

Report No. INSP2006-0004/4

International Bank for Reconstruction and Development
International Development Association

INSP/42644-GH

**MANAGEMENT REPORT AND RECOMMENDATION
IN RESPONSE TO THE
INSPECTION PANEL INVESTIGATION REPORT**

GHANA

**West African Gas Pipeline Project
(IDA Guarantee No. B-006-0-GH)**

June 27, 2008

**MANAGEMENT REPORT AND RECOMMENDATION
IN RESPONSE TO THE INSPECTION PANEL INVESTIGATION REPORT
OF THE
GHANA: WEST AFRICAN GAS PIPELINE PROJECT
(IDA GUARANTEE NO. B-006-0-GH)**

Pursuant to paragraph 23 of the Resolution Establishing the Inspection Panel (IBRD Resolution 93-10 and IDA Resolution 93-6), attached for consideration by Executive Directors is Management's Report and Recommendation in response to the findings set out in the Investigation Report No. 42644-GH dated April 25, 2008, of the Inspection Panel on the captioned Project (West African Gas Pipeline Project, IDA Guarantee No. B-006-0-GH).

**MANAGEMENT REPORT AND RECOMMENDATION
IN RESPONSE TO THE
INSPECTION PANEL INVESTIGATION REPORT NO. 42644-GH
OF THE
GHANA: WEST AFRICAN GAS PIPELINE PROJECT
(IDA GUARANTEE NO. B-006-0-GH)**

CONTENTS

Abbreviations and Acronyms	iv
List of Operational Policies and Operational Directives	v
I. Introduction.....	1
II. Background and Status of the Project.....	1
III. Findings and Recommendations of the Panel.....	4
IV. Special Issues	7
Introduction.....	7
Social Issues.....	12
Environment.....	21
Project Supervision	26
V. Management’s Action Plan in Response to the Findings	28
VI. Conclusion	31

Annexes:

- Annex 1. Findings, Comments and Actions
- Annex 2. Supervision Missions
- Annex 3. SD Environmental and Social Safeguards Action Plan
- Annex 4. Status of Agreed Actions (May 2008 Supervision Mission)

Tables

- Table 1. Proposed Management Action Plan

Maps

- Map 1. IBRD 36115 – West African Gas Pipeline Project (Regional)
- Map 2. IBRD 36116 – West African Gas Pipeline Project (Nigeria)

ABBREVIATIONS AND ACRONYMS

AG	Associated gas
ASPEN	Africa Safeguards Policy Enhancement Team
Bcm	Billion cubic meters
BP	Bank Procedures
CDP	Community Development Program
CEB	Communauté Electrique du Bénin
CLO	Community Liaison Officer
DPR	Department of Petroleum Resources (Nigeria)
EA	Environmental Assessment
ECOWAS	Economic Community of West African States
EIA	Environmental Impact Assessment
ELPS	Escravos-Lagos Pipeline System
EMP	Environmental Management Plan
EPA	Environmental Protection Agency (Ghana)
ERM	Environmental Resources Management
ERP	Emergency Response Plan
ESAP	Environmental and Social Advisory Panel
ESIA	Environmental and Social Impact Assessment
FAO	United Nations Food and Agricultural Organization
GGFR	Global Gas Flaring Reduction
GSA	Gas Sales Agreement
HDD	Horizontal Directional Drilling
IDA	International Development Association
IEG	Independent Evaluation Group
IITA	International Institute for Tropical Agriculture
IPN	Inspection Panel
LEGEN	Environmentally and Socially Sustainable Development and International Law Unit
MIGA	Multilateral Investment Guarantee Agency
MMBtu	Million British thermal unit
MMCF/d	Million cubic feet per day
MW	Megawatt
NAG	Non-associated gas
NGC	Nigerian Gas Company
NGN	Nigerian naira
NGO	Nongovernmental organization
NNPC	Nigerian National Petroleum Corporation
OMS	Operational Manual Statement
OP	Operational Policy
OPCQC	Operations Policy and Country Services Quality Assurance and Compliance Unit
OPTS	Oil Producers' Trade Section (Nigeria)
PAD	Project Appraisal Document
PAP	Project Affected Person

PNA	Participatory Needs Assessment
PRA	Participatory Rural Appraisal
RAP	Resettlement Action Plan
ROW	Right of Way
SDV	Social Development Department
TDC	Tema Development Corporation
TOR	Terms of Reference
USD	United States Dollar
VRA	Volta River Authority
WAGP	West African Gas Pipeline
WAGPA	West African Gas Pipeline Authority
WAPCo	West African Gas Pipeline Company
WBG	World Bank Group

**LIST OF OPERATIONAL POLICIES/BANK PROCEDURES (OP/BP) AND
OPERATIONAL DIRECTIVES (OD)**

OP/BP 4.01	Environmental Assessment
OP/BP 4.12	Involuntary Resettlement
OD 4.15	Poverty Reduction
OP 10.04	Economic Evaluation of Investment Operations
OP/BP 13.05	Project Supervision
World Bank Policy on Disclosure of Information	

I. INTRODUCTION

1. On April 27, 2006, the Inspection Panel registered a Request for Inspection, IPN Request RQ06/03 (hereafter referred to as “the Request”), concerning the West African Gas Pipeline Project (“WAGP”, or “the Project”), for which the International Development Association (IDA) is providing a Partial Risk Guarantee.¹ The Request for Inspection was submitted by the Ifesowapo Host Communities Forum of the West African Gas Pipeline Project (the “Association”) through their representatives from the Olorunda of the local government area of Lagos State, Nigeria. The Request was submitted on behalf of the members of the Association, which is composed of 12 communities affected by the Project around the Badagry area, in Lagos State, southwest Nigeria (hereafter referred to as the “Requesters”).

2. The Executive Directors and the President of IDA were notified by the Panel of receipt of the Request. The Management responded to the claims in the Request on June 6, 2006.

3. In its Report to the Board on July 7, 2006, the Panel refrained from recommending an investigation. The Panel stated that it expected to be able to make a determination by end 2006 and noted that this would also allow Management more time to demonstrate that it was taking “adequate steps to follow the Bank’s policies and procedures” as required by the Resolution that established the Panel. The Board approved the Panel recommendation on July 27, 2006, on a non-objection basis. In its final Report and Recommendation, dated March 1, 2007, the Panel recommended an investigation to the Board of Executive Directors, which was approved on March 13, 2007.

4. On April 25, 2008, the Panel issued its report outlining the findings of the investigation. Management appreciates the Panel’s clear and thorough presentation of its findings. This report responds to the findings of the Panel. Section II provides background and the status of the Project; Section III summarizes the findings of the Panel; Section IV addresses special issues emerging from the Panel’s investigation report; Section V includes Management’s Action Plan; and Section VI contains the conclusion. The Panel’s findings, along with Management’s responses, are described in detail in Annex 1.

II. BACKGROUND AND STATUS OF THE PROJECT

5. **Overview.** The Project was designed to contribute to improving the economic competitiveness of the participating countries (Nigeria, Togo, Benin, and Ghana) and accelerating regional economic growth and integration in West Africa. The Project aims to provide cheap and efficient fuel to the consuming countries, which will lower their

¹ The World Bank Group also provided a Multilateral Investment Guarantee Agency (MIGA) Guarantee for the Project, which is not included in the Inspection Panel investigation. MIGA has a separate process for investigating projects, which was not triggered in this case.

cost of power, thereby promoting economic development and improving the competitiveness of goods and services. The Project complements a separate operation to develop the West African power market; it is part of the action plan of the New Partnership for Africa's Development, and is supported by the Economic Community of West African States (ECOWAS).

6. **The Project.** The West African Gas Pipeline Company (WAPCo), led by ChevronTexaco, had advised Ghana, Benin, Togo, and Nigeria and the World Bank Group (WBG) that the Project could only be developed with appropriate risk mitigation, in particular with respect to the gas purchase obligations of the Volta River Authority (VRA) and Communauté Electrique du Bénin (CEB). Following the request by Ghana for an IDA Guarantee to back Ghana's obligations to the Project, WAPCo considered other possible sources of risk mitigation for the Project. WAPCo eventually proposed a combination of an IDA Guarantee, a Guarantee from the Multilateral Investment Guarantee Agency (MIGA), and commercial insurance to back the credit risk of the Ghana offtaker, VRA, for CEB, including WAPCo insurance coverage from other sources. Management prepared the Project, consisting of a USD75 million MIGA Guarantee to WAPCo and a USD50 million IDA Partial Risk Guarantee to the Government of Ghana. It was approved on November 23, 2004. Total Project costs are estimated at USD590 million, including investments by the Government of Ghana (USD90 million), the Nigerian National Petroleum Corporation (NNPC, USD147 million), Chevron Nigeria Limited (USD216 million), Shell Production Development Company of Nigeria Limited (USD106 million), as well as investment options by SoBeGaz (Benin) and SoToGaz (Togo) (USD12 million each).

7. The IDA Guarantee is limited in coverage. It guarantees a portion of the payments due by Ghana to WAPCo in connection with its guarantee of VRA's obligations under the Takoradi Gas Sales Agreement (GSA) in the event where a failure by VRA to pay the Nigerian gas purchaser, N-Gas Limited, for gas could result in N-Gas terminating the Takoradi GSA. The IDA Guarantee does not cover breach of other obligations undertaken by VRA or Ghana under the Project agreements.

8. **Project Development Objectives.** The Project is part of the four West African states' overall strategy to improve the efficiency of the energy sector, notably by decreasing input costs and diversifying fuel supply for the power sector, and encouraging local industry and enterprises to use cheaper and more environmentally friendly natural gas.

9. The Project's benefits include the provision of a more benign energy source, cost savings to the users, increased tax revenues, and positive implications for regional economic development through improved competitiveness, and enhanced trade. The Project would contribute to poverty reduction through the provision of lower energy prices which would promote growth.

10. **Project Components.** WAGP consists of: (a) a new pipeline system (678 kilometers long) that will transport natural gas from Nigeria to Togo, Benin, and Ghana; (b) spurs to provide gas to power generating units in Ghana, Benin, and Togo; (c)

conversion of existing power generating units to gas (financed by their owners); and (d) as needed additional compression investments. See Maps 1 and 2.

11. To meet the expected market potential of about 450 million cubic feet per day (MMCF/d), the pipeline diameter has been sized at 20 inches. The main trunk of the offshore pipeline has been placed on the seabed in 26 to 70 meters of water at an approximate distance of 15 to 20 kilometers from the shore. At three locations, connections have been made from the main offshore trunk into lateral spurs that will transport gas to delivery points at or near Cotonou, Benin; Lomé, Togo; and Tema, Ghana. The terminal of the pipeline is at the Takoradi Power Station in Ghana. The total area of land take is estimated at more than 200 hectares, 70 percent of which is in Nigeria, with the land parcels in the right of way (ROW) affecting some 2,500 households in 23 communities. The land take and affected households in Ghana, Benin and Togo have been much smaller, as the pipeline traverses only a small part of those countries' territories (see paragraph 32).

12. The Project has included a number of contracts for the design, engineering, construction, ownership, operation and maintenance, oversight, and power purchase agreements for natural gas from the producers, as well as for the transportation of natural gas by the shippers, and for the sales of natural gas to VRA and CEB.

13. N-Gas is contracting for the purchases of natural gas at interface points on the Escravos-Lagos Pipeline System (ELPS) from the upstream producers. The Nigerian Gas Company (NGC) will transport gas through the ELPS, and WAPCo will deliver that gas from the ELPS interface point located in western Nigeria, and ship it to Togo, Benin, and Ghana. The Project does not provide any financial or operational support for the management and operation of the ELPS, a separate autonomous entity, nor does it entail the extraction of hydrocarbons from the ground.

14. **Overall Progress.** At present, progress on construction and installation of the pipeline is as follows: (a) installation of the offshore and onshore pipeline has been completed from Itoki, Nigeria to Takoradi, Ghana; (b) laterals (spur lines) to Cotonou, Lomé and Tema have been hydro-tested and are dry, and are now in an advanced stage of completion; (c) engineering, procurement and some construction work is continuing at Lagos Beach Compressor Station, pending mobilization of a new contractor²; (d) chromatography works have successfully been completed, and gas has been introduced at Itoki; (e) some construction/installation works at Takoradi, Tema, Lomé and Cotonou Stations remain to be completed; and (f) rock berms at Takoradi and Tema have been removed, as per the permit from the Ghana Environmental Protection Agency (EPA).

15. In addition to physical construction, WAPCo has prepared programs for comprehensive additional compensation to Project Affected Persons (PAPs) whose land has been appropriated for the pipeline ROW, including the process for payments; sensitization and consultations with affected households on money management and

² The original construction contract between WAPCO and Wilbros Nigeria was terminated in February 2008 due to contractual disputes. New contractors have been selected and are being mobilized to complete the remaining works.

small business investments; and ongoing livelihood restoration activities (see paragraphs 22 to 24 below). The program has also established the methodology for additional cash compensation to PAPs for livelihood restoration, based on updated market rates for land, crops, and economic trees, which were assessed in 2003-2004 and adjusted for inflation to 2008 prices. The land valuation considered land use for different zones along the ROW. For crops and economic trees, WAPCo used the most current International Institute for Tropical Agriculture/United Nations Food and Agricultural Organization (IITA/FAO) agricultural prices in Nigeria. In May and June 2008, WAPCo held 15 town hall/sensitization meetings and plans to hold more meetings in each of the key communities and clusters of smaller ones to sensitize not only PAPs, but also other community members and traditional rulers on the additional compensation program. The consultations will help WAPCo verify the current status of: (i) land ownership; (ii) deceased claimants; and (iii) pending land disputes. The master list of PAPs has been and will be further updated during the additional compensation process, so as to include updated information on PAPs and any newly identified claimants. WAPCo has also agreed to update the socio-economic survey, which will be completed by the end of 2008. The new data to be collected will be used to improve analysis of livelihood needs of affected and vulnerable PAPS; and will provide inputs to enhancing the Community Development Programs (CDPs). A second follow-up survey will be undertaken in 2010 to ensure that the impacts and potential impoverishment risks facing local people are being properly addressed. The CDPs for the first year focused mainly on social infrastructure (health centers, schools, water supply, etc.) and have mostly been completed. In parallel, engagement meetings with various communities are being organized on a continuing basis and the process is underway to inform the communities about health, environment and safety aspects of the Project.

III. FINDINGS OF THE PANEL

16. The Panel made the following findings regarding Bank compliance with its policies and procedures in relation to the issues raised by the Requesters. Responses to the findings are contained in Annex 1 in the form of a matrix that lists each of the Panel’s findings and observations along with Management’s comments and clarifications. Section IV provides additional information and context for the issues raised by the Panel.

OP/BP 4.12 – Involuntary Resettlement & Bank Policy on Disclosure	
NOT IN COMPLIANCE	<ul style="list-style-type: none"> - Management did not ensure that the requisite socio-economic information was gathered as called for in the Bank Policy. This does not comply with the Bank’s Involuntary Resettlement Policy (OP 4.12). The Policy calls for a socio-economic study of the displaced persons. The Policy requirements cannot be met by general data on the project affected area or populations nor by extrapolation from a sample. - The absence of adequate baseline information makes it impossible to ensure that the impacts and potential impoverishment risks facing local people are properly addressed, as required under OP 4.12. - The complexities of the traditional land tenure system, wherein large extended families control land, and heads of families distribute user rights among the members, were not adequately taken into account. This does not comply with OP 4.12. The size and economic holdings of the extended families was – and still is – unknown.

- The size of the displaced population seems to be underestimated as a result of the methodology used for their identification.
- Bank Management failed to ensure that the Sponsor performed an adequate analysis of socio-economic risks to vulnerable people. This does not comply with OP 4.12, and denied these people protections provided under the Policy.
- Management did not ensure that Project planners used reliable and specific data on individuals or households affected by the ROW, rather than assumptions, averages, and related arguments. As a result of these flaws in methodology, Project documents presented to the Board at the time of Project approval included incorrect and incomplete information on livelihood and impoverishment risks. This was inconsistent with Operational Manual Statement (OMS) 2.20 (Project Appraisal) and OP 4.12.
- A land-based resettlement option, described as an alternative within the Resettlement Action Plan (RAP) and encouraged as a preference in OP 4.12, was not effectively offered to the displaced persons as a viable option for livelihood restoration. This is inconsistent with the provisions and objectives of OP 4.12.
- The RAP transferred the burden for restoration of livelihood onto displaced persons, once they had obtained cash compensation, without providing additional assistance as called for in OP 4.12. The issues of livelihood restoration, resettlement assistance beyond compensation, and benefit-sharing were not properly negotiated with displaced persons. This does not comply with OP 4.12.
- Management failed to comply with OP 4.12 by accepting the use of a formula that is not based on the livelihood restoration objectives of the Policy. Moreover, the Panel discovered a major flaw in how the stated approach was applied, and that the agreed upon 10-fold multiplier in providing compensation was not applied. As a result, the displaced people were paid one-tenth of what was planned in the RAP. This has resulted in a major failure to comply with OP 4.12, and to ensure that displaced people are at least as well-off as before displacement, as required by this Policy.
- Compensation methodology did not take into account income foregone for the loss of perennial crops. In addition, contrary to Bank Policy (OP 4.12), Panel finds that transaction costs were borne by displaced persons, which further reduced their chances of being as well off after the transaction as before.
- The implementation of the resettlement activities took place before the necessary measures for resettlement were in place. This does not comply with OP 4.12. As of September 2007, adequate measures were still not in place.
- Management permitted involuntary resettlement to begin without a development assistance component, as required by OP 4.12, which would provide targeted investment resources to enable the persons displaced by the Project to share in Project benefits.
- The Panel found no evidence of attempts to meaningfully present the final RAP to the persons to be displaced.
- There was a failure to adequately disclose critical RAP information necessary for displaced persons to make meaningful, informed choices about livelihood restoration. This does not comply with OP 4.12, or with the Bank's Policy on Disclosure of Information.
- The Yoruba translation of the executive summary of the RAP was prepared about 24 months following the last compensation payment. During a field visit in July 2007, the Panel found no evidence of distribution of this document in key resettlement area of Igbesa. Regardless of distribution, disseminating such information on livelihood, compensation and other resettlement entitlements years after the displaced persons have made decisions on these matters is neither meaningful nor timely. This does not comply with OP 4.12 or the Bank's Policy on Disclosure of Information.
- There was only limited evidence that efforts were made to integrate the consultation process into preparation of the RAP, and in particular to inform displaced persons of their entitlements under the RAP. This lack of meaningful and timely consultation prevented participation and informed negotiation of resettlement options by displaced persons as called for in OP 4.12. Management did not provide adequate guidance and instructions to the Project Sponsor to carry out meaningful consultation with displaced people.
- Management failed to ensure that the Sponsor had in place an effective grievance process to identify and redress resettlement issues, as required by OP 4.12.
- Management did not comply with the requirements of BP 4.12, including those to assess the Borrower's commitment to and capacity for implementing the resettlement instrument, and mitigating significant risks, including the risk of impoverishment, from inadequate implementation of the resettlement instrument.
- Management did not adequately review the Sponsor's past experience and limited capacity

	<p>with implementing operations involving similar involuntary resettlement activities. Neither did Management ensure appropriate coordination between agencies responsible for implementing the RAP. This oversight in supervision resulted in a failure to identify the need for training the Sponsor in the involuntary resettlement safeguards as per paragraph 2(f) of BP 4.12. This is inconsistent with the provisions of OP/BP 4.12.</p> <ul style="list-style-type: none"> - Management failed to provide complete information to the Board regarding the Sponsor's limited capacity to acquire land in accordance with the standard set in OP 4.12, the Project's lack of sufficient baseline data and the lack of a sustainable benefit plan for displaced people. This was inconsistent with OMS 2.20 and OP 4.12.
OP/BP 4.01 – ENVIRONMENTAL ASSESSMENT	
IN COMPLIANCE	<ul style="list-style-type: none"> - The Environmental Impact Assessment (EIA) documents meet the requirements of Annex B of OP 4.01, <i>Content of Environmental Assessment Report for a Category A Project</i>. - The Project was correctly assigned "Category A", and as the Project involves four countries a consolidated "Regional Assessment" was appropriate. - The OP 4.01 requirement that alternatives be evaluated has been met. - The Management Response (prepared during the eligibility phase of the Request for Inspection) states that the ELPS Integrity Study constitutes an Environmental Audit, which is an appropriate instrument for ELPS given that it is an "existing facility" (in operation since the early 1990s). The Panel finds support for the view that this is an appropriate EA instrument for the ELPS.
NOT IN COMPLIANCE	<ul style="list-style-type: none"> - Failure to establish the independent advisory panel during the planning and design stages of the Project, and delay in its establishment during Project implementation, did not comply with OP 4.01. - Lack of a full economic evaluation of the alternative offshore pipeline route is a significant shortcoming and is not consistent with OP 4.01. - For existing upstream ELPS, an Environmental Audit (or risk assessment) in the form of an Integrity Study was undertaken. Apparent non-disclosure of this assessment of the ELPS, and the fact that its findings and recommendations are not taken up in Environmental Assessment Reports, is not in accord with paragraphs 15 and 16 of OP 4.01. - The Panel also observed that affected communities appear not to have been provided with understandable relevant materials on overall environmental documentation prior to consultation meetings. The requirement of OP 4.01 that disclosure be in a form and language that is understandable to the groups being consulted has not been met.
OD/OP/BP 13.05 – PROJECT SUPERVISION	
NOT IN COMPLIANCE	<ul style="list-style-type: none"> - The Panel notes there were long gaps between supervision missions prior to the Request. Furthermore, safeguards staff mainly concerned themselves with Project preparation and were far less involved in the construction phase of the Project. Management did not ensure adequate supervision during the construction phase. This did not comply with Bank Policy on Supervision. - The significant delay in establishing the ESAP constitutes non-compliance with OP 13.05 and OP 4.01 and led to many problems highlighted in the Panel's investigation report. - Management's lack of diligent supervision created a responsibility vacuum during the RAP implementation. This did not comply with Bank Policy on Supervision, and led to problems in the resettlement process. Though Management identified several problems regarding the compensation process, it was slow to address them. - Management did not adequately address and follow-up on the warnings relating to the RAP process that were raised and discussed in the monitoring reports.
OTHER FINDINGS	
<ul style="list-style-type: none"> - The Panel acknowledges complexity of land tenure arrangements in West Africa and notes that efforts were made under the Project to address related social issues. However, by not ensuring that WAPCo followed important elements of Bank Policy, Management undercut Bank's development contribution to this Project. More significantly, the necessary measures to avoid impoverishment of displaced populations were not and still are not in place. - The Panel observes that Management and WAPCo recognized that under-compensation occurred, and are preparing for another compensation disbursement. The Panel notes and appreciates these actions. The Panel is concerned, however, that this is being done without consultation with displaced peoples, identifying or preparing mitigation for at-risk populations, without setting clear eligibility requirements based on local land tenure, without correction for transaction cost error discussed above, without benefit-sharing provisions for the displaced population, and without determining whether cash compensation is or is not the appropriate instrument to be used to avoid Project-induced impoverishment. 	

- The Panel notes the importance, under Bank policy, of examining impacts linked to the WAGP that may occur both upstream and downstream of the new pipeline, including those that relate to the development of new areas of production and transport. These are within the Project's area of influence under OP 4.01. The Regional EIA properly flags that the Project might have potential impacts in these upstream areas, but an analysis of their nature and scope has not yet been carried out.
- Sound and wide ranging Emergency Response Plans (ERPs) have been compiled but had not, as of July 2007, been communicated to communities along the Nigerian portion of WAGP's ROW. Such ERPs will not be effective unless communities are properly informed, both orally and via clear, understandable written text in a form that can be retained and readily accessed, before the pipeline becomes operational.

IV. SPECIAL ISSUES

INTRODUCTION

17. The West African Gas Pipeline Project is an important operation for the region, which will not only foster economic cooperation and trade amongst Nigeria, Benin, Togo and Ghana, but will also provide least-cost and more environmentally friendly energy for domestic and commercial use in each country. Similarly, it is an important project for the WBG because it promotes regional integration, diversifies the sources of power supply in the West Africa region, and catalyses private investment for the development of infrastructure that would otherwise displace donor funding for the social sectors and poverty alleviation. Management believes the WBG's role as an honest broker among the four borrowing countries has also provided value-added in terms of sustainable economic development. Over the long term, the partnership has strengthened private sector commitments to environmentally and socially responsible investments.

18. At the same time, the Project has presented preparation and implementation challenges for IDA and the Project sponsors. The political and social conditions in the Niger Delta and in the oil and gas sector continue to be unstable and complex. Several factors that are driving conflict in the Delta are outside of, and beyond the Project's control, but have nonetheless affected it; among these are poor governance, the political economy of revenue distribution, multi-layered land tenure systems and legislation, youth unemployment and restiveness, electoral violence, illegal oil extraction, and the proliferation of small arms. These factors have influenced local perceptions and local understanding of the operational policies of oil companies, which have in turn posed challenges to both the Bank and WAPCo in managing expectations. They have also influenced the understanding of the Bank's policies and requirements for lending operations by WAPCo and constrained their proper implementation.

19. During Project preparation, there were critical environmental impacts that had to be carefully assessed and monitored. The pipeline passes through the coastal waters of four countries; it crosses the beaches of each country, and includes buried lines of various lengths. It connects to onshore facilities that deliver gas into the line or regulate gas pressure and meter deliveries to customers. Baseline environmental studies were conducted over a two-year period, documented separately and summarized in the Environmental Assessments (EAs), of which there are five – one for each country plus a regional EA that integrates the findings of the four and examines cumulative impacts and issues of regional importance. Although only about 200 hectares of land had to be

acquired, land acquisition nonetheless necessitated preparation of four RAPs in countries with varying forms of national land policies and practices governing land ownership and land use. The Inspection Panel has acknowledged the high quality of the environmental assessments and management plans. During the implementation phase, however, deficiencies in the RAP for Nigeria and the socio-economic survey were uncovered. Management also acknowledges that some of these deficiencies could have been detected and addressed with better supervision.

20. WAGP was one of the early regional projects undertaken in Africa when the Bank was at a nascent phase of establishing the appropriate institutional, budgetary, and management structure for handling multi-country initiatives. Management concurs that there was inadequate supervision of WAGP during the critical initial implementation phase of the Project. While this is now being rectified, this represented a missed opportunity to take corrective actions on sensitive social aspects at an important juncture in the Project's implementation. In the last several years, regional Management has learned from the experiences of this and other regional projects. For example, issues regarding unclear accountability that affected the Project in the early implementation phase have been resolved. Commencing with the appointment of a Director for Regional Programs in 2004, regional Management has established operational procedures, responsibilities, and budgets for such projects. Guidelines have been operationalized for introducing regional projects into Country Assistance Strategies, and for providing clear leadership and accountability on all aspects of project management throughout the project cycle, including adequate budgetary allocations, staffing, and management information systems, both at headquarters and in the field. Regional Management has thus been fully engaged in supervising the Project, meeting WAPCo executives on a regular basis to ensure timely follow-up of various commitments with regard to overall Project management, construction, and environmental and social safeguards.

21. Implementation has remained challenging but, given the complexity of the undertaking, remarkable in that problems that seemed insurmountable have been addressed. For example, most worrisome to the sponsors and the prospective customers for the gas were physical setbacks with the principal contractor for the land-based lines and stations, which have delayed completion. At Project appraisal in 2004, crude oil prices at which the choice between gas and current fuel would be neutral for electricity generators were USD17.68 per barrel (Brent Crude) for the VRA in Ghana – the primary consumer of the gas – and USD7.24 per barrel for CEB, the power supplier for Benin and Togo. The World Bank's projections estimated a rise in oil prices from USD24/barrel in 2007 to USD25.25 in 2015. With today's oil prices above USD130/barrel, the date of "first gas" is a matter of intense interest in discussions with the heads of state of the three customer countries. Current oil prices give a new meaning to the first development objective for the Project, which is "improving the competitiveness of the energy sectors in Ghana, Benin and Togo by promoting the use of cheaper and environmentally cleaner gas from Nigeria...." In summary, WAGP is an important and, so far, successful project that promises to achieve its development objectives.

22. Management concurs with many of the Panel's findings regarding compliance with social safeguards. While the problems with social safeguards remain compelling,

they are not intractable. WAPCo's flawed consultation and compensation process in Nigeria vis-à-vis Bank safeguard policies and procedures presented significant challenges, which are in the process of being remedied. For example, to address gaps in compensation payments in 2004, as a first step, WAPCo will complete an additional compensation process by October 2008, which is aimed at ensuring livelihood restoration for existing PAPs. The field-based Bank social specialist in Abuja will ensure that this process includes verification of PAPs and identification of any new claimants. Second, to better plan activities for livelihood restoration, an updated socio-economic survey will be carried out by the end of 2008. Bank social specialists on the Project team will review and monitor the outcome of the survey and provide technical support to WAPCo. More intensive Bank supervision will ensure that the survey results will be used to improve development programs to assist affected and vulnerable PAPs in restoring their livelihoods. Third, WAPCo will implement the recommendation of the Environmental and Social Advisory Panel (ESAP) to make available training to PAPs on money management and small agricultural investments. The Bank's field visit in October 2008 will coincide with the completion of additional compensation, and will assess the extent and quality of the livelihood oriented training programs. In addition, while the land-for-land option was offered to PAPs in 2004, as part of the Bank's good practice for land acquisition, the overwhelming preference of PAPs was for cash compensation. The Bank field visit in August 2008 will verify that PAPs were made aware of this option. Lastly, the grievance mechanism was not as transparent nor as widely known or available as it should have been, and this is now being rectified. (See Section IV, Special Issues, as well as responses to the Panel's findings in Annex 1, Items 2 and 7.) An assessment of the grievance and dispute resolution mechanisms, in terms of their effectiveness in reaching out to PAPs, will be covered in the October 2008 Bank field visit. The monthly field visit and supervision mission outputs will be in addition to the yearly independent RAP implementation review that WAPCo has undertaken (commencing in September 2007).

23. In all four countries, communities have generally been satisfied with and supportive of the Project, and appreciative of WAPCo's CDPs and the way in which WAPCo has interacted with them. The Environmental Management Plans (EMPs) have been effective in preventing any serious impacts. A contractor's failure to follow all elements in the EMP protocol for discharge of chemically-treated water after hydrotesting caused a minor fish kill and complaints from the affected community at Takoradi. Otherwise, environmental issues have been limited to minor local problems, such as localized erosion, that have been corrected when identified by WAPCo's independent monitoring consultants, the ESAP and Bank supervision missions. Contractor compliance with the Project's health and safety rules has been good as well – more than seven million worker hours without a lost time accident directly related to work since one fatality early in the Project.

24. In terms of monitoring of impacts on PAPs' income and livelihood, RAP implementation will be assessed yearly by an independent evaluator/consultant to be engaged by WAPCo, based on Terms of Reference (TORs) agreed with the Bank. In this connection, three corrective measures will be closely supervised through monthly Bank monitoring and follow-up from July to December 2008. First is the establishment of a well designed socio-economic baseline of PAPs as the basis for monitoring changes in

PAPs' income and well-being. As noted above, the survey results are expected by the end of 2008. The Project's Senior Social Development Specialists will review the baseline indicators to ensure that these sufficiently measure impacts and address potential impoverishment risks facing local people. There will be a survey update in 2010, which will also be monitored through follow-up Bank field visits and supervision missions. Second is distribution of additional compensation to PAPs by October 2008. As mentioned earlier, senior field-based Bank staff will monitor the compensation process through follow up visits in July, August, and October 2008 to ensure that it includes intra- and inter-household verification of PAPs, and transparency and disclosure to PAPs of the methods for calculating compensation and addressing restoration of livelihood. Lastly, field-based Bank staff who are specialists in community facilitation and consensus building have been working closely with WAPCo to ensure that the compensation, grievance mechanism, CDP, and other programs are carried out in consultation with local people and in a participatory manner.

25. Management relied on WAPCo's capacity to implement the Project's environmental and social safeguards. While WAPCo did an adequate job with respect to the EMPs and preparation of social safeguards, as confirmed through Bank supervision, there were notable problems in implementing the land acquisition and compensation components. WAPCo's capacity to implement the complex process of compensation for land and other assets it acquired was weak, due largely to significant changes in its project teams. Another major shortcoming was the lack of more frequent and direct supervision by the Bank and training during initial RAP implementation. Management recognized that accomplishing effective implementation oversight from Bank headquarters of a project straddling four countries was difficult, and that for large regional projects, the ideal location for supervisory staff is in the field. To rectify this shortfall, Management has transferred the task team leadership of WAGP to an experienced Senior Energy Specialist based in Abuja and assigned the lead responsibility for resettlement and other social issues to a Senior Social Development Specialist, also in the Abuja office, with support from social specialists in headquarters. A Senior Economist based in Accra adds additional strength to the field-based part of the team. Finally, regional Management is engaging regularly with WAPCo to discuss ongoing commitments and follow-up.

26. ***ELPS, Upstream Gas Supply, and Gas Flaring.*** Management's reasoning for excluding the ELPS and the upstream gas supply sources from the Project's area of influence for EA purposes was explained during the November 2004 Board presentation and has not changed. ELPS is not a facility that depends on WAGP or that required investments or other changes to serve WAGP. It is not owned or controlled by WAPCo or N-Gas. As part of its own due diligence, WAPCo requested NNPC to carry out an ELPS Integrity Study, which identified some improvements that could be made with regard to safety and reliability. This study confirmed that the ELPS system was in satisfactory condition to deliver gas to WAGP without modification. The study, in essence an environmental audit, could not be publicly disclosed because of content that is highly sensitive for pipeline security – i.e., information on design and vulnerability to acts of sabotage. WAPCo and the Bank were able to obtain copies of this study only upon signing confidentiality agreements with NNPC. Regarding gas sources, the producers

informed WAPCo and the Bank that they had in place the necessary wells and gas gathering and treatment facilities to meet initial WAGP demand. New facilities to supply additional gas would not be required within the medium term (five to ten years) or longer; moreover, the specific nature of any potential new investments and their locations cannot be predicted. More important, the Bank is not in a position to influence the management of the environmental and social impacts of such facilities, if and when they are installed, as it is not party to the legal agreements with the initial producers who will ship gas through WAGP, nor would it be with any potential new producers who might come forward once the pipeline becomes available for open access. In the case of the Chad-Cameroon Pipeline, while the Bank Group included environmental requirements in the legal agreements to be met by future oil shippers, finding an enforcement mechanism not involving the Government of Chad has proven impossible. Consequently, Management determined that the best and perhaps the only practical approach for WAGP was to rely on Nigerian regulations and regulatory agencies. The Access Code sets out the terms under which new shippers may use the pipeline, and requires certification that their oil and gas fields and delivery systems have been developed in compliance with Nigerian law and EA regulations.

27. In 1995, the Bank issued a report entitled, “Defining an Environmental Development Strategy for the Niger Delta” which may still be the most comprehensive review available on the extent and causes of environmental degradation. Gas flaring was assessed in that report as a source of local and global environmental degradation, while phenomena such as fisheries depletion, deforestation, agricultural land degradation, water hyacinth expansion, industrial effluents and emissions, municipal waste and oil pollution were assigned higher priority at the Delta-wide scale, as determined by estimating the costs and environmental and health benefits of potential interventions. The Bank is currently updating the 1995 report as part of its management of the Global Gas Flaring Reduction (GGFR) partnership. With Bank assistance, and the GGFR partnership, the Government of Nigeria has drafted a Downstream Gas Act and revised its oil and gas fiscal system to support emergence of a domestic gas market.

28. The environmental and social conditions in the Niger Delta need to be addressed and this Project does not seek in any way to minimize their importance. The Bank currently supports 24 projects in Nigeria, amounting to over USD2.9 billion, including institutional innovation and conflict-sensitive community development, for example, in Rivers State.³ The derivation formula through which 13 percent of oil revenues are given to the originating state is also followed by the Niger Delta Development Commission. Thus, WAGP is simply one of the instruments aimed at ameliorating environmental and social impacts. On the environment side, and as noted in the Project Appraisal Document (PAD), WAGP’s contribution to flaring reduction would at most be 5 percent of current flaring volume; it is an important step, saving wasted energy and reducing flaring

³ Several Bank-financed projects address infrastructure, human development, electricity, community development, governance, and public sector management concerns. These include, for example, the Lead State Support project in Cross River; Fadama II in Imo; State Governance and Capacity Building in Cross River; Micro, Small, and Medium Enterprise project in Abia; Community Based Urban Development in Abia, Akwa Ibom, Edo, Ondo, and Rivers; and Community Based Poverty Reduction project in Abia and Cross River.

impacts, but not the primary vehicle for flaring phaseout. While its contribution to gas flaring reduction may be modest, the Project provides an important infrastructure asset by which associated and non-associated gas can be put into productive use. As such, it should be seen as a vehicle which can provide incentives to Nigeria to collateralize and remove related negative environmental impacts of an otherwise wasted but important asset.

29. Nigeria supports power plants in the troubled Niger Delta where local communities urgently need reliable electricity. In late 2006, the GGFR partnership provided carbon finance advice and other technical support that helped a 450 MW gas-fired power plant at Kwale qualify to earn important carbon credits under the Kyoto Protocol. This was essential in making the community based project commercially viable. The Italian oil company, Eni, which was a partner to the gas flaring initiative, invested more than USD400 million to build the plant. The initiative was, in fact, the Kyoto treaty's first Nigerian project and one of the largest worldwide. Its reduction of carbon dioxide emissions from gas flaring over 10 years is equal to taking 2.7 million cars off American roads.

SOCIAL ISSUES

30. **Land Acquisition.** The Project required acquisition of land within the ROW of the gas pipeline, compressor station, construction camps and roads, and other ancillary facilities. RAPs were prepared separately for Nigeria, Benin, Togo, and Ghana in June 2004. Two reviews of the RAPs were completed in November 2006 by an independent evaluator, Environmental Resources Management (ERM), and by the ESAP, which submitted its first post-land take and pre-pipeline commissioning Mission Report in November 2007 as required by IDA legal covenants. ERM also completed a RAP Audit in March 2007, which has been updated to incorporate the Bank's comments; it will also be further updated to include any new information and data collected during the additional compensation process on existing PAPs and new claimants, and will be reviewed during the Bank supervision mission planned for December 2008.

31. Eligible land parcels were identified through customary rights of occupancy. As stated in the 2004 RAP, these customary rights were verified in three ways: (i) identification of the holder of the occupancy right of the land parcel; (ii) notification of land rights and disclosure to affected communities, ensuring that local leaders were aware of WAPCo's intention to acquire the land; (iii) receipt of the state's prior consent for land acquisition "of any statutory occupancy right or grant of such right by the state;" and (iv) approval of the local government authority to occupy land, or a portion of the land, where no statutory or customary rights of land exist. The physical demarcation of land parcel boundaries was completed by local Estate Surveyors in 2003. These boundaries and the listing of assets were used by individual estate evaluators who were hired by PAPs to negotiate with WAPCo. Each negotiation was followed by a formal public hearing to discuss the land parcel demarcation and to establish a timeline for completion of the negotiation and registration of compensation claims.

32. The 2004 RAP estimated the total area of land take of about 203 hectares, 70 percent of which was in Nigeria. The ROW land parcels in Nigeria belonged to 2,485 households in 23 communities. Of these, 1,557 (about 63 percent) were registered as landowners and 928 were tenants. There were 143 landowners with residential plots, 37 of which had built-up structures within the ROW. In Benin, land take in the Akadjamey and Akouehonour sites covered 39.1 hectares belonging to 370 owners⁴. The situation in Togo is unique, in that the land belonged to a single entity, Société d'Administration des Zones Franches, which acquired property rights from the government during the 1960s. Lastly, in Ghana, land take was about 11.2 hectares in the two communities of Tema and Takoradi. The land in Takoradi was purchased from the VRA. At Tema, land was leased from Tema Development Corporation (TDC), but about 24 families had proprietary rights to the use of the land. There were also 19 squatter families who were compensated by WAPCo, applying guidelines from TDC in Tema New Town.

33. The ESAP reviewed and found the land take process to be satisfactory and consistent with OP 4.12 guidelines. Displacement was minimized by: (i) limiting the ROW width to 25 meters; (ii) avoiding construction of access roads to the pipeline; (iii) siting temporary camps and storage facilities in areas unsuitable for cultivation, retaining as much of productive lands as possible; and (iv) allowing cultivation of crops along the borders of the ROW. PAPs who continued to cultivate along the sides of the ROW or were cultivating in nearby farm lands, were allowed to use the ROW for access (e.g., crossing) after the pipeline was placed underground.

34. The census of affected households in Nigeria was carried out by a local company, Estate Surveyors,⁵ and included information on land plots and physical assets, such as types of structures, number and types of economic trees and crops, access issues, ownership and leasehold conditions, available property valuations using buying-and-selling prices, and community stakeholder issues (e.g., who had access to the property; who gave the "rights" to land and assets; who worked on the land; whether the landowners cultivated the land or had tenants, etc.). Of the 144 hectares of land take within the ROW, 82 percent were agricultural cropland, and another 92 percent were used for agroforestry. Only about 4 percent of the land had physical structures on it (e.g., buildings, houses, etc.). The 2004 RAP report estimated the number of displaced persons as 8,647, based on the average household size of 3.48 persons, which was admittedly low for Nigeria in 2003. The majority of directly affected persons (72 percent) were engaged in subsistence agriculture and related land-based activities. In contrast, fishing accounted for less than 10 percent of the PAPs, although in Ajido village, PAPs engaged in both subsistence farming and small-scale commercial fishing. There was an almost even distribution of males (51 percent of PAPs) and females. In terms of ethnic composition, most of the PAPs (77 percent) were Yoruba, 16 percent were Eegun and Awori, and less than 5 percent migrants. Crop farming (cassava, maize, plantain, yam, oil palm, and cocoyam) was the dominant source of employment, for 75 percent of those who were surveyed in 2003, followed by trading, commerce, and professional activities (13

⁴ About 38 percent of households have registered their lands under the land parceling system, *lotissement*.

⁵ WAPCo also hired Consulting and Citizens International to undertake the focus group meetings, community surveys, and the socio-economic baseline survey in 2004.

percent), and fishing (4 percent). However, this broad socio-economic description refers only to about 20 percent of the total number of PAPs that were included in the household survey sample. Thus, Management concurs with the Panel's observation that it is important to establish a good socio-economic baseline of directly affected populations and, to this end, corrective actions are currently underway. Management further agrees that any potential undercounting of displaced people could have serious effects not only in determination of compensation payments, but in other aspects of the Project, notably the scope and content of community development sub-projects (see paragraph 51 below).

35. The multi-layered tenurial set-up in Nigeria made it difficult to obtain accurate data on the number of people working in a land parcel at one time. The 2004 RAP describes various forms of individual property rights. In general, most land parcels have layers of property relationships. As the 2004 RAP notes: "The land tenure system in Nigeria varies by ethnic group, community, and state ... traditional authorities have some supervisory and distribution roles." In one example, buying and selling of land parcels needed the "consent of the Oba⁶ of the town." In another example, the "chief holds supervisory authority on the family land and on behalf of the family," but the household head had the authority to buy and sell land. In yet another example in Itoki, land parcels were purchased from "indigenes" by migrants from Abeokuta, Ota, and other places. In these lands, the Baale⁷ controlled land allocation and selling of land parcels and "individuals who bought their land have control over such lands" (2004 RAP, p. 4-36).

36. Another factor that affected data collection on properties and the census of PAPs was difficulty in clarifying the differences between traditional and "formal" (legal) property rules. As described in the 2004 RAP report: "Land ownership in Nigeria is officially regulated by the Land Use Act of 1990 and landowners do not necessarily 'own' land in the Western sense. The law vests ownership of all land within a state, which holds land in trust for the people. The state is responsible for allocating for residential, commercial, and agricultural purposes in accordance with the law. Land allocated in rural areas is under the control of local government authorities." Thus, the land take census that was carried out by Estate Surveyors in 2003 focused primarily on the "formal" landowner, and since only one-third of landowners were included in the socio-economic survey in 2004, Management was aware and agrees that the number of displaced persons was under-estimated.

37. Management concurs that the 2004 RAP report did not provide an adequate breakdown of results of the census; data collected by two Bank missions in 2006, as well as by the 2007 RAP Audit, included additional information on PAPs in Nigeria and Benin to help rectify the data gaps.⁸ Similarly, Management agrees with the Panel's and ESAP's findings of weak socio-economic information, especially information on the dynamics of intra- and inter-household access to land and productive assets. WAPCo has agreed to update the socio-economic survey data by the end of 2008, followed by a second update in 2010 that will assess Project impacts on PAPs and larger communities.

⁶ A king or leader.

⁷ A head chief.

⁸ WAPCo updated its database in response to World Bank requests and in preparation for the independent RAP Audit carried out by ERM.

Staff will make regular field visits and discuss with WAPCo indicators that will be measured through the survey to ensure that a sufficient baseline of PAPs' socio-economic conditions is established. Once the survey is completed in December 2008, the survey information will also feed into WAPCo's existing database for monitoring and evaluation purposes, and will also provide useful input into the design of its CDPs.

38. **Land-for-Land Compensation.** Initially, WAPCo offered PAPs in Nigeria replacement land-for-land that had to be appropriated. Several land parcels along the Ota-Ewekoro and Ota-Idiroko axis and near the Alagbado gas terminal were identified. WAPCo's Estate Surveyor also identified residential plots in 2004, indicating that there were numerous replacement lands and housing plots available that were either of similar or better quality. The PAPs were allowed to select their own lands for replacement and WAPCo worked with each claimant in finding appropriate replacement land and, if needed, in transferring ownership to PAPs. As of May 2004, only two families had opted for replacement land, with the remaining families opting for cash compensation.

39. Management concurs with the Panel's finding that while the land-for-land option was offered, WAPCo may not have used a strong and convincing approach to PAPs to select this option. Management notes that while the RAP Audit indicates that the land-for-land option could have been better communicated to PAPs, those PAPs who were aware of this option reported that it was complicated and not perceived to be a realistic alternative to cash for three reasons. First is that the PAPs preferred to purchase their lands. Of the sample interviewed during the RAP Audit, 47 percent had purchased land with the compensation (though not always in the surrounding areas); others had used the money to improve their houses. Second, several PAPs cited lack of availability of productive land and risk of Government expropriation as barriers to selecting the land-for-land option. Third, the presence of WAGP temporarily inflated local land prices. Because the earlier identified productive replacement lands are no longer available, it is now difficult to offer the land-for-land option. Nonetheless, the ESAP has recommended that WAPCo "should analyze the reasons that led to the overwhelming provision of cash compensation; and the use and success of the cash compensation in re-establishing assets and livelihoods" (ESAP Mission Report, November 2007). This could be accomplished through the existing RAP implementation monitoring process or during the updating of the socio-economic survey (see paragraphs 45 and 46). The Bank will follow up through field visits and missions from July to December 2008 to assist WAPCo in better understanding the dynamics behind the PAPs' preferences for cash.

40. **Cash Compensation for Land.** In determining cash compensation for land in Nigeria, WAPCo calculated land valuation based on the Estate Surveyor's report, which recommended a land compensation base rate of NGN10.00/m². A formula of 10 times the base rate plus 75 percent mark up was applied to bring the value up to NGN175.00/m², which was determined to be the replacement cost of the land; the IDA appraisal mission supported application of this formula. However, during implementation, WAPCo paid only NGN70.00/m² as land compensation, of which the recognized landowner received one-fourth, as indicated below:

- Landowner NGN17.50/m²

• Community Rights to Community	NGN30.00/m ²
• Traditional Rights to Community Leadership	NGN22.50/m ²
Total	NGN70.00/m ²

41. On discovering that just one-tenth of the estimated NGN175.00/m² land value had been paid to landowners, tenants, and other claimants, a Bank mission in 2006 requested that the independent evaluator, ERM, assess the breakdown of actual compensation payments in its review of RAP implementation. It was revealed that grievances registered in 2005 and 2006 referred to under-valuation of crops and trees. Subsequently, the Bank recruited two consultants, an estate valuator and a lawyer, to assess the under-valued land and other assets. Based on the consultants' reports, and as recommended by ERM and ESAP, WAPCo calculated additional payments based on differential land values estimated for three zones by the estate valuator. The property values by zone were based on available market information, including updated buying-and-selling land prices, and predominant land use (e.g., urban, peri-urban, and agricultural).

42. WAPCo subsequently approved a budgetary allocation to cover the expected compensation shortfall, realizing that this amount would be critical for assisting PAPs in restoring livelihoods. WAPCo was also aware of the importance of correcting the valuation at a level that would be closer to replacement costs. In this regard, WAPCo adjusted the three zones and added a fourth zone to better reflect actual land costs and land use differences in the more urbanized segments of the ROW. In addition, the WAPCo Board of Directors has directed that immediate additional payments be made to cover the compensation shortfall and also increased the allocation and commitment to expanding the CDPs to also take into account vulnerable groups.

43. **Other Compensation.** Aside from land, WAPCo paid replacement costs of physical structures based on the costs of buildings and construction materials. A list of buying-and-selling prices of types of structures by location was compiled by Estate Surveyors in 2003-2004. ERM assessed these values in 2005-2006 to be above market rates and replacement costs, and this was confirmed by a Bank supervision mission in September 2006 and by the ESAP review in 2007.

44. Concerning economic trees and crops, WAPCo used the Oil Producers' Trade Section (OPTS) rates for Nigeria. Although WAPCo in 2004 added a "mark up" that was about ten times the OPTS rates, the estate valuator in 2007 found that the original (2004) base prices were below market values. As a result, WAPCo hired an agricultural economist in 2008 to update market rates for each type of asset (i.e., crops and trees) from 2003-2004 and adjusting for inflation to 2008, considering the differentiated land use for three to four zones and the most current IITA/FAO agricultural prices for Nigeria. Based on the draft report under review, the revised calculations will result in additional payments to be paid to PAPs.

45. **Overall Compensation Package.** As of August 2007, total land acquisition payments to affected households in all four countries totaled more than USD7.0 million.

This would increase to about USD9.5 to 10.0 million following completion of the additional payments for land, crops, trees, etc., which will be completed by October 2008. As mentioned in the introduction to this section, the additional payments constitute one of the corrective measures adopted by WAPCo to address the compensation gaps that occurred in 2004. The delivery of these additional payments will be complemented by training for PAPs in money management and small business development, and by modifying the CDPs to better take into account the needs of PAPs and vulnerable groups. While OP 4.12 allows the use of cash compensation if PAPs indicate “overwhelming preference,” the December 2007 Bank supervision mission was informed by WAPCo that it would be difficult to offer the land-for-land option under the additional compensation program since most of the earlier identified productive replacement lands are no longer available. Additionally, Management concurs with the ESAP findings that “while this (cash) is the easier option to implement,” the Project will need to address the “welfare hazards” associated with cash payments in several ways. ESAP recommended that WAPCo provide “practical training on how to use cash.” Another way is to require PAPs to attend “community meetings to discuss the problems of cash mismanagement.” It was recommended that WAPCo provide “future in-kind options (e.g., markets, skills training), but these should be spelled out in detail” (see below). Finally, WAPCo, applying lessons learned from the first round of cash compensation, is verifying eligible landowners for each parcel (including through discussions with landowners regarding other land users, such as tenants and farm workers) and has been openly and transparently discussing the methodology for calculating additional payments with PAPs and local leaders, including identification of inter- and intra-household access to land and other productive assets. Starting in July 2008, the monthly Bank field visits to the Project sites will ensure that the additional compensation has been effectively implemented. The Bank field visit in August 2008 will also work closely with WAPCo to eliminate the “transaction costs” to PAPs and improve its delivery of money management and livelihood options. The witness nongovernmental organization (NGO) will provide real-time feedback to WAPCo and the Bank field-based team on the quality of delivery of the additional payments and livelihood restoration activities.

46. WAPCo agreed to provide community sensitization and consultations on the methodology and process for additional compensation, together with appropriate training on money management and activities for restoring livelihoods. These are important, given the challenges of delivering relatively large amounts of cash in light of security issues and balancing cash preferences with livelihood and money management programs. The monthly Bank follow-up visits to the Project sites will monitor the extent and quality of community sensitization. In fact, during the May 2008 Bank supervision, several sensitization meetings in Nigeria were observed. The meetings were well attended, including not only PAPs but also local leaders and other interested community members. The purpose, methodology for calculating the additional compensation, grievance procedures, etc., were discussed in these meetings. Together with the witness NGO, Bank field-based staff will continue this active oversight to ensure that there is better documentation of these meetings and that the outcomes of the consultations on the methodology for additional compensation and other related issues are also included in the monthly RAP implementation monitoring (WAPCo regularly provides these monitoring reports to the Bank).

47. **Restoration of Livelihoods.** In addition to compensation, WAPCo is also implementing three programs aimed at restoring livelihoods which were recommended in the ESAP Mission Report. These are: (i), the provision of practical training on money management and offering opportunities for small business investments, supplemented with micro financing; (ii) community development sub-projects that provide basic social services and expanding these to infrastructure support like markets and feeder roads that directly impact agricultural production; and (iii) longer term assistance to PAPs, including formation of agricultural support groups and vocational skills training.

48. The three programs are expected to benefit PAPs and surrounding communities. These benefits are especially critical for the majority of the PAPs dependent on subsistence agriculture. Even though just 20 percent of PAPs were surveyed in 2003, the results of the Environment and Social Impact Assessment (ESIA) Household Survey nonetheless indicate the extent of poverty among the PAPs' households. For example, results from 125 PAP households showed an average annual food expenditure of USD102, which was much lower than the yearly average for the Southwest region of USD324 in 2003-2004.⁹ This is consistent with the 69 percent poverty incidence in the region during the same years, where close to one-third of the rural population in Ogun State was classified as "extreme poor," living on less than USD1.00 a day. The results also showed that 21 percent of PAPs surveyed had average per capita annual incomes between USD500-1,000, which was significantly higher than the national average of USD300 in 2003.¹⁰ However, the 2004 RAP report noted that the survey results on income were not reliable, and so the figures "are not an accurate reporting of all income sources." Indeed, the problem of acquiring good income and socio-economic information was discussed with WAPCo during the Bank supervision mission in December 2007. The socio-economic survey, to be completed by December 2008, is expected to improve existing baseline information, which will assist in the design of livelihood restoration programs. Further, the Project team will assist WAPCo in devising a survey instrument that can better reflect changes in income levels, during the field visit planned for August 2008.

49. **Grievance Mechanism.** In 2005, WAPCo established a grievance mechanism which was to apply six steps: (i) filing of grievances (or complaints) in the log entry, with a detailed description of the complaint; (ii) determination of corrective actions by the Community Liaison Officers (CLOs) with the concerned PAPs; (iii) meeting with the concerned PAPs to propose corrective actions; (iv) implementation of the corrective action using a Resolution Agreement form; (v) verification of the corrective action by a WAPCo representative; (vi) closure, if the claimant is satisfied; and (vii) determination of alternative actions if the dispute remains unresolved.

50. The review of RAP implementation by ERM in 2005-2006 indicated that there was weak understanding by PAPs of the grievance filing and resolution steps. Although the CLOs explained the procedures to PAPs, Management agrees with the Panel that the

⁹ National Bureau of Statistics, 2004. "Poverty Profile 2004," Federal Republic of Nigeria. <http://www.nigerianstat.gov.ng>. The exchange rate applied in 2003-2004 was USD1.00 = N133.3.

¹⁰ National Bureau of Statistics, 2005. "The Nigerian Statistical Factsheets on Economic and Social Development." Federal Republic of Nigeria http://www.nigerianstat.gov.ng/fact_sheets.

grievance mechanism should provide more accessible procedures for third party settlement of disputes arising from compensation and other aspects of the RAP, along with improved documentation of dispute resolution. In each country, WAPCo has reviewed and revised the grievance mechanisms and documentation, and has put in place programs to increase community awareness of dispute resolution procedures. During the ongoing consultation and sensitization process (15 community meetings were held in May/June 2008), documentation on the grievance mechanism was shared with PAPs, including, inter alia, information on accessible procedures for third-party settlement of disputes arising from resettlement, judicial recourse, and mediation by community or local government leadership. Concerning the documentation process, WAPCo has also proposed a digital complaints log in each country and a database at Accra headquarters, using information provided by the witness NGO. Ongoing field-based supervision by staff in the Country Offices will follow up on these actions as part of the yearly independent evaluation of RAP implementation.

51. ***Community Development Program.*** Based on a Participatory Needs Assessment (PNA)/Participatory Rural Appraisal (PRA) undertaken from 2003 to 2006, community development activities were launched almost immediately after the first compensation payments were completed in 2004. Agreements (Memoranda of Understanding) with 27 communities were made in 2005, indicating community preferences for infrastructure and livelihood sub-projects. By December 2006, WAPCo had completed 51 “small works” types of community sub-projects, such as schools, classroom blocks, libraries, health centers, water boreholes, and sanitary and drainage facilities. The total amount for these sub-projects was over USD1.9 million. In Nigeria, a local NGO, Enterprise for Development International was contracted to supervise construction and initial operation of 15 health centers and schools. The design and siting of these facilities was based on the Participatory Rural Appraisal in Nigeria in 2006, which involved more than one-half of the PAPs. In 2007, WAPCo also launched CDPs aimed at diversifying income streams through skill acquisition, small scale business development, and vocational training programs (primarily for the youth). In Benin, Togo, and Ghana, the community development projects were completed and some of these were handed over to local officials for operation and maintenance in 2007 and 2008.

52. WAPCo is managing community sub-projects through outsourcing of construction to local NGOs and private agencies. Community development will be supported throughout the life of the Project. The ESAP recommended that WAPCo shift to more livelihood oriented programs and less on “bricks and mortar” types of activities. In response, the third phase of WAPCo’s CDP will focus on skills acquisition and vocational training for vulnerable groups. During the December 2007 Bank supervision mission, WAPCo agreed to implement CDP actions that may range from provision of ramps for disabled students in schools to technical support for special vocational programs for vulnerable groups. On the basis of the RAP Audit and the socio-economic survey update to be undertaken, WAPCo will continue to explore ways of making the CDP flexible and take into account the needs and full participation of affected communities. Field visits will monitor this regularly and the Bank supervision mission in December 2008 will review the CDP implementation strategy.

53. **Vulnerable Groups.** The 2004 RAP report identified vulnerable persons as those “with significantly lower income levels, who would be prone to the risk of impoverishment as a result of land take.” These may be single parent households, families with only grandparents and grandchildren, women headed households, or those with elderly and disabled members. According to the data compiled in 2003, of the 125 PAPs interviewed, women comprised 23 percent of landowners but they lost, on average, less land in the ROW compared to male landowners. Among tenants, the number of women is lower (17 percent). About one-third of landowners had illnesses such as HIV/AIDS, tuberculosis, or malaria.

54. WAPCo has agreed to implement the ESAP recommendation of sensitizing its CLOs on the issue of vulnerable people, and to “commence planning and implementing credible search and response to individual vulnerables”. Management agrees with the Panel and ESAP that more targeted efforts are needed to ensure that vulnerable groups receive benefits. WAPCo will undertake to identify any vulnerable people during the forthcoming verification process when additional compensation will be provided to existing (and any newly identified) PAPs. WAPCo will also include gender mainstreaming variables in the ongoing socio-economic survey, retro-fitting its CDP activities to include vulnerable groups, and incorporating targeted support for skills development to allow empowerment activities to run concurrently with ongoing and planned construction activities.

55. **Disclosure of Information and Consultation.** The RAP was publicly disclosed in 2004, though translated versions in local dialects were not distributed to communities until June 2007. Management regrets the delay in making translations of the RAP available and the delay in translating the EMP. These documents should have been made available to PAPs prior to their receiving entitlements. Management further acknowledges that one village meeting per district or area to discuss the RAP and CDP was insufficient to ensure full understanding of the program. As corrective measures, Management will ensure that the EMP is translated into local dialects, and that it is distributed to affected communities in August 2008. Management will also ensure that the results and quality of feedback of the local consultations are recorded in the consultation logs of CLOs, which are submitted quarterly to WAPCo’s head office in Accra, and which will be reviewed during Bank supervision missions.

56. In 2004-2005, consultations took place in town halls and libraries, Igbesa Oba’s Palace, Badagry Town Hall, and local government offices in Ado, Ifo, Ado-Odo/Ota, Department of Petroleum Resources (DPR)-Lagos, Lagos State Secretariat, and Lands Departments in Alausa, Ogun State Secretariat, Abeokuta, Oku Mosun, and the Ministry of Petroleum Resources-Abuja. Public notices were announced in the media. Among communities, and especially in PAP villages, disclosure procedures were undertaken following guidelines in OP 4.12. Subsequently, CLOs held several village focus group meetings. There are numerous records of meetings with local leaders and PAPs presided by the CLOs that explained the resettlement procedures. These also include WAPCo’s meetings with estate surveyors hired by the PAPs to negotiate on their behalf. Management will ensure that the consultation, disclosure, and feedback process is closely

monitored, through the witness NGO and through a strengthened monitoring and evaluation system.

57. Consultations are currently taking place in affected communities on a regular basis through the CLOs. In Nigeria, these consultations and sensitization efforts have focused on the additional compensation program and methodology, money management, opportunities for livelihood restoration, the scope of the CDPs, modifications to the grievance mechanism process to make it more transparent, etc. The process of putting in place a witness NGO is being finalized and the NGO should be in place by early July 2008 primarily to document and witness the additional payment process, money management training, and programs for livelihood restoration to PAPs. WAPCo will continue to ensure comprehensive and meaningful participation of affected communities and, through the witness NGO, document such participation in the RAP implementation monitoring monthly progress reports and consultation records.

58. ***Institutional Capacity.*** At the time of RAP preparation in 2003-2004, an assessment of the qualifications and experience of WAPCo personnel responsible for implementing EMPs and RAPs was undertaken and were found to be satisfactory. During the implementation phase which started in 2005, Management became aware that WAPCo had a high turnover of staff concerned with handling resettlement and compensation issues. This resulted in lack of continuity and institutional memory. Thus, Management focused on training new staff on safeguard policies, such as the workshop held in Accra in 2007. To strengthen its existing social safeguards team, WAPCo is ensuring that its social safeguards personnel are being adequately trained in RAP monitoring, as well as in the monitoring and evaluation of safeguards compliance and of the community development program. At the same time, WAPCo is increasing its social safeguards staff through the recruitment of 2 staff in Nigeria and one staff member in Ghana by June 2008. One staff each in Benin and Togo are being re-trained to handle social safeguards issues. WAPCo also has a program for capacity building for its staff, including a training program organized by the International Finance Corporation (IFC) in May 2008; and capacity building training to be organized by MIGA in July 2008. Management will continue to monitor institutional capacity and work with WAPCo to ensure that any potential gaps in expertise and/or training are addressed.

ENVIRONMENT

59. ***Overview of Environmental Impact Management.*** The WAGP pipeline passes through the coastal waters of four countries; it crosses the beaches of each country, and includes buried lines of various lengths. It connects to onshore facilities that deliver gas into the line or regulate gas pressure and meter deliveries to customers. The scope and breadth of the Project presented enormous challenges from the outset, in terms of carrying out environmental baseline studies and impact assessments (EAs) and developing EMPs for the 678 kilometer high-pressure land and marine gas pipeline. Baseline environmental studies were conducted over a two-year period, documented separately and summarized in the EAs, of which there are five – one for each country plus a regional EA that integrates the findings of the four and examines cumulative impacts and issues of regional importance. The EAs report the results of economic and

environmental and social analysis of a wide range of alternatives – alternative ways of achieving Project objectives as well as alternative alignments, designs, and installation methods. The EMPs include detailed protocols and procedures for a variety of impact avoidance and mitigation measures, ranging from detailed workplace safety rules to a contingency plan for protecting sea turtles should any be encountered nesting along the beaches near construction sites. Multiple levels of monitoring are built into the EMPs, including actions to be undertaken by contractors, and semi-annual independent monitoring and annual audits of EMP implementation that WAPCo imposed upon itself. The ESAP reviewed the assemblage of safeguards documents and found it not only comprehensive and in compliance with OP 4.01 and the other relevant policies, but if anything, too voluminous and wide-ranging in scope (ESAP Report, p. 57).

60. The Project has been relatively benign in its impacts on the physical, biological, and human environments. The only significant adverse impact has been temporary impairment of water quality at the point of hydrotest water discharge at the Takoradi (Ghana) end of the pipeline, which resulted in a minor fish kill, complaints from the surrounding community, and criticism from Ghana EPA. Pipeline installation at beaches and major wetland areas has been carried out wherever feasible by horizontal directional drilling (HDD), a more expensive technique than trenching, but one that limits the potential for adverse impacts on these sensitive environments. Where HDD could not be used, on the rocky beaches in Ghana, installation was by trenching. There are possibilities of beach erosion in the future at Takoradi, but sites have been restored and will be monitored in strict accord with permits issued by Ghana EPA; WAPCo will undertake further actions to stabilize the beach if and when necessary. Otherwise, impacts have been limited to minor incidents such as contractor failure to maintain erosion controls at one location.

61. In terms of health and safety, topics that are also addressed in the EAs and EMPs, the Project's record has been equally impressive. There was one unfortunate work-related fatality early in the Project, caused by failure to follow the established protocol for electrical safety. Between the date of that incident and mid-March, more than 7 million person-hours have been worked by WAPCo and its contractors without a lost time incident directly related to work.¹¹

62. ***The Environmental and Social Advisory Panel (ESAP).*** Appointment of the independent ESAP was delayed due to procedures and approvals needed for contracting consultants at fees higher than the maximum allowed under current rules.¹² Management considers the delay in fielding the ESAP to have been a significant factor, and that some of the issues that led to the Request could have been avoided or more quickly identified and resolved had this delay not occurred. Nevertheless, the ESAP's advice has proved invaluable. It conducted its first field mission on August 6-17, 2007, with visits to all onshore pipeline locations, communities affected by the pipeline, and government institutions with direct responsibility for safety and the environment. Its first report, dated

¹¹ A second fatality occurred in Nigeria on March 17, 2008 in the course of an armed robbery.

¹² Due to the complexity of working with four Governments that all had distinct interests in the Project, the ESAP members were hired as short-term consultants by the Bank, and are being reimbursed by WAPCo without prejudice to their recommendations regarding the Project.

November 2007, contains findings and recommendations to WAPCo on a wide range of issues, from socio-economic database development, compensation and livelihood restoration to emergency response planning and site security. WAPCo has been receptive to and is following the ESAP's advice.

63. WAPCo's action plan developed during the December 2007 supervision mission and reflected in Annex 4 includes 12 recommended actions based in whole or in part on the ESAP report, of which six are in the process of being implemented and six have already been completed (see Annex 1, Item 17). In addition, ESAP experts provided specialized advice, when requested by WAPCo or the Bank, on a number of implementation issues: the safety expert recommended a methodology for analyzing the risk of anchor damage to the offshore pipeline, and the marine expert identified data needs for evaluating the coastal erosion potential of various beach crossing configurations at Tema and Takoradi and techniques for monitoring erosion outcomes. The ESAP is planning its next mission for July-August 2008.

64. ***Upstream Impact and the Escravos-Lagos Gas Pipeline (ELPS).*** The Inspection Panel concluded that the Niger Delta (the source of gas) and the ELPS pipeline that transports gas from the Delta to WAGP should have been included in the Project-affected area and addressed in detail in the EAs. The Regional EIA acknowledges the kinds of activities that could occur in the gas-producing areas to meet increases in demand for gas to which WAGP would contribute in the future, if and when its throughput exceeded the initial 200 MMCF/day, a development not expected to occur within the first five years of operation, possibly within the first ten years, and possibly not at all. The specific nature of the activities and any new investment, their locations and timing could not be determined when the WAGP environmental analysis was being carried out. Moreover, the Bank would not be in a position to enforce EMP provisions on new gas producers or additional investment in ELPS that may or may not occur five to ten years in the future. As a prudent measure, however, WAPCo carried out an Integrity Study, an independent assessment of the ELPS pipeline to ascertain its condition, the integrity of the system and any risks to the Project. The collective judgment of safeguards staff in the region (ASPEN) and the anchor (OPCQC) as well as legal and policy advice from LEGEN, was that the WAGP "Access Code," which outlines the process and procedures for new shippers to be eligible for transporting gas through WAGP, was the appropriate trigger mechanism to ensure that any new upstream investment/developments involving gas transportation through the WAGP would be appropriately vetted (due diligence would be carried out on new shippers, including on their business practices and on applicable national environmental regulations), consistent with Nigerian law and EA regulations. This approach to upstream issues was communicated to the Board in the PAD (p.36). Management acknowledges the Panel's finding that interconnection with WAGP has "caused NNPC/NGC, the pipeline owners and operators, to improve the safety of ELPS."

65. Through the Integrity Study, the integrity of the (old) ELPS portion linked to the (new) WAGP was adequately assessed during Project preparation. The reason that the Integrity Study findings and recommendations are not taken up in the Nigeria EIA is consistent with Management's decision that ELPS is not an associated project of WAGP (see paragraph 26 above). ELPS is owned by a different entity; it required no upgrade or

investments because of WAGP. The issue of a possible negative impact of ELPS on WAGP’s capacity was raised and it was agreed by all parties that an “intelligent pigging” – or internal check of the pipeline using a monitoring device (“pig”) – of the entire pipeline integrity be undertaken, using internal scanning with state-of-the-art equipment. This “pigging” was carried out by NNPC/NGC, which subsequently shared the findings with the WAGP team members. The WAGP team was satisfied with the findings and with the necessity of keeping critical technical and logistical information proprietary and confidential, especially in light of the potential risks of drawing undue attention to its vulnerability and thus leading to possible acts of sabotage. The “intelligent pigging” will be carried out at regular intervals to continue providing assurance with regards to operational safety.

66. **Disclosure of EA Documents.** The Panel observed that the quality of safeguards documents was good but was concerned about two aspects of disclosure and consultation: (i) failure to disclose the ELPS Integrity Study and (ii) lack of adequate attention to appropriate form and language in disclosing documents and holding consultations on them. Management was not in a position to disclose the ELPS document because:

- The Integrity Study was not required by the Bank under its safeguards policies;
- While ELPS reliability and safety were necessary elements of WAPCo’s due diligence, the Integrity Study was conducted for NNPC and is NNPC’s property, not the Bank’s nor WAPCo’s;
- NNPC considers the information in the report highly sensitive and required both WAPCo and the Bank to sign confidentiality agreements before releasing it to them; and
- Management concurs with NNPC’s judgment, noting that the security situation in the Niger Delta, with its history of pipeline sabotage, precludes public disclosure of a report that includes detailed information on ELPS design, operation, and vulnerability not only to accidents but also to deliberate deleterious actions by third parties.

67. Management acknowledges the Panel’s finding regarding the good quality of EA documentation and its technical complexity. For persons accustomed to reading technical documents in English (which is a common language for literate Nigerians) and with access to the 11 locations in Nigeria in which it was disclosed, the disclosure made in July 2004 would have been sufficient. However, acknowledging complaints from local communities, the Bank advised WAPCo in October 2004 to make and distribute local language translations of the RAP and summaries. WAPCo prepared a Yoruba translation of the RAP summary, but, through a misunderstanding, not the EMP summary. The RAP translations were distributed to all communities along the right-of-way in Nigeria in June 2007. WAPCo has agreed to improve and expand distribution of non-technical presentations of key Project information in local languages. It is preparing translations of the EMP summary into Yoruba and plans to disseminate it among the communities by August 2008. This document will be more relevant to the public than the EMP for

construction. For the sensitization and consultations on compensation adjustment that took place in May/June 2008 at 15 locations in Nigeria, and for the compensation adjustment itself that will take place by October 2008, presentations and documents will be provided in Yoruba and English.

68. **Emergency Response and Contingency Plans.** Management agrees with the Panel that ERPs will not be effective unless the communities concerned are fully informed about them. WAPCo agrees that before gas flows through WAGP, site specific plans must be in place and potentially affected communities must have been made aware of their content and have had opportunities to ask questions, seek clarifications, and clearly understand the respective roles of WAPCo personnel, emergency response services, local government, community leaders, and citizens in the event of any emergency along the ROW or at one of the facilities. WAPCo's initial focus has been on the facilities that will be operating to deliver "free flow gas" to Takoradi – the Station at Itoki (the Alagbado Tee), the pipeline from that station to Badagry, the Badagry Beach Compressor Station, the offshore line, and the Takoradi Station. The Bank has reviewed and found the ERPs to be satisfactory. Further refinements are anticipated as a result of the forthcoming ESAP mission.

69. Site-specific emergency response planning has been a continuous process since WAPCo issued the system-wide ERP in May 2006. The first drafts of the site-specific ERPs were made available to the Bank in December 2007, and WAPCo conducted "desktop drills" in Nigeria and Ghana to identify any needed improvements. The Bank provided extensive comments on the drafts. WAPCo held two stakeholders' fora in Nigeria on pipeline safety, one in Lagos on December 17, 2007, and one in Abeokuta on December 18, 2007. A second revised draft ERP was subsequently produced and given to the Bank in early April 2008. In view of the ESAP's expertise on pipeline safety, the Project team also solicited their review by the ESAP, which provided comments and, by and large, found the revised ERPs to be satisfactory. ERPs and safety will be priorities for the next planned ESAP mission in July 2008. WAPCo prepared a brochure for the public on pipeline safety, focusing on how to recognize a gas leak and what to do (and not do) if one thinks a leak is occurring. The brochure has been translated into French, Yoruba, Ga, Fanté and other local languages. WAPCo has distributed 1000 copies of the Yoruba version in Nigeria. Management will continue to monitor ERP activities and the related community awareness program to ensure that the requirements stated above are met. Wherever feasible, the Project team would also endeavor to participate in the community awareness programs to be conducted by WAPCo.

70. **Fisheries Issues.** Fisheries concerns of two types were brought directly to the Panel during the course of its investigations. An NGO was concerned that the EA and EMP for Ghana had not taken potential impacts on the livelihoods of fisherfolk properly into account. In talking directly to the fishing communities, WAPCo, the Project team, and the Panel all reached the same conclusion – that there was no environmental issue associated with WAGP that affected coastal fishing in Ghana.

71. The second fisheries issue came from the Ajido community in Nigeria. Ajido fisherfolk had experienced a poor fishing season in Badagry Lagoon in 2006 because of

material that was clogging their nets, and had concluded that spills of bentonite used in drilling mud for the HDD operation were the source of the problem. WAPCo investigated the situation after it was made known to them (the community did not complain to the WAPCo CLO), and concluded that the substance in the nets was algae, probably from an algal bloom caused by nutrient enrichment from wastewater and agricultural runoff. Several months later, that diagnosis was confirmed by forensic analysis. By means of placing cuttings from the net in algal culture medium, Jawura Environmental Services Ltd., a Nigerian laboratory contracted by WAPCo, confirmed that the fouling material consisted of algae. Microscopic examination of the regenerated plant material identified 12 genera of green algae, of which the dominant genus was *Chlorococcum*, a unicellular green alga that tends to form clumps and is frequently found in nutrient-enriched waters. This confirmed in general the explanation WAPCo had given to the Ajido fishing community during its initial investigation of the net problem in 2006, although the particular genus WAPCo named at the time, *Spirogyra*, was not found in the forensic analysis.

72. Management notes that the Project team informed the community that it was unlikely, scientifically, that bentonite could have caused the clogging. The Panel's consultant agreed that it was scientifically impossible. Management agrees with the Panel that the incident could have been handled more effectively in one respect: the microscopic analysis should have been conducted immediately after the problem became known to WAPCo, which was by a circuitous route from the fishermen to the Panel to Bank staff to WAPCo's Health, Environment and Safety Officer. It was not until mid-2007 that the Bank discovered that the identification of the algae as *Spirogyra* was based on appearance rather than microscopic examination, and the Bank's reaction prompted WAPCo to contract for the analysis described above.

73. From the community's point of view, the interaction with WAPCo over this incident has been beneficial. WAPCo has continued the program of assistance to Ajido that it agreed with the fishing community in 2006 to help offset the poor fishing season initially blamed on the pipeline installation. By mid-2007, WAPCo had assisted the community to formally establish the Ajido Fishing Association, had purchased and delivered fishing equipment according to priorities agreed with the Fishing Association, and had initiated a program of capacity-building, covering topics such as fishing enterprise management, savings and thrift, and conflict resolution.

PROJECT SUPERVISION

74. The Project was approved by the Board in November 2004 and Project implementation was launched in early 2005. The first supervision mission focusing on safeguards aspects took place in June 2005 and consisted of three WBG senior safeguards specialists. The IDA Partial Risk Guarantee became effective in May 2005.¹³ Subsequent supervision missions took place in April 2006, October 2006, March 2007, May 2007, November 2007 and in May 2008. While progress reports were being reviewed monthly,

¹³ The risk to IDA is triggered only after the Project reaches Commercial Operations Date (COD) which is defined as completion and testing of the full system, including the compression facilities.

there was an unfortunate gap of ten months between the first and the second field supervision mission, by which time implementation issues relating particularly to social safeguards issues started emerging. Also, there were delays in responding to complaints by PAPs.

75. To compound the Bank's initial inadequate supervision oversight, particularly on social safeguards, there was significant turnover of WAPCo's environmental and social team, with professionals engaged in the preparation of the Project being replaced with new staff during implementation of the RAP. The effects of these personnel changes were not immediately evident. In hindsight, the ultimate consequences of disruption in continuity at WAPCo were not fully grasped. Also, the independent oversight planned via a three-person ESAP could not take place on account of procedural delays in assembling the experts.

76. Management has taken a number of steps to improve the quality and intensity of Project supervision:

- It has bolstered its field personnel through recruitment of an experienced Task Manager (Senior Energy Specialist) and a Senior Social Development Specialist located in Abuja, Nigeria, and a Senior Economist located in Accra, Ghana. Local staff have been nominated in Benin and Togo, to be responsible for supervision oversight and liaison with the Task Manager.
- Field staff are supported by a complement of experienced headquarters social development, energy, safeguards, and other staff specialists and consultants.
- Management input and coordination with the Country Office and in monitoring the Project has been strengthened with more periodic reviews and more efficient tracking of feedback (from PAPs, contractors, governments, etc.) about issues arising during implementation. There will be follow-up visits to the Project site, starting in July 2008 until completion of the additional compensation process and socio-economic survey in December 2008. The Country Director for Nigeria (who is based in Abuja) will also participate in some of these visits.
- A minimum of two Bank supervision missions of 10-14 days duration shall take place during the remaining construction period of the Project, with more frequent/continuous formal and informal supervision through the field offices. In addition to technical, financial, and economic specialists, Bank supervision missions will routinely include the right complement of safeguards specialists (environmental and social).
- Adequate budgetary resources are being allocated for the supervision effort (about 3 times the normal project supervision budget of USD100,000). The FY09 budget will be in the range of USD350,000, including additional support from OPCS, Legal, and the Sustainable Development Network anchor.

- The ESAP has been in place since August 2007, and has undertaken one field visit (another field visit is planned for July/August 2008). It would be retained until physical completion of the Project, expected in July 2009.
- WAGP is not only part of the regional portfolio, but is also included in reporting to the relevant Country Directors, in this case, Nigeria, Ghana, Benin and Togo. Funding for development and implementation of regional projects is being provided through the regional integration department, thus ensuring accountability throughout the project cycle. This will include annual regional and corporate reviews of the Project's status.
- Greater interaction with the Federal, State and Local Governments, NGOs, communities, and other stakeholders shall be maintained through the field offices and by the Bank's External Affairs specialists in conjunction with WAPCo, as well as through forthcoming supervision missions.
- Financing complex regional programs is still a relatively recent development in the Bank's business, and presents significant process issues within the Bank's country-based business model. In line with the recommendations of the FY07 IEG Review of World Bank support to multi-country operations and the new Regional Integration Assistance Strategy recently discussed by the Board, the Africa Region is developing "best practice" tool kits. These tool kits will assist task teams to navigate process challenges and to better achieve high standards of implementation monitoring in complex regional programs.
- Based on WAGP experience, the lessons learned on supervision of public-private partnership projects will be documented and brought to the attention of project teams handling similar complex projects.

77. In the future, for projects involving new borrowers/sponsors in a complex sector with many actors/participants, a more comprehensive upstream evaluation of the sector environment and issues would be warranted to better assess the risks and help develop strategies for their mitigation.

V. MANAGEMENT'S ACTION PLAN IN RESPONSE TO THE FINDINGS

78. In light of the issues set out above, Management has prepared an Action Plan to address past and ongoing problems, in particular, with respect to social aspects of the Project, such as compensation, the adoption of appropriate grievance mechanism, and attention to vulnerable groups. This Action Plan was discussed with the Requesters on June 5, 2008, who were generally supportive. The recent World Bank supervision mission (May 2008) also discussed the broad features of the Action Plan and WAPCo has agreed to implement the actions for which it is responsible. Management for its part will carefully supervise and monitor the Project and ensure the effective implementation of the Action Plan. There will also be further follow-up with the local communities on specific issues that they have raised.

79. Table 1 below summarizes the Management Action Plan.

Table 1. Proposed Management Action Plan	
ISSUES	ACTION
Social Impact Assessment and Mitigation Measures	
Remedial steps for correcting land under-compensation; Livelihood restoration and method for compensation; Compilation of baseline socio-economic information; verification of displaced persons and vulnerable groups (OP 4.12)	<ul style="list-style-type: none"> • WAPCo to undertake consultations and sensitization of communities on the method for livelihood restoration compensation; and community development programs (15 completed by June 2008; consultations with affected communities will be an ongoing process). The field-based social specialist has observed some of the consultations. Management will undertake monthly follow-up, starting in July 2008 until completion of the compensation process. • WAPCo prepared a program on livelihood restoration, including the methodology for additional compensation for livelihood restoration for PAPs using four zones; verification of PAPs and intra- and inter-household access and claims completed in May 2008; payments to be distributed to PAPs by October 2008. Management will carefully monitor this program, including through monthly field visits and the supervision mission (in December 2008). • An update of the socio-economic survey to be completed by December 2008; with a follow-up survey update in 2010 (at the end of RAP monitoring period to assess income and livelihood impacts). The Bank will review survey methodology and results, which will be validated by an independent consultant.
Remedial steps for correcting crop and tree under-compensation (OP 4.12)	<ul style="list-style-type: none"> • WAPCo hired IITA Agricultural Economist who has submitted a report on adjusted crop and tree prices, which has been reviewed and found acceptable to the Bank. • WAPCo to undertake compensation of crops and trees (based on updated market rates), adjusted for inflation to 2008 prices, and applying 4 differentiated land use zones and the most current IITA/FAO agricultural prices in Nigeria, by October 2008. Management will review the prices before compensation payments are made.
Development Assistance – sharing in Project benefits (OP 4.12)	<ul style="list-style-type: none"> • WAPCo to intensify CDP implementation strategy, focusing on livelihood restoration; skills development; and activities targeted for vulnerable groups. (August 2008). The CDP will be further modified, based on the findings of the updated socio-economic surveys in 2008 and 2010. Management will carefully monitor the CDP implementation strategy, through ongoing field visits and the December 2008 supervision mission. • WAPCo to document modifications to CDP activities to specifically address needs of vulnerable groups (Ongoing).
Disclosure of information and consultation (OP 4.12)	<ul style="list-style-type: none"> • WAPCo to ensure full disclosure of livelihood restoration compensation (underlying reasons, methodology, calculations, payment process, grievance handling) during community sensitization meetings (Ongoing, fifteen community meetings held in May and June 2008). Management will monitor progress in disclosing relevant information on compensation. • WAPCo to continue to discuss with communities the results of RAP Audit (conducted in 2007) and submit RAP monitoring and consultation updates as part of its monthly progress report (as provided in the Project's monitoring and evaluation plan) to the Bank. • WAPCo to hire an independent monitor (witness NGO) by early July 2008 to document and witness the payment process for livelihood restoration additional compensation.

Table 1. Proposed Management Action Plan	
ISSUES	ACTION
Grievance mechanism (OP 4.12)	<ul style="list-style-type: none"> WAPCo to ensure that the grievance mechanism includes information on accessible procedures for third party settlement of disputes arising from compensation and other aspects of the RAP, and improved documentation of dispute resolution (nature of disputes, parties involved, duration/timing) (July 2008). The Bank field visit in August 2008 will assess the effectiveness of the grievance mechanism. WAPCo to engage in participatory consultations with affected communities on the grievance mechanism and revise the procedures, as appropriate, based on feedback (Ongoing).
Institutional capacity (OP/BP 4.12 and OMS 2.20)	<ul style="list-style-type: none"> WAPCo is ensuring that its social safeguards personnel are being adequately trained in RAP monitoring, as well as in the monitoring and evaluation of safeguards compliance and of the community development program (Ongoing). At the same time, WAPCo is increasing its social safeguards staff through the recruitment of 2 staff in Nigeria and one staff member in Ghana in June 2008. One staff each in Benin and Togo are also being trained to handle the social safeguards issues. Management will assess, on an ongoing basis, the safeguards capacity in WAPCo and other partners (e.g., local groups, witness NGO). WAPCo safeguards staff to participate in the IFC capacity building program organized by IFC (Completed in May 2008). WAPCo to utilize an institution-building program/grant from MIGA by September 2008.
Environmental Assessment and Mitigation Measures	
Independent advisory panel (OP 4.01 and OP 13.05)	<ul style="list-style-type: none"> Management to ensure that ESAP is retained up to July 2009, to encompass remaining construction period and initial operations.
Disclosure of EA documents and Consultations (OP 4.01)	<ul style="list-style-type: none"> WAPCo to translate the Executive Summary of the EMP for operations into Yoruba and disseminate it among the communities by August 2008. Management will monitor the dissemination of the EMPs during its monthly field visits.
Upstream impacts and the ELPS (OP 4.01)	<ul style="list-style-type: none"> Management to endeavor to obtain annual data from DPR and NNPC by December 2008, on the respective volumes of associated and non-associated gas to WAGP through ELPS.
Emergency response and contingency plans	<ul style="list-style-type: none"> WAPCo to conduct ERP awareness meetings with stakeholders and communities near WAGP facilities, prior to first gas (To be completed in June 2008). WAPCo to produce a safety brochure, translate it into local languages, and widely disseminate it (July 2008). Additional public awareness meetings to be held in the future, and printed information on relevant aspects of the ERPs to be distributed (Ongoing). Management will monitor the ERP awareness activities through regular field visits.

Table 1. Proposed Management Action Plan	
ISSUES	ACTION
Project Supervision	
Mission duration, frequency and expertise (OP 13.05)	<ul style="list-style-type: none"> • Management to ensure a minimum of two Bank supervision missions of 10-14 days' duration during the remaining construction period of the Project, with more frequent/continuous formal and informal supervision. In addition to technical, financial, and economic specialists, Bank supervision missions to include environmental and social safeguards specialists (by December 2008 for the first mission; by April 2009 for the second mission)]. • Management input and coordination with the Country Office in monitoring the Project to be strengthened with periodic reviews of Project implementation (Ongoing). • Management to allocate adequate budgetary resources for the supervision effort – about 3 times the normal supervision budget (FY08 and FY09).
Supervision of public-private partnerships, Action on early warning signs – resources for supervision, handling of complex regional projects (OP 13.05)	<ul style="list-style-type: none"> • Management to document, based on WAGP experience, the lessons learned on supervision of public-private partnerships, and to bring this to the attention of project teams handling similar complex projects. • Management to undertake in the future a more comprehensive evaluation of the sector environmental and social issues for projects involving new borrowers/sponsors in a complex sector with many actors/participants. • Management is developing “best practice” tool kits to assist task teams in the Africa Region to navigate process challenges and to better achieve high standards of implementation monitoring in complex regional programs. (To be completed by the end of FY09).

VI. CONCLUSION

80. Management believes that the Bank team is making every effort to apply its policies and procedures and to pursue its mission statement in the context of the Project. Management acknowledges and concurs with many of the Panel’s findings concerning environmental and social safeguards issues and supervision, as set out in Section IV and Annex 1. Management is committed to fulfill the Management Action Plan described above and to supervise and monitor the implementation of environmental and social policies and procedures. Management believes that the proposed Action Plan addresses the Panel’s concerns.

Annex 1
Findings, Comments and Actions

No.	Issue/Finding	Para. nos.	Comment/Action
	SOCIAL ISSUES IN NIGERIA		
1.	<p>General</p> <p>Panel acknowledges complexity of land tenure arrangements in West Africa and notes that efforts were made under Project to address related social issues. However, by not ensuring that WAPCo followed important elements of Bank Policy, Management undercut Bank's development contribution to this Project. More significantly, the necessary measures to avoid impoverishment of displaced populations were not and still are not in place.</p>	Exec Sum, 237	<p>Comment: Management acknowledges that land tenure in West Africa, especially in Nigeria, is characterized by multiple property arrangements which complicate the identification of affected people. Under the customary land tenure system, ownership and control of land follow a well-stratified hierarchy of authority, with the Oba or Baale at the apex, followed by the traditional chiefs, and then by family heads,¹ holding land in trust for other family members. Individuals are entitled to portions of communal land as members of a family and can buy and sell their own allotted land (see Comments and Action in Items 2 and 3). WAPCo hired the services of Estate Surveyors to inventory the land take and identify the owners and their assets, including the pattern of ownership as well as use of all the affected plots. Subsequent to this exercise, and following the Bank supervision mission in September 2006, WAPCo used the findings of an independent estate valuator (financed by the Bank) to compute additional compensation for livelihood restoration based on the definition of replacement value in OP4.12. In addition, the CDP covers more broadly a larger number of communities and stakeholders. To better understand the socio-economic conditions of affected people, WAPCo plans to update the socio-economic survey and incorporate the survey findings into an update of the RAP Audit and CDP.</p> <p>Action: In order to rectify any land tenure issues leading to uncaptured and displaced affected people, and to comply with Bank policies, WAPCo agreed to undertake the following: (i) to update the RAP Audit and the socio-economic survey to identify any additional displaced, affected and/or vulnerable persons and to improve basic data on all PAPs; the RAP Audit undertaken in 2007 identified about 299 additional affected persons in Nigeria who have not yet received compensation; (ii) prior to initiating additional compensation to PAPs to reflect full replacement cost for lost assets, a thorough exercise will be undertaken to identify any further affected persons (see also Items 2, 4 and 7); (iii) adjustments will be made to the CDPs, especially for vulnerable persons and those in need of more income generating opportunities; and (iv) WAPCo will undertake yearly RAP monitoring and the outcome will be validated by an independent entity. Starting in July 2008, monthly Bank follow-up visits, including the Bank supervision mission in December 2008, will closely monitor these actions.</p>

¹ Adedipe, N.O., et al (1998). Rural communal tenure regimes and private landownership in western Nigeria. SD: Dimensions, FAO.

No.	Issue/Finding	Para. nos.	Comment/Action
	Baseline Socio-Economic Data		
2.	<p>Baseline information</p> <p>Panel found that Management did not ensure that the requisite socio-economic information was gathered as called for in the Bank Policy. This does not comply with OP 4.12. The Policy calls for a socio-economic study of the displaced persons. The Policy requirements cannot be met by general data on the project affected area or populations nor by extrapolation from a sample. The Panel finds that the absence of adequate baseline information makes it impossible to ensure that the impacts and potential impoverishment risks facing local people are properly addressed, as required under the Bank's Resettlement Policy.</p>	118-127	<p>Comment: Although the total number of claimants by household along the ROW was counted, several problems arose from lack of breakdown of household data. For example, the complexity of the land tenure system in Nigeria compounded the identification of key respondents. In addition, there were difficulties in identifying household members within the multi-layered property ownership structure. In other cases, it was hard to find respondents, especially in fishing villages. Prior to providing additional compensation to the master list of affected people, a systematic review of any potential additional affected persons will be undertaken, and will involve the traditional leaders and local government (see Action in Item 1). WAPCo has taken the following corrective measures: land and crop compensation rates were recalculated using four zones; sensitization meetings and consultations were held and are ongoing on the additional compensation, training on money management and small businesses, and on opportunities for livelihood restoration; vulnerable groups for special attention are being identified; and the monitoring system is being strengthened, including hiring of qualified personnel for RAP implementation.</p> <p>An independent RAP Audit was completed in 2007. As indicated in Item 1, the RAP audit identified additional PAPS. The audit supported the Bank mission's recommendations for additional compensation in Nigeria and for updating the socio-economic survey baseline in 2008, to be followed by a subsequent survey update in 2010. The ESAP report commended WAPCo for establishing good community relations programs in the CDPs, and also recommended, among other actions, a review of the land, tree and crop rates to ensure replacement value.</p> <p>Action: WAPCo has agreed to update the socio-economic survey baseline by December 2008, the results of which will be used to improve database analysis of affected and vulnerable PAPS; and will provide input to modifying the thrust of CDPs. A second survey update will be undertaken in 2010 to help ensure that the impacts and potential impoverishment risks facing local people are properly addressed (see Item 5 below). These updates will be monitored through monthly Bank follow-up visits to the Project sites.</p> <p>In the context of the verification of additional compensation as part of the livelihood restoration program, WAPCo has agreed to payments reflecting full replacement costs. The Bank supervision mission in May 2008 observed some of the 15 town hall/sensitization meetings in each of the key communities. Additional consultations to be conducted in June and July 2008, will sensitize communities and traditional rulers on the compensation exercise, and will verify current status of: (i) land ownership; (ii) deceased</p>

No.	Issue/Finding	Para. nos.	Comment/Action
			<p>claimants; and (iii) outstanding land disputes. Consultations with affected communities will be an ongoing process. Field-based Bank staff will monitor these consultations and document feedback from PAPs. WAPCo's updated socio-economic survey results will be used to improve its database and assist with the review and design of CDPs.</p> <p>Ongoing Bank field visits and the supervision mission in December 2008 will review the socio-economic survey methodology and results (to be validated by an independent consultant), as well as the CDP implementation strategy and additional compensation program.</p> <p>Under its Corporate Social Responsibility Program, WAPCo will work with governmental and non-governmental bodies to ensure a coordinated approach to community support and development under its CDP.</p>
3.	<p>Number of displaced persons</p> <p>Panel finds that complexities of traditional land tenure system, wherein large extended families control land and heads of families distribute user rights among members of the extended family, were not adequately taken into account. This does not comply with OP 4.12 requiring studies on land tenure and transfer systems. The size and economic holdings of the extended families was – and still is – unknown.</p> <p>Panel further observes that number of displaced persons reported in the RAP was determined using a figure for “average” household size which the RAP itself notes is “surprisingly low.” The Panel expert determined that the size of the displaced population seems to be underestimated as a result of the methodology used for their identification.</p> <p>The proportion of extended family's holdings taken by the WAPCo land acquisition is unknown. It may be that the takings had nominal impacts on the overall productive capacity of the extended family. However, it may also be the case that some were disproportionately damaged. Without knowledge of the socio-economic organization, it is impossible to assess the impoverishment risk.</p>	128-136	<p>Comment: Management concurs that traditional and multi-layered property and use rights in Nigeria are complex and it should have vigorously supported WAPCo in differentiating multiple layers of property, rights and dynamics of inter-household access.</p> <p>The initial compensation was based on the information provided by the Nigerian Estate Surveyor, which included 1,557 private landowners and 928 tenants – a total of 2,485 PAPs, affected in terms of losing their land holdings. About 143 residential plots were affected, 37 of which had civil structures. The number of affected people was estimated at 8,647 in 2004, and WAPCO will continue to verify and update this socio-economic baseline data to be completed by end-2008. Most affected households—except for the 8 percent who had 50 percent or more land area within the ROW—lost only relatively small amounts of land. Most of the lands in the ROW can still be used for grazing, foot traffic, and small-scale cultivation.</p> <p>Action: As part of the livelihood restoration program, WAPCo will review and update the initial listing of the PAPs that captured the following variables: (i) age; (ii) gender; (iii) family name; and (iv) community name, with a view to capturing and identifying any new claimants who would also be eligible for increased compensation payments (see Item 7).</p> <p>WAPCo agreed to update the 2004 socio-economic baseline survey by end 2008; the new baseline data would help in refining livelihood restoration activities, in monitoring, and in tracking changes in income. A subsequent update of the socio-economic survey will be undertaken in 2010 to assess income and livelihood impacts. These results will be validated by an independent consultant. The Bank field visit in August 2008 will discuss with WAPCo the socio-economic baseline indicators that will be measured through the survey to ensure that a sufficient baseline of PAPs' socio-economic conditions is established. Once the survey is completed in</p>

No.	Issue/Finding	Para. nos.	Comment/Action
			December 2008, the survey information will feed into WAPCo's existing database for monitoring and evaluation purposes, and will also provide useful input into the design of its CDPs.
4.	<p>Vulnerable groups</p> <p>Panel finds that Bank Management failed to ensure that the Sponsor performed an adequate analysis of socio-economic risks to vulnerable peoples. This does not comply with Bank Policy on Involuntary Resettlement, and denied these peoples protections provided under the Policy. Since no studies were carried out or mitigation has occurred, population along ROW remains at risk.</p>	137-138	<p>Comment: Management concurs with the Panel's finding of weak attention to vulnerable groups beyond measures to include women, youth, and disabled into existing programs. This remains a serious challenge and WAPCo is aware of the importance of dedicating resources to first understanding the needs of vulnerable groups, then providing actions to reduce their vulnerability and impoverishment risk. The first and second phases of the CDP, which focused on community infrastructure, such as schools and hospitals, are nearly complete.</p> <p>Action: WAPCo will implement the CDP and focus on skills acquisition and vocational training for vulnerable groups in the third phase. As agreed with WAPCo, these actions may range from provision of ramps for disabled students in schools to technical support for special vocational programs for vulnerable groups. On the basis of the RAP Audit and the update of socio-economic baseline survey to be undertaken in 2008, WAPCo will continue to explore ways of making the CDP flexible, taking into account the needs and full participation of vulnerable groups (see also Item 9, below). The Bank field visit in August 2008 will review the CDP implementation strategy, especially with regard to vulnerable groups.</p>
5.	<p>Land and productive assets of displaced persons</p> <p>Panel finds that Management did not ensure that Project planners used reliable and specific data on individuals or households affected by the ROW, rather than assumptions, averages, and related arguments.</p> <p>As result of these flaws in methodology, Project documents presented to the Board at the time of Project approval included incorrect and incomplete information on livelihood and impoverishment risks. This was inconsistent with OMS 2.20 and OP 4.12.</p>	139-143, 316	<p>Comment: Management concurs with the Panel's finding that the RAP should have used more specific information on affected households to form the basis for a socio-economic profile. At the same time, Management was also aware of three factors that constrained collection of extensive socio-economic data in 2004. First were difficulties in identifying legitimate respondents in the survey, and problems with locating many respondents due to the complex property ownership and multi-layered access rights. Second was the extensive coverage of affected land in Nigeria: 144 hectares in 23 communities, of which 82 percent were agricultural croplands and 9 percent were used for agroforestry. Only 4 percent of the land taken had physical structures (e.g., buildings, houses) on it. Third was the problem of determining land values which was often hindered by the paucity of public land registration records.</p> <p>The majority of directly affected persons (72 percent) were engaged in subsistence agriculture and related land-based activities. In contrast, fishing accounted for less than 10 percent of the PAPs. Crop farming (cassava, maize, plantain, yam, oil palm, and cocoyam) was the dominant source of employment, for 75 percent of those who were surveyed in 2003, followed by trading, commerce, and professional activities (13 percent), and fishing (4 percent).</p>

No.	Issue/Finding	Para. nos.	Comment/Action
			<p>This broad socio-economic description, however, refers only to about 20 percent of the total number of PAPs that were included in the household survey sample.</p> <p>Results from the sampling of 125 PAP households showed an average annual food expenditure of USD102, which was much lower than the yearly average for the Southwest region of USD324 in 2003-2004.² This is consistent with the 69 percent poverty incidence in the region during the same years, where close to one-third of the rural population in Ogun State was classified as “extreme poor,” living on less than USD1.00 a day. The results also showed that 21 percent of PAPs surveyed had average per capita annual incomes between USD500-1,000, which was significantly higher than the national average of USD300 in 2003.³ However, the 2004 RAP report noted that the survey results on income were not reliable, and so the figures “are not an accurate reporting of all income sources.” Indeed, the problem of acquiring good income and socio-economic information was discussed with WAPCo during the Bank supervision mission in December 2007.</p> <p>As a corrective measure, WAPCo hired the services of a Nigerian company, Estate Surveyors, to carry out an inventory of land take, and to identify the owners and assets on the land, the pattern of ownership, and use of all the affected plots. WAPCo also delegated to Estate Surveyors the negotiations with the PAPs. A RAP Audit was also carried out to assess RAP implementation, and where information gaps were detected, WAPCo will address these gaps through follow-up updates of the socio-economic surveys (2008 and 2010), conducting extensive consultations and recording feedback from PAPs, and strengthening RAP monitoring.</p> <p>Action: WAPCo is updating and developing a Project management information system that will contain detailed data on all affected individuals and/or households. This information system will provide input for updating the socio-economic survey baseline and for monitoring and evaluation purposes. WAPCo has also agreed that the results of the updated socio economic surveys will be used to tailor future targeted interventions in the CDPs. The August 2008 field visit will assist WAPCo in devising a survey instrument that can better identify PAPs’ socio-economic conditions and reflect changes in income levels.</p>
	<p>Loss of Livelihood, Under-Compensation and Harm</p>		

² National Bureau of Statistics, 2004. “Poverty Profile 2004,” Federal Republic of Nigeria. <http://www.nigerianstat.gov.ng>. The exchange rate applied in 2003-04 was USD1.00 = N133.3

³ National Bureau of Statistics, 2005. “The Nigerian Statistical Factsheets on Economic and Social Development.” Federal Republic of Nigeria http://www.nigerianstat.gov.ng/fact_sheets

No.	Issue/Finding	Para. nos.	Comment/Action
6.	<p>Land-for-Land option</p> <p>Panel finds that a land-based resettlement option, described as an alternative within the RAP and encouraged as a preference in OP 4.12, was not effectively offered to the displaced persons as a viable option for livelihood restoration. This is inconsistent with the provisions and objectives of OP 4.12.</p>	165-179	<p>Comment: Management concurs with the Panel’s finding that while the land-for-land option was offered, WAPCo may not have used a strong and convincing approach to PAPs to select this option. PAPs had the option of being compensated in cash or land-for-land in 2004. Some replacement land parcels were identified along the Ota-Ewekoro and Ota-Ildiroko axis, which were convenient locations relative to the ROW. PAPs were allowed to select their own lands for replacement. However, the majority of PAPs opted for cash, with the exception of two families that opted for a land-swap. It should be noted that, for the additional compensation, these lands are no longer available for the land-for-land exchange.</p> <p>The RAP Audit noted two reasons for the preference for cash over land. First was the relatively small percent of land take, with only an average of 8 percent of PAPs having land takes exceeding 50 percent or more of their total land within the ROW. Second were numerous barriers to identifying replacement lands such as lack of productive lands nearby and the risk of Government expropriation. Also, the presence of WAGP in the area temporarily inflated land prices. Those PAPs who were aware of the land-for-land option reported that it was complicated and not perceived to be a realistic alternative option to cash. Of the sample interviewed during the RAP Audit, 47 percent had purchased land with the compensation (though not always in the surrounding areas); indicating preference for purchasing their own lands.</p> <p>Action: ESAP recommended that WAPCo “should analyze the reasons that led to the overwhelming provision of cash compensation; and the use and success of the cash compensation in re-establishing assets and livelihood” (ESAP Mission Report, November 2007). The upcoming Bank field visits and supervision mission (December 2008) will follow up and assist WAPCo in understanding better the dynamics behind the PAPs’ preferences for cash.</p> <p>Starting in July 2008, monthly Bank field visits to the Project sites will ensure that the additional compensation has been effectively implemented. The Bank field visit in August 2008 will also work closely with WAPCo to eliminate the “transaction costs” to PAPs and improve its delivery of money management and livelihood options. The witness NGO will provide real-time feedback to WAPCo, as will the Bank field-based team on the quality of delivery of the additional payments and livelihood restoration activities.</p>
7.	<p>Livelihood restoration and method to establish cash compensation</p> <p>RAP transferred burden for restoration of livelihood onto displaced persons, once they had obtained cash compensation,</p>	180-198	<p>Comment: Management concurs with the Panel’s finding and notes that at the time the RAP was agreed with the World Bank in 2004 as one of the conditions for the investment guarantee, WAPCo agreed to pay “market value” for all assets impacted by the Project. These would include lands, crops, structures, businesses, churches and other</p>

No.	Issue/Finding	Para. nos.	Comment/Action
	<p>without providing additional assistance as called for in Bank Policy. Panel finds that issues of livelihood restoration, resettlement assistance beyond compensation, and benefit-sharing were not properly negotiated with displaced persons. This does not comply with Bank Policy on Involuntary Resettlement.</p> <p>The Panel finds that Management failed to comply with the Bank's Policy on Involuntary Resettlement by accepting the use of a formula that is not based on the livelihood restoration objectives of OP 4.12.</p> <p>Moreover, the Panel discovered a major flaw in how stated approach was applied, and that the agreed upon 10-fold multiplier in providing compensation was not applied. As a result, the displaced people were paid one-tenth of what was planned in RAP. This has resulted in a major failure to comply with Bank Policy on Involuntary Resettlement, and to ensure that displaced people are at least as well-off as before displacement as required by this Policy.</p> <p>Furthermore, Panel found that compensation methodology did not take into account income foregone for the loss of perennial crops. In addition, contrary to Bank Policy, Panel finds that transaction costs were borne by displaced persons, which further reduced their chances of being as well off after transaction as before.</p>		<p>religious structures, and tombs. Negotiations for land acquisition and asset replacement began in 2003; WAPCo used the OPTS of the Lagos Chamber of Commerce to calculate the compensation rates for assets like land and crops. At the 1998 OPTS rate, lands acquired for oil and gas projects were compensated at NGN10/m², and WAPCo directed Estate Surveyors to multiply the rate 10 times and later increased it by 75 percent for lands and 50 percent for crops.</p> <p>During Bank supervision missions in 2005 and 2006, the Bank noted, and WAPCo agreed, that an audit of the cash compensation payments was required, to correct errors that resulted in payments of only one-tenth of what was originally estimated. To address this issue, Management recruited an estate evaluator and lawyer to ensure that the payments reflected replacement costs and to a level that would allow for restoration of livelihoods. Because of the complexities of land tenure issues, this work took longer to accomplish than originally envisaged. The findings showed that adjusting for inflation, the average rate across three land use zones identified by the estate evaluator was NGN181 per sq m; they also indicated that even with just one-tenth of what was supposed to be paid, the original RAP rates were reasonably close to market values. After further discussions between WAPCo and Management, it was agreed that adjustments were needed to ensure that additional compensation reflected the full replacement cost despite less-than-ideal market information; unclear property rights and boundaries; and variations in unit pricing. WAPCo increased the number of zones from three to four to better represent land costs and land use differentiation in more urbanized segments of the ROW. The ESAP has also recommended correcting the under-valuation of non-land assets such as crops and trees. WAPCo has reviewed and determined that prevailing market values were applied for the computation of the rates used for compensation of structures carried out in 2005. It is therefore not considered necessary to include structures in the additional compensation exercise.</p> <p>WAPCo is currently implementing three programs aimed at restoring livelihoods. As recommended in the ESAP mission report, these include: (i) provision of practical training on money management and offering opportunities for small business investments, supplemented with micro financing; (ii) community development sub-projects that provide basic social services and expanding these to infrastructure support like markets and feeder roads that directly impact agricultural production; and (iii) longer-term assistance to PAPs, including the formation of agricultural support groups and vocational skills training.</p> <p>Action: WAPCo has allocated budgetary resources for additional compensation for livelihood restoration. WAPCo</p>

No.	Issue/Finding	Para. nos.	Comment/Action
			<p>will effect payment to existing and newly identified PAPs based on the findings of the World Bank hired local estate consultant, who has fixed zonal land compensation rates based on market value. WAPCo has also obtained current crop rates from an Agricultural Economist from IITA, and will apply these rates to correct the shortfall in crop payments, factoring in inflation. Management will review these prices before compensation payments are made.</p> <p>Prior to future disbursements for additional compensation under the livelihood restoration program, WAPCo has undertaken several community sensitization and consultations on the program, and plans to provide appropriate training to PAPs given the challenges of delivering relatively large amounts of cash in light of security issues and balancing cash preferences with livelihood and money management programs. The monthly Bank follow-up visits to the Project sites will monitor the extent and quality of community sensitization. Together with the witness NGO, Bank field-based staff will work to ensure that there is better documentation of these meetings, and that the outcomes of the consultations on the methodology for additional compensation and other related issues are also included in the monthly RAP implementation monitoring (WAPCo regularly provides the monitoring reports to the Bank). The socio-economic survey, to be completed by December 2008, is expected to improve existing baseline information, and will assist in the design of livelihood restoration programs. Further, the Bank field visit in August 2008 will assist WAPCo in devising a survey instrument that can better reflect changes in income levels.</p>
8.	<p>Remedial steps</p> <p>Panel observes that Management and WAPCo recognized that under-compensation occurred, and are preparing for another compensation disbursement. Panel notes and appreciates these actions.</p> <p>Panel is concerned, however, that this is being done without consultation with displaced peoples, identifying or preparing mitigation for at-risk populations, without setting clear eligibility requirements based on local land tenure, without correction for transaction cost error discussed above, without benefit-sharing provisions for displaced population, and without determining whether cash compensation is or is not the appropriate instrument to be used to avoid Project-induced impoverishment.</p>	205-208	<p>Comment: Management acknowledges that compensation, especially in Nigeria, needed to be adjusted to better reflect replacement value and to restore livelihoods. To support the review of compensation rates, the Bank assisted WAPCo through hiring two consultants (an estate evaluator and lawyer) to assess the under-valued land and other assets. Based on the consultants' reports, WAPCo calculated additional payments for livelihood restoration based on differential land values estimated for three zones. WAPCo later revised this to four zones to better reflect differences in the urban and peri-urban zones in the ROW. The adjusted values were based on available market information, including updated buying-and-selling prices, and predominant land use. Eligibility was verified, and still continues to be verified at several levels, including previous claimants' status; multi-layered property rights; presence of new claimants (299 in Nigeria; 3 in Togo; and 5 in Ghana, and possibly more); parties to ongoing claimants' disputes; affirmation/affidavit and use of community structure; and claims of family members who did not receive their entitled shares from family heads who received initial compensation payments.</p> <p>While Management concurs with ESAP findings that "while</p>

No.	Issue/Finding	Para. nos.	Comment/Action
			<p>[cash compensation] is the easier option to implement”, the Project will need to address the “welfare hazards” associated with cash payments. The ESAP recommended that WAPCo provide “practical training on how to use cash.” Another suggestion was to require PAPs to attend “community meetings to discuss the problems of cash mismanagement.” Lastly, the ESAP recommended that WAPCo provide “future in-kind options but these should be spelled out in detail.” WAPCo is applying lessons learned from the 2004 cash compensation, verifying eligibility for each parcel and openly and transparently discussing the methodology for calculating additional compensation with PAPs and local leaders. WAPCo is also reviewing ways of eliminating “transaction costs” to PAPs by ensuring a transparent asset valuation process, and to improve its delivery of money management and livelihood opportunities. The witness NGO will provide real-time feedback to WAPCo on the additional payments.</p> <p>Action: Systematic consultations were held in May and June 2008 with affected communities in which the methodology for additional compensation and the scope of the CDP were discussed. These consultations and sensitization efforts will continue. The consultations included explanations concerning the basis for computing their entitlements, taking into account the compounded inflation factor for 2003 through 2008 and differentiated land use for zonal land compensation rates as compensation benchmarks, and application of the most current IITA agricultural prices for Nigeria. Monthly Bank follow-up visits to the Project sites will monitor progress in disclosing relevant information on compensation and community sensitization.</p> <p>Overall, Management believes that, with this adjusted resettlement package to be implemented and a validation of all eligible PAPs, the affected people will view this as an opportunity for improving livelihoods. WAPCo is currently putting in place an independent monitor (i.e., witness NGO), who will start work in early July 2008 to document and observe the payment process for additional compensation, which will be completed by October 2008. The results of the socio-economic survey, to be finalized by December 2008, are expected to improve this baseline information as a foundation for design of livelihood restoration programs. Further, the Bank field visit in August 2008 will assist WAPCo in devising a survey instrument that can better reflect changes in income levels.</p>
9.	<p>Development Assistance – Sharing in Project Benefits</p> <p>Panel finds that Management permitted an involuntary resettlement to begin without a development assistance component as required by OP 4.12 that</p>	226-237	<p>Comment: An independent PNA/PRA was conducted in Nigeria, Benin, Togo and Ghana from 2003 to 2006 as the basis for the formulation of the CDP programs. The operational objective of the program is to improve the living conditions of the inhabitants of the communities concerned by providing support to strengthen their capacity to analyse</p>

No.	Issue/Finding	Para. nos.	Comment/Action
	<p>would provide targeted investment resources to enable the persons displaced by Project to share in Project benefits.</p>		<p>their own situation, organise themselves and undertake appropriate economic and other activities (including the building of necessary infrastructure). These endeavors will make crucial contributions to poverty reduction and the improvement of PAPs' standard of living. Some of the recommendations which WAPCo is implementing now include: investment in programs aimed at diversifying income streams through skill acquisition, small scale business development, and vocational training programs. WAPCo financed the construction of many facilities under the CDP (see paragraph 50 above). Although they varied by site, these facilities addressed basic needs, including construction of schools and health centers. The ESAP highlighted the positive (and appreciative) feedback on the CDP. However, both reports recommended that the CDP may need to move from a focus largely on "bricks and mortar" types of programs to more support for training and livelihood related activities. WAPCo has internalized this feedback and is developing longer-term programs of community assistance.</p> <p>Action: WAPCo has agreed to review the scope of the third phase of the CDP, which will focus on skill acquisition and vocational training. Furthermore, this will include support for any newly identified affected people based on the findings of the RAP Audit, the livelihood restoration program and the proposed 2008 socio-economic survey update. WAPCo has also agreed to strengthen its monitoring and evaluation system by the end of 2008 to include income and poverty indicators for affected people. On the basis of the RAP Audit and the socio-economic survey update to be undertaken, WAPCo will continue to explore ways of making the CDP flexible and of taking into account the needs and full participation of affected communities. The Bank's monthly field visits (commencing in August 2008) and supervision mission (December 2008) will review the CDP implementation strategy.</p>
10.	<p>Disclosure of Information and Consultation</p> <p>The Panel found no evidence of attempts to meaningfully present the draft RAP to the persons to be displaced. Panel finds there was a failure to adequately disclose critical RAP information necessary for displaced persons to make meaningful, informed choices about livelihood restoration. This does not comply with OP 4.12 on Involuntary Resettlement, or with Bank's Policy on Disclosure of Information.</p> <p>Yoruba translation of executive summary of RAP was prepared about 24 months following the last compensation payment. During field visit in July 2007, Panel</p>	258-286	<p>Comment: Management acknowledges the late preparation of executive summaries of the RAP in local languages, which was not undertaken until 2007. The Bank had advised WAPCo to provide local translations in October 2004, in response to complaints by local communities, but the translations were not completed until June 2007. The RAP was translated into Yoruba, as well as local languages in the Project areas in Benin, Togo, and Ghana.</p> <p>The EA and RAPs were distributed and disclosed in the InfoShop; in WAPCo's website; and at 11 towns or communities in-country (including Badagry, Ado-Odo/Ota, and Ifo) in July 2004 in compliance with the requirements of OP 4.01. Since 2004, WAPCo has been continuously consulting Project affected communities regarding compensation. During RAP preparation, records indicate that various focus group meetings were held in several communities in Nigeria to explain the RAP.</p>

No.	Issue/Finding	Para. nos.	Comment/Action
	<p>found no evidence of distribution of this document in key resettlement area of Igbesa. Regardless of distribution, Panel finds that disseminating such information on livelihood, compensation and other resettlement entitlements years after the displaced persons have made decisions on these matters is neither meaningful nor timely. This does not comply with Bank Policies on Involuntary Resettlement and Disclosure of Information.</p> <p>Panel found only limited evidence that efforts were made to integrate consultation process into preparation of RAP, and in particular to inform displaced persons of their entitlements under the RAP. This lack of meaningful and timely consultation prevented participation and informed negotiation of resettlement options by displaced persons as called for in OP 4.12. Panel finds that Management did not provide adequate guidance and instructions to Project Sponsor to carry out meaningful consultation with displaced people.</p>		<p>WAPCo undertook several community consultations and sensitization sessions with PAPs in 2004 in which the proposed livelihood restoration program and methodology for compensation was explained. WAPCo also hired CLOs, who continued the consultation processes. Currently, in 2007-2008, WAPCo continues to engage affected communities on such matters as: (i) the grievance mechanism process; (ii) the results of the RAP Audit conducted in 2007; and (iii) the CDPs and the outcome of the socio-economic survey updates.</p> <p>Action: WAPCo is translating the Executive Summary of the EMP for operations into Yoruba and will discuss and disseminate it among the affected communities by August 2008. WAPCo will continue to ensure a comprehensive and meaningful participation of the affected communities on the results of the RAP Audit (conducted in 2007), and will submit RAP monitoring and consultation updates as part of the monthly progress report (as provided in the Project's monitoring and evaluation plan) to the Bank. The monthly Bank follow-up visits to the Project sites will monitor the extent and quality of disclosure and community sensitization.</p> <p>As noted in Items 7 and 8 above, in early June 2008, WAPCo completed consultations and sensitization of communities concerning the methodology for livelihood restoration compensation as well as the scope of the third phase of the CDPs, and will continue to hold sensitization meetings with the affected communities.</p> <p>Also, as noted in Item 8 above, WAPCo is currently putting in place a witness NGO to document and witness the payment process for the livelihood restoration program under which additional compensation will be paid to PAPs. The Bank field visit in August 2008 will follow up closely on these actions.</p> <p>Finally, WAPCo will submit RAP monitoring and consultation updates as part of its monthly progress reporting. Field-based Bank staff will monitor these actions through their ongoing supervision efforts.</p>
11.	<p>Grievance Mechanism</p> <p>Panel notes that without meaningful consultation, including access to the RAP and without an effective disclosure procedure, displaced persons could not have understood grievance avenues available to them. The Panel finds that Management failed to ensure that the Sponsor had in place an effective grievance process to identify and redress resettlement issues, as required by OP 4.12.</p>	288-296	<p>Comment: Although the grievance mechanism was developed and shared with community representatives, WAPCo concluded that the mechanism for expressing grievances needed to be more accessible to PAPs, and has thus developed a strengthened complaints resolution process with the following objectives: to provide easily accessible means of making complaints as well as fair and speedy means of resolving disputes and complaints amongst key players in the construction setting, such that there is minimum delay in construction activities; to ensure that appropriate and mutually acceptable corrective measures are identified, agreed and implemented to address complaints; and to minimize the need to resort to</p>

No.	Issue/Finding	Para. nos.	Comment/Action
			<p>complicated, time-consuming and costly litigation or judicial proceedings as a means of resolving complaints. This process includes provision for third party settlement of disputes arising from resettlement, judicial recourse, and mediation by community or local government leadership. WAPCo also proposes to use a participatory approach to resolving grievances; they will also establish an effective database for grievances (filing records, communications log, etc).</p> <p>Action: WAPCo has agreed to ensure that the grievance mechanism includes information on accessible procedures for third party settlement of disputes arising from compensation and other aspects of the RAP and to improve documentation of dispute resolution (nature of disputes, parties involved, and duration/timing). WAPCo has also agreed to engage in participatory consultations with affected communities on the grievance mechanism and to revise the procedures as appropriate. Ongoing field-based Bank supervision to the Project sites will follow up on these actions as part of the yearly independent evaluation of RAP implementation.</p> <p>MIGA has offered use of Japan trust fund resources for development of a training program to strengthen the compliance and grievance mechanism prior to distribution of the additional compensation. MIGA's technical coordinator for the trust fund will finalize the components of the training program by September 2008 with WAPCo staff.</p>
12.	<p>Institutional Capacity</p> <p>Panel finds that Management did not comply with the requirements of BP 4.12, including those to assess the Borrower's commitment to and capacity for implementing the resettlement instrument, and mitigating significant risks, including risk of impoverishment, from inadequate implementation of the resettlement instrument. Panel further finds Management did not adequately review and inform the Board of the Sponsor's past experience and limited capacity with implementing operations involving similar involuntary resettlement activities. This is inconsistent with the provisions of OP/BP 4.12 and OMS 2.20.</p>	299-	<p>Comment: Management acknowledges the Panel's finding and notes that an assessment of WAPCo's organizational, management, staffing, qualifications and experience in implementing safeguards was carried out during the Project appraisal and, at that time, was found to be satisfactory. Subsequently, during the implementation phase, Management became aware that WAPCo had a high turnover of staff concerned with resettlement and compensation issues, with a concomitant loss of continuity and institutional memory.</p> <p>Action: WAPCo has put in place an implementation committee headed by the General Manager, Corporate Affairs to supervise on a daily basis the implementation of compensation and livelihood restoration activities throughout the duration of the Project.</p> <p>WAPCo is ensuring that its social safeguards personnel are being adequately trained in RAP monitoring, as well as in the monitoring and evaluation of safeguards compliance and of the CDP. At the same time, WAPCo is increasing its social safeguards staff through the recruitment of 2 staff in Nigeria and one staff member in Ghana by June 2008. One staff each in Benin and Togo are being trained to handle social safeguards issues.</p>

No.	Issue/Finding	Para. nos.	Comment/Action
			<p>WAPCo has also developed a capacity building program for its staff, including training organized by IFC in May 2008; and a capacity building training to be organized by MIGA in September/October 2008. WAPCo will update, expand and improve data collection on PAPs, including more detailed socio-economic information.</p> <p>WAPCo has also agreed to a yearly external audit of its database and monitoring and evaluation programs, as well as preparing monthly safeguards implementation monitoring reports.</p>
	ENVIRONMENTAL ISSUES		
13.	<p>Documentation & Categorization</p> <p>The EIA documents meet the requirements of Annex B of OP 4.01 Content of Environmental Assessment Report for a Category A Project.</p> <p>The Project was correctly assigned “Category A”, and as the Project involves four countries a consolidated “Regional Assessment” was appropriate.</p>	325-328	<p>Comment: Management acknowledges the Panel’s finding.</p> <p>Action: None required.</p>
14.	<p>Independent Advisory Panel</p> <p>Panel finds that failure to establish the independent advisory panel during the planning and design stages of the Project, and delay in its establishment during Project implementation, did not comply with OP 4.01.</p> <p>[H]ad the ESAP been hired in a more timely fashion, it is likely that many of the concerns raised by the Requesters and the shortcomings identified by the Panel would have been more satisfactorily dealt with. Delaying the hiring of the experts for the ESAP has had an unfortunate adverse impact on project implementation.</p> <p>The Panel finds that the significant delay in establishing the ESAP constitutes non-compliance with Bank Policies (OP 13.05 and OP 4.01) and led to many of the problems highlighted in this Report.</p>	329-330; 459-460	<p>Comment: Appointment of the independent ESAP that was required under the Project was unreasonably delayed because of issues related to approvals for contracting consultants. These procedural problems have been resolved, although doing so took longer than forecast in the Management Response to the Request. Two of the three ESAP members – an anthropologist with extensive knowledge of Bank policies and a pipeline safety expert – received their contracts in late 2006/early 2007, but the third panelist, an oceanographer, abruptly withdrew in April 2007. The ESAP convened with two members on May 14, 2007 in Accra, in conjunction with a Bank supervision mission, and used the occasion to meet the Bank Project team and WAPCo’s Managing Director and senior staff, to receive a detailed briefing on construction progress and the main environmental and social issues, to collect relevant documents in addition those already provided by the Project team, to elect its chairperson, and to initiate mission planning. A marine engineer expert in coastal processes and experienced in pipeline design and installation replaced the oceanographer (his contract was issued in July 2007). Management considers the delay in fielding the ESAP to have been a significant missed opportunity to avoid or more quickly identify and address some of the problems that led to the Request. Even when fielded late, however, the ESAP has proved highly valuable. It conducted its first field mission between 6 and 17 August 2007, with visits to all onshore pipeline locations, communities affected by the pipeline, and government institutions with direct responsibility for safety and the environment. Its first report, dated November 2007, contains findings and recommendations to WAPCo on:</p> <ul style="list-style-type: none"> • Database and information management system for

No.	Issue/Finding	Para. nos.	Comment/Action
			<p>resettlement and social issues;</p> <ul style="list-style-type: none"> • Compensation and livelihood restoration for landowners, tenants, businesses and farm workers; • Community consultation and formal grievance procedures; • Sustainability in community development projects; • Ensuring that issues particular to women and vulnerable peoples are addressed; • Monitoring resettlement; • Protecting the pipeline from fisherfolk, and vice-versa; • Avoiding coastal erosion; • Emergency planning and pipeline security; • ROW management; • Site security; and • Information flow to environmental agencies. <p>The action plan table (see Annex 4) includes 12 recommended actions to be taken by WAPCo that are based in whole or in part on the ESAP report, of which six have already been completed: Items 1(a), 4(a), 5, 6(a), 9(a), and 10(a). In addition, ESAP experts provided specialized advice when requested by WAPCo or the Bank, on critical issues that emerged during implementation; the safety expert recommended methodology for analyzing the risk of anchor damage to the offshore pipeline and the marine expert identified data needs for evaluating the coastal erosion potential of various beach crossing configurations at Tema and Takoradi and techniques for monitoring erosion outcomes.</p> <p>The ESAP is planning its next mission for July-August 2008.</p> <p>Action: (1) Management will ensure that the ESAP remains in place through the supervision phase until physical completion, expected in July 2009. The ESAP will serve as an independent oversight body with regard to monitoring the adherence to Bank safeguard policies and the integrity of the physical structures and their operations.</p> <p>(2) Management will recommend contracting procedures that are appropriate for the special case of independent advisory panels required under OP 4.01.</p>
15.	<p>Analysis of Alternatives</p> <p>The OP 4.01 requirement that alternatives be evaluated has been met. However, the lack of a full economic evaluation of the alternative offshore pipeline route is a significant shortcoming and is not consistent with OP 4.01.</p>	331-339	<p>Comment: Management acknowledges the Panel's finding that the OP 4.01 requirement has been met.</p> <p>With regard to the full economic evaluation of the offshore pipeline alternative, Management notes that Section 3.5 of the Regional EIA includes a table in which three routing alternatives are compared in terms of onshore and offshore environmental impact, socio-economic impact and resettlement, sabotage risk, and economic cost (Regional EIA, pp. 3-22 and 23). The offshore routing is shown as intermediate in cost between a fully onshore pipeline, which</p>

No.	Issue/Finding	Para. nos.	Comment/Action
			<p>was the most expensive, and the hybrid onshore/offshore option that was finally selected as having “the lowest level of environmental and socio-economic impacts and least cost” (Regional EIA, p. 3-24). The comparisons in the table are qualitative, but the text includes the following statement: “The additional cost of the Offshore Routing Option vs. the Onshore/Offshore Routing Option ranges between two and eight cents/Million British thermal unit (MMBtu) for three different demand scenarios and the additional unit cost of the Onshore Routing Option vs. the Onshore/Offshore Routing Option is on average 20 cents/MMBtu considering the same three demand scenarios” (Regional EIA, p. 3-22). A reference is given for the cost estimates -- “West African Gas Pipeline Feasibility Study” (Pipeline Engineering GmbH, 1999) – which is also listed in PAD Annex 15: Documents in the Project File.</p> <p>Action: None required.</p>
16.	<p>Disclosure of EA Documents and Consultations</p> <p>EA documentation is of good quality and written in sound technical English, but requires a high degree of education to be fully comprehended. For existing upstream Escravos-Lagos pipeline (ELPS), an Environmental Audit (or risk assessment) in form of an Integrity Study was undertaken. This document, however, apparently was not placed in public domain. Panel finds that apparent non-disclosure of this assessment of the ELPS, and fact that its findings and recommendations are not taken up in Environmental Assessment Reports, is not in accord with paragraphs 15 and 16 of OP 4.01.</p> <p>Panel also observed that affected communities appear not to have been provided with understandable relevant materials on overall environmental documentation prior to consultation meetings. The requirement of OP 4.01 that disclosure be in a form and language that is understandable to the groups being consulted has not been met.</p>	340-347	<p>Comment: Management acknowledges the Panel’s finding regarding the good quality of EA documentation and its technical complexity. Management explains the circumstances that preclude its disclosing the reports of the ELPS Integrity Study in its comments on Item No. 17, below as well as in paragraphs 63 and 64 of this report. The reason that the Integrity Study findings and recommendations are not taken up in the Nigeria EIA is consistent with Management’s decision that ELPS is not an associated project of WAGP (see Item 17 below).</p> <p>The EIA and RAP for Nigeria were disclosed in July 2004 in 11 public locations in Nigeria, including in local government offices at Badagry, Ado-Odo/Ota, and Ifo. For persons accustomed to reading technical documents in English (which is a common language for literate Nigerians) and with access to those locations, this disclosure would have been sufficient. In October 2004, in response to complaints from communities, the Bank advised WAPCo to make and distribute local language translations of the RAP and EMP summaries. WAPCo prepared a Yoruba translation of the RAP summary and distributed it in Nigeria in June 2007.</p> <p>Action: WAPCo has agreed to improve and expand distribution of non-technical presentations of key Project information in local languages. WAPCo is translating the Executive Summary of the EMP for operations into Yoruba and will discuss and disseminate it among the communities by August 2008. During the sensitization and consultations conducted in May/June 2008 at 15 locations in Nigeria, PAPs were given details of the livelihood restoration program including the methodology for additional compensation, as well as on the scope and content of third phase of the CDP which will focus on livelihood restoration, skills development and activities targeted towards vulnerable groups. A brochure for citizens on how to recognize and respond to gas leaks has already been</p>

No.	Issue/Finding	Para. nos.	Comment/Action
			translated and distributed -- 1000 copies in Yoruba have been distributed in the communities along the pipeline in Nigeria. Management will monitor the outreach through regular field visits.
17.	<p>Upstream Impacts and the ELPS</p> <p>(a) The Panel notes the importance, under Bank Policy, of examining impacts linked to the WAGP that may occur both upstream and downstream of the new pipeline, including those that relate to the development of new areas of production and transport. Panel finds that the gas supply system upstream of WAGP is within the Project's area of influence under OP 4.01. Regional EIA properly flags that Project might have potential impacts in these upstream areas, but an analysis of their nature and scope has not yet been carried out.</p> <p>(b) Panel also observes that in various Project documents, Bank itself makes linkage between WAGP and upstream reduction of gas flaring, in this case to highlight a projected benefit of the Project. This reinforces view that Project and associated facilities and supply areas should be viewed as an inter-connected system for purposes of environmental assessment, considering both potential benefits and adverse impacts. Panel is concerned that Project documentation was not consistent in defining the Project's area of influence.</p> <p>(c) Net effect of the new WAGP being connected to the old ELPS system is that latter has been subject to thorough review and inspection, defects have been detected and corrected, and safety and operational systems modernized. Panel's expert concluded that linkage of the WAGP and ELPS has had overall effect of improving the safety of the Escravos-Lagos pipeline.</p> <p>(d) Management Response states that ELPS Integrity Study constitutes an environmental audit, which is an appropriate instrument for ELPS given that it is an "existing facility." Panel finds support for view that this is an</p>	348-375	<p>Comment:</p> <p>(a) The WAGP Authority (WAGPA) is responsible for monitoring N-Gas' annual reports and for monitoring compliance with the Access Code. The Access Code sets out the terms under which new shippers may use the WAGP, and requires certification that their oil and gas fields and delivery systems have been developed in compliance with Nigerian law and EA regulations. While WAGPA remains responsible for compliance with the Access Code under the treaty which established it, the Bank is exploring the possibility of obtaining information on the upstream oil and gas sector (in particular, throughput data on associated and non-associated gas) from the relevant agencies of the Government of Nigeria, e.g., Federal Ministry of Energy (Gas), Federal Ministry of Environment, and DPR.</p> <p>(a) and (b) The Regional EIA lists the kinds of activities that could occur in the gas-producing areas to meet increases in demand for gas to which WAGP would contribute if and when its throughput exceeded the initial 200 MMCF/d, a development not expected to occur within the first five years of operation, possibly within the first ten years, and possibly not at all. The specific nature of the activities (including possible investments), their locations and timing could not be determined when the WAGP environmental analysis was being carried out. In taking the decision to rely on Nigerian environmental impact procedures and to use the WAGP Access Code as a mechanism to ensure that Nigerian law and EA requirements would be adhered to in any upstream developments related to WAGP, Management relied on the collective judgment of safeguards staff in the region (ASPEN) and the anchor (OPCQC) as well as legal and policy advice from LEGEN. That approach to upstream issues was communicated to the Board in the PAD (p. 36).</p> <p>(c) Management acknowledges the Panel's finding that interconnection with WAGP has caused NNPC to improve the safety of ELPS.</p> <p>(d) Management acknowledges the Panel's finding that an environmental audit rather than an environmental assessment is the appropriate instrument for an existing facility such as ELPS, and that the ELPS Integrity Study constitutes such an audit.</p> <p>Management wishes to clarify that the integrity of the (old) ELPS portion linked to the (new) West African Gas Pipeline was addressed by the team during Project preparation. The issues of the ELPS possible negative impact on WAGP's capacity was raised and it was agreed by all parties that an "intelligent pigging" – or internal check of the pipeline using</p>

No.	Issue/Finding	Para. nos.	Comment/Action
	<p>appropriate EA instrument for the ELPS.</p> <p>As noted above, however, Integrity Study of the ELPS was not made part of EA documentation and apparently has not been publicly disclosed. This has impeded ability of Requesters and members of public from being informed of, and providing comments on, this important and controversial subject.</p>		<p>a monitoring device (“pig”) – of the entire pipeline integrity be undertaken, using internal scanning with state-of-the-art equipment. This was carried out by NNPC/NGC, the pipeline owners and operators, who subsequently shared the findings with the WAGP team members. The WAGP team was satisfied with the findings and with the necessity of keeping critical, technical, and logistical information proprietary and confidential, especially in light of the potential risks of drawing undue attention to its vulnerability and thus leading to possible acts of sabotage. The “intelligent pigging” will be carried out at regular intervals to continue providing assurance with regards to operational safety.</p> <p>Thus, the reasons for the study report's not being included in the WAGP safeguards documents or publicly disclosed are:</p> <ul style="list-style-type: none"> • The Integrity Study was not required by the Bank as part of the WAGP safeguards; • While ELPS reliability and safety were necessary elements of WAPCo's due diligence, the Integrity Study was conducted for NNPC and is NNPC's property, not the Bank's nor WAPCo's; • NNPC considers the information in the report highly sensitive and required both WAPCo and the Bank to sign confidentiality agreements before releasing it to them; and; • Management concurs with NNPC's judgment in this case, noting that the security situation in the Niger Delta, with its history of pipeline sabotage, precludes public disclosure of a report that includes detailed information on ELPS design, operation, and vulnerability not only to accidents but also to deliberate actions by third parties. <p>Action:</p> <p>(a) The Access Code specifies that WAGPA will monitor annual reports from N-Gas, oversee the gas supply from the producers, and monitor compliance with Nigerian laws and environmental regulations. While WAGPA remains responsible for the compliance with the Access Code under the treaty which established it, the Bank will also explore the possibility of obtaining information on upstream oil and gas sector from the relevant agencies of the Government of Nigeria, e.g., Federal Ministry of Energy (Gas), Federal Ministry of Environment, and DPR.</p> <p>(b) Management has written to the Federal Ministry of Energy (Gas), Federal Ministry of Environment, and DPR to request information on associated and non-associated gas volumes transported through ELPS in the past, and the likely export volumes for WAGP in the future.</p> <p>(c) None required.</p> <p>(d) None required.</p>

No.	Issue/Finding	Para. nos.	Comment/Action
18.	<p>Emergency Response and Contingency Plans</p> <p>Panel found that sound and wide ranging emergency response plans have been compiled but had not, as of July 2007, been communicated to communities along the Nigerian portion of WAGP's ROW. Such emergency response plans will not be effective unless communities are properly informed, both orally and via clear, understandable written text in a form that can be retained and readily accessed, before the pipeline becomes operational.</p>	376-382	<p>Comment: Management agrees with the Panel that ERPs will not be effective unless the communities concerned are fully informed about them. The Project team has consistently informed WAPCo that before gas flows through WAGP, site specific plans must be in place and potentially affected communities must have been made aware of their content and have had opportunities to ask questions, seek clarifications, and clearly understand the respective roles of WAPCo personnel, emergency response services, local government, community leaders, and citizens in the event of any emergency along the ROW or at one of the facilities. WAPCo's initial focus has been on the facilities that will be operating to deliver "free flow gas" to Takoradi – the Station at Itoki (the Alagbado Tee), the pipeline from that station to Badagry, the Badagry Beach Compressor Station, the offshore line, and the Takoradi Station.</p> <p>WAPCo held two stakeholders' fora in Nigeria on pipeline safety, one in Lagos on December 17, 2007, and one in Abeokuta on December 18. At that time, only the system-wide ERP was available in final form – a document that had been issued in May 2006. The first drafts of the site-specific ERPs were made available to the Bank in December 2007, and WAPCo conducted "desk-top drills" in Nigeria and Ghana to identify needed improvements. The Bank provided extensive comments on the drafts. The ERPs were revised in early April 2008, and were reviewed and found acceptable by the Bank. Further strengthening of the ERPs is envisaged as a result of the next ESAP mission, scheduled for July 2008, in which ERPs and safety will be priorities. Additional improvements to the plans are anticipated based on inputs from the communities during the consultations to be held before gas flows through the pipeline. WAPCo has prepared a brochure for the public on pipeline safety, focusing on how to recognize a gas leak and what to do (and not do) if one thinks a leak is occurring. The brochure has been translated into Yoruba, and 1000 copies have been distributed in Nigeria.</p> <p>Action: WAPCo is conducting ERP awareness meetings with stakeholders and communities near WAGP facilities, which will be completed in June 2008, prior to first gas. WAPCo is also producing a safety brochure, translating it into local languages, and widely disseminating it in July 2008. Additional public awareness meetings will be held in the future, and printed information on relevant aspects of the ERPs will be distributed. Management will monitor the ERP awareness activities through regular field visits.</p>
19.	<p>Fisheries and Livelihoods in Nigeria</p> <p>Numerous fishermen from the Ajido community believed that their nets were fouled by a substance during the 2006 fishing season and that this occurred at about time pipeline was being drilled.</p>	388-397	<p>Comment: Management notes that the Panel's finding is in line with the position expressed in the supplemental Management Response to the Request that it was unlikely that the bentonite used in the HDD beneath Badagry Lagoon could have caused fouling of fishing nets. With regard to the identity of the substance, WAPCo had</p>

No.	Issue/Finding	Para. nos.	Comment/Action
	<p>Unfortunately no sample of substance was subject to microscopic or microbiological examination or to chemical analysis to determine its identity and none was preserved to allow for later testing. Precisely what offending substance was remains unknown.</p> <p>According to Panel's expert, speculation that Bentonite used as drilling mud caused the net fouling is without scientific foundation.</p> <p>Record is silent as to whether Management briefed WAPCo as to how the incident was to be investigated and whether or not samples of the offending substance were to be analysed. A lesson is that incidents that may be project related need to be comprehensively and rigorously investigated and documented.</p>		<p>retained a sample of a fouled net. Although the net was not preserved according to standard methods, it turned out to be usable for forensic analysis. By means of placing cuttings from the net in algal culture medium, Jawura Environmental Services Ltd., a Nigerian laboratory contracted by WAPCo, confirmed that the fouling material consisted of algae. Many species of aquatic algae form resting cells or cysts as a survival mechanism when under extreme stress, most notably desiccation. Normal cells regenerate from the resting cells when conditions become again favorable. The net cuttings proved to contain viable resting cells.</p> <p>Microscopic examination of the regenerated plant material identified 12 genera of green algae, of which the dominant genus was Chlorococcum, a unicellular green alga that tends to form clumps and is frequently found in nutrient-enriched waters. This confirmed in general the explanation WAPCo had given to the Ajido fishing community during its initial investigation of the net problem in 2006, although the particular genus WAPCo named at the time, Spirogyra, was not found in the forensic analysis.</p> <p>Management agrees that the incident could have been handled more effectively in one respect; the microscopic analysis should have been conducted immediately after the problem became known to WAPCo, which was by a circuitous route from the fishermen to the Panel to Bank staff to WAPCo's Health, Environment and Safety Officer. It was not until mid-2007 that the Bank discovered that the identification of the algae as Spirogyra was based on appearance rather than microscopic examination, and the Bank's reaction prompted WAPCo to contract for the analysis described above.</p> <p>From the community's point of view, the interaction with WAPCo over this incident has been beneficial. WAPCo continued the program of assistance to Ajido that it agreed with the fishing community in 2006 to help offset the poor fishing season initially blamed on the pipeline installation. By mid-2007, WAPCo had assisted the community to formally establish the Ajido Fishing Association, had purchased and delivered fishing equipment according to priorities agreed with the Association, and had initiated a program of capacity-building covering topics such as fishing enterprise management, savings and thrift, and conflict resolution.</p> <p>Action: None required.</p>
20.	<p>Fisheries and Livelihoods in Ghana</p> <p>Panel observed that Environmental Baseline Surveys contain considerable detail on fish and fisheries along the route of pipeline. Panel notes that during July 2007 visit to Ghana neither artisanal fishermen nor fisheries regulators expressed concern about potential</p>	3998-400	<p>Comment: Management acknowledges the Panel's finding regarding the absence of complaints from the fishing community in Ghana. This is consistent with the Project team's experience during supervision mission visits to Tema and Takoradi.</p> <p>Action: None required.</p>

No.	Issue/Finding	Para. nos.	Comment/Action
	negative effects of WAGP on their future livelihoods.		
	PROJECT IMPLEMENTATION, SUPERVISION AND SYSTEMIC ISSUES		
21.	<p>Mission Duration, Frequency and Expertise</p> <p>Panel notes there were long gaps between supervision missions prior to Request. Furthermore, safeguards staff mainly concerned themselves with Project preparation and were far less involved in the construction phase of the Project. Panel finds that Management did not ensure adequate supervision during the construction phase. This did not comply with Bank Policy on Supervision. Issues of involuntary resettlement required particular attention in supervision. Though Management identified several problems regarding compensation process, it was slow to address them. Panel finds that Management's lack of diligent supervision created a responsibility vacuum during the RAP implementation. This did not comply with Bank Policy on Supervision, and led to problems in the resettlement process.</p>	435-468	<p>Comment: Management acknowledges that there were supervision gaps in the first year of Project implementation. Management also concurs that the implementation of the RAP was inadequate and that it should have been supervised in the field at a more detailed level. When engagement of the ESAP became delayed, alternative arrangements to follow up on questions about compensation should have been put in place more promptly than was actually accomplished.</p> <p>The first supervision mission focusing on safeguards aspects took place in June 2005 and consisted of three WBG senior safeguards specialists. The timing was deemed appropriate since the final investment decision took place in December 2005, the IDA PRG became effective in May 2005, and implementation was in the early stages. WAPCo's monthly progress reports were systematically reviewed by Bank staff, including follow up with WAPCo. By and large, subsequent supervision missions (April 2006, October 2006, March 2007, May 2007, November 2007 and May 2008) included safeguards specialists, and the Aide Memoires highlighted the outstanding issues.</p> <p>There was significant turnover of WAPCo's environmental/social team, however; lead environmental/health and safety personnel at WAPCo were replaced several times, and the team overseeing the compensation process was disbanded following Board presentation which subsequently led to a lack of continuity and follow up at the field level by WAPCo. The effects of these personnel changes were not immediately evident. In hindsight, the ultimate consequences of disruption in continuity at WAPCo were not fully grasped. While independent oversight was planned via a three-person ESAP, this panel was established in August 2007 after initial delays. When the involuntary resettlement problems persisted, specialized staff and consultants contributed to the supervision effort. Similarly, social development and energy specialist experts were recruited for field positions, although this took time to achieve.</p> <p>Management has bolstered its field personnel through recruitment of an experienced Task Manager (energy specialist) and a social/safeguards specialist located in Nigeria, and an economist located in Ghana. These field staff are also supported by a complement of headquarter social development and other staff specialists and consultants. This arrangement facilitates more frequent and regular contact with WAPCo on key safeguards issues. Management input and coordination with the Country Office and in monitoring the Project has been strengthened with</p>

No.	Issue/Finding	Para. nos.	Comment/Action
			<p>more periodic reviews of Project implementation progress.</p> <p>Action: Closer Country Office oversight of Project supervision is being pursued. A minimum of two comprehensive supervision missions will be carried out every year through the construction phase, with more frequent/continuous formal and informal supervision of the social aspects of the Project planned with the involvement of the Country Offices to permit more timely and targeted supervision intervention. Appropriate budgetary resources are being allocated for the supervision effort (about 3 times the normal supervision budget), with an expenditure of about USD350,000 planned for FY09.</p>
	<p>Systemic Issues</p>		
<p>22.</p>	<p>Supervision of public-private partnerships</p> <p>Panel is concerned that Management put too much faith in Project Sponsor's ability to handle complex social issues in spite of troubled history of some of the participating companies' involvement in the Nigerian oil and gas sector.</p>	<p>486</p>	<p>Comment: In 2004, the Bank reviewed and found acceptable WAPCo's technical and commercial capabilities as well as its corporate policies on governance and social and environmental responsibility. This included WAPCo's ability to undertake the environmental and social aspects of the Project in line with Bank guidelines, as evidenced through the close collaboration that took place between the WBG and WAPCo environmental/social staff on the preparation of the EA and RAP.</p> <p>Bank staff were cognizant of the potential for negative perceptions to be drawn from environmental and social issues faced in the Delta by two of WAPCo's partners, while recognizing that the proposed Project was a distinct and discrete operation being managed independently, and that it had to stand on its own merit. With regard to WAPCo's safeguards capabilities, WAPCo had a dedicated social and environmental team in place prior to Board presentation with staffing and experience satisfactory to the Bank, and a monitoring system was established in which monthly reports would be submitted to the Bank. It did not become apparent until the first supervision mission that there had been significant changes in staff which affected WAPCo's capacity to implement the RAP according to Bank procedures, as noted above in Item 12. This was exacerbated by inadequate supervision by the Bank during the first year, although this situation has now been rectified.</p> <p>Action: See Item 12.</p> <p>Based on WAGP experience, the lessons learned on supervision of public-private partnership will be documented and brought to the attention of project teams handling similar complex projects. In the future, for projects involving new borrowers/sponsors in a complex sector with many actors/participants, a more comprehensive evaluation of the sector environment and issues would be warranted to better assess the risks and help develop strategies for their mitigation.</p>

No.	Issue/Finding	Para. nos.	Comment/Action
23.	<p>Action on early warning signs – resources for supervision</p> <p>A number of warning signs that appeared in the design phases of Project were not properly interpreted and dealt with. For instance, Management did not adequately follow up on the warnings relating to the RAP process that were raised and discussed in the monitoring reports. One important reason is an apparent lack of available supervision resources in terms of funds and safeguards expertise. Providing sufficient resources and using them for mitigating emerging problems would have been particularly important in a complex Project such as WAGP.</p>	487	<p>Comment: Management believes that adequate resources and attention were allocated to the preparation and design phases of the Project. There was a 10 month gap, however, in field supervision during the early implementation stage. During the launching of Project execution, when resettlement issues surfaced, they were flagged by the Project team, although it is recognized that field supervision would have provided greater attention and follow-up on the social aspects of the Project.</p> <p>Starting in 2006, the Bank significantly increased staffing and budgetary resources, which has continued to date. Monthly monitoring reports were consistently reviewed by staff, and followed up by field visits. During the supervision phase, issues related to the RAP process were raised with WAPCo, and followed up at appropriate intervals despite slow progress by WAPCo. See also Item 22 and Annex 2.</p> <p>The Bank has also increased its staffing and supervision effort in the Nigeria and Ghana field offices for this Project as noted above in Item 22. About USD317,600 was spent on Project supervision efforts in FY07, and over USD300,000 to date in FY08. Management supervision and coordination between headquarters (see paragraph 20 above) and staffing in the Country Offices of Nigeria and Ghana have been augmented. A managerial oversight team has been established at headquarters including the Sector Manager, Lead Specialist, the Task Manager and senior level safeguards specialists. Corporate units have also been involved in supervision missions (from SDV and OPCQC), given the risk profile of the Project.</p> <p>Action: Adequate managerial support as well as headquarter and Country Office and specialized staff support, along with requisite annual budgetary allocations are envisaged throughout the supervision phase. In addition, the ESAP is expected to provide continual advice and oversight concerning verification of WAPCo’s compliance with World Bank safeguard policies. The ESAP undertook one field trip in July 2007; another field mission is planned in July/August 2008.</p>

No.	Issue/Finding	Para. nos.	Comment/Action
24.	<p>Complex regional projects</p> <p>Panel notes that an on-going regional or in-country presence of Bank Management was initially not considered necessary. However, Panel observed serious difficulties in policy oversight “from a distance.” Field presence becomes even more important in large regional projects such as the WAGP.</p> <p>Regional character of Project may have contributed to a lack of clarity regarding lines of communication and authority. Panel observes that Management has recently augmented its field presence in Abuja and Accra and a new approach to regional projects has been developed for the Africa region</p>	489-494	<p>Comment: Africa Regional management recognizes that there is considerable scope to strengthen environmental and social safeguards work in the preparation and implementation of complex and high risk projects. It shares the Panel’s views about the importance of having a stronger field presence of staff with the right skills to support implementation. In the area of safeguards, the Region has taken action to recruit the right technical staff and the appropriate level of experience to ensure full compliance with Bank policies and to exercise adequate judgment and to take corrective actions when needed. This hiring effort is being supported by an extensive training program for staff and managers on safeguards, held at headquarters and in the field. This will be a continuous effort. The Region has also instituted a semi-annual risk review of its projects to ensure adequate managerial attention and to support teams to address the risks that this Project and others like it face even when sponsors are expected to play a greater role in supervising agreements and execution of critical plans for fulfilling policy compliance. This is complemented by oversight of these types of projects not only from the Director for regional projects in Africa, who will retain final accountability, but from the Country Directors for countries which are participating in these regional activities.</p> <p>The Region also has embarked on a significant decentralization effort of staff to place a variety of expertise and specialist knowledge in Africa’s Country Offices, including experienced Task Team Leaders and safeguards specialists. By the end of FY08, approximately 60 percent of total operational staff for Africa will be in Country Offices. This trend will continue in subsequent fiscal years, accompanied by a strengthening of local decision-making and accountability and adequate resources for supervision, especially for large, complex and risky projects.</p> <p>Action: The Africa Region will report in 12 months on progress in implementing its safeguards Action Plan (see Annex 3) and the decentralization of staff with a special focus on environment and social specialists. In line with the recommendations of the FY07 IEG Review of World Bank support to multi-country operations and the new Regional Integration Assistance Strategy recently discussed by the Board, the Africa Region is developing by the end of FY09 “best practice” tool kits. These tool kits will assist task teams to navigate process challenges and to better achieve high standards of implementation monitoring in complex regional programs.</p>
25.	<p>Gas Flaring</p> <p>Panel notes that during its investigation visit, members of communities from Delta region came to meet with Panel to describe serious impacts they endure from flaring, and ask for all that can be</p>	410, 414-426	<p>Comment: Nigeria flares around 20 billion cubic meters (Bcm) of gas per year out of a world total of 150 Bcm, making Nigeria one of the two largest gas flarers in the World. Nigeria is cognizant of the need to end routine gas flaring, and significant steps would need to be taken to meet the December 31, 2008 deadline. During Project appraisal,</p>

No.	Issue/Finding	Para. nos.	Comment/Action
	<p>done to reduce and eliminate this problem near their villages.</p> <p>Panel's Report notes apparent inconsistencies in Management documents with respect to expected contribution of flaring reduction. Panel notes the importance of ensuring a transparent monitoring of the impact of Project on gas flaring. The Panel trusts that Management will specifically address this issue in its Response to this Report.</p> <p>Panel observes that although a few statements in Management documents were pointing out that Project impact on overall flaring reduction would not be substantial, documents included a lot of text on gas flaring that was imprecise and suggestive of much larger benefit. This raises a systemic issue as discussed at the concluding section of Panel's Report.</p>		<p>the difficulty of tracing the volumes of associated gas going into the WAGP as associated and non-associated gas was acknowledged since all gas supply is commingled into the ELPS gas system supplying Western Nigeria and WAGP. Estimates (of associated and non-associated gas throughput) would have to be based on the percentages of each gas going into the system from the many suppliers to the pipeline system.</p> <p>Management agrees on the importance of monitoring the impact of the Project on gas flaring; hence the PAD includes monitoring indicators for the annual volume of associated gas (AG – gas that would otherwise be flared) and non-associated gas (NAG) that will be transported during the Project life (see Risk Mitigation Measures and in the Results Matrix). Gas flaring reduction was highlighted in the PAD because of its global and national importance, but purposefully excluded as one of the Project's development objectives. The PAD (including the economic analysis and the EIA) took special care to not overstate the Project's impact on gas flaring reduction (see item no. 26).</p> <p>As noted in the PAD, WAGP was expected to initially carry only about 5 percent of the flared AG that could be captured by the operators and NNPC in their efforts to cut down on gas flaring in their blocks. It would thus contribute to the reduction of gas flaring during the initial pipeline build-up phase towards the first plateau of 200 MMCF/day. Initially, WAGP is expected to be supplied by a blend of AG and NAG. AG is dependent on crude oil production and, therefore, is a less reliable supply source of gas because of the natural declines over time in the gas-to-oil ratio as crude is produced.</p> <p>By using NAG, WAGP would be less exposed to oil production interruptions as is now the case in the blocks operated by Shell or ExxonMobil, where "force majeure" stoppages to the end of 2008 have been declared. More AG is envisaged to be injected into the Nigerian domestic gas system, including the ELPS that supplies WAGP, as demand downstream increases and investments in gas separation plants and gas gathering systems are made by operators to meet the Government of Nigeria's plans to cut flaring or face stiff penalties.</p> <p>Action: Management has requested the Government of Nigeria via NNPC to provide information about NAG and AG supply to WAGPA for monitoring purposes for the Project as well as in the context of the GGFR.</p>
26.	<p>Raising expectations about secondary benefits</p> <p>Where statements are made to make a project politically attractive, for example by repeated references to secondary benefits [in this case, gas flaring</p>	495	<p>Comment: Management acknowledges that there are numerous references in the Project documentation pertaining to reduction in gas flaring and the economic and environmental benefits, regional and global, that will result from it, which could provide unrealistic expectations and linkages to Project outcomes. Management also recognizes</p>

No.	Issue/Finding	Para. nos.	Comment/Action
	<p>reduction], levels of expectation are raised among stakeholders who are mainly interested in these secondary benefits. And, as is brought home by this Request, when stakeholders do not see their justified expectations fulfilled, they believe that they have been wronged. This also creates a reputational risk for the Bank.</p>		<p>that gas flaring reduction is an important energy sector issue that could not be ignored, particularly since this Project will be transporting some levels of associated gas.</p> <p>Action: Management is endeavoring to obtain the commitment of the producer, NNPC, and other partners (N-Gas, NGC, WAPCo, and WAGPA) to provide this information on an annual basis for monitoring purposes for the Project as well as in the context of the Global Gas Flaring Reduction Program.</p>

**Annex-2
West African Gas Pipeline (WAGP) Project
Supervision Missions**

No.	Dates of the Mission	Functional Areas of Mission Members	Countries Visited
1	May 12-20, 2008	Task Team Leader Sr. Energy Specialist Sr. Energy Economist Environmental and Safeguards Consultant Sr. Social Development Specialist.	Nigeria and Ghana
2	Nov 27 – Dec 07, 2007	Task Team Leader Lead/Sr. Energy Specialists Sr. Financial Analyst Environmental and Safeguards Consultant Sr. Social Sector Specialist Sr. Social Development Specialists Sr. Energy Economist Sr. Operations Officer, OPCQC Communications Officer.	Nigeria, Benin, Togo and Ghana
3	May 14-16, 2007	Task Team Leader Sr. Advisor, OPCQC Sr. Financial Analyst - Project Finance Sr. Operations Officer, OPCQC Environmental Consultant/Former Safeguards Coordinator Sr. Social Development Specialist Lead/Sr. Energy Specialist.	Ghana
4	Mar 21 – 31, 2007	Task Team Leader Sr. Advisor, OPCQC Lead/Sr. Energy Specialists Sr. Financial Analyst - Project Finance Environmental Consultant/ Former Safeguards Coordinator Sr. Social Development Specialist.	Ghana and Nigeria
5	Sep 22 – Oct 13, 2006	Task Team Leader Lead Energy Specialist Lead Finance Officer Sr. Financial Officer Environmental Consultant/ Former Safeguards Coordinator Social Protection Consultant Lead Specialist, Social Development Communications Specialist.	Nigeria, Benin, Togo and Ghana
6	Apr 3-5, 2006	Task Team Leader Lead Energy Specialist Sr. Financial Analyst – Project Finance.	Ghana
7	Jun 12 – 17, 2005	Environmental and Safeguards Coordinator Social Development Specialist Environmental Specialist (MIGA)	Nigeria, Benin, and Ghana

Annex 3
SD Environmental and Social Safeguards Action Plan

Action Plan	Status Report – May 2008		
Reviews			
All SD Sector Managers complete assessment of environmental and social safeguards team members for FY08 for all projects with an “A” and “B” safeguards classification and those projects appearing on the corporate risk list (including staff, amount of time and coverage).	Done.		
TRS review of safeguards work carried out in FY07 and FY08 to identify and correct coverage gaps.	Ongoing.		
Commission QAG to carry out for SD analysis of findings from the last five QEAs and QSAs on environmental and social safeguards work, which will set baseline for monitoring impact of Action Plan.	Ongoing. First phase covering QEA3-QEA8 to be completed 06/09. Phase 2 reviewing quality of supervision and implementation is underway.		
Staffing Actions			
Hire 4 new environmental specialists to be located in the field and 1 in headquarters. Will help develop and train LRS to support teams.	<ul style="list-style-type: none"> ▪ 4 new IRS have been recruited for Kampala, Abidjan, Lilongwe and Accra. ▪ The HQ specialist is being recruited. 		
Hire a Level GH Lead Social Safeguards Specialist to signal importance of safeguards work. Hire three new senior and experienced (Level GG) social safeguards specialists, of which 2 are in the field.	Lead Specialist selected. Interviews for 3 GG positions are underway in June 2008.		
Retooling of 2 social development specialists to work on safeguards.	2 staff selected, skills being upgraded, and both have begun to provide safeguards support.		
Development of database on approved safeguards consultants.	Database completed (43 consultants).		
Safeguards Portfolio Reviews, starting in FY08 with additional ones in FY09			
Uganda and Tanzania: Country Safeguards Reviews.	Uganda desk review completed; field visit ongoing, to be completed Q1 FY09. Tanzania planned for Q3 FY09.		
Cote d’Ivoire – Country Safeguards Review for projects to be reactivated as IDA re-engages in the country.	Done.		
Sudan – Develop common safeguards framework (following the Afghanistan model) better tailored to the country’s fragile setting.	First review mission completed; second mission currently ongoing. As a follow-up and in addition to initial plan, government capacity building program is being developed and would be supported by a LICUS grant (under preparation).		
Regional projects: ensure that these projects are covered and given adequate attention.	Periodic review of safeguards coverage in regional projects with Regional Integration Director and respective Country Directors.		
Training Program			
Safeguards Training for Managers/Program Coordinators/Sector Leaders.	Combined and done on February 29, 2008 during SDN week (3 sessions in parallel).		
Safeguards training for all Task Team Leaders; will be part of TTL accreditation; roll out training to Country Offices.	Five country workshops are underway (May-June 2008).		
FY	Fiscal Year	QSA	Quality of Supervision Assessments
IRS	Internationally Recruited Staff	SD/SDN	Sustainable Development
LICUS	Low-Income Country Under Stress	SDN	Sustainable Development Network
LRS	Locally Recruited Staff	TRS	Time Recording System
QAG	Quality Assurance Group	TTL	Task Team Leader
QEA	Quality at Entry		

**Annex 4
Status of Agreed Actions**

No	Agreed Actions (as per Dec 2007 and May 2008 missions)	Status	Target Date
	Environmental Compliance		
1	<u>Dec 2007:</u> a) Develop adequate industry-standard ERPs prior to any gas being shipped. <u>May 2008:</u> b) Bank's review of ERPs done, and these are found adequate. ESAP may provide suggestions for further improvements.	Completed	
2	<u>Dec 2007:</u> a) Conduct consultations and public awareness regarding the ERPs prior to any gas being shipped. <u>May 2008:</u> b) A safety brochure has been produced, translated into local languages, and widely disseminated by July 2008. Additional public awareness meetings would be held in the future, and printed information on relevant aspects of the ERPs would be distributed. c) Conduct a community seminar on the Takoradi ERP, prior to the delivery of first gas.	Agreed Ongoing Agreed	Whenever gas flows May 08 – Apr 09 June 2008
3	<u>May 2008:</u> a) EMP for operations is being prepared. The executive summary will be translated into Yoruba, and disseminated among the communities after due discussions.	Agreed	Upon start of operations
4	<u>RAP & EIA Monitoring System:</u> <u>Dec 2007:</u> a) Will finalize regional RAP and EIA monitoring systems prior to April 1, 2008 and ensure that appropriate database is in place for continued monitoring. b) Will provide additional human and capital resources, as needed, to undertake such monitoring.	Completed Agreed	 Ongoing
5	<u>Access Road to the Lagoon in Lagos Beach Compressor Station:</u> <u>Dec 2007:</u> a) The Company will remove the access road to the lagoon, near Lagos Beach Compressor Station, and consider providing access to the local population through the CDPs to support the people of Ajido community.	Completed	
6	<u>Berms at Tema and Takoradi:</u> <u>Dec 2007:</u> a) Will agree with Ghana EPA on the process and parameters for decommissioning of berms at Tema and Takoradi, solicit advice of the ESAP, and submit the final proposal to the Bank for review. b) Will consult with Tema Traditional Council and Kpone Traditional Council on the disposition of boulders arising from the decommissioning of the berms at Tema; the Company will consult with Aboadze and Abuesi community representatives on the disposition of boulders arising from the decommissioning of the berms at Takoradi. c) Will monitor potential impacts from the pipeline shore crossing at Takoradi that is not buried to target depth and may act as a berm, and if needed, develop and implement mitigation measures to address such impacts. <u>May 2008:</u> d) Install markers at the seaward ends of the berms at Takoradi and Tema, and continue routine measurements for the multi-year beach monitoring program at Takoradi. e) Share the medical screening report prepared in response to the water quality incident caused by the hydrotest water discharge with the community, upon receipt of a written request from the community.	Completed No action needed Ongoing Agreed Agreed	 Ghana EPA directed that boulders not be shared May 08 – Apr 10 Dec 2008 Whenever asked formally
	Social Safeguards Compliance:		
7	<u>Land compensation in Ghana:</u> <u>Dec 2007:</u> Rates for compensation, including land take, are satisfactory; landowners have received replacement land from TDC. The estate surveyor has used market rates and payments included squatters. Tenants' crops were compensated appropriately. The Company is not expected to engage in any remedial actions at Tema and Takoradi sites regarding resettlement and	No action needed	

	compensation.		
8	<u>Socio-economic Surveys:</u> <u>Dec 2007:</u> a) Will conduct follow-up socio-economic surveys in 2008 and 2010 to assess Project impacts on Project affected people and larger communities. <u>May 2008:</u> b) Socio-economic survey(s) database would be developed, and results of follow-up surveys (to be conducted by WAPCo by end-December 2008, and vetted by independent consultants) would be shared with the Bank.	Agreed Agreed	May 08 – Dec 10 Dec 31, 2008
9	<u>Grievance Mechanism:</u> <u>Dec 2007:</u> a) Will review and revise, as appropriate, grievance mechanisms and documentation in each country, and put in place programs to increase community awareness of dispute resolution procedures. <u>May 2008:</u> b) Documentation on the Grievance Mechanism would be shared, which would inter alia include information on accessible procedures for third-party settlement of disputes arising from resettlement, judicial recourse and community and traditional dispute settlement mechanisms.	Completed	July 2008
10	<u>Compensation in Nigeria:</u> <u>Dec 2007:</u> a) The Company will undertake an estimation of compensating PAPS for each eligible claimant on the ROW based on updated market rates for each type of asset (land, crops, trees, structures) in 2003-2004 and adjusted for inflation to 2008 prices, considering the differentiated land use for 3 zones, and the most current IITA/FAO agricultural prices for Nigeria. <u>May 2008:</u> b) Documentation would be shared on: (a) compensation methodology for land and tree/crops; and (b) sensitization and consultation process with details on information disclosure. c) A comprehensive community sensitization program would be undertaken during May 14-31. d) Full disclosure of livelihood restoration compensation (underlying reasons, methodology, calculations, payment process, grievance handling) would be ensured during the sensitization meetings. e) The IIT report by an Agricultural Economist for tree/crop compensation would be shared with the Bank.	Completed Done Underway Underway Done	 June 30, 2008 June 30, 2008
11	<u>Land-take equal or in excess of 50%:</u> <u>Dec 2007:</u> a) The Company will undertake a review of the land take for each claimant and assure that landowners with equal to or greater than 50% of land will receive compensation for 100% of the land in consideration.	Done	Incorporated in the new plan
12	<u>Nigeria Compensation payment program:</u> <u>Dec 2007:</u> a) The Company will provide to the World Bank a draft detailed account of the proposed Compensation Payment Program to implement Additional Compensation (in nominal 2008 Nigerian Naira and/or in kind) prior to January 31, 2008 and a final Compensation Payment Program prior to February 28, 2008.	Completed	
13	<u>Witness NGO:</u> <u>Dec 2007:</u> a) The Company will hire an independent monitor, e.g., Social and Economic Rights Action Center, Action Aid International etc. to document and witness the payment process for "Additional Compensation". <u>May 2008:</u> b) WAPCo would expedite the hiring of the witness NGO, and ensure its presence at the sensitization and compensation payment process as an independent observer.	Underway Underway	June 6, 2008 Early July, 2008
14	<u>Payment of Compensation in Nigeria:</u> <u>Dec 2007:</u> a) The Company will complete the payment process for "Additional Compensation" no later than June 30, 2008; the Company will ensure that an independent review of this process will be undertaken.	Underway	October, 2008

b)	<u>May 2008:</u> Livelihood restoration land compensation payments would be made during June to October, 2008.	Underway	October, 2008
15	<u>CDP and Vulnerable Groups:</u> <u>May 2008:</u>		
a)	WAPCo would intensify CDP implementation strategy and focus on livelihood restoration. Documentation on fast tracking of CDPs, especially on livelihood restoration activities, and targeting of vulnerable groups would be provided to the Bank.	Agreed	May 08 – Apr 10
b)	WAPCo would undertake to: (a) include gender mainstreaming variables in the socio-economic survey (b) retrofit its CDPs with activities that will address the concerns of the vulnerable groups; (c) incorporate targeted support for skills development to allow empowerment activities to run concurrently with construction activities under CDP.	Agreed	August 2008
	<u>Institutional / Others:</u>		
16	<u>Coordinating Team:</u> <u>Dec 2007:</u>		
a)	To strengthen monitoring of implementation of safeguards instruments and WAPCo monitoring team, the Company will establish a qualified Coordinating Team by December 15, 2007, led by WAPCo's Corporate Compliance Manager and including staff from WAGP Project, Operations, and Finance departments and additional resources under arrangements such as the Technical Services Agreement with Chevron-Texaco to carry out the above actions.	Completed	
b)	<u>May 2008:</u> WAPCo would strengthen its institutional capacity by recruiting staff with community development and social safeguards background for performance monitoring of the resettlement activities. WAPCo has also development program for capacity building for its staff, including training program organized by IFC (in May 2008); and capacity building training to be organized by MIGA in July 2008.	Agreed	June 2008
17	<u>Progress Reports:</u> <u>Dec 2007:</u>		
a)	A 2-page summary report, along with an updated Action Plan, would be provided to World Bank on a monthly basis indicating the progress on outstanding environment and social matters as noted in the Action Plan, including possible issues that could delay the implementation of actions.	Monthly progress reports being sent to WB	May 08 – Dec 10
18	<u>New Implementation Schedule:</u> <u>May 2008:</u>		
a)	WAPCo shall develop the detailed Project implementation plan in consultation with the new contractor (once hired), and share it with the Bank at the earliest.	Agreed	July 2008