FEDEC: An Environmental Compensatory Mechanism Set Up within the Framework of a Pipeline Construction Project, Cameroon

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1. Description and Origin of FEDEC

FEDEC is an environmental compensatory mechanism set up within the framework of the Chad-Cameroon Pipeline Construction Project.

The creation of the mechanism was one of the conditions set by the World Bank for its support of the pipeline crossing over 890 kilometres of Cameroonian territory, from the northeast to the southwest.

FEDEC is part of the Chad-Cameroon Pipeline Construction Project’s broader Environment Management Plan (EMP), whose missions, over a twenty-eight-year period, are to provide:
- assistance for environmental protection and biodiversity conservation activities in the Campo-Ma’an (709,760 ha) and Mbam-Djerem (353,000 ha) National Parks;
- assistance for the development and self-promotion activities of the Disadvantaged Indigenous Peoples living between Lolodorf, Bipindi and Kribi.

The two national parks and the settlements of the targeted indigenous peoples are not crossed by the pipeline, and are, therefore, not directly impacted. However, these peoples are the victims of the "collateral damage," hence the choice of a "personalised" compensatory mechanism.

The formation of FEDEC was the result of negotiations between:
- the World Bank;
- the ExxonMobil-Chevron-Petronas consortium;
- the Cameroon Government; and
- the Cameroonian Civil Society, supported by the international community.

Under the terms of the agreement that was finally reached by the partners of the project (grouped into COTCO - Cameroon Oil Transportation Company – Ltd);
FEDEC was created and registered in the Hague, the Netherlands, on 29 March 2001; COTCO allocated FEDEC start-up capital of 3.5 million US dollars available upon Cameroon granting it charity status (on 16 November 2001, on which date it officially came into being and began to function).

The actions of FEDEC fall in line with and support the Government's Forestry and Environmental Sectoral Policy (PSFE). This policy aims, amongst other things, to protect up to 30% of the national territory in the form of National Parks. It is within this context that the creation of FEDEC was preceded and buttressed by the granting of "deferred area" status to the Mbam-Djerem and Campo-Ma'an sites (Decision of the Minister in charge of the Environment) followed by their transformation into Protected Areas (Decree of the Prime Minister, 1998).

The members of the Board of Directors of FEDEC therefore inherited an instrument that was already clearly defined, and their duty was to render this instrument functional and as efficient and credible as possible according to the terms of the goals, objectives and missions defined beforehand. Thus it is worthwhile to detail the limited experience of FEDEC to date in its approach and attempts to comply with these requirements.

## 2. Constraints, Challenges and New vision

The following constraints have hampered FEDEC from its inception:
- the revenue generated by the placement of 3.5 million US dollars is insufficient to cover the administrative and operational costs of a fully functional environmental foundation;
- the amount of this revenue is significantly less than the financial resources required to protect the ecological biodiversity of two national parks; and,
- prospects for FEDEC appear limited, in terms of seeking additional funding, especially for its administrative expenditure and institutional development.

In view of the foregoing, the major challenge is to do the best possible job with the funds currently available, so as to be prepared for the unique opportunities that could become available to an instrument managed according to established standards of transparency, accountability and efficiency.

In so doing, the aims of the Board of Directors are twofold:

1. identify FEDEC as an independent and autonomous funding body, open to all requests in line with its goals and objectives, and
2. distinguish FEDEC as a preferred channel for the provision of funding of various origins for environmental protection and biodiversity conservation.

This new vision requires that FEDEC acquire an Institutional Development Plan setting out the objectives to be obtained and the expected results, the appropriate action and follow-up/evaluation mechanisms, and resource mobilisation strategy.

Under the terms of this new vision for FEDEC, almost everything had to be considered anew, with regard to:
- strategic partnerships to develop/strengthen;
- institutional and political opportunities to support/discover/exploit;
- in-house or outside skills to acquire and/or perfect.

## 3. Strategic partnerships

FEDEC is part of a specific plan, the EMP, within a particular project (the Pipeline Project). Thus, it must first and foremost develop and strengthen its relations with the partners of the project.
The World Bank, the Cameroon Pipeline Steering and Follow-up Committee (CPSP), and COTCO Ltd./ExxonMobil

Because these three institutions were involved from the start of FEDEC’s creation, they were aware of the initial “design flaws” of the mechanism, as perceived by the members of the Board of Directors of FEDEC and others.

By maintaining useful and constant contact and by initiating and maintaining frank and constructive dialogue with these three partners, FEDEC seeks to acquire the means to further its ambitions, which are:

- To meet, working with its partners, the challenge of sound, credible and smooth management of the start-up capital initially provided;
- To avail itself of these institution’s multifarious support with a view to the future increase of such support, in keeping with FEDEC’s new vision, which establishes a basis for FEDEC’s independence.

The Cameroon Government, through the Ministry in charge of the Environment (MINEF)

This partnership is fundamental and unavoidable. It is the Government of Cameroon that determines the framework and priorities for action, in accordance with its national policies and strategies (PSFE). All activities funded by FEDEC and carried out by the Implementing Organisations selected for this purpose are approved beforehand, and then supervised by MINEF, which also chairs the Technical Committees for the Steering and Follow-up of the Development and Management Plan for the two Parks. These committees are responsible for:

- Ensuring that FEDEC and its implementing organisations comply with the laws and regulations in force;
- An extensive and rational use of the multidisciplinary technical expertise of government services;
- The establishment of frank, transparent and unrestrained cooperation with the government and, from the onset, the recognition desired by FEDEC as a trusted partner for support to the PSFE as a whole.

This partnership will be beneficial to the two parties in the following ways:

- Because of its association with MINEF and the Government of Cameroon, FEDEC will be seen as a credible instrument in the eyes of the donor community involved in or interested in the PSFE;
- Because of a well-managed FEDEC, the Cameroon Government may receive funding that would not be directly accessible to it, for its environment and biodiversity programs.

The Implementing Organisations

The criteria for the selection of these are:

- Skills and experience;
- Credibility and reputation;
- Capacity to contribute to the funding and/or generate funds for project implementation.

For FEDEC, the partnership with the implementing organisations is also a gateway to the network of NGOs and other public or private institutions which support protection and conservation programmes around the world.
Civil Society: the local communities, NGOs and associations active in the area

There is a high degree of involvement of these various stakeholders during the definition, implementation and follow-up/evaluation stages of programmes and projects. This facilitates and encourages:
- the participatory approach;
- local, individual and collective capacity building;
- the dissemination and capitalisation of results; and,
- the coordination of activities and synergy in actions.

4. Policy and enabling environment

The statutory framework of Cameroon for the forestry and environment sector is defined by the Law of 1994.

The scope of implementation of this law is delimited by numerous official implementing decrees. At this time, Cameroon is defining a policy for the development of the entire forestry and environment sector.

This favourable context provides FEDEC with the advantage of being able to target its programs according to the priority areas for action fixed by the government: anti-poaching, eco-tourism development, strengthening the institutional capacity of MINEF, etc.

An interesting cultural aspect of the enabling environment is the novelty of the concept of a "foundation", which is neither of Francophone use nor origin. The comparable notion in Cameroonian laws and regulations is "charity." In this regard, through its partnership with the government and with a view to deriving the greatest possible benefit from the charity status granted to it, FEDEC is considering initiating the marriage or fusion of the two concepts (because of Cameroon's bilingual culture), with the ultimate aim of obtaining a clearer and more favourable reformulation of the statutory provisions regarding this status. This clarification would concern:

- the tax exemption;
- the provision, free of charge, of a piece of real estate for building, or a public building, to house the Foundation; and,
- the inclusion of FEDEC in the state budget.

5. Capacity building

FEDEC is a funding organisation and not an implementing organisation. The duties of its Board of Directors are therefore first and foremost financial, contractual and judicial.

The Board members were carefully selected because it was felt that the Board would influence to a great degree the performance of the Foundation. The selection process took into account the following criteria:

- The Board was to remain relatively small with only 5 to 7 members, to facilitate decision-making and reduce administrative expenditure;
- Candidates had to have proven experience in the management of foundations/trust funds or NGOs of similar nature;
- Members were to be highly-regarded, internationally recognised specialists in bio-ecology and the socio-economics of indigenous peoples;
- Certain members were to be appointed from COTCO Ltd./ExxonMobil, its Environment Management Plan Manager, and for the Cameroon Government, the Permanent Secretary for the Environment (SPE/MINEF).

The day-to-day management of FEDEC is carried out by the Foundation Administrator (FA) in close collaboration with:
- the implementing organisations of the Environmental Improvement Programmes (EIP);
- the Community Development Facilitator (CDF) who is charged with supervising the preparation and implementation of the Indigenous Peoples Plan; and,
- the Fund Investment Manager.

Depending on its needs, FEDEC may make use of any financial, legal, technical and/or scientific expertise deemed necessary.

In an effort to consolidate and optimise all the initial assets that FEDEC defined as a priority in its capacity building requirements, it will acquire the services of a resource person to supplement the draft Institutional Development Plan already prepared by FEDEC and draw up and implement FEDEC’s business plan (marketing plan and resource mobilisation strategy).

6. Results and Benefits

To date, the activities of FEDEC, with the assistance of its strategic partners, have produced significant results:

- FEDEC has had permanent staff since May-June 2002: the FA, the Executive Assistant and the Driver/Messenger are paid from its own funds;

- COTCO Ltd./ ExxonMobil:
  - pays the FIM;
  - reimburses FEDEC for the salary of the CDF for the first three years of service;
  - has allowed FEDEC rent-free occupancy of its temporary offices pending the result of initiatives launched by FEDEC to acquire government property;
  - donated a 4X4 vehicle and various heavy equipment for its administrative needs and the follow-up and co-ordination of programmes;
  - has promised to fund the setting up of a framework for dialogue and discussion between the key players involved in the Campo-Ma'an site, that is:
    - government authorities;
    - agro-industrialists;
    - forestry operators;
    - donors and implementing organisations;
    - local communities.

The appointed representative of COTCO Ltd./ ExxonMobil to the Board of Directors is the main contact person and liaison for FEDEC for all matters relating to: management of the restricted fund of 3.5 million USD; co-ordination/synergy with direct compensation mechanisms managed by COTCO itself in areas of joint activity (especially the IPP); all other identified needs for collaboration.

- The implementing organisations:
  - In January 2003, FEDEC signed two three-year funding agreements of 500 000 USD each to cover the preliminary phase for the two parks. At the end of this phase, the Management and Development Plans for the two Parks should be finalised and the implementation phase should begin.

Both implementing organisations selected, WCS for Mbam-Djerem and WWF for Campo-Ma'an, will contribute respectively 104 000 USD and 350 000 USD to this first phase.

- The Cameroon Government:
  - The Minister of the Environment and Forestry chaired in person the ceremony to mark the signature of the contracts with the implementing organisations. Also, the Cameroon Government promised to provide financial assistance of 37,500 USD. FEDEC has since drafted a Memorandum of Understanding, which aims to set out
the respective responsibilities of each party regarding the promotion of conservation in the Mbam-Djerem and Campo-Ma'an National Parks.

- FEDEC is henceforth eligible for the Project for Capacity Building in Environmental Management in the Petroleum Sector in Cameroon (CAPECE). The aim of CAPECE is to develop and establish national capacity for environmental management and follow-up of the Pipeline and Petroleum Development Project (PPDP), as well as to ensure the sustainability of subsequent projects, programmes and policies in the oil sector. CAPECE is implemented by the CPSP. For the time being, FEDEC has access to CAPECE funds for the follow-up and implementation of its IPP.

- Through the appointed government representative to FEDEC’s Board of Directors, who is the liaison and contact person of choice, FEDEC intends to ensure that its Environmental Improvement Programmes receive comparable assistance.

* The World Bank:
The follow-up bodies selected by the World Bank for the Chad-Cameroon Petroleum Development and Pipeline Project (the International Advisory Group - IAG and the Environmental Compliance Monitoring Group) are charged with making recommendations to the World Bank regarding the necessary actions to be taken to guarantee the success of the Project (governance, environmental management and social impact).

These bodies regularly visit FEDEC, and are the avenue through which the need for consolidation and development is emphasised, if necessary, to its creators.

With particular respect to its capacity building, FEDEC:
- obtained the approval of the World Bank concerning access to CAPECE funds;
- sent an official request for financial assistance to the World Bank for developing a resource mobilisation strategy.

* Other partners:
- The local or surrounding peoples, either in associations or individually, are closely involved in the IPP. FEDEC also endeavours to establish non-conflictual and long-term working relationships with NGOs active in the project area. To implement the IPP, FEDEC bases its actions on:
  - the CDF for co-ordination;
  - NGOs selected by FEDEC and with which grant agreements are signed for the Priority Projects: Citizenship, Education, Health and Agriculture.

* The National Parks:
- Mbam-Djerem: FEDEC arranged for WCS to be exempted from labour charges for hooking up to the national electricity grid of its Mbakou base; AES/SONEL (the energy provider) thus agreed to a substantial discount on the estimated cost of the work.
- Campo-Ma'an: the framework for dialogue and discussion that FEDEC wishes to set up will bring together, amongst others, the forestry operators and entrepreneurs active around the project area. FEDEC does not discount the possibility of involving them in providing support for its programmes.

* Other initiatives:
FEDEC is studying the possibility of collaboration/partnership with:
- UCLA, for setting up an International Research Node in Cameroon;
- the Jane Goodall Institute, Washington, DC for a Participatory Environmental Research and Development Programme that would closely involve the Bagyelis who live in Campo-Ma'an.
7. Conclusion

FEDEC was designed as a sinking fund at the outset. However, this is not how it intends to operate, nor is this the image it would like to project. On the contrary, it would like to be a dynamic and productive mechanism, an outward-looking and visionary instrument, a sustainable foundation for the long-term funding of conservation activities in Cameroon. The lessons to be gleaned from its short experience, and the resulting recommendations concern the following:

- **Financial and administrative management as well as governance:**
  - Even though costs must not exceed a reasonable ceiling, they must absolutely be included in the start-up capital;
  - Management systems must be flexible, transparent and efficient so as to project credibility to donors regarding financial security.

- **The type and quality of partnerships to develop:**
  - Maintaining good relationships with partners protects FEDEC from controversial situations and operational bottlenecks;
  - Partnerships help foster intelligent cooperation in the sense that the partnerships are well understood and accepted by all parties, especially if the agreements reached take account of and respect reciprocal interests;
  - Solid relations improve the reputation, increase visibility and credibility of the instrument while increasing possibilities for reproduction of the experience, capitalising on results and disseminating information.

The acceptance, and in the long run, the success of the rocky union between oil exploration/exploitation and biodiversity conservation and protection, especially in developing countries, depends on these factors.

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