As required by the Environment Management Plan, COTCO must restore all sites used during construction and that are not needed for operations to their original state, unless the Government requests that said facilities be retained for future use.
116. The local populations and authorities have made numerous requests to convert these sites for public, administrative or sports-related uses. So many requests have been made that a large number of these sites have been maintained so as to be reassigned in the near future pursuant to the necessary procedures. As these sites have not been reassigned quickly, an administrative void was created that encourages their abandonment without further upkeep, or has caused damage to neighboring small farms.
117. People next to these facilities have proposed using them for schools, markets and sports fields. Such proposals merit further study and a rapid response before the sites become so deteriorated that they are no longer useable.
118. *VI.23 By agreeing to the reassignment of certain temporary facilities, the Government, which is a party to these decisions, agreed to take responsibility for their proper management through an appropriate body. The PSMC should study each case rapidly, propose guidelines and ensure that the appropriate body (whether public authority or the community) takes charge.*

2.2 Capacity Building: CAPECE

119. The CAPECE is the preferred instrument of Cameroon for steering and monitoring the smooth functioning of the Petroleum Project and for developing the resources needed to master the social and environmental impacts, with assistance from the World Bank. It provides an opportunity for the country to develop sustainably its capacity to manage large-scale energy or other projects.
120. The CAPECE midway Project review, which was begun in June and completed in August 2003, provided an assessment of the various components of the environment management capacity enhancement project and to update, eliminate or re-assign certain components. This review also enabled the PSMC to obtain from the World Bank a relaxation of procedures in order to accelerate the processing of files.
121. Although all of the chosen activities are making progress, much remains to be done before reaching the ultimate objective, which requires not only studies, but action and impact as well.
122. To mention only a few of the more salient points, AIDS activity was included in the National AIDS Prevention Plan under the auspices of the Ministry of Health. Transferring this activity to the Health Ministry presumes greater efficiency, but as recommended above the Ministry should not let the specificities of the zone impacted by the Project get buried in the broader data of the health districts.

123. Another activity involves “Environmental Management and Protection in the Coastal Zone of Kribi and around the Floating Storage and Offloading Facility off the Coast of Kribi.” This program is crucial given the obvious risks of the FSO presence. It should have served to make Cameroonian agencies more knowledgeable about the configuration and characteristics of this sensitive biophysical environment before storing and offloading activities began.
124. Likewise, this program should also provide the basic principles for a sub-regional oversight and protection system for the countries in the Gulf of Guinea, in connection with similar studies covering the southern coast of the country.
125. The “Study of the Long Term Vision of Environmental and Social Management in the Oil Sector” should lay the groundwork for defining a vision and sustainable instruments to succeed the CAPECE in properly managing the petroleum sector beyond the Chad-Cameroon Project. At the moment, the PSMC and the World Bank still have different views on the institutions to manage the sectors in the future.
126. *VI.24 The Government and the World Bank should reach an agreement as quickly as possible concerning the “Long-term Follow-up on the Oil Sector” component in order to avoid creating an institutional void in this strategic sector.*

2.3 Environment Protection and Management : FEDEC

127. As part of the ecological compensation for the Project, FEDEC has inherited a responsibility for some of the protection and management of bio-diversity in Cameroon, with along-term perspective through the management of Campo-Ma’an et Mbam-Djerem National Parks. The IAG noted that progress had been made by the Foundation in terms of organization and more importantly, in the implementation of programs in the field. As reported above, work in the two national parks and collaboration with indigenous peoples is advancing. It seems that FEDEC has finally reached cruising speed and become more efficient, which enables it to fulfill its mission.
128. However, a few administrative issues still have not been resolved. If they were, the work of the Foundation in the parks and in its support of indigenous people would be greatly facilitated:
- The legal instruments that define the prerogatives related to its status as a public utility, and in particular, the framework agreement and tax exemptions on import of work instruments, have not yet been formalized;
 - MINEF still has not given a response to FEDEC's draft Memorandum of Understanding. Finalization of the MOU will be important for proper management of work in the two national parks;
 - FEDEC is seeking assistance in drawing up a business plan, a strategic plan and a logical framework for the program in support of vulnerable indigenous populations - all documents that are necessary in order to obtain additional funding. The PSMC claims to have identified an available source of support. There is an obvious lack of communication on this point.
 - The vehicle that COTCO promised for August 2003 apparently still has not been delivered.
129. Finally, the IAG continues to believe that like any other foundation, FEDEC must adopt a medium and long-term growth plan to support its development and fund-raising strategies.
130. *VI.25 Strengthened by its accomplishments in the field, FEDEC should continue to strategically apply pressure to the various interlocutors in order to resolve the outstanding*

issues as quickly as possible. It should be able to count on effective support from the PSMC in its dealings with the authorities. Finally, FEDEC should take the necessary steps to ensure its growth and development beyond the current work program.

2.4 Integration into the Community: COTCO

131. The transition to operations provides COTCO an opportunity to develop a climate of trust and durability in its relations with national and local authorities, neighboring populations of the Project, and Project workers and businessmen. With a presence of at least a quarter of a century as one of the largest companies in the country, COTCO has the opportunity to plan and to materialize its determination to be a good corporate citizen that participates in the life of the country.
132. This can be done in several ways. For example: predictability and transparency of requests for work, supplies and services; ongoing communication with the villages via the Local Community Contacts (LCC); periodic contacts with local authorities and effective health programs to fight against malaria and HIV/AIDS.
133. On one specific issue, the IAG was told by the local authorities of their irritation with respect to COTCO's unimpressive physical and human representation in Kribi apart from the depressurization station. Because of the presence of the FSO off the coast of Kribi, the town authorities aspire to become a hub for COTCO and its staff and visitors. The lack of COTCO presence in this town is difficult to explain. An increased presence could be mutually beneficial for the image of COTCO and the image of Kribi.
134. Expectations of COTCO are also great in terms of improving the health structures in the department of Kribi. Of course, the company cannot replace the State. Rather, COTCO can demonstrate its good citizenship in all respects: not only by financial contributions, but also by social investments, attitude, behavior and presence.
135. *VI.26 COTCO should demonstrate its commitment to good corporate citizenship through a clear and stated policy, and through its ongoing actions towards the development of its host community.*

2.5 Good Governance

2.5.1 Assessment of the Economic and Social Impact of the Construction Phase

136. A gigantic construction project has just been completed in Cameroon. Overall, the technical, financial and environmental assessment of this undertaking is generally deemed to be positive. Cameroon and Cameroonian citizens have benefited from this Project. However, everyone agrees that they did not benefit as much as they could have.
137. The lack of preparation preceding this project cannot be remedied, but similar mistakes can be avoided in the future by drawing on the lessons learned, both the good and the bad.
138. On the other hand, the effects of the Project on the communities, the environment, employment and business will be felt for a long time to come, as highlighted in this report. Thus, it is important to have now a good understanding of these impacts.
139. Logging the skills acquired in an up-to-date file will allow for workers to be more easily reintegrated into the workforce and to take full advantage of employment opportunities at future construction sites in Cameroon and abroad.

140. A study of the true impact of the construction phase on Cameroon is an undertaking that would benefit everyone. The economic and social contributions during the two years of construction, the disturbances and nuisances, as well as the impacts on the environment and the cultural, land and human heritage should be assessed now in order to plan for a better future.
141. *VI.27 The IAG again recommends that having mobilized itself for the construction phase, the Government now conduct a thorough, public assessment of the socio-economic and environmental impacts and act on the lessons learned so as to develop an invaluable tool for the economy, investment and employment.*

2.5.2 Overall Communication Plan and Permanent Framework for Dialogue

142. The IAG notes that the communication plan consists essentially only of means to transmit messages concerning the project, which is more in the nature of information than true communication. It should also be noted that despite the permanent presence of the Project in its operation phase, a structure for dialogue involving all the stakeholders has not been put into place in order to facilitate dialogue under the aegis of a formal and periodic structure.
143. The fear is that once construction is completed, it will be more difficult to mobilize the various players involved at a time when the stakes are seemingly not as high. And yet, the usefulness of such a mechanism in terms of facilitating dialogue over the lifespan of the Project seems self-evident.
144. *VI.28 The IAG maintains its opinion that a permanent framework for dialogue among the parties involved in the Project is fully justified and encourages the Government to implement this framework.*

2.5.3 Public Revenue

145. With the flow of oil, the State has begun reap the financial benefits of this project: transit duty, dividends as a shareholder in COTCO, and duties and taxes on the business activities of the Consortium and its suppliers.
146. Although it is not bound to any specific measures in terms of transparency and the management of these revenues, Cameroon now has a prime opportunity to show its people how it utilizes the revenues from the Project for the benefit of its citizens.

CONCLUSION

147. This sixth mission corresponds to an important turning point in the history of this Project.
148. The mission has enabled the IAG to take stock of a situation that for the most part has been deemed to be generally satisfactory. And to observe that a careful management of risks and opportunities in the production phase could contribute significantly to national environment, social and economic progress.
149. The challenges for the primary stakeholders, which were noted during the fifth mission, are still relevant:
- Cameroon must continue to be vigilant in order to prevent and if necessary, minimize negative impacts on the environment and the communities, while at the same time continue to build its capacities. It must also play a dynamic role in ensuring the smooth functioning of the mechanisms in place. This Project still requires State attention and will for a long time.
 - The World Bank must also stay the course and pay close attention to the retrospective assessment of the environmental and social impacts as they affect its reputation.
 - The challenge still before the Consortium is to successfully integrate as a good corporate citizen that has fulfilled its responsibilities vis-à-vis the State, to act thoughtfully in its contacts with the people and to be considerate in its community support programs – in short, to obtain its certificate of corporate citizenship through its attitude and conduct.
150. These ongoing actions on the part of each actor, less spectacular but just as important, will henceforth determine the success or failure of the project, according to how much it has contributed to the well-being of the people.

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 of 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.gic-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.gic-iaq.org, and on the World Bank site, at www.worldbank.org/afr/ccproj.

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Appendix 1
Chronology of Meetings
December 1 – 5, 2003

Monday, December 1 – Kribi¹

- Floating Storage & Offloading terminal (FSO) KOMÉ-KRIBI I
- Prefect, Ocean Department
- Fishermen at Kribi

Tuesday, December 2 – Kribi-Yaounde²

- Pygmy Camp Fuh Giende (in Bilolo)
- Ndtoua Village
- Ngovayang III Village
- FEDEC

Wednesday, December 3 – Yaounde

- World Bank
- PSMC
- COTCO
- IMF
- NGO: Ecumenical Peace Service

Thursday, December 4 – Yaounde

- IAG internal working session
- Minister of the Environment and Forests
- Minister of Health

Friday, December 5 – Yaounde

- Debriefing: PSMC, WB, FEDEC

¹ IAG with COTCO EMP Manager, World Bank

² IAG with COTCO, WB and NGO Ecumenical Peace Service

Appendix 2

Abbreviations and Acronyms

AIDS	Acquired Immune Deficiency Syndrome
ASOSRP	Area Specific Oil Spill Response Plan
CAPECE	Cameroon Petroleum Environment Capacity Enhancement Project
COTCO	Cameroon Oil Transportation Company
DGIS	Directorate-General for International Cooperation (Dutch Cooperation)
EMP	Environmental Management Plan
FEDEC	Foundation for Environment and Development in Cameroon
FSO	Floating Storage and Offloading facility
GC	Government of Cameroon
HIV	Human Immunodeficiency Virus
IAG	International Advisory Group
IMF	International Monetary Fund
LCC	Local Community Contact
MINEF	Ministry of the Environment and Forests (Cameroon)
NGO	Non-Governmental Organization
PNLDAH	National Oil Spill Response Plan
PSMC	Pipeline Steering and Monitoring Committee
WCS	Wildlife Conservation Society
WWF	World Wildlife Fund