

BLENDING FINANCE IN DEVELOPMENT

CAMEROON: **WEAK SOCIAL AND ENVIRONMENTAL SAFEGUARDS JEOPARDISE DEVELOPMENT EFFORTS**

BASED ON RESEARCH BY
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CAMEROON



NAME:

Dibamba Thermal Power Project

PROJECT TYPE:

Energy production

BUDGET:

EUR 240 million

DONORS:

GED, AfDB, IFC, PROPARCO, BDEAC, MIGA

OPERATORS/ CONTRACTOR:

**DPDC
(Cameroon)**

Over the past 20 years, Cameroon's energy sector has moved from a public sector model towards a mixed public-private energy investment model. The conditionalities of the Structural Adjustment Program that the World Bank and the International Monetary Fund (IMF) imposed on the country in the 1990s triggered this transition. It was in this light, and as a drive to pull in additional donor and private capital, that Cameroon privatised its electricity monopoly corporation in 2001 with a takeover by AES SONEL.¹ It is also important to mention that Cameroon participates at multiple levels in the energy value chain as a regulator, investor, energy producer and distributor in partnership with private corporations.

In 2008, the government of Cameroon awarded the Dibamba Power Development Corporation (DPDC),² a subsidiary to AES SONEL, the right to develop 86 MW of energy.

This was part of the country's "Growth and Employment Strategy", which sets the objective of reaching 3000 MW of electricity production by 2020. The creation of this project also responded to an increasing demand for electricity from the public and industrial sectors, and to the need to increase the access to electricity in the country.

The agreement with DPDC included a clause stipulating that the company will sell all the produced electricity to ENEO Cameroon S.A., which is the country's main electricity company, operating generating plants, transmission lines and distribution grids. ENEO Cameroon S.A. is 51 per cent private-, 44 per cent state- and 5 per cent employee-owned.

BLENDED FINANCING

The Dibamba Thermal Power Project (DTPP) is located in Yassa, Douala, in western Cameroon. The power project consists of an 86 MW thermal power plant, fuelled with heavy fuel oil and a 90 kV transmission line. The heavy fuel oil comes by road from the Limbe Oil Refinery located some 120 km west of Dibamba.

A concessional ODA loan of EUR 240 million³ funded the Dibamba Thermal Power Project through the following agencies:

- Two development finance institutions (DFIs): the German Investment and Development Corporation (GED) and the French PROPARCO; and
- Four multilateral development banks (MDBs): the African Development Bank (AfDB), the

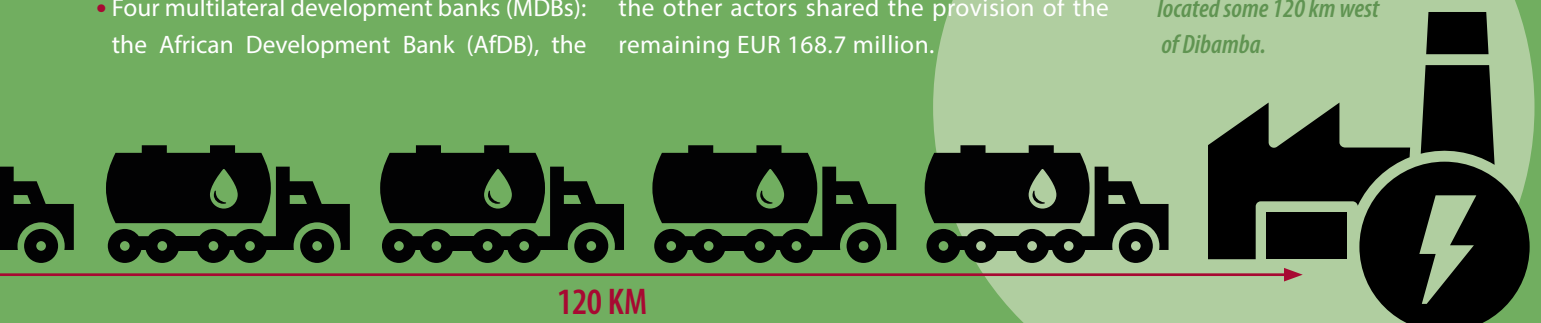
Central African Development Bank (BDEAC), the International Finance Corporation (IFC)⁴ and the Multilateral Investment Guarantee Agency (MIGA).⁵

This research could only track back the origins of EUR 71.3 million of the total amount of EUR 240 million. The AfDB and the IFC provided EUR 26 million⁶ and EUR 22 million respectively to support infrastructural development and provide technical support. MIGA produced EUR 23.3 million as a guarantee covering a period of up to 20 years against the risk of breach of contract. The research did not yield any information regarding how the other actors shared the provision of the remaining EUR 168.7 million.

Yassa,
Douala



The heavy fuel oil comes by road from the Limbe Oil Refinery located some 120 km west of Dibamba.



120 KM

DEVELOPMENT EFFECTIVENESS

This project highlights some significant shortfalls as to the application of the development effectiveness principles:

THE DEVELOPMENT EFFECTIVENESS PRINCIPLES⁷

- 1. Ownership of development priorities by developing countries:** developing countries to be in the driving seat of development initiatives.
- 2. Focus on results:** a lasting impact on eradicating poverty and reducing inequality, and on enhancing developing countries' capacities, aligned with their own priorities.
- 3. Inclusive development partnerships:** openness, trust, mutual respect and learning lie at the core of effective partnerships, recognising the different and complementary roles of all actors.
- 4. Transparency and accountability:** accountability to the intended beneficiaries, as well as to those impacted by development initiatives. Transparent practices form the basis for enhanced accountability.



After 10 years in operation, the power plant still poses serious environmental risks to the local community.

FOCUS ON RESULTS

The outcomes of the research show that the focus of the DTPP was on supplying power for industrial growth rather than on improving access to energy for all.

From a rights-based approach to development cooperation, projects funded through blended finance must be based on a holistic social development model in order to **promote social inclusion and empower people to claim their rights**.

This research reveals that ten years on since the plant was built, DPDC has still not taken care of several **environmental and safety** issues. For example, the company has not paved the entry and exit road to the plant with an adequate distance to provide fire brigades an easy access to the plant in case of a fire. In addition, there are neither deep gutters nor green belts in place to prevent fires, contain oil spillages and prevent soil erosion.

To operate the power plant, DPDC imported most of the equipment and specialist staff.



OWNERSHIP

Although the project fit into the government strategy to accelerate electricity access in Cameroon, it failed to help **promote national self-reliance**. The functioning of the thermal power plant will require an operating staff of 45 specialised staff assisted by 25 people in charge of safety and maintenance.⁸ However, DPDC imported most of the equipment and specialist staff. This not only limited the potential technological transfer of the project but also made it fully dependent on foreign expatriates, technology and spare parts. In the end, the project only employed locals for non-specialised positions, such as security or cleaning personnel.

Green belts would also prevent communities from encroaching too closely onto the DTPP facility. For example, the project does not respect the 15-metre security border defined in the ESIA. Local people have built houses and businesses under the high-tension power lines, despite potentially damaging health consequences, danger of electrocution and inadequate sewage disposal measures. This is a breach of the 1974 land law of Cameroon regarding expropriation and resettlement.

In addition, the facility's transition from an oil to a natural gas-powered system has not yet occurred, despite the availability of commercial quantities of natural gas 10 km from the project site at Logbaba.

The project has not contributed to promote policy dialogues on development strategies, policies and programmes



INCLUSIVITY

To date, the involvement of civil society and local communities has been limited. Neither the company nor the government have consulted them at any stage of the project. Therefore, the project has not contributed to **promoting policy dialogues on development strategies, policies and programmes**. The affected communities and other public stakeholders did not participate in the assessments of the expected development results, and these have never been made public. Although Cameroon's law stipulates that an environment and social impact assessment process must include the participation of the impacted communities and other stakeholders, the information that DTPP partners provided to the researcher was not sufficient to prove that this was the case in this project.

TRANSPARENCY AND ACCOUNTABILITY

The findings of the research show that more can be done to ensure openness and transparency. Much of the information about the project's outputs, development results and financial contributions is protected or classified as confidential. For example, to date, the World Bank has declassified very little information about the DTPP, the reporting process for all the donors involved has never been harmonised nor published to the public, and the self-reporting measures agreed by DTPP partners are limited and not harmonised.

In addition, information about those who received compensation for land expropriation, resettlement and crop loss is not publicly available. Making the list of beneficiaries public is essential to counter corruption, increase transparency and avoid bad practices, including illicit financial flows. Despite the 2016 tax reform capacity building programme that the government of Cameroon started in collaboration with the Organisation for Economic Cooperation and Development (OECD) to implement new international tax standards,⁹ the desired results are still not visible.

Furthermore, IFC grievance mechanisms are too complex to be accessible and are not widely known by local workers and the affected communities. Obtaining compensation remains complicated, accentuated by corrupt malpractices in filing legal complaints in Cameroon.

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¹ In 2001, SONEL (National Electricity Company of Cameroon) went through a privatisation process to the benefit of AES-Sirocco Limited, an AES Corporation subsidiary company who would control 51 per cent of the total shares. Later the name of the company became ENEO Cameroon S.A. (2015).

² The Dibamba Power Development Corporation is owned 56 per cent by Globeleq and 44 per cent by the government of Cameroon.

³ World Bank Group (2016). Cameroon: Dibamba Power Plant: <http://documents.worldbank.org/curated/en/701211468186859142/Cameroon-Dibamba-power-plant>.

⁴ IFC – a sister organisation of the World Bank and member of the World Bank Group – is the largest global development institution focused exclusively on the private sector in developing countries.

⁵ The Multilateral Investment Guarantee Agency (MIGA) is a member of the World Bank Group. Their mandate is to promote cross-border investment in developing countries by providing guarantees (political risk insurance and credit enhancement) to investors and lenders.

⁶ Cameroon - AfDB Approves Euro 26 Million Senior Loan to Dibamba Power Project:

<https://www.afdb.org/en/news-and-events/cameroon-afdb-approves-euro-26-million-senior-loan-to-dibamba-power-project-6645/>.

⁷ <http://www.oecd.org/development/effectiveness/busanpartnership.htm>

⁸ La Centrale Thermique de Yasa-Dibamba: <https://eneocameroon.cm/index.php/fr/production/nos-sites-de-production/nos-sites-centrale-thermique-de-yassa-dibamba>.

⁹ <http://www.oecd.org/ctp/beps/oecd-launches-programme-to-assist-cameroon-to-implement-new-international-tax-standards.htm>

RECOMMENDATIONS



RECIPIENT GOVERNMENTS SHOULD:

- Demand a risk analysis to donors and private actors on social, economic and environmental levels, highlighting risks identification, mitigation and avoidance.
- Provide an assessment on development results.
- Enable civil society actors and trade unions to participate in designing, and independently monitoring, environmental and social performance standards.
- Ensure domestic laws are respected and enforced by publishing the names of final beneficiaries of compensation for land expropriation, resettlement and crop loss.
- Ensure compensation standards are well-defined.
- Ensure the respect and implementation of international human and labour rights standards.



PRIVATE SECTOR ACTORS SHOULD:

- Together with the recipient government, organise consultations with affected communities, civil society and trade unions as a precondition for funding the project and as a means of integrating a human rights-based approach.
- Adopt and implement a disclosure policy on projects, including tax reporting and supply chains transparency.
- Ensure that accessible, transparent and effective grievance mechanisms are in place for communities, civil society actors and trade unions.
- Mobilise additional resources to build technological training facilities in the recipient country as a tangible means of gradually enabling technology transfer.
- Provide a risk analysis on social, economic and environmental levels, highlighting risks identification, mitigation and avoidance, as well as provide an assessment on development results.
- Respect freedom of association, collective bargaining and trade unions rights.



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