

**The Inspection Panel**  
**Report and Recommendation**  
**On**  
**Request for Inspection**  
  
**Cameroon:**  
**Petroleum Development and Pipeline Project (Loan No. 7020-**  
**CM); and Petroleum Environment Capacity Enhancement**  
**(CAPECE) Project (Credit No. 3372-CM)**

1. On September 25, 2002, the Inspection Panel (the “Panel”) received a Request for Inspection (the “Request”), dated September 20, 2002 related to the above-referenced Projects. On September 30, 2002, in accordance with the Resolution<sup>1</sup> establishing it, the Inspection Panel notified the Executive Directors and the President of the International Bank for Reconstruction and Development (IBRD) and the International Development Association (IDA)<sup>2</sup> of receipt of the Request, meaning “Registration” under the Panel’s *Operating Procedures*.<sup>3</sup>

**A. FINANCIAL ARRANGEMENTS**

2. The Request makes reference to issues associated with two closely related Bank-supported Projects<sup>4</sup> in Cameroon: IBRD Loan Number 7020-CM, “The Petroleum Development and Pipeline Project” (hereinafter referred to as the “Pipeline Project”) and IDA Credit Number 3372-CM, “The Petroleum Environment Capacity Enhancement Project” (hereinafter referred to as the “CAPECE”). Financial arrangements for these projects are as follows:<sup>5</sup>
  - a) The Pipeline Project, approved on June 6, 2000, is partially financed by (i) a loan from the IBRD, in an amount equal to US\$53.4 million,<sup>6</sup> and (ii) a loan from the International Finance Corporation (IFC), in the amount of US\$100 million. The Pipeline Project also has substantial

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<sup>1</sup> IBRD Resolution 93-10/Resolution IDA 93-9, ¶ 17.

<sup>2</sup> For the purposes of this Report, the International Bank for Reconstruction and Development (IBRD) and the International Development Association (IDA) are collectively referred to as the “Bank”.

<sup>3</sup> See The Inspection Panel, *Operating Procedures* (August 1994), at ¶ 17.

<sup>4</sup> This Report covers only allegations about the Bank.

<sup>5</sup> All legal documents entered into by the Bank for the two Projects related to the Request have been declared effective.

<sup>6</sup> The relevant Loan Agreement, Loan Number 7020-CM, was signed on March 29, 2001.

financial participation from three private sector petroleum companies (the “Consortium”);<sup>7</sup> and

- b) The Credit for the CAPECE Project, approved on June 6, 2000, is financed by the International Development Association (IDA) in an amount equivalent to SDR4,300,000 (about US\$5.77 million).<sup>8</sup>

## **B. THE PROJECTS**

- 3. The Pipeline Project and the CAPECE are components of the overall development of oil fields in Chad’s Doba Basin. These Projects include construction of over a thousand kilometers long pipeline between Chad and Cameroon, and the provision of capacity-building assistance in Cameroon.<sup>9</sup> Since the Request was submitted on behalf of individuals living in Cameroon, this Report focuses exclusively on the portions of the Pipeline Project located or to be carried out in Cameroon.<sup>10</sup>
- 4. **THE PIPELINE PROJECT.** Schedule 2 to the relevant Loan Agreement states that the “*objective of the Project is to assist in the development and export through the Borrower’s territory of the petroleum reserves of the Doba Basin Oil Fields<sup>11</sup> in an environmentally and socially sound manner, and thereby, inter alia, increase the Borrower’s fiscal revenues available for financing priority development expenditures in the context of the Borrower’s strategy for economic growth and poverty reduction.*”<sup>12</sup>

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<sup>7</sup> Total Project costs are estimated to be US\$3.7 billion. The revised financing plan included in page 7 of the “Chad/Cameroon Petroleum Development and Pipeline Project – Semi-Annual Report to the Executive Directors” dated January 31, 2001 (SecM2001-0081), presents the following distribution (in %): (a) Private Sponsors’ Equity (Exxon 40% - Petronas 35% - Chevron 25%): 80.7%; (b) US EXIM – and COFACE supported loans: 10.7%; (c) IFC A-Loan: 2.7%; (d) IFC B-Loan: 2.7%; (e) IBRD financed Cameroon equity: 1.2%; (f) IBRD financed Chad equity: 0.9%; (g) European Investment Bank (EIB) financed Cameroon equity: 0.7%; and (h) EIB financed Chad equity: 0.4%.

<sup>8</sup> The relevant Credit Agreement, Credit Number 3372-CM, was signed on July 14, 2000.

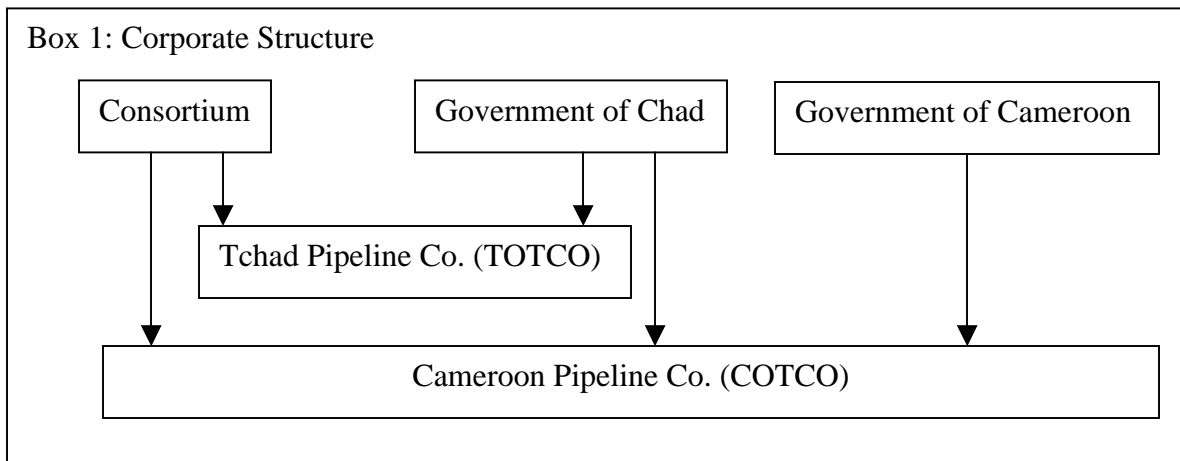
<sup>9</sup> The financial arrangements for the Pipeline Project are similar in Chad and Cameroon. In Chad, there are three closely connected Bank-supported Projects and their related financial arrangements are as follows; the Petroleum Development and Pipeline Project is financed by both IBRD under a loan in an amount equal to US\$39.5 million, and IFC under a loan in the amount of US\$100 million. The Pipeline Project has also substantial financial support from the Consortium which represents 80.7% of the total Project costs; the Management of the Petroleum Economy Project is financed by the IDA under a credit in an amount equivalent to SDR12,600,000 (about US\$17.5 million); and the Petroleum Sector Management Capacity-Building Project is financed by IDA under a credit in an amount equivalent to SDR17,400,000 (about US\$23.7 million).

<sup>10</sup> On March 22, 2001, the Inspection Panel received a Request for Inspection in matters related to the Chad portion of the Project and the Investigation Report, along with Management’s Report and Recommendations were submitted to the Board of Directors for approval on July 17, 2002. Additional information on this can be found on the Inspection Panel website [www.inspectionpanel.org](http://www.inspectionpanel.org).

<sup>11</sup> Section 1.01 (y) of the same Loan Agreement defines Doba Basin Oil Fields as the “*Komé, Bolobo and Miandoum oil fields in the southern part of the territory of Chad.*” The development of the Doba Basin oil fields is called the “Field System,” and is expected to be completed on December 31, 2008.

<sup>12</sup> Loan Agreement between Republic of Cameroon and IBRD, Loan No. 7020-CM, at p. 32, Schedule 2, March 29, 2001.

5. According to the Project Appraisal Document (PAD) for the Pipeline Project,<sup>13</sup> the Project includes the following: the construction of about 880km buried on-land pipeline, eleven kilometers off-shore pipeline, two pumping stations, a pressure reduction station, and the off-shore floating storage and offloading vessel at Kribi in Cameroon.<sup>14</sup> These components of the Project, along with similar activities in Chad, are called the “Export System.” Construction of the pipeline itself is well under way and is expected to be completed by December 2002, while “*first oil*” is estimated by the third quarter of 2003.
6. This PAD states the Export System in Cameroon will be built and operated by Cameroon Oil Transportation Company S.A. (COTCO), a joint-venture company formed between the Consortium, the Government of Chad, and the Government of Cameroon.<sup>15</sup> The following diagram describes the corporate structure concerning the Pipeline facilities:<sup>16</sup>



7. **THE CAPECE PROJECT.** Schedule 2 of the Project’s Credit Agreement states that the “*objectives of the Project are: (a) to assist the Borrower to develop and establish a national capacity for the environmental management and monitoring of the PDP Project [i.e., Pipeline Project]; and (b) on a medium to long-term basis, to help ensure the environmental sustainability of future projects, programs and policies in the Borrower’s petroleum sector; including strengthening the Borrower’s capacity to mitigate the negative social and environmental impacts of the PDP Project and the establishment of an environmental regulatory framework for the petroleum sector.*”
8. The CAPECE Project includes: (a) strengthening the local institutional, regulatory and legal framework, (b) strengthening coordinating capacities for environmental management, (c) strengthening public intervention capacity for environmental

<sup>13</sup> A Project Appraisal Document or PAD has been prepared for each of the two Projects.

<sup>14</sup> Project Appraisal Document, Report No. 19343 AFR, at p. 13 ¶ 4.

<sup>15</sup> Project Appraisal Document, Report No. 19343 AFR, at p. 13 ¶ 4.

<sup>16</sup> Project Appraisal Document, Report No. 19343 AFR, at p. 131, Annex 12.

management; and (d) project management, monitoring and evaluation. The CAPECE Project is expected to be completed by December 31, 2004.<sup>17</sup>

9. According to the relevant PAD, and in the context of the Bank's Country Assistance Strategy (CAS) to Cameroon, the CAPECE contributes primarily to two of the CAS's objectives: (i) improve resource mobilization; and (ii) create a climate favorable for private sector development.<sup>18</sup> Moreover, according to the PAD, the CAPECE aims to enhance the Government's capacity to protect the environment and mitigate the potential negative social and environmental impacts of the Pipeline Project.<sup>19</sup>

### C. THE REQUEST

10. The Request (Annex 1) was submitted by the Center for the Environment and Development (CED), a local non governmental organization (NGO) based in Yaoundé, acting on behalf of a number of people living along the Pipeline route. The Request was also submitted by Mr. Savah Narcisse, and other residents of Mpango village (Kribi), as well as Messrs. Ekouang Laurent and Mangama Ngiong Pierre of the Bakola community of Kour Mintoum, and Messrs. Bissabidang, Nestor Abega Otele, Ekani Lebogo and other employees of COTCO and/or its sub-contractors, all residents of the Republic of Cameroon (the "Requesters").<sup>20</sup> In addition, a list of 21 signatories who have asked that their names remain confidential to the Panel is included in the Request, as well as two video recordings, several attachments of letters exchanged between Government officials, COTCO, or COTCO sub-contractors on the one hand, and Requesters on the other, and other materials.<sup>21</sup>
11. The Request claims that the rights and interests of the people living in the areas of the Pipeline Project and their environment have been seriously affected "*due to violations of the policies of the World Bank.*" The Requesters allege that those violations have taken the form of "*insufficient information during the preparatory phase of the project and since its implementation began; an inadequate consultation process; insufficient, non-existent or inadequate compensation; no respect for the workers' rights; a renewed outbreak of sexually transmitted diseases and HIV/AIDS all along the oil pipeline and around the project's main bases (from north to south), an increase in the prostitution of minors along the length of the oil pipeline.*"<sup>22</sup> Thus, the Requesters "*request the Inspection Panel to*

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<sup>17</sup> Credit Agreement between Republic of Cameroon and IDA, Credit No. 3372-CM, at p. 14 Schedule 2, July 14, 2000.

<sup>18</sup> PAD, Report No.19627-CM, at p. 1.

<sup>19</sup> PAD, Report No.19627-CM, at p. 2.

<sup>20</sup> Request for Inspection (hereinafter the "Request"), at p.1.

<sup>21</sup> During its recent field visit to the Project areas, the Panel received two additional letters signed by a number of individuals requesting to have their claims heard by the Panel. These claims are related to workers' issues and are similar to some of the ones originally received by the Panel.

<sup>22</sup> Request, at p. 4 ¶ 4.

*recommend that the administrators of the World Bank open an investigation in order to resolve the problem.”*<sup>23</sup>

12. In addition to the above mentioned general claims, the Request includes more detailed allegations. These allegations relate to five broad areas: Environment and natural habitats, Involuntary resettlement and compensation issues, Indigenous peoples, Workers’ issues, and, Project supervision. In connection with these areas, the Requesters complain about insufficient or inadequate consultation, and non-disclosure of information to the local population.
13. **ENVIRONMENT AND NATURAL HABITATS.** The Requesters allege that the World Bank accepted an environmental impact study that was not in conformity with OD 4.01 on Environmental Assessment. The Requesters claim that, *inter alia*, the scope and processing of the environmental assessment prepared for the Pipeline Project, including baseline studies, mitigation measures, analysis of cumulative and overall impacts of the project, as well as the analysis of alternatives, have not been sufficient in their coverage or are inadequately prepared. The Requesters also allege that “*Operational Directive 4.04 on natural habitats has not been respected.*”<sup>24</sup>
14. The Requesters further claim that the Environmental Assessment “*has not taken account of future developments of the project*”<sup>25</sup> nor has it sufficiently assessed and addressed “*the limited capacity of the State of Cameroon to undertake follow-up operations and implement the necessary mitigation measures.*” Accordingly, the Requesters deem the “*Bank’s incapacity to ensure adequate strengthening of the capacities of the Cameroonian administration (...) a violation of Operational Directive 4.01.*”<sup>26</sup>
15. The Requesters also claim that the preparation of the environmental impact assessment “*has not respected the requirements of independence set out in paragraph 13 of [OD] 4.01, which recommends in the case of large projects the recruitment of an Independent Advisory Group of internationally renowned specialists.*”<sup>27</sup> Such group is supposed to provide expert opinion on the process of preparing the impact study and on the implementation of the relevant mitigation measures.
16. They also believe that the cumulative impacts of the Project and “*the potential impacts of possible oil accidents have not been analyzed.*” The Requesters add that the preparation of an emergency oil spill response plan “*was conducted without the slightest public consultation.*”<sup>28</sup>

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<sup>23</sup> Request, at p. 8 ¶ 6.

<sup>24</sup> Request, at p. 7 ¶ 5(c).

<sup>25</sup> Request, at p. 6 ¶ 5(a).

<sup>26</sup> Request, at p. 6 ¶ 5(a).

<sup>27</sup> Request, at p. 6 ¶ 5(a).

<sup>28</sup> Request, at p. 6 ¶ 5(a).

17. The Requesters allege adverse effects of the Project on water sources leading to drying up, reduction of flow and/or pollution of water sources, with negative impact on fisheries and on the availability of water for consumption and irrigation. In that context, the Requesters consider that the “*rights of the fishing communities, as well as the project’s impact on fishing in the region, does not seem to have been adequately taken into account by the environmental impact study,*”<sup>29</sup> and that, the Consortium has not provided “*any of the solutions envisaged in the Environmental Management Plan.*”<sup>30</sup>
18. In addition, according to the Requesters, the adverse effects resulting from the construction of the Pipeline, including dust and noise nuisance, have had a negative impact on the availability of game for subsistence, and provoked pulmonary and other health problems to workers as well as the people living in the pipeline area.<sup>31</sup>
19. Regarding claims of violations of OD 4.04 on Natural Habitats, the Requesters state that the delays in establishing the Environmental Foundation prescribed under CAPECE have resulted in lack of action “*to manage the protected areas created in compensation for the environmental damage due to construction works.*”<sup>32</sup>
20. In the same context, the Requesters also reject the selection of the compensatory protected area of Campo-Ma’an. They consider the choice of this area “*unacceptable,*” they claim “*the region is already a protected area and for a long time before the project was launched has been the site of a GEF project. So it is not a new protected area. Furthermore, protection of the region is inadequate because of the threats due to the existence of industrial activity in [its] immediate proximity.*”<sup>33</sup>
21. **INVOLUNTARY RESETTLEMENT AND COMPENSATION.** The Requesters allege that “*the World Bank has not respected Directive OD 4.30 on the involuntary resettlement of populations.*”<sup>34</sup> They also claim “*the project has caused structural impoverishment of numerous persons living along the oil pipeline. In fact, because of the lack of management and methods of payment of compensation (...) many local populations living along the oil pipeline have not been able to reconstitute plantations destroyed during the construction work.*”<sup>35</sup>

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<sup>29</sup> Request, at p. 5 ¶ 4.

<sup>30</sup> Request, at p. 6 ¶ 5(a).

<sup>31</sup> Request, at pp. 4 and 5 ¶ 4.

<sup>32</sup> Request, at p. 7 ¶ 5(c).

<sup>33</sup> Request, at p. 6 ¶ 5(a).

<sup>34</sup> Request, at p. 7 ¶ 5(b).

<sup>35</sup> Request, at p. 7 ¶ 5(d). In addition p. 2 ¶ 2(f) states that “*Operational Directive 4.15 on poverty reduction, paragraph 6 of which recalls the fundamental objective of the World Bank’s activities, which is that of poverty reduction.*”

22. The Requesters believe that the inadequacies in the design and implementation of the resettlement and compensation process, including its timing, to be causing impoverishment of the local population along the pipeline. Accordingly, they state that the “populations living along the oil pipeline have not been able to reconstitute plantations destroyed during the construction work. The amounts paid in compensation have therefore rarely been adequately used.”<sup>36</sup> For example, the Requesters claim that the “totality of tools and small equipments provided to the local populations as compensation in kind have been defective since the first few months of use,”<sup>37</sup> adding that “the poor quality of the equipment (...) has not enabled us to renew our investments. The choice of providers has been made by the COTCO company which is trying to make us bear responsibility for it.”<sup>38</sup>
23. The Requesters find the grievance procedure applicable to the resettlement and compensation process to be inadequate, and allege that deficiencies in the consultation process and subsequent disclosure of information “led to a failure on the part of populations to be aware of the mechanisms established in the project for their benefit (mechanisms for settling compensation disputes, for example).”<sup>39</sup> Thus, it has deprived compensation beneficiaries “of sums they had a right to expect for the reconstitution of their production systems.”<sup>40</sup>
24. **INDIGENOUS PEOPLES.** The Requesters allege that “the World Bank has not respected Operational Directive 4.20 on indigenous peoples in various of its provisions.” They express concern regarding the preparation and implementation of the indigenous peoples development plan (IPDP), and allege that the “process of consulting the indigenous peoples has not been adequate, as shown by the low level of information in the communities regarding the outlines of the project.” In addition, the Requesters claim that the Bank has not implemented a strategy to ensure “the participation of indigenous peoples in the decision-making process during the design, implementation and assessment phases.”<sup>41</sup>
25. **WORKERS’ ISSUES.** The Requesters allege that “[f]ailure to respect the law has deprived [workers] of the income and working conditions they might have expected from collaborating with the project,”<sup>42</sup> adding that poor working conditions are adversely impacting on the workers’ health. In support of these allegations, the Request cites individual cases of dismissals consequent to working accidents, as simple “illustrations of the problems (...) of violations of the rights of populations by virtue of the project.”<sup>43</sup>

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<sup>36</sup> Request, at p. 7 ¶ 5(d).

<sup>37</sup> Request, at p. 3 ¶ 3.

<sup>38</sup> Request, at p. 5 ¶ 4.

<sup>39</sup> Request, at p. 7 ¶ 5(a).

<sup>40</sup> Request, at p. 7 ¶ 5(d).

<sup>41</sup> Request, at p. 7 ¶ 5(f).

<sup>42</sup> Request, at p. 5 ¶ 4.

<sup>43</sup> Request, at p. 6 ¶ 4. During its visit to Cameroon, the Panel spent a substantial amount of time discussing workers’ issues with both the representatives of the workers and with COTCO and the sub-contractors (Willbros West Africa, Inc. and Doba Logistics S.A.). A significant number of claims in the

26. **PROJECT SUPERVISION.** The Requesters consider that the World Bank “*has not respected Operational Directive OD 13.05 on project supervision*” claiming that the Bank has failed in its follow-up responsibilities.<sup>44</sup> In the same vein, the Requesters consider Bank supervision inadequate as “*no measure has been envisaged for dealing with the delay in implementation of the Plan for Vulnerable Native Peoples*”<sup>45</sup> or for mitigating unforeseen damages resulting from the Environmental Management Plan.
27. The Requesters claim that the Bank’s actions and omissions described in the Request constitute violations of various provisions of, *inter alia*, the following Bank Policies and Procedures:
- OD 4.01 on Environmental Assessment
  - OP/BP 4.04 on Natural Habitats
  - OD 4.15 on Poverty Reduction
  - OD 4.20 on Indigenous Peoples
  - OD 4.30 on Involuntary Resettlement
  - BP 17.50 on Disclosure of Operational Information
  - OD 13.05 on Project Supervision

#### **D. Management Response**

28. On October 29, 2002, the Panel received Management’s Response to the Request for Inspection (the “Response,” attached as Annex 2).
29. In its Response, Management presents a detailed response to seven of the issues it had identified in the Request. Management states that it has made every effort to apply the policies and procedures of the Bank, and that it has “*followed the guidelines, policies and procedures applicable to the matters raised by the Request.*” Thus, Management believes that “*the Requestors’ rights or interests have not been, or will not be, directly and adversely affected by a failure of the Bank to implement its policies and procedures.*”<sup>46</sup> Under the sub-title ‘*Special Issues*’, Management responds to several of the Requester’s specific claims, including (as Management outlines): cumulative impacts, institutional

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request refer to inadequate wages and other payments and compensation for work-related accidents (including allegations of lack of enforcement of safety procedures), dismissal of some workers before the completion of the relevant contract, disputes over amounts due and amounts effectively paid to some workers, and disputes over the sub-contractors’ contribution to the country’s social security system. At this stage, the Panel has not made a determination on whether some of those claims will come within its purview.

<sup>44</sup> Request, at p. 7 ¶ 5(e).

<sup>45</sup> Request, at p. 7 ¶ 5(e).

<sup>46</sup> Management Response, October 29, 2002 (the “Response”), at p. 24 ¶ 72.



development, protected areas, Bakola, compensation, intensified supervision, and labor relations.<sup>47</sup>

30. **ENVIRONMENT.** Concerning the environmental impact of the Project, Management states that the 1999 EA/EMP<sup>48</sup> identifies and evaluates the potential impacts of the Project “*and mitigation measures are fully described.*”<sup>49</sup> Management also states that an adaptive design process is set to ensure “*continual improvement in response to feedback during project implementation.*”<sup>50</sup> This process, according to Management, will remain applicable throughout the life of the Pipeline Project.
31. On cumulative impacts, Management considers that the analysis of these impacts was satisfactory. Management takes the position that the 1999 EA/EMP cumulative impact analysis properly focuses on impacts on natural habitats, tourism and fisheries. It explains that the Pipeline will leave “*only a small footprint in Cameroon*”<sup>51</sup> which would consist of two pumping stations and one pressure station as well as a 15 meter strip above the buried pipeline which will be subject to some land use restrictions. As regards the impact of the off-shore floating storage and offloading vessel and the eleven kilometers off-shore pipeline, Management states that the selection of Kribi as an offloading site took into consideration the existence of a similar facility used for the export of the oil produced in the Ebomé oil field. Management also specifies that no significant environmental impact has been identified from the operation of the Ebomé facility, and considers that the risk of having an oil spill in both installations at the same time “*statistically very unlikely.*”<sup>52</sup>
32. Management also regards the Kribi area to be a low naval and fishery traffic area and considers that even during full production, in which two or three tankers per week will be loading, “*cumulative impacts of the addition of tanker traffic are manageable (...).*”<sup>53</sup> As for the impact on tourism, Management refers to the Kribi Development Plan which designates the northern coast to be urban, residential and tourism areas, whereas the southern part is considered for industrial uses. It also notes that from an aesthetic point of view the facility would not even be visible from Lobé Falls which is supposedly the closest tourist area to Kribi.
33. Management observes that an Area Specific Oil Spill Response Plan (ASOSRP) should be put in place and take into account the “*full and informed participation of*

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<sup>47</sup> These issues along with others are more detailed in Annex 1 of the Response. Annex 2 of the Response provides information on individual claims raised in the Request for Inspection. Management has not used the actual names of the Requesters in discussing such individual claims, but the real names have been provided to the Panel.

<sup>48</sup> 1999 Environmental Assessment/Environmental Management Plan.

<sup>49</sup> Response, at p. 20, Table 1.

<sup>50</sup> Response, at p. 20, Table 1.

<sup>51</sup> Response, at p. 5 ¶ 16.

<sup>52</sup> Response, at p. 6 ¶ 16.

<sup>53</sup> Response, at p. 6 ¶ 16.

*potentially affected communities.*<sup>54</sup> The ASOSRP would then be part of the National Oil Spill Response Plan.

34. In its Response, Management has stated the need to anticipate short-term ‘*boom and bust*’ impacts around the construction sites. Accordingly, Management informs that a planning study of sites (‘*zones at risk*’) likely to be impacted by the construction of fixed facilities will be undertaken.
35. On the analysis of alternatives, Management believes that it is in compliance with OD 4.01 and that it has “*fully integrated environmental and social concerns, as well as technical and economic ones.*”<sup>55</sup> Management considers that as a result of the analysis of alternatives, and in comparison to the 1997 EA, major changes were made in the pipeline route to avoid sensitive natural habitats, and indigenous groups. These changes were incorporated in the 1999 EA/EMP. According to Management, the EA adopted a method which avoids or minimizes the costs of environmental damage in the selection of the preferred alternatives for each component and for the Pipeline Project as a whole.
36. Management recognizes the gaps in the baseline data collected in the 1997 EA and considers that subsequently collected data filled these gaps in the 1999 EA/EMP. Management also believes that the baseline study used in the 1999 EA/EMP was sufficient to evaluate potential impacts and determine appropriate mitigation measures. Management also refers to “*innovative tools*” linking the baseline data with the assessed impacts of the Pipeline Projects and the related mitigation measures.<sup>56</sup>
37. Management reports that there have been instances where “*water supply or pollution problems*” occurred in the construction areas. However, according to Management, “*appropriate action has been taken.*”<sup>57</sup> Concerning the specific case of the Pembo River, Management suggests that any water flow reduction could have been caused by natural conditions.<sup>58</sup>
38. As for fishing rights, Management believes that fishing losses “*will be minimal*”<sup>59</sup> and that provisions for compensation for fishing harvest losses and gear damage are included in the 1999 EA/EMP. Management further states that freshwater fishing restrictions prohibit project workers from fishing during the construction phase. Specifically concerning marine fishing, restrictions prohibit fishing in the “*immediate construction sites*”<sup>60</sup> during the construction phase, and in a 1-kilometer exclusion zone surrounding the floating storage and offloading vessel.

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<sup>54</sup> Response, at p. 6 ¶ 18.

<sup>55</sup> Response, at Annex 1, p. 25 no. 2.

<sup>56</sup> Response, at Annex 1, p. 27 no. 4.

<sup>57</sup> Response, at Annex 1, p. 31 no. 9.

<sup>58</sup> Response, at Annex 1, p. 31 no. 9.

<sup>59</sup> Response, at p. 20, Table 1.

<sup>60</sup> Response, at Annex 1, p. 29 no. 7.

39. Concerning the lack of independent review during the design phase, Management admits that “*compliance with OD 4.01 para. 13 was partial.*”<sup>61</sup> Management states that contractual obstacles affected the relationship between the Independent Panel of Experts (IPE) and the Government of Cameroon (GOC) and that after the first year of the IPE’s work, the contract was not renewed. Management, however, observes that the IPE’s recommendations were taken into consideration later on in the 1997 EA. Management also adds that the Bank hired the International Advisory Group (IAG) and the External Compliance Monitoring Group (ECMG) to advise both the Governments of Cameroon and Chad and the Bank itself on the environmental and social aspects of Project implementation.
40. **NATURAL HABITATS.** Regarding the claims raised by the Requesters concerning the Campo Ma’an National Park, Management believes it is in compliance with OD 4.04 and that the protected area, partially funded by the Global Environmental Fund (GEF), has been geographically extended to cover over 264,000 hectares. This area now constitutes the National Park of Campo Ma’an. Furthermore, Management considers that the Pipeline Project “*played a catalytic*”<sup>62</sup> role in encouraging the GOC to provide the National Park an even enhanced legal protection, which Management refers to as “*the highest level (...) under Cameroonian law.*”<sup>63</sup> According to Management, the new legal regime includes protection against threats from industrial activities. Finally, Management adds that the GOC established a buffer zone of 419,000 hectares surrounding the Park which is subject to “*special environmental provisions.*”<sup>64</sup>
41. Management notes that the Foundation for Environment and Development in Cameroon (FEDEC), a non-profit entity to support implementation of mitigation measures for low level residual impacts to biodiversity and natural habitats, “*started its activities very slowly.*”<sup>65</sup> Management also observes that previous supervision missions emphasized that those delays should be reduced, and that FEDEC will contract in December 2002 with the World Wild Fund (WWF) to implement activities in the Park.
42. **INVOLUNTARY RESETTLEMENT AND COMPENSATION.** In response to the Requester’s claims of violation of OD 4.30 on Involuntary Resettlement, Management reports that the Compensation Plan in the 1999 EA/EMP “*meets and is being implemented in accordance with the requirements of OD 4.30.*” According to Management, no household in Cameroon have been physically resettled as a result of the project, and only one household has lost a significant portion of its assets. Management adds that this single household “*has been treated in accordance with the resettlement provisions*” of the Compensation Plan.<sup>66</sup>

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<sup>61</sup> Response, at Annex 1, p. 32 no. 12.

<sup>62</sup> Response, at p. 11 ¶ 35.

<sup>63</sup> Response, at Annex 1, p. 33 no. 14.

<sup>64</sup> Response, at p. 11 ¶ 35.

<sup>65</sup> Response, at p. 13 ¶ 44.

<sup>66</sup> Response, at Annex 1, p. 38 no 18.

43. Management maintains that the compensation process was conducted following “*wide ranging consultations*,” and that individual choices were made on the basis of “*a catalogue of options*.”<sup>67</sup> Responding to the Requesters’ allegations that some of the tools and equipments provided as compensation were defective, Management believes that the matter is being handled properly, and that, where appropriate, faulty tools and equipments have been replaced by COTCO.<sup>68</sup>
44. Management disagrees with the Requesters’ allegation that the grievance process adopted by the project is inadequate. Management informs that compensation is paid from two sources: the GOC and COTCO. The portion of the compensation paid by the Government may be challenged at two administrative instances, and then through the judiciary. As for the portion of the compensation paid by COTCO, claims can be raised with the company for its evaluation “[i]n consultation with local officials, village chiefs and elders.” According to Management, “*in practice, COTCO’s Local Community Contacts (LCCs) have played a key role in facilitating the registration of grievances and the mediation of disputes involving community members.*”<sup>69</sup>
45. Management reports that out of the more than 4,000 households that have been compensated for land and crop losses, only 27 claims remain unsettled.<sup>70</sup> According to Management, compensation has been paid before construction started in all but a few cases. For those unresolved cases, payment will be made as soon as ownership conflicts among affected individuals or legal/administrative issues are settled. While recognizing that consideration of these claims has been slow,<sup>71</sup> Management states that complete dossiers are maintained on such claims.<sup>72</sup>
46. Although Management questions the application of OD 4.15 on Poverty Reduction to the Pipeline Project in Cameroon, it believes that it is in compliance with the relevant provisions of the policy, since the majority of the affected persons have benefited from the compensation offered. Contrary to the allegations made in the Request, Management maintains that land acquisition for the project will not lead to “*structural impoverishment*” because the land used will be returned to its owners after one agricultural cycle, and that half of this land will be subject to a permanent easement of the Pipeline (meaning that tree-crop cultivation will not be allowed, but annual crops and grazing will be permitted). According to Management “[t]he small parcels acquired for the construction of the permanent facilities (pumping and pressure reduction stations) have been appropriately compensated.”<sup>73</sup>

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<sup>67</sup> Response, at Annex 1, p. 39 no.18. According to Management, same method has been used in regards to community compensation.

<sup>68</sup> Response, at Annex 1, p. 41 no. 20.

<sup>69</sup> Response, at p. 17 ¶ 60.

<sup>70</sup> Response, at p. 22, Table 1.

<sup>71</sup> Response, at Annex 1, p. 40 no. 18.

<sup>72</sup> Response, at Annex 1, p. 39 no. 18.

<sup>73</sup> Response, at Annex 1, p. 41.no. 20.

47. As to how the affected people used the compensation provided, Management admits that while in some cases compensation was not properly used, efforts have been made to inform communities of the purpose of compensation. Management also pledges to request follow up actions from both the GOC and COTCO on the use of compensation to ensure that “*no permanent decline in living standards takes place.*”<sup>74</sup>
48. **INDIGENOUS PEOPLES.** Management believes that it is in compliance with the requirements of OD 4.20 on Indigenous Peoples, and considers that the Indigenous Peoples Development Plan (IPDP) is in compliance with Bank policy. According to Management, the IPDP’s objective is to ensure the Bakola population receives “*culturally compatible social and economic benefits from the Pipeline Project.*”<sup>75</sup> According to Management, the main goal of the IPDP is to “*raise their standard of living and empower their communities so that they can take their place as full citizens of Cameroon and establish their position within the local customary land use system.*”<sup>76</sup>
49. Management states that COTCO held “*a two-day consultation meeting with the Bakola at Kribi.*”<sup>77</sup> These consultations, according to Management, helped to clarify the needs of the Bakola, and the design of “*a participatory planning process.*”<sup>78</sup> which is to be implemented as part of the IPDP. Management adds that two full time anthropologists with “*extensive experience with the Bakola settlements*”<sup>79</sup> have been working as members of COTCO’s team.
50. Management, however, notes the late establishment of FEDEC and the Community Development Facilitator, which are primarily responsible for the implementation of the IPDP strategy. According to Management, during the delays in establishing FEDEC, COTCO anticipated its implementation role. To date, the implementation of three priority projects to benefit the Bakola have started: provision of identity cards, a schooling program (distribution of schoolbooks and school supplies), and a health program (anti-tuberculosis program and creation of a special medical fund). Furthermore, according to Management, a planned agricultural program should start with the next growing season.
51. **INSTITUTIONAL DEVELOPMENT.** In the context of capacity building, Management is aware that “*pipeline construction began before effective supervision and monitoring capacity was in place*”<sup>80</sup> at the Pipeline Steering and Monitoring Committee (CPSP), that the implementation of CAPECE “*started very slowly,*”<sup>81</sup>

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<sup>74</sup> Response, at Annex 1, p. 41 no. 20.

<sup>75</sup> Response, at Annex 1, p. 35 no. 16.

<sup>76</sup> Response, at p. 15 ¶ 50.

<sup>77</sup> Response, at Annex 1, p. 37 no. 17.

<sup>78</sup> Response, at Annex 1, p. 37 no. 17.

<sup>79</sup> Response, at Annex 1, p. 36 no. 17.

<sup>80</sup> Response, at p. 8 ¶ 24.

<sup>81</sup> Response, at Annex 1, p. 33 no. 13.

and that the CPSP has sometimes been working “*without adequate equipment and/or appropriate support.*”<sup>82</sup> Nevertheless, Management states that continuous dialogue between the Bank and the GOC resulted in progress in the implementation of the CAPECE Project. It also resulted in the speeding up of the procurement process by the CPSP, and the preparation of monthly and quarterly reports. These reports were sent on a regular basis to the Bank. Management also highlights that the CAPECE Project ensures that the Permanent Secretariat of the CPSP coordinates the implementation and supervision of the 1999 EA/EMP.

52. **WORKERS’ ISSUES.** According to Management, the Agreement of Establishment signed between the GOC and COTCO obligates COTCO to contract with local workers and to develop a training program for them. Cameroonian legislation governs the relations between COTCO and its workers and any dispute resulting from employment contracts. Management indicates that Regulation No. 24 MTS of May 27, 1969, prescribes that wage rates shall be those paid for civil works projects and not those for the petroleum sector, which are normally higher.<sup>83</sup>
53. Management notes that the Cameroonian Ministry of Labor has determined that the agreements signed between COTCO sub-contractors and their workforce are appropriate as proposed by the Ministry of Labor. Nevertheless, Management concurs with the recommendations of the May 2002 IAG Report on Visit to Cameroon, which proposes that COTCO and its sub-contractors introduce an information system enabling timely specification of responsibilities and rapid settlement of disputes.<sup>84</sup>
54. Concerning health issues related to the construction of the pipeline, Management considers COTCO’s health and safety requirements to be in conformity with the standards set out in the 1999 EA/EMP.<sup>85</sup> Accordingly, Management states that COTCO sub-contractors have provided medical facilities for their employees and regularly screen and treat them for curable sexually transmitted diseases (STDs).<sup>86</sup> Management also considers that the health programs set out by the sub-contractors, including programs of health education and immunization as well as condom distribution, “*have reached a level of effectiveness above the national average.*”<sup>87</sup>
55. **HEALTH.** In response to the Requesters claims concerning STDs, HIV/AIDS, and prostitution, Management indicates that the Bank does not have a specific policy covering such concerns.<sup>88</sup> Moreover, according to Management, there is no raw data on the current HIV/AIDS prevalence rate.<sup>89</sup> Management, however, noted that

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<sup>82</sup> Response, at p. 8 ¶ 26.

<sup>83</sup> Response, at Annex 1, p. 44 no. 25.

<sup>84</sup> Response, at Annex 1, p. 44 no. 25.

<sup>85</sup> Response, at p. 23, Table 1.

<sup>86</sup> Response, at Annex 1, p. 45 no. 26.

<sup>87</sup> Response, at Annex 1, p. 45 no. 26.

<sup>88</sup> Response, at Annex 1, p. 44 no. 26.

<sup>89</sup> Response, at Annex 1, p. 45 no. 26.

since the Pipeline Project has given a boost to the local economy, it is likely that there has been renewed sexual activity, including prostitution, spread of STDs and increased vulnerability to HIV/AIDS.

56. According to Management, the GOC has concentrated its health efforts along the Pipeline route in Dompta, Kribi, Bélabo, Nanga Eboko, and Batchenga, and has appointed in July 2002, five health-specialists to work on related programs in the five provinces crossed by the pipeline. In August 2002, the GOC has also built, equipped, and staffed, a new health center in Dompta.<sup>90</sup> Moreover, Management indicates that the CPSP is responsible under the CAPECE Project for supporting the Ministry of Public Health to promote the protection of public health, but recognizes that the health component under the CAPECE Project had a slow start.<sup>91</sup>
57. Management also states that a US\$50 million equivalent IDA credit supports Cameroon's national strategy to fight HIV/AIDS under the Multi-sectoral AIDS Program.<sup>92</sup> Nevertheless, Management recognizes that administrative issues within the Ministry of Health delayed the implementation of the AIDS Program, adding that an international consultant is currently employed in the Bank's Cameroon Country Office to assist the GOC on this matter. According to Management, "*recent changes in the Ministry have speeded up implementation*" of the AIDS Program.<sup>93</sup>
58. In response to the Requesters concerns regarding prostitution, and specifically that of minors, Management recognizes that the problem has increased along the Pipeline "*mainly due to professional and relatively organized sex workers coming from urban areas.*"<sup>94</sup> Management also states that the Cameroonian National Committee to Fight HIV/AIDS (CNLS), the German Technical Assistance Agency (GTZ), and two NGOs are preparing an agreement according to which the two NGOs will be in charge of "*sensitization efforts*" along the pipeline. These efforts, according to Management, are designed to assist, *inter alia*, in the limitation of prostitution of minors through a "tantine" system whereby older women sensitize young girls, based on their own experience and focus primarily on delaying the first sexual relations of minors.<sup>95</sup>
59. Management, however, points out that it would be difficult to "*distinguish any Project-related impact from the general spread of HIV/AIDS.*"<sup>96</sup> Management adds that it will continue to monitor and support action against prostitution of minors

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<sup>90</sup> Response, at Annex 1, p. 45 no. 26.

<sup>91</sup> Response, at Annex 1, p. 42 no. 23.

<sup>92</sup> Response, at p. 23, Table 1. The Credit became effective in September 2001.

<sup>93</sup> Response, at Annex 1, p. 45 no. 26.

<sup>94</sup> Response, at Annex 1, p. 45 no. 26.

<sup>95</sup> Response, at Annex 1, p. 46 no. 26.

<sup>96</sup> Response, at Annex 1, p. 45 no. 26.

and HIV/AIDS spread in the Project area, as it will continue to address these issues in the context of its broader poverty reduction dialogue with Cameroon.<sup>97</sup>

60. **CONSULTATION AND DISCLOSURE OF INFORMATION.** According to Management, Bank staff and the ECMG identified no significant issues dealing with disclosure of information during their field supervision missions.<sup>98</sup> Management also maintains that the consultation process has been in compliance with all applicable Bank policies and procedures. Management states that the general public was able to consult the 19-volume EA/EMP in reading rooms in seventeen locations in June 1999. Management also states that 400 public meetings were held between 1997 and 1999, of which 111 were held with affected people in their villages.<sup>99</sup>
61. Furthermore, according to Management, the Groupe de Concertation et d'Action (a Cameroonian umbrella NGO) organized a seminar for stakeholders in August 1998, which provided feedback on how project implementation is perceived and how it should be strengthened. Also, nine other NGOs participated in a survey among the concerned population to develop a catalogue of in-kind compensation, which the Service d'Appui aux Initiatives Locales de Développement (SAILD), a local NGO, disseminated information concerning compensation rates in its newspaper "*La Voix du Paysan*."<sup>100</sup>
62. Management believes that the Bank's periodic supervision missions ensure consultation with the local population, as they "*hold regular meetings with local NGOs*."<sup>101</sup> However, Management recognizes that communications with civil society could be improved and states that it is working with the GOC and COTCO to "*improve communications strategies for more effective consultations and involvement of civil society in the Pipeline Project*." Management adds that the Bank, CPSP, and COTCO are jointly preparing a communication plan.<sup>102</sup> Management also considers that COTCO's LCCs and CPSP's Socio-Economic Monitors are essential to the consultation process.<sup>103</sup>
63. Management believes that the consultation process with the Bakola was effective and met Bank requirements. The Groupe d'Etude des Populations Forestières Equatoriales, COTCO's consultants, held 165 field visits. These visits were, along with a consultation meeting with the Bakola held by COTCO in 1998, the basis for the preparation of the IPDP.<sup>104</sup>
64. **PROJECT SUPERVISION.** According to Management, supervision of the Pipeline and the CAPECE Projects takes place at several levels. Firstly, the GOC, through

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<sup>97</sup> Response, at Annex 1, p. 46 no. 26.

<sup>98</sup> Response, at Annex 1, p. 40 no. 19.

<sup>99</sup> Response, at Annex 1, p. 30 no. 8.

<sup>100</sup> Response, at Annex 1, p. 30 no. 8.

<sup>101</sup> Response, at Annex 1, p. 31 no. 8.

<sup>102</sup> Response, at p. 21, Table 1.

<sup>103</sup> Response, at p. 23, Table 1.

<sup>104</sup> See further discussions under Indigenous Peoples paragraphs 49 to 51 of this Report.



several of its Ministries and CPSP, supervises the implementation of the Projects and compliance with the 1999 EA/EMP by COTCO. Secondly, in addition to Bank staff at headquarters, the Project Task Manager residing in Chad and a staff member located in Cameroon have responsibility to supervise the Projects and to maintain close relationships with the different stakeholders. Finally, two external groups, the Environmental Compliance and Monitoring Group (ECMG) and the International Advisor Group (IAG) reinforce the supervision framework by also monitoring the Projects' implementation and compliance with the 1999 EA/EMP.

65. As each of the different levels mentioned above is required to report on its activities, Management considers that the different supervision missions and reports have helped identify and raise relevant issues including delays in implementation, concerns over watercourses and water quality, as well as road construction.<sup>105</sup> Management indicates that IAG's and ECMG's reports have been made public, and that "[t]he ECMG has concluded that ongoing Project activities are in compliance with the EMP and that the Project has so far experienced no critical (Level III, at which no change can be made to the EMP without prior approval of the Bank) non-compliance situations."<sup>106</sup>
66. Management agrees that while construction of the Pipeline was expeditious, the implementation of the CAPECE Project was delayed. Management asserts, however, that it has intensified its supervision efforts to accelerate implementation of said Project.<sup>107</sup> Management further admits that supervision can be improved through communication with the civil society. In this context, Management reports that COTCO has positioned Local Community Contact officers (LCCs) all along the pipeline to work in collaboration with a team of socio-economists from CPSP.

## **E. Eligibility**

67. For purposes of determining the eligibility criteria for the Request and the Requesters, the Panel reviewed the Request and Management's Response. Panel Chairman Edward S. Ayensu, met in Washington with Mr. Paulo Fernando Gomes, Executive Director, and Mr. Louis Philippe Ong Seng, Alternate Executive Director, representing the Government of Cameroon, and the Senior Advisor to the Executive Director, Mr. Yssouf Bamba, as well as with other Bank officials and staff.
68. The Panel Chairman next visited Cameroon from November 2 through November 9, 2002.<sup>108</sup> During his visit, the Chairman met with affected people in the Project

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<sup>105</sup> Response, at Annex 1, p. 42 no. 22.

<sup>106</sup> Response, at p. 18 no. 63.

<sup>107</sup> Response, at Annex 1, p. 42 no. 23.

<sup>108</sup> The Panel's Assistant Executive Secretary Mr. Alberto Ninio assisted the Chairman.

area,<sup>109</sup> the Requesters, representatives of the CED, COTCO officials and two of its sub-contractors (Willbros West Africa, Inc. and Doba Logistics S.A.), as well as with Government and Bank officials in Yaoundé.<sup>110</sup>

69. During the visit, the Panel confirmed that, CED and other signatories of the Request are legitimate parties under the Resolution to submit a Request for Inspection to the Inspection Panel.
70. The Panel is satisfied that this Request meets the “*technical eligibility criteria*” outlined in paragraph 9 of the 1999 Clarification, as the Request “*does assert in substance that a serious violation by the Bank of its operational policies and procedures has or may likely to have material adverse effect.*” The Panel is also satisfied that the subject matter of the Request has been brought to Management’s attention and it is not related to procurement. Furthermore the Panel has not previously made a recommendation on the subject matter of the Request, and that the related loan and credit have not been closed or substantially disbursed.<sup>111</sup>
71. Based on the foregoing, the Panel concludes that the eligibility criteria set forth in the Resolution for the Request and the Requesters have been met.

## **F. Conclusions**

72. The Request and Management Response contain conflicting assertions and interpretations about the issues, the facts, compliance with Bank policies and procedures, and actual harm and potential harm. The Panel is neither able to address these conflicting statements in the period available to it to prepare and submit this report on eligibility, nor is it allowed to do so pursuant to the 1999 Clarifications of the Resolution.<sup>112</sup> The Panel can only address these issues during the course of an investigation.

## **G. Recommendation**

73. In the light of the foregoing, the Panel recommends an investigation into the matters alleged in the Request.

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<sup>109</sup> During the visit, the following places were visited by the Chairman of the Inspection Panel: Yaoundé, Nkongzok, Kribi, Mpango, Makouré, Bidjouka and Saballi.

<sup>110</sup> The Panel wishes to thank the office of the Executive Director representing Cameroon for the assistance provided during the eligibility stage. It wishes to thank Government officials, NGO representatives, local people and representatives of COTCO, Willbros West Africa and Doba Logistics who took time to meet with the Panel’s team. Finally, it would like to thank Bank staff in Cameroon and in Washington for their logistical support.

<sup>111</sup> See paragraph 9 of the “1999 Clarifications.”

<sup>112</sup> According to paragraph 7 of the “1999 Clarifications” when the Panel makes a field visit to establish eligibility it “*will not report on the Bank’s failure to comply with its policies and procedures or its resulting material adverse effect (...).*”