

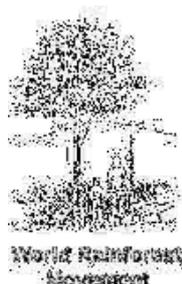
# **BROKEN PROMISES**

**How World Bank Group policies  
and practice fail to protect  
forests and forest peoples' rights**

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**Forest Peoples Programme**



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## ***The World Bank and forests: a tissue of lies and deception***

**Ricardo Carrere, World Rainforest Movement &  
Marcus Colchester, Forest Peoples Programme**

In October 2002, the World Bank adopted a new policy on forests. Reversing the previous policy which had prohibited the Bank from funding projects that would destroy primary moist tropical forests, the new policy, adopted with the encouragement of the WWF, was aimed at encouraging greater involvement in forestry. The objective was to help the World Bank achieve the targets set by the World Bank-WWF Alliance for securing 200 million hectares of forests under responsible logging ('independently certified sustainable forest management'). The policy and associated strategy also aimed at promoting markets in environmental services, creating better opportunities for private sector investment in forest management, while claiming, unconvincingly, that it would also improve the livelihoods of the rural poor.

The policy was roundly condemned by many of the NGOs and Indigenous Peoples' organisations that had been involved in the lengthy consultations that had preceded its agreement. The main reasons we contested the policy were that it:

- does not apply to those arms of the World Bank that support the private sector, the International Finance Corporation (IFC) and the Multilateral Investment Guarantee Agency (MIGA)
- does not apply to structural adjustment and programmatic lending
- lifts the previous proscription on World Bank funding for logging in primary moist tropical forests
- offers only ambiguous protection of 'critical' forests to be affected by World Bank funded projects
- offers no additional protection to forest-dependent peoples impacted by non-forestry lending that will affect forests
- allows Bank funding of forest clearance for plantations (although it 'prefers' plantations to be established elsewhere)
- relies on uncertain certification standards to protect forests and forest peoples in World Bank projects that do promote logging.

Our preference was for a simple proscription that non-technical staff at the World Bank could easily comprehend: that the entire World Bank Group should not support developments that could destroy old growth forests. Unfortunately, the technocrats wanted something more – you got it - technocratic.

Several governments shared some of our concerns about this policy and it was only eventually accepted by the Board of Executive Directors subject to a number of conditions. To secure the Board's agreement, the World Bank promised that:

- it would review progress with application of the policy after three years
- an 'External Advisory Group' would be established to create transparency and ensure that the Bank gained independent advice on how to apply the policy
- 'transparent mechanisms' would be established in the soon to be revised policy on adjustment lending (OP/BP 8.60) which would 'systematically' address the environmental aspects 'including in particular forestry impacts'
- meanwhile, Regional Vice Presidents would screen upcoming adjustment loans for their possible impacts and Bank management would establish 'transparent

- arrangements for systematically identifying' significant impacts.
- ❑ a Forests 'Sourcebook' would be produced to guide World Bank staff in the application of the new policy with respect to identifying 'critical forests', establishing standards for certification and safeguarding forest dwellers.
  - ❑ the IFC would soon adopt a revised version of the policy adjusted to its task of funding the private sector.

Now, three years on, it is time to take stock. As the articles in this special issue show, the Bank has not kept **any** of these promises and, sadly, the concerns we had about the World Bank's new Forests Policy turn out to have been all too well founded.

- ☞ The IFC, much less MIGA, has **not** adopted the new policy and yet is investing in a raft of dubious projects, which threaten forests and forest peoples, notably in the Amazon.
- ☞ The promised 'Sourcebook' has never appeared.
- ☞ The mechanisms promised to ensure that forests would be systematically addressed in programmatic lending have proved so 'transparent' as to be totally invisible (they don't exist).
- ☞ The External Advisory Group, which was to have included representatives of communities and indigenous peoples, involves nonesuch and has been swallowed up by the World Bank. Its dealings are unreported to the outside world.
- ☞ 'Community Forest Management' projects in India, meant to alleviate poverty, have ignored World Bank safeguard policies and

trampled the rights of indigenous peoples.

- ☞ Mechanisms to expand logging in the Congo basin have been pushed through without securing community rights, promising accelerating deforestation.
- ☞ High profile initiatives in Cambodia to stamp out forestry corruption have floundered for lack of Bank commitment.
- ☞ Projects to promote new markets in carbon have despoiled landscapes and ruined livelihoods.
- ☞ Even conservation projects funded through the Global Environment Facility have gone awry.
- ☞ Meanwhile the WWF-World Bank Alliance, for whose sake the new forests policy was rewritten, cannot point to a single 'best practice' Bank-funded project of certified logging to justify the new approach.

The (now retiring) President of the World Bank has been asleep – or pretending to be asleep - at the helm, while the World Bank Group has reverted to the bad old ways of the 1980s, when forest destruction and the trampling of local communities, was considered the price of development.

If the World Bank is to be at all serious about forest protection, then the Bank's Board of Executive Directors needs to wake up to what is happening. A thorough **independent** review of what is going on is now needed. The Natural Habitats policy urgently needs to be assessed. Meanwhile bad projects must be frozen and further IFC forest-related investments put on hold.

***The great***

***'Community Forest Management' swindle:  
critical evaluation of an ongoing World  
Bank-financed project in Andhra Pradesh***

**Tom Griffiths, Forest Peoples Programme &  
Ravi Reprabagada and Bhanu Kalluri, Samatha**

Despite years of controversy surrounding World Bank forestry projects in India, the Bank is pressing ahead with major plans to make the way for large loans for further forestry projects in several States. In 2005, the Bank has pilot "community forest management" (CFM) and participatory forest management (PFM) projects beginning in Madhya Pradesh and Jharkhand states. These pilot projects are intended to precede major loans for full-scale State-wide forestry projects. The World Bank claims that it has learned from past mistakes stemming from its loans for social forestry and Joint Forest Management (JFM) in India. Recent Bank reports stress that it is now seeking to support the Indian government to move away from previous JFM approaches towards a new 'community forest management' (CFM) approach (see, for example, PROFOR Periodic Update - March 2005).

While plans for these new forestry projects gather pace, the Bank has been implementing a five-year *Andhra Pradesh Community Forest Management Project* (APCFMP) since late 2002. This project, which is financed with a loan of US\$ 108 million USD, is described by the Bank as a "Community Driven" intervention that aims to reduce poverty and "empower" communities to take autonomous decisions regarding forest management on lands assigned to existing village forest protection committees - *Vana Samrakshana Samithi* (VSS). Many of the 5000 VSS involved in the CFM project were established under a previous

controversial Bank-assisted Joint Forest Management (JFM) Project (1994-2000), which was heavily criticised for involving forced evictions of tribal people who received little or no compensation.

Given the problems with the previous Bank-financed project, strong opposition to the second Bank loan among many forest-related and development NGOs in AP was only averted after NGO protest letters secured a commitment from Bank that: (i) the project design and resettlement policy would be strengthened to expressly prohibit and safeguard against further forced relocation of forest-dependent families and (ii) families relocated without compensation under the prior JFM project would be properly rehabilitated as a condition of the loan agreement.

Those sceptical about the second Bank loan were assured that the follow-up project would represent a significant departure from the previous JFM project, because the CFM intervention would aim to ensure that community VSS would take the lead on forest management decisions, while the state forest department would act primarily as a "facilitator" (Project Appraisal Document – PAD: page 5.). Those promoting the project maintained that CFM would help reduce poverty among participating VSS communities by increasing their legal entitlements to benefit sharing from the sale of forest produce.

After more than two years implementation how has this project

faired and what have been the experiences of affected communities? Are there any signs the Bank is promoting genuine CFM? Is the Bank really learning lessons and promoting a new approach? An effort to answer these questions was made in July 2004 when Samata and the Forest Peoples Programme (FPP) worked with nine communities in the central and NE Coastal District of Andhra Pradesh to document their experiences and views of the project so far. The remainder of this article highlights some of the main findings of the independent evaluation.

*Preliminary findings of an independent NGO evaluation:*

Discussions with communities, forest-related NGOs and activists confirm that although the revision of the resettlement action plan (RAP) did result in some stronger procedural safeguards against forced eviction, loopholes remain that will hinder proper redress in the case of grievances, and will block land-for-land compensation. To the further anger of NGOs that campaigned for the resettlement loan conditions, the final revised document released in May 2004 asserts that lands under the previous project were relinquished voluntarily. It also maintains that up to 50% of the 16,190 potentially affected families in the CFM project are expected to willingly choose to surrender their lands to the Forest

Department. NGOs and community leaders vigorously challenge this assertion and point out that the both public consultations on the RAP in 2001 in 2003 clearly record that the *majority* of tribal people and other forest dependent people defined by the APFD as “encroachers” will not under any circumstances voluntarily surrender their “encroached” land to the VSS. A further key loan condition has so far not been complied with: after more than two years those families adversely impacted by the previous JFM project have still not been identified and have not been compensated.

In addition, there are severe criticisms of the Tribal Development Strategy (TDS) financed under the project, which was drawn up by outsiders with no prior agreement and little knowledge by Adivasi leaders. Villagers talked to as part of the evaluation said they had never seen the final document and were unaware of its budget or its objectives. On being told of its contents, leaders affirm that they strongly reject the stated ‘underlying philosophy of the tribal component’, which is “*to reduce the dependence of the tribals on the forests for their economic subsistence*” (through provision of wage employment with the forest department and alternative market-based income alternatives).



**Members of community VSS in Andhra Pradesh complain that key documents relating to the World Bank-funded forestry project such as the Tribal Development Strategy and even their own village microplans are not readily available to VSS members and other villagers**[Photo: T Griffiths]

Civil society organisations are also critical of the project's failure to promote the reforms necessary for CFM. They point out that Revisions to the AP Forest Act under the project are narrow and restricted to the revision of rules for VSS elections, VSS membership and benefit sharing. They stress that the Bank's intervention does not address the major inequities and injustices enshrined in the national legislation such as the 1980 Forest Conservation Act, and so is unable to promote genuine and far reaching reforms, and does nothing to address the demands of forest dependent communities for recognition of their ownership rights over forest and cultivated lands.

In addition, members of Adivasi communities complain that they have not been empowered under the project as most decisions on forest management are still taken by the Andhra Pradesh Forest Department (APFD). People are upset because their forest management priorities and

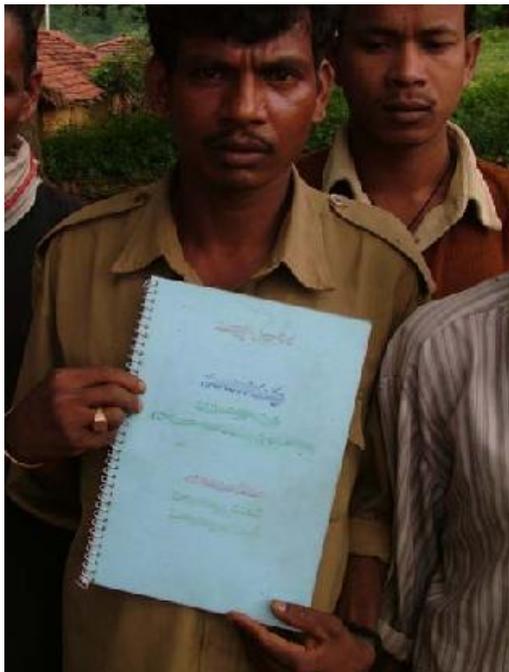
decisions set out in VSS resolutions are routinely ignored or dismissed by the APFD, while crucial issues such as land tenure conflicts are not being dealt with under the project. In several villages, the APFD is putting pressure on VSS to enter into contracts with private forestry and pulp firms to establish plantations of eucalyptus and teak on VSS land against the wishes of the VSS and community members. VSS members that dare to challenge the Forest Department instructions are threatened with legal sanction and/or exclusion from project benefits. Project benefits for villagers have been confined to occasional and temporary wage labour for the APFD. It turns out that the "community forest management" component of the project is narrowly restricted to the preparation of microplans for village development and VSS forest management "treatments". Most of these plans are being drawn up by APFD staff and are considered sub-plans of the government's own forest plans.



***Unwanted eucalyptus plantation on VSS land in Andhra Pradesh. Protests by villagers against the plantation and requests to plant a mix of native species and fruit trees were rejected by the Forest Department, which threatened the VSS with exclusion from benefits (such as wage work) under the World Bank project unless villagers planted the trees.***

*[Photo: T Griffiths]*

There is also sinister evidence that the State government and APFD are using VSS to manipulate communities and force open commercial access to indigenous forest lands for exploitation by private extractive industries, including plantation, pulp and mining companies. APFD officials are making dubious promises of benefit-sharing schemes with VSS in an effort to establish mining and plantation leases on community lands. For this reason, the legitimacy of VSS as representative community institutions is being called into question. Local NGOs in Andhra Pradesh tracking forest policy conclude that the VSS are becoming a government instrument that is primarily being used to control communities and neutralise their opposition to the colonisation and expropriation of their lands by commercial enterprises.



**A VSS chairperson holds a microplan for forest management and “village development” drawn up under the World Bank-assisted CFM project. Many VSS report that their microplans have been written solely by the Forest Department. Microplans have been adopted without prior agreement of the communities concerned and without proper attention to land tenure issues and customary resource use regimes. [Photo: T Griffiths]**

Given all these problems, communities and support NGOs that initially accepted the APCFM project (with misgivings) are becoming bitterly disillusioned:

*“The CFM project is like a sugar-coated pill which is bitter inside. The Forest Department explains CFM as being different from the previous JFM project in Andhra Pradesh - when communities were just treated as labour to do the Forest Department works and forest protection. But what we see now after two years is that CFM is just old wine in a new bottle. There are small changes, but basically this project is JFM with another name and the people do not have more power to decide how to use the forest...the Forest Department still dictates how the forest and land is to be used...”*  
[Sanjeeva Rao, Velugu Association, Srikakulam District, AP, July 2004]

*“We, support NGOs in AP, got involved in the JFM and CFM because we genuinely believed that this would bring some benefits for the Adivasi peoples and other forest dependent communities in AP. However, with the first World Bank-assisted JFM project there were serious problems with involuntary resettlement and the Forest Department took a great deal of land away from the tribal communities in the name of the VSS. We were very upset and complained bitterly to the AP government and the World Bank. In the preparation for the new CFM project, they assured us that things would be changed, but now there is a realisation that the CFM project still gives almost total control to the Forest Department and the VSS institution is still undermining the traditional authorities in the village and the communities are not well informed...”* [Devullu P, Sanjeevini Rural Development Society, Vishakhapatnam District, AP, July 2004]

This initial evaluation of this Bank Forestry Project finds that the Bank is

in violation of its Forests Policy, Indigenous Peoples Policy and Resettlement Policy. At the same time, the loan agreement is not being upheld and those who lost shifting cultivation land (podu) under the previous Bank project are complaining that they are suffering severe and growing deprivation and want their traditional lands back. For its part, the Bank is still disbursing funds for the project, which activists and community leaders maintain shows that the Bank has not changed its spots and is not learning its lessons...

The main conclusion so far among leading forest activists in AP is that the

Bank's piecemeal project by project approach at the State level is diverting attention away from the popular calls for wider legal and governance reforms required to promote genuine community forest management through the recognition of the ownership rights of Adivasi and other forest-dependent communities in India.

Activists stress that the serious problems with the APCFMP should be a stark warning to those communities being promised a "new approach" in new proposed Bank forestry projects planned in other states.

***People in participating villages report that they have not been empowered by the World Bank financed "community forest management" project, now in its third year of implementation. Instead, control over forest management decisions remains with the Andhra Pradesh Forest Department (APFD). Benefits under the project have so far been confined to occasional wage labour on soil conservation and plantation works prioritised by the APFD (pictured right).***

*[Photo: T Griffiths]*



**The full evaluation report compiled by Samata and the FPP is due to be completed shortly, and will be available on request via: [info@forestpeoples.org](mailto:info@forestpeoples.org). For more information on proposed World Bank forest sector plans in India, see <http://www.forestpeoples.org>**

# ***Democratic Republic of Congo – after the war, the fight for the forest***

**Simon Counsell Rainforest Foundation**

## ***Introduction***

The rainforests of the Democratic Republic of Congo (DRC, formerly Zaire), and the many millions of people that live in them, are at a critical juncture. Most of the country has not yet been affected by the large-scale industrial logging and forest clearance that has all but eradicated rainforests in other parts of Africa. However, with the ending of decades of economic chaos and civil wars, this is about to change.

International agencies including the World Bank and the UN Food and Agriculture Organisation are planning extensive 'development' of DRC's forests. Potentially, tens of millions of hectares of forest will be opened up to logging companies. The rights and livelihoods of millions of people will be put at risk.

A process has begun which may soon be irreversible and could result in the eventual loss of much of the world's second largest area of rainforest. This could well be the first major environmental catastrophe of the 21st century.

## ***Background: a country emerging from a devastating 'natural resources war'***

Following decades of despotic rule by Mobutu Sese Seko, DRC descended into a 'civil war' in which as many as nine foreign powers became involved, and that, directly and indirectly, claimed the lives of an estimated 3.5 million people. In December 2002, an agreement was reached under which Joseph Kabila remained as President, with four 'Vice-Presidents' drawn from the rebel groups. In June 2003, a 'transitional government' was established; national elections are planned for 2005 or 2006.

The mass carnage which reigned over the country has receded. However, vicious battles sporadically flare up, and much of the east of this vast country is still under the nominal control of 'rebel' groups in a complex pattern of shifting alliances between various factions, ethnic groups and militias, with the support and involvement of neighbouring countries' armies.

The war has, at least in part, been fuelled by competition for control over natural resources. The United Nations Security Council Expert Panel on the Illegal Exploitation of DRC's Natural Resources reported in October 2002 that "corrupt and criminal elites" both within DRC and neighbouring countries such as Uganda and Rwanda were profiting from the civil war by using it to gain access to minerals, timber and ivory.<sup>1</sup> The proceeds from illegal mining and logging have been used to purchase arms and munitions, thus perpetuating the conflict.

Some observers - including, in a secret report, the UN Security Council Expert Panel - fear that the present 'peace' is simply being used by rebel factions and the government as a chance to carry on their illicit plunder of resources, to re-group and re-arm, and that another major conflict is highly likely.<sup>2</sup>

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<sup>1</sup> UN Security Council, Final Report of the Panel of Experts on the Illegal Exploitation of Natural Resources and Other Forms of Wealth of the Democratic Republic of Congo, S/2002/1146, New York 16th October 2002.

<sup>2</sup> UN Security Council, Final Report of the Panel of Experts on the Illegal Exploitation of Natural Resources and Other Forms of Wealth of the Democratic Republic of Congo, letter from the Chairman of the Panel addressed to the Secretary-General, excised chapter entitled 'Exploitation, Arms and Conflict', New York, 15 October 2003.

The illegal and uncontrolled exploitation of these resources has had devastating social and environmental impacts in some localities. Forest people such as the Twa 'Pygmies' of eastern DRC have suffered traumatic impacts during the conflict. As well as brutal treatment - including cases of cannibalism and reported 'genocide' - at the hands of one faction or another, Pygmy people have also suffered from a depletion of wild food resources, which have been exploited by armies, militias and millions of refugees fleeing from the conflict.

With the establishment of the transitional government in 2003, the international community has quickly moved to rebuild the country's political institutions and economy, and particularly to encourage foreign investment. DRC's forests are seen as a potential source of quick foreign earnings, and the timber industry as a means of 'kick-starting' the country's collapsed economy.

### ***Forests and forest people - in the firing line***

DRC's forests cover an area of 1.3 million square kilometres, more than twice the size of France. According to World Bank estimates, some 35 million people (70% of the national population) are resident within, or to some extent dependent on, the country's forests.<sup>3</sup>

Bantu farming peoples are believed to have migrated into much of the forest zone several thousands of years ago, where Mbuti and Twa 'Pygmy' hunter-gatherers may have already been present.<sup>4</sup> The World Bank estimates that the average per capita income in DRC is presently the lowest in the world, at US\$ 90 per year;<sup>5</sup> income in rural, forested, areas is

likely to be even lower than the national average.



***The Batwa, Mbuti and Baka 'Pygmies' of the Congo Basin are entirely dependent on the forest for their survival [photo: Kate Eshelby]***

The economic chaos of the Mobutu decades, and failure to invest in infrastructure, has meant that relatively little of the forest has been exploited industrially, although a few (mostly foreign) companies have had access to large areas for logging. The German group, Danzer, for example, has for many years held logging concessions extending over 2.4 million hectares.<sup>6</sup>

In some areas, such as in North and South Kivu, where there are rich volcanic soils, areas of forest have been converted to farmlands, mostly for subsistence. Around major cities, collection of fuelwood in an otherwise energy-starved country has also led to loss of forest cover. However, compared to other parts of west and central Africa, deforestation rates have remained low. Under the 'guidance' of the international community, this could be about to change.

<sup>3</sup> World Bank, Democratic Republic of Congo, Mission de Suivi Sectoriel, 17-27 April 2002.

<sup>4</sup> Vansina, J. Paths in the Rainforests: Towards a History of Political Tradition in Equatorial Africa. James Curry, London 1990

<sup>5</sup> World Bank. World Development Indicators database, Washington DC, 2003.

<sup>6</sup> European Tropical Forest Research Network. ETFERN News, 39/40: Globalisation, localisation and tropical forest management, undated, accessed at [http://www.etfrn.org/etfrn/newsletter/news39/nl39\\_oip\\_4\\_2.htm](http://www.etfrn.org/etfrn/newsletter/news39/nl39_oip_4_2.htm), 27/1/04.

### ***New forest laws, forest zoning, and the World Bank***

In August 2002, a new Forest Code was adopted by the (unelected) Interim Government of DRC.<sup>7</sup> The Code sets out the basic 'framework' for the DRC Government's forest policy, such as that the government continues to assert state ownership over all areas of forest. Certain categories of forest are broadly defined, such as for 'exploitation', 'community use' and 'conservation'. The development of the Code was supported by the World Bank. The release of a US\$ 15 million 'forest sector tranche' of a Bank structural credit in May 2002 was made conditional on the adoption of the Code,<sup>8</sup> which was broadly modelled on the Forest Law that the Bank developed for Cameroon in 1994.

As an indication of the extraordinary absence of realism in the Bank's thinking, it believed that the entire new legal system for the forestry sector, consisting of perhaps twenty new presidential and ministerial decrees, could be put in place within only a few months of the adoption of the framework Forest Code.<sup>9</sup> It also indicates that, despite the exhortations of the Bank's own Forest Strategy on the importance of 'participatory forest policy development', there could have been no serious intention to consult the Congolese people about the planned legal reforms, as such a task would have been impossible within such a short period in a country the size of western Europe, much of it still under rebel control, and with virtually no functioning infrastructure.

In January 2003, following the adoption of the new Forest Code, a UN Food and Agriculture Organisation (FAO) project was set up, also with World Bank (and other donor)

funding, under which the specific legal decrees to implement the framework Forest Code would be developed and adopted. The FAO and World Bank are also developing a 'zoning' system for DRC's forests, under which the country's entire forest area will eventually be divided up into areas for logging, conservation, and other uses.<sup>10</sup>

The World Bank has taken some positive steps to reform the timber industry in DRC. For example, the Bank has pressed the Government of DRC to cancel a number of existing logging contracts, and to revoke 6 million hectares of logging concessions that were illegally allocated to a Portuguese company. The Bank has also urged that the level of forestry taxes should be increased substantially, in order to generate greater revenues for the Congolese Treasury. However, these changes have been resisted by the logging industry: forestry taxes remain very low (US\$ 0.10 per hectare<sup>11</sup>), and logging has continued in illegally allocated concessions.

Despite the apparent failures to bring the existing forest exploitation under control, the World Bank has been closely involved in discussions with the Government of DRC about a massive expansion of the country's timber industry. The industry declined during the final years of the Mobutu regime and the civil war, but World Bank documents refer to a possible 60-100-fold increase of timber production to around 6-10 million cubic metres of timber per year,<sup>12</sup> and to the "creation of a favourable climate for industrial logging".<sup>13</sup> According to the Bank, an area of some 60 million hectares (somewhat larger than the size of

<sup>7</sup> GoDRC, loi n° 011/2002 Code Forestiere, 29th August 2002.

<sup>8</sup> World Bank, Report and Recommendation of the President of the IDA to the Executive Directors on a Proposed Credit of SDR \$360.4 to DRC for an Economic Recovery Credit, May 17, 2002, Washington DC.

<sup>9</sup> Ibid.

<sup>10</sup> GoDRC/FAO, Rapport Synthèse du Projet 'Appui a la relance du Secteur Forestier', TCP DRC 2905, Kinshasa, July 2003.

<sup>11</sup> World Bank, Democratic Republic of Congo, Mission de Suivi Sectoriel, 1-12 July, 2003.

<sup>12</sup> World Bank, Democratic Republic of Congo, Mission de Suivi Sectoriel, 17-27 April 2002.

<sup>13</sup> World Bank, Democratic Republic of Congo, Mission de Suivi Sectoriel, 1-12 July, 2003.

France) is considered as 'production forests'.<sup>14</sup>

In order to lay the geographical basis for forestry in DRC, the Bank included a US\$ 4 million forestry component in a project entitled 'Emergency Economic and Social Reunification Support Project' (EESRSP), which was approved by the Bank board in September 2003.<sup>15</sup> Under this, the Bank would support the preparation of a 'forest zoning plan', which would "organise rural areas into three broad categories according to their primary objectives (rural development, sustainable production, environmental protection)". Although the Bank stated that such zoning is "critical to secure land rights and transparent access to forest resources for all stakeholders" (emphasis added), the likely emphasis of this was belied by the second forestry element of the project: to "lay the ground for implementation of the new law's forest concession system". In fact, of only two 'Performance Indicators' which the Bank was aiming to achieve for the forestry component of this project, one is "Number of new [industrial logging] concessions attributed in a transparent manner".

### **'Peoples' participation'? A lesson in how not to make policy...**

Despite expressed policies and general commitments from both the World Bank and the UN FAO, there has been virtually no consultation with civil society or forest communities over the new Forest Code or the legal decrees that will implement it. A seminar of leading civil society organisations from across DRC in November 2003 revealed that almost no-one (apart from a small group of government

officials and their consultants, and some members of the private sector), was even aware of the existence of the country's new Forest Code, let alone the far-reaching changes which are envisaged.<sup>16</sup>



***The first time these Pygmies in DRC knew that their ancestral forest was to be logged was when strange markings started appearing on trees near their village [photo: Kate Eshelby]***

By November 2003, 15 legal decrees to implement the Forest Code had been drafted or were planned, of which 6 had been immediately passed for official authorisation, having been deemed as "needing no consultation". Nine decrees were at various stages of "discussion and consultation", but of these, only three had been made available to a small group of NGOs close to the government.

In February 2004, in an unprecedented move, more than 150 Congolese NGOs, representing groups from across the country, including a wide range of ethnic groups,

<sup>14</sup> World Bank, Democratic Republic of Congo, Mission de Suivi Sectoriel, 17-27 April 2002.

<sup>15</sup> World Bank, Technical Annex for a Proposed Grant in the Amount of SDR 117 million (US\$164 million equivalent) and a Proposed Credit in the Amount of SDR 35.7 million (US\$50 million equivalent) to the Democratic Republic of Congo for an Emergency Economic and Social Reunification Support Project, August 14, 2003, Washington DC.

<sup>16</sup> The World Bank itself is fully aware of the problem of lack of 'public ownership' of the new Forest Code, through the study that it commissioned from the Centre National d'Education Mésologique. The April 2003 report of this study revealed that, in a sample of 32 community members in three of DRC's provinces, only two people even knew of the existence of the Code and none knew anything about what it contained. Even among Forest Department staff, only 10 out of 28 staff knew anything about the contents of the new Code.

development NGOs and environmental and human rights associations, jointly issued a demand for the World Bank, the FAO and the Government of DRC to halt its programme of development of the country's forests. They called for a moratorium on the development of new forest laws and the forest zoning plan until there had been a thorough review of the Forest Code and the existing legal decrees, and until local peoples' traditional land-rights were taken into account in the new forest zoning exercise.<sup>17</sup>

However, by the end of 2004, further legal decrees had been drawn up or approved by the minister responsible. Notably, these all related to the process of establishing new industrial logging concessions, whereas none of the new laws related to local community rights, indigenous forest peoples, community forests, or environmental protection.

### ***The reasons for concern***

The proposed 'development' of DRC's forests, and the way in which this is being undertaken, presents a number of serious dangers.

Firstly, whilst it is recognised that economic development is desperately needed by poor Congolese people, the World Bank and FAO have failed to take account of the highly unstable situation in Congolese politics, and the serious weaknesses of the government. The authorities in Kinshasa are, as yet, unable to exercise even rudimentary governance, such as tax collection, in many parts of the country (especially in remote, forested areas) let alone control the activities of logging companies. A study carried out for the US Agency for International Development by the ARD consultancy concluded that:

*"The danger now hovering over the DRC's forests is weak governance, that is, the likelihood that the state will be unable to regulate access to forest resources effectively and, once concessions are allocated, control harvesting within them to ensure that concession boundaries are respected, etc. If the state proves unable or unwilling to control domestic and expatriate logging concessionaires, this may signal the start of a logging boom that could rapidly decimate the country's wood resources. This could, in turn, unleash a wave of negative environmental consequences."*<sup>18</sup>

The UN Security Council has also recognised the dangers, and unanimously passed a resolution calling on "*States, international financial institutions, and other organizations to assist...in efforts to create appropriate national structures and institutions to control resource exploitation*" in DRC.<sup>19</sup> As yet, this has not happened, and there is little prospect of such institutions being established in the foreseeable future.



***Industrial logging in other Congo Basin countries such as Cameroon and Republic of Congo has had devastating environmental, social and economic impacts [photo: K. Horta]***

<sup>17</sup> CENADEP /CNONGD. Le devenir des forêts de la République Démocratique du Congo et des populations vivant dans ces forêts, 12th February, 2004.

<sup>18</sup> ARD, Conflict Timber: Dimensions of the Problem in Asia and Africa, Volume III, African Cases, USAID/ARD, Burlington, USA, 2003.

<sup>19</sup> UN Security Council Resolution 1457, January 2003, New York.

The experience in other countries, such as Cameroon, has been that, without very close regulation, the logging industry is extremely susceptible to corruption and malpractices, and that this can have a pervasive corrupting effect on government and administrative structures more widely. This could have serious, negative long-term results if allowed to develop in DRC.

Secondly, the World Bank's approach to the development of DRC's forests appears to be based on the assumption that the expansion of industrial logging will necessarily bring economic benefits to the country's poor people. However, there is very little evidence that this assumption is valid. In fact, the evidence from countries such as Cameroon has been that communities living in the forest - often the poorest of the poor - are further impoverished, as the logging industry can destroy resources upon which forest people depend for their very subsistence, including small-scale forest farms, supplies of fresh water, wild game, fruits and oils, and natural medicines.

The development of a large-scale logging industry in DRC could therefore have serious negative impacts on millions of poor people. As the ARD report has rightly noted:

*“Given governance weaknesses, sustained peace could unleash a period of intense logging in many parts of the Congo, wreaking havoc on the environment, reducing or destroying biodiversity and materially damaging life chances of human groups most dependent on forests for their survival, e.g., the Congo pygmies (totalling some 4,000,000 people)”.*<sup>20</sup>

Thirdly, the approach being taken by the Bank also appears not to recognise that, as elsewhere in Africa,

communities that have been present for hundreds or even thousands of years lay claim to large areas of Congo's forests under 'traditional rights'. In DRC, as elsewhere in the world, forest lands are claimed as the property of the state – and the new Forest Code reinforces this claim. However, the experience in countries such as Cameroon has been that the failure to properly recognise local peoples' rights can result in serious, persistent and violent social conflict.

Fourthly, despite the massive environmental, social and economic ramifications of its interventions in DRC's forest sector, *none* of the Bank's internal safeguard policies –such as those relating to the environment, forestry and indigenous peoples - have yet been applied. The Bank's support for the change in DRC's forest laws in 2002 was processed as part of a Structural Adjustment Credit, and was therefore not subject to the safeguard policies. Further Bank support for the 'operationalisation' of the Forest Code in 2004 was similarly processed as a Structural Adjustment Credit, and so was also not subject to the safeguard policies.

As noted above, the Bank's September 2003 support for the 'zoning' of DRC's forests and the preparation of the logging concession system was given in the form of the EESRSP project. This was classed as a 'Category B' project, which triggered the Bank's Environmental Assessment Policy (OP 4.01), the Forest Policy (OP 4.36) and the Involuntary Resettlement Policy (OP 4.12). However, the Bank also applied to this project OP 8.50, concerning 'Emergency Assistance', thereby postponing by 12 months the requirements to apply all the other safeguard policies.<sup>21</sup> By April 2005, the necessary Social and Environmental Assessments for this project had still not even been started. More seriously still, despite the potentially devastating impact of the expansion of

<sup>20</sup> ARD, *ibid.*

<sup>21</sup> World Bank, Integrated Safeguards Data Sheet, AC43, 08/05/2003, Washington DC.

industrial logging concessions in DRC on the country's many 'Pygmy' people, Bank staff did not even 'trigger' the Indigenous Peoples' Policy (OD 4.20) for this project – perhaps because they were well aware that this policy would be very difficult to comply with.

As well as consistent circumvention of the formal safeguard policies, Bank staff have consistently refused to engage in meaningful dialogue with most national and international NGOs, and have used underhand tactics to try to diffuse criticism and subvert or co-opt critical organisations. For example, in December, 2003, the Rainforest Foundation wrote a detailed letter to the World Bank, seeking clarification about its involvement in forestry in DRC, and raising a number of the above concerns. By April 2005 - 16 months later - there had been no substantive response.

Early 'meetings' between the Bank and its national and international critics consisted of angry 90-minute lectures by the Bank's resident representative. The Bank refused to discuss details of its activities or 'cooperate' with the Rainforest Foundation, saying that the Foundation had 'misinformed the public about the Bank' - but when asked to provide details of what it considered to be 'misinformation', refused to do so on the grounds that this would constitute 'cooperation'.

At a national 'Forest Forum' organised by the Bank in DRC in November 2004, a draft 'NGO statement' due to be delivered by a Kinshasa-based organisation close to the Bank, was found to contain substantial tracts of text drafted by the Bank itself. This clumsy deceit was quickly identified and dealt with by genuine national NGOs – who instead issued, along with international NGOs including WWF, Greenpeace, Conservation International, the Wildlife Conservation Society and CARE, a call for a continuation of a de facto moratorium on the allocation of new industrial logging concessions until

numerous strict conditions were complied with.<sup>22</sup>

During 2004 and 2005, the Bank circulated various drafts of a 'forest sector review' report, which evidently aims to provide post-hoc justification for its proposed industrialisation of DRC's forests. In a desperate effort to regain some kind of credibility for itself and to demonstrate support from NGOs, the Bank attributed acknowledgements to Greenpeace and Global Witness for 'valuable input' into this report – though it quickly transpired that Greenpeace had already stated in writing that it did not share the Bank's fundamental analysis and did not want to be associated with the report; Global Witness staff had not even read the document into which the Bank was thanking them for providing input. By March 2005, perhaps recognising that it is facing serious criticism from DRC's most active and articulate indigenous 'Pygmy' representatives, the Bank had started 'organising' other 'Pygmy NGOs' in Kinshasa.

Alongside all of this, the Bank has continued blatantly to mislead the public and the media about its intentions. In the only substantive explanation of its forestry activities in DRC available to the public, a carefully-worded 'Press Backgrounder' on the Bank's website claims that:

*“The Bank is not financing any industrial logging operation in the DRC. Current financial support to the forestry sector covers advisory services, studies, workshops, training, and institution strengthening. This support is being provided through several multi-sector operations including... the Emergency Economic and*

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<sup>22</sup> 'Joint Declaration of International NGOs Working for the Sustainable Management of the DRC's Forest Ecosystems', Kinshasa, November 2004, available from <http://www.rainforestfoundationuk.org/s-Int.%20NGO%20statement%20Nov%202004>

*Social Reunification Support Project (EESRSP Cr. 3824-DRC). The latter project has a forestry component of US\$ 4 million that will finance the revision of forest contracts and forest land use planning.”<sup>23</sup>*

This statement neglects to mention the Bank's support, under the EESRSP project, for 'implementation of the forest concession system', nor, as noted above, that the Bank's own documentation (marked 'Official Use Only') shows that it will actually assess the success of this project by how many new logging concessions have been allocated.

### **Conclusions**

Whilst the Bank has emphasised its concern that the development of DRC's forests should benefit the people living there, it has done nothing to put this concern into practice. Instead, it has continued with the fatally misguided belief that, amidst a state of near-civil war, with a government that is largely only that in name and which mostly serves the personal vested interests of its members, with financial institutions known to be utterly corrupt, and with basic functions of governance still fragile at best, it would still be possible to establish a timber industry that would be environmentally acceptable, socially sound, and economically beneficial.

Few observers believe that this is anything other than ideological dogma promoted by promotion-hungry junior Bank officials who will ultimately be unaccountable for their actions. The Bank's approach is likely to benefit few, other than foreign logging companies – especially those from Germany and France – which are known to have been lobbying the Bank at the highest level for a supportive stance towards the timber industry.

This is not to say that there is no role for the Bank in DRC's forests - indeed, it is one of the few institutions that can muster both the expertise and the financial clout to promote a different future for Congo's forests.

This is also not to say that there is no place for commercial exploitation of timber in DRC's forests. However, the development of the timber industry in Congo should not occur at the expense of the rights and livelihoods of perhaps tens of millions of poor forest-dwellers. Such a hasty approach could result in serious, long-term social conflict, will have negative effects on the most vulnerable in Congolese society, and will cause long-term or irreversible environmental damage.

Instead, the World Bank, the FAO and the Congolese Government should adopt an approach that will lessen the risks of conflict and environmental damage, whilst directly benefiting the poorest of the country's population, those living in the forest. Specifically, the national and international authorities should, as suggested by Congolese and international civil society, rigorously uphold the moratorium on the expansion of industrial logging until such time as alternatives to industrial logging have been seriously considered, that local community lands have been properly mapped, and community rights recognised and the development of community forests has been tested and developed.

As a matter of highest priority, the Bank should support an independent investigation into: the Bank's failure to comply with UN Security Council Resolution 1457; the Bank's failure to provide justification for its proposed course of action in DRC's forests; the Bank's failure to trigger or implement its internal safeguard policies; the behaviour of Bank staff in relation to national and international NGOs.

At the end of 2004, the forests of the Democratic Republic of Congo remain as the largest relatively undisturbed

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<sup>23</sup> World Bank, <http://lnweb18.worldbank.org/ESSD/ardext.nsf/11ByDocName/WBandSustainableManagementForestsInDRCPage1>, accessed 30.03.05.

rainforests on Earth. The international community has a momentous opportunity to explore and implement new approaches instead of those that

have so dismally failed in other parts of the world.



***The expansion of industrial logging in the Congo Basin under the guidance of the World Bank threatens the livelihoods of some of the poorest people on earth [photo: Kate Eshelby]***

## ***Forestry projects: certification***

In 1998, the World Bank and WWF announced a new 'Forest Alliance' with the target of securing 200 million hectares of certified forests in World Bank client countries by 2005. The Alliance has faced a serious challenge in reaching this goal. As most logging operations are in fact carried out by private logging companies, the main part of the World Bank lacks leverage to persuade companies to upgrade their logging to certification standards, but the IFC, which does invest in the private sector, has yet to change its policy in line with the rest of the World Bank and is anyway not part of the Alliance. The Alliance admits that, to date, only some 22 million hectares of forests have been certified to credible standards in Bank client countries but the contribution of World Bank-WWF projects to securing this total is far from clear.

For the Bank to fund a forestry project, the new policy does require either that the project has been certified under a credible certification scheme (article 9a) or has a plan to get certified (9b). According to the Forests Policy, the certification should require: compliance with the law; recognition and respect for legally documented or customary land tenure and use rights as well as the rights of indigenous peoples and workers; measures to maintain or enhance sound and effective community relations and multiple benefits; conservation of biodiversity and ecological functions; monitoring and evaluation. In addition, certification must be fair, transparent, independent, based on third party assessment, cost-effective, based on objective and measurable performance standards defined at the national level, compatible with internationally accepted principles and criteria of sustainable forest management (SFM), developed with meaningful participation of local people and communities and other members of civil society, and designed to avoid conflicts of interest. The only scheme which comes anywhere near to meeting these criteria is the Forest Stewardship Council but the World Bank-WWF Alliance overlooked many of the problems of FSC certification process.<sup>24</sup> An analysis of the Bank's 11 'criteria' for a 'credible' certification scheme showed that the FSC probably failed on at least 7 of them.<sup>25</sup>

However, where the World Bank has made major interventions in the forestry sector, as in the Democratic Republic of the Congo (see article page 11), there is no evidence that these criteria have been applied. The vigilance of the World Bank-WWF Alliance in tracking these developments is also open to question.

Under Article 9b the Bank may fund a project in a forest that has not yet meet the requirements of certification subject to a "time-bound phased action plan acceptable to the Bank for achieving certification".

In addition, in its new Forests Strategy, the Bank claimed that it had:

*"agreed with leading international conservation agencies that it will encourage the widespread use of internationally agreed criteria and indicators for sustainable forest management. These criteria include those defined by the ITTC, discussed in the IPF [and] IFF, and embodied in the principles and criteria of bodies such as the Forest Stewardship Council".<sup>26</sup>*

<sup>24</sup> Rainforest Foundation, 2002. Trading in Credibility; Myth and Reality of the Forest Stewardship Council, London.

<sup>25</sup> Rainforest Foundation, 2003. The World Bank Forest Strategy/Policy and Forest Certification, April 2003, London.

<sup>26</sup> World Bank, 2002. A revised strategy for the World Bank Group, October 31<sup>st</sup>, 2002, Washington DC.

There are other fundamental problems with this element of the Bank's Forest Policy:

- > Neither the Strategy nor the Policy are at all clear on what happens in the eventuality that companies without certification at the time of receiving Bank loans or grants fail to comply with their 'action plan' for achieving certification. Would the Bank request re-payment of any loan or grants?
- > The Strategy and Policy fail to address the obvious paradox that, under 'credible' certification systems such as the FSC, an important criterion for certification is that the forestry operation is 'economically sustainable'. If certified operations are already economically sustainable, it is not clear what would be the purpose or value of providing them with World Bank funding.

In practice, like so many other elements of the Forests 'Strategy' and commitments set out by the Bank in 2002, the certification requirements have not been implemented. The authors of this report are not aware of any single case where the IBRD/IDA has actually required certification in association with a forest sector loan or grant, although some funds have been provided to develop national certification standards, notably in Eastern Europe.

In the Forests Strategy, the Bank suggested that an expert in certification should be included in any Advisory Panel that would be required under all 'Environmental Category A' forestry projects. However, as noted elsewhere in this report, the Bank has substantially weakened the panel, and has avoided the requirement for certification, either by downgrading controversial forestry projects to 'Environmental Category B', or by including forest sector interventions within Structural Adjustment Credits which are not subject to the Forests Policy.



*The World Bank supported Plantar Plantation in Minas Gerais, Brazil, has been certified by the Forest Stewardship Council (see chapter on the World Bank and Carbon Finance for a critique of plantar) [photo: Jutta Kill, Sinskrwatch]*

**Forest Peoples Programme and Rainforest Foundation UK**

## ***World Bank shenanigans in Cambodia*** **Global Witness**

In 2004, the task manager for the World Bank's Forest Concession Management and Control Pilot Project (FCMCPP) described Cambodia's forest concession system as *"inadequate on paper, dysfunctional in reality"*. He might have added that all the concessionaires had committed legal or contractual breaches and extensively looted what the World Bank termed *"Cambodia's most developmentally important natural resource"*. Such considerations have not, however, prevented the World Bank from investing five years in supporting this same flawed management system and its piratical operators.

The Bank launched the US\$ 5 million FCMCPP in 2000 with the aim of reforming Cambodia's concession system through technical assistance to the Forest Administration and the logging concessionaires. The FCMCPP tied in with a US\$ 30 million Structural Adjustment Credit (SAC) to Cambodia. The Bank made the release of the second US\$ 15 million tranche of this loan conditional on progress in forest sector reform.



***Outside the World Bank offices in Phnom Penh*** [photo Global Witness]

Linking government performance in forestry with loan disbursements made

good sense. Conversely, the Bank's hypothesis that the existing concession system could be made to work was entirely misplaced. By the time its project got underway, Global Witness and others had been documenting the activities of the concessionaires - their illegal logging, abuse of local people's rights and wholesale royalty evasion - over several years. In basing its project objectives on the assumption that the system should be maintained, the Bank unwisely fused its interests with those of the logging companies and their government patrons.

The Bank's decision to use loan money to benefit logging companies breached its existing 1993 Forest Policy. The FCMCPP's architects, however, had anticipated the introduction of a new and more permissive policy by almost two years; indeed project documents from 2000 predicted that the review of the Bank's 1993 policy *"should build legitimacy for involvement in production forestry"*. The FCMCPP appears to have been conceived as an outrider for future World Bank forestry projects involving direct support for commercial logging.

The project's main component has involved helping companies to meet government requirements for new sustainable forest management plans and environmental and social impact assessments. Project staff have then assessed the same plans that they helped produce, using a scoring system that attached overwhelming importance to standing timber volume rather than the quality of planning or public consultation.

Efforts to lower the bar for the companies and dilute or circumvent standards have been a hallmark of the FCMCPP. The Bank has urged deferral of full social impact assessments until after the companies have had their strategic level (25 year) management

plans approved. It has also argued against holding the companies to agreed deadlines. In December 2001, after all concessionaires failed to submit management plans on time, the Cambodian government suspended further cutting and log transportation. The Bank has successfully lobbied to have the transportation ban overturned, however, thus eroding one of the few points of leverage over the companies.

In November 2002, the Bank agreed to take on the Cambodian government's legal obligation to disclose publicly the concessionaires' management plans. However, when villagers came to the World Bank office in Phnom Penh to request the documents, Bank staff announced that they did not have sufficient funds to make photocopies. In the weeks following, companies and officials belatedly organised public consultations to discuss the plans. Although a number of these were marred by intimidation, the Bank's Regional Vice-President pronounced them satisfactory.

The FCMCPP's efforts to help concessionaires through the forest management planning process reached a critical stage in mid 2004, when the project team recommended that the Cambodian government approve the strategic level plans of six of the logging companies. FCMCPP planning documents state that *"the concession management and operations plans developed with the aid of technical assistance will serve as models for similar plans to be developed, subsequently, in all operating concessions"*. Given the quality of plans that the project recommended for approval, one can only hope that this expectation is not realised. Highlights of the six *"models"* include concessionaires' stated intent to cut villagers' resin trees in violation of the law, proposals for the illegal exclusion of local people from areas of the concessions and entire passages cribbed from other companies' plans. The Bank would argue that its interventions have supported a set of

commonly agreed goals on forest reform. In reality, they have served to undermine safeguards designed to exclude predatory companies and enable ordinary Cambodians to hold the remainder to account. Thanks to the FCMCPP, the six companies whose plans it endorsed are now in a stronger position than before the project commenced. It is unlikely that any of them would have stood a chance of clearing the strategic level planning stage without assistance provided by the FCMCPP; both its technical advice on drafting plans and its overly accommodating approach to assessing them. Moreover, as already demonstrated, the six companies are able to use the Bank's endorsement to deflect criticism of their operations. For the next 25 years, or rather until they have finished stripping their concessions, the six companies will present themselves as the concessionaires that have the seal of approval of the World Bank. Meanwhile, the Bank has not succeeded in introducing changes to forest sector governance that would persuade the companies to show any greater respect for the law and the rights of local people once they resume logging.

The Bank's misadventures in concession reform did not persuade the Cambodian government to abide by conditions for disbursement of the US\$ 15 million second tranche of the SAC. With a revised release date of December 2003 looming, several of these remained unmet, notably the requirement that the concessionaires complete the restructuring and planning programme. Eager to draw a line under the contentious SAC, the Bank misleadingly claimed that the only commitment the government had yet to fulfil was the appointment of a new independent monitor of the forest sector. This condition was then instantly met as the Bank, through the FCMCPP, put up the money to recruit Swiss firm SGS to the role. The SAC money was duly disbursed; however the Bank's sleight of hand further severely undermined its credibility.



*Log rest area at the Mekong River in Cambodia [photo: Global Witness]*

Criticism over several years has not wrought substantive changes to the Bank's approach in Cambodia. There are signs that some within the Bank recognise that serious mistakes have been made. Crucially, however, senior staff have so far declined to face up to the shortcomings and rectify the damage caused. In February this year a group of Cambodians, supported by NGOs, submitted a complaint to the World Bank's Inspection Panel,

expressing their concern that the FCMCPP had increased substantially the likelihood of communities again suffering harm at the hands of the logging concessionaires in the near future. Following a visit to Cambodia in mid March, the Panel is due to make a recommendation to the World Bank board in early April on whether it should conduct a full investigation into the project's activities and impacts.

**For further details on the complaint lodged with the Inspection Panel, please contact Mike Davis at [mdavis@globalwitness.org](mailto:mdavis@globalwitness.org). For a summary of issues surrounding the World Bank's release of the second tranche of the SAC, see Global Witness article at <http://www.phnompenhpost.com/TXT/comments/c1301-1.htm>**

# ***Investing in disaster: the IFC and palm oil plantations in Indonesia***

**Down to Earth: the International Campaign for Ecological Justice in Indonesia\***

Indonesia has the third most extensive area of tropical forest on earth and is one of its richest centres of biodiversity.<sup>27</sup> It is also the world's second largest palm oil producer with an output of over 11 million tonnes of Crude Palm Oil (CPO) in 2004.<sup>28</sup> With Indonesia's forests disappearing at 3.8 million hectares per year,<sup>29</sup> the land area converted to oil palm plantations has doubled during the past decade to nearly 5 million ha<sup>30</sup> - an area roughly the size of Costa Rica. Most oil palm plantations in Indonesia are established on land which was, until very recently, mature rainforest. According to a report commissioned by the World Bank,<sup>31</sup> around 50 million people live on state forest land in Indonesia with 20 million more living in villages near forests, of which about 6 million receive much of their cash income from forests. It should be no surprise, then, that the expansion of large-scale oil palm plantations has brought widespread environmental destruction and social conflict.<sup>32</sup> The financial institutions that provide, including the World Bank Group, must share responsibility for these adverse impacts.

## ***Bankrolling deforestation***

The World Bank Group has directly and indirectly assisted the development of large-scale palm oil plantations in Indonesia. The World

Bank was heavily involved in 'development' projects throughout the three decades of the Suharto regime. Forestry programmes during the late 1980s and early 90s supported the official forest policy in which over one third of the country's forests was handed over to commercial logging companies while another third was destined for 'conversion' to plantations.<sup>33</sup> Typically, same conglomerates owned both the companies that destroyed the forest by over-logging and the plantation companies that benefit from the land clearance. During the same period, the World Bank helped to finance Indonesia's transmigration programme. Government-sponsored transmigrants and other settlers encouraged through Indonesia's resettlement policy were a readily available source of cheap labour for the nucleus-estate plantation system (PIR). Plantations also benefited from Bank-funded infrastructure projects, including roads. The International Finance Group (IFC) provided at least one loan to an Indonesian company during the 1990s to develop oil palm plantations and CPO mills.



***Heavily logged primary forest with reduced canopy cover, typical for the concession area [photo: DTE]***

<sup>27</sup> FWI/WRI, *The State of the Forest: Indonesia*, 2002

<sup>28</sup> Jakarta Post 28/Jan/05

<sup>29</sup> Indonesian Department of Forestry, Nov 2004

<sup>30</sup> Agriculture minister Saragih, quoted in Kompas 27/Aug/04

<sup>31</sup> CIFOR, *Generating Economic Growth, Rural Livelihoods, and Environmental Benefits from Indonesia's Forests*, Sept 2004 draft

<sup>32</sup> see DTE's submission to the second Roundtable on Sustainable Palm Oil, Sept 04. Also Greasy Palms, a Friends of the Earth report, March 2004

<sup>33</sup> see DTE's Special Report on Forests, 2002 for more detail

When the Indonesian economy collapsed in 1998, the IMF and World Bank imposed conditionalities on a financial 'rescue package'. These included measures to promote the palm oil sector, including reductions of export taxes on CPO and lifting the ban on foreign investment in palm oil ventures in Indonesia.<sup>34</sup> The IMF/WB deal also helped to restructure Indonesia's banking sector. As bankrupted conglomerates had interests in forestry as well as banking, over 100 heavily indebted forest-related companies benefited to the tune of at least US\$ 2bn when the state took over some of their private debts.<sup>35</sup> An internal review of World Bank forestry policy and practices, which included Indonesia, came to the damning conclusion that both deforestation and poverty increased during the 1990s.<sup>36</sup>

Indonesia is still expanding its plantations, not least to satisfy the demands of local governments who were given considerable power over land use decisions and income generation when regional autonomy was introduced in 2001. Large areas have already been allocated for oil palm - 1 million ha in Jambi; 1 million ha in East Kalimantan; 3 million ha in West Kalimantan – with overall targets of over 9 million ha.<sup>37</sup> Central and local governments now look to the plantation sector as the driving force for development and a major revenue earner for the economy. Ironically, this replaces the wood-processing sector – relegated to a sunset industry as forests outside protected areas in the western part of the archipelago have been logged to the extent that they are no longer commercially attractive.

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<sup>34</sup> The Right Conditions, Chap 4, WRI 2000

<sup>35</sup> C. Barr & B. Setiono, Corporate Debt and Moral Hazard in Indonesia's Forestry Sector Industries, 2001

<sup>36</sup> A review of the World Bank's 1991 Forest Strategy and its Implementation, Operations Evaluation Department, January 2000

<sup>37</sup> Sawit Watch presentation to WRM conference, Jakarta Nov 2004

### ***IFC's responsibilities***

The private lending branch of the World Bank Group, the International Finance Corporation, has been increasingly active in Indonesia. The IFC's mission is to promote sustainable private investment in developing countries by mobilising capital in international markets and providing technical advice for businesses and governments. In the Indonesian context, the IFC wants to promote exports – particularly from agribusiness - and to improve the climate for investment.<sup>38</sup> However, the IFC has no oil palm policy to define the conditions under which plantation companies and their financial backers are eligible for IFC support.

Like other parts of the World Bank Group, the IFC shares a duty to help reduce poverty and improve people's lives in line with the UN's Millennium Development Goals. Arguably, it should be trying to help small and medium Indonesian enterprises, owned by independent small-holders, to attract financing so that they can improve the productivity and management of existing plantations. Instead, the IFC is offering support to some of the biggest operators in the Indonesian oil palm sector, including foreign investors and companies with very poor environmental and social track records who are expanding into new areas.

Under IFC's Environmental & Social Guidelines, projects are classified in three ways:<sup>39</sup>

Category A = Major economic and social impacts

Category B = "Limited number of specific environmental and social impacts may result that can be avoided or mitigated by adhering to generally recognised performance standards, guidelines or design criteria".

Category C = minimal or no adverse environmental impacts.

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<sup>38</sup> IFC website: <http://www.ifc.org>

<sup>39</sup> This scheme is currently the subject of an IFC review.

It is not clear what sanctions, if any, the IFC will impose if its Environmental and Social Guidelines are ignored.

Equity and loans directly for Indonesian oil palm plantations are generally graded as Category B, so an Environmental Impact Assessment is required. In practice this provides few safeguards. EIAs in Indonesia are often perfunctory exercises and it is not uncommon for the study to be carried out several years after a plantation has been developed. Furthermore, compliance with host country laws and local regulations means indigenous peoples' rights can be ignored with impunity and there is weak enforcement of environmental and labour standards.

The situation is even worse for trade-related IFC financing which is classified as Category C. Here there is a presumption of no adverse environmental impacts, while social impacts are not even considered, let alone checked in the field. This means that the IFC cannot obtain the information necessary to ensure compliance with its own standards.

A case in point is the IFC's pre-shipment financial support for the Singaporean company Wilmar Trading.<sup>40</sup> The Wilmar Group is the biggest crude oil palm refiner and exporter in Indonesia. It owns four CPO refineries in Indonesia and another in Malaysia, with a total production of 3.3 million tonnes/year. It has investments in at least 85,000ha of oil palm plantations, but buys some 90% of its supplies from Indonesian producers belonging to other conglomerates.<sup>41</sup>



**Western border of the JPJ concession area. Canal construction by the company. [photo: DTE]**

The IFC describes this project as “enabling Wilmar to meet its working capital requirement to purchase crude palm oil from plantations in Indonesia and process them (sic) into refined oil for export.”<sup>42</sup> In other words, the IFC provides a US\$ 33.3 million guarantee, renewable annually for three years, so Wilmar can borrow money more easily from commercial banks to buy palm oil supplies. The loans are repaid after the CPO has been delivered to overseas purchasers such as detergent companies or food processors. Unilever is one of Wilmar's clients.

It is not clear why this project is considered worthy of IFC's support. Wilmar is the second-largest edible oils trader in the world. In 2002, Wilmar Holdings had an annual turnover of US\$ 3,530 million and made a net profit of US\$ 52.2 million.<sup>43</sup> The IFC justifies its action by saying that commercial banks are nervous about investing in Indonesia. Yet Wilmar has obtained loans from several international sources on its own or through the services of the Dutch-based international bank, Rabobank. Rabobank may even be an investor in Wilmar.<sup>44</sup>

<sup>40</sup> IFC Project Summary, 16<sup>th</sup> April 2004

<sup>41</sup> The Banks of Wilmar, a report by Profundo, June 2004

<sup>42</sup> IFC Project Summary, 16<sup>th</sup> April 2004

<sup>43</sup> The Banks of Wilmar, op cit

<sup>44</sup> The Banks of Wilmar, op cit

There is no doubt that the IFC's credit guarantee will facilitate exports of Indonesian palm oil and benefit the Wilmar group and its Indonesian subsidiaries. What is less clear is whether IFC's claims of positive benefits for local farmers can be justified. Indeed, the IFC has no means of gauging the impact on small-scale sharecroppers or local economies as the Wilmar deal is graded Category C.

### ***Lack of transparency and accountability***

The IFC has never made public basic information on all Wilmar's subsidiaries – including the plantations, CPO mills and other investments in Indonesia. Although Wilmar apparently holds this list on its website<sup>45</sup>, it is perpetually inaccessible. It is therefore very difficult to assess the full extent of the IFC's responsibilities. Neither the IFC nor Wilmar has attended any meetings of the Roundtable on Sustainable Palm Oil. Even so, Dutch and Indonesian NGOs who are trying to track down Wilmar's connections have raised concerns about a number of environmental, social and human rights issues.<sup>46</sup>

These include the following issues:

- Wilmar subsidiary PT Jatim Perkasa Jaya<sup>47</sup> in Riau province owns a plantation in an area of peat swamp forest. That part of the Rokan Hilir district has been repeatedly burned in forest fires. The local authorities and environmental NGOs are convinced the company is implicated in this illegal land clearance, but the case has yet to be proven in court.<sup>48</sup>

- The development of oil palm plantations in West Sumatra has been the focus of violent conflicts since April 2000, when armed police tried to bully local people into giving up their land to Wilmar-subsiary, PT Permata Hijau Pasaman. A local NGO monitored instances of intimidation, raids, shooting, kidnapping, arrest and torture by the security forces.<sup>49</sup>
- There is evidence that Wilmar's third party suppliers, belonging to the Salim, London Sumatra, Sinar Mas and Surya Dumai Groups, have also been involved in forest destruction, illegal land clearing by burning, land seizure and human rights violations.<sup>50</sup>
- Further investigations have revealed company-led co-operatives which left smallholders waiting for plot allocations; serious cases of water pollution due to palm waste and at least one CPO mill which has been operating for 4 years without an EIA.<sup>51</sup>

IFC's immediate reaction to the NGOs' study was to deny that it was supporting the expansion of oil palm plantations or that there were social and environmental problems associated with Wilmar's subsidiaries. It dismissed reports of land disputes, saying that Wilmar was not responsible for the initial land acquisition for the plantations.<sup>52</sup> Wilmar also condemned the briefing document as "incomplete and inaccurate" and told Rabobank that PT Jatim was sold in late 2003.<sup>53</sup> Later Wilmar agreed to engage a consultant to carry out an independent study of its social and environmental performance.<sup>54</sup> Before this took place,

<sup>45</sup> <http://www.wilmarco.com>

<sup>46</sup> Letter from Milieudefensie & Sawitwatch to IFC Board 1/Mar/04

<sup>47</sup> Wilmar claims it sold its share to PT JPJ in 2003.

<sup>48</sup> Briefing document "Wilmar Trading – IFC Project no.20348" Profundo for Milieudefensie & Sawit Watch, 27 February 2004 [www.milieudefensie.nl](http://www.milieudefensie.nl); and Walhi Riau at

[http://www.walhi.or.id/kampanye/hutan/shk/041204\\_tampusai\\_sdumai\\_st/](http://www.walhi.or.id/kampanye/hutan/shk/041204_tampusai_sdumai_st/)

<sup>49</sup> Briefing document "Wilmar Trading – IFC Project no.20348"

<sup>50</sup> *ibid*

<sup>51</sup> *pers com*

<sup>52</sup> Letter from IFC to Milieudefensie and SawitWatch 9/April/04

<sup>53</sup> Letter from Wilmar to Unilever, 7/Jan/05

<sup>54</sup> Letter from Unilever to Milieudefensie, 24/Jan/05

the IFC Board announced in May 2004 that the US\$ 33.3 million guarantee for Wilmar had been approved.



**Recent intentional burning of a land clearing site in JPJ plantation, just beside the employee housing barracks** [photo: DTE]

Wilmar Trading is only one of several deals in Indonesia that raise questions about the IFC's commitment to promoting environmental sustainability, social justice and the eradication of poverty. Since 2002, the IFC has invested about US\$ 3.5 million and provided stand-by equity for up to US\$ 16.5 million to PT Astra International for debt restructuring in order to support the company's existing operations and future development<sup>55</sup>. Astra is one of Indonesia's largest conglomerates whose interests include cars, banking and real estate, in addition to oil palm plantations. The IFC has also made a US\$ 40 million loan to Verdaine – a Mauritius-based company set up as a vehicle to acquire and manage oil palm plantations in Indonesia.<sup>56</sup> It currently controls a 9,100ha plantation in the Tapanuli Selatan district of North Sumatra and a 5,000 ha concession on Belitung island, off the east Sumatran coast. One of its founders is Austindo Nusantara Jaya, another Indonesian conglomerate with interests in agribusiness, electric power generation, mining and financial services. The IFC had already bought a 7% stake in an Indonesian palm oil

plantation subsidiary of Austindo called PT Agro Muko in Bengkulu. The IFC is also helping the Indonesian Wings Group to move into the lucrative market of cooking oil, in addition to its existing ventures in toiletries, building materials, ceramics, cement, asbestos, banking and property. It provided a US\$ 10 million loan and helped organise a US\$ 11 million syndicated loan for three oil palm estates in South Kalimantan under PT Gawi.<sup>57</sup>

The IFC still maintains that its engagement can have an impact, both in terms of broad, beneficial economic impacts and of improvements in environmental and social performance.<sup>58</sup> "The renewed involvement of the IFC in funding projects in Indonesia sends a very positive message to companies with a commitment to good corporate governance, sustainable development and the creation of employment opportunities for the Indonesian people", said one of Verdaine's directors.<sup>59</sup> However, the significant issue here is that the IFC completely denies responsibility for its investments higher up the trade chain. And local communities are telling a very different story from the rosy picture painted by IFC representatives.

*\*DTE thanks Milieudefensie (Friends of the Earth Netherlands), Sawitwatch, Aid Environment and Profundo for their substantial inputs into this paper. Any mistakes are ours.*

<sup>55</sup> Project document 20309, IFC website

<sup>56</sup> Project document 20103, IFC website

<sup>57</sup> Project document 10233, IFC website

<sup>58</sup> IFC letter to Milieudefensie and Sawitwatch 9/Apr/04

<sup>59</sup> IFC press release 3/Jul/04

## ***Fig leaf of false transparency: the 'External Advisory Group'***

In order to facilitate transparency and be guided during the implementation of its new Forests policy, the Bank announced that it would set up an External Advisory Group (EAG) to interact with the Bank. The group would *'have the task of providing independent advice'* on forests to the Bank, *'and have the right to disclose those recommendations'*. This group would include people from client governments, indigenous peoples, local communities, civil society, the private sector, the 'international forest community', and multilateral and bilateral agencies.<sup>60</sup>

None of this is true. Instead the Bank hand-picked a small group of persons who stand on the EAG in an individual capacity but are drawn from RECOFTC, IUCN, CIFOR, FAO, CoFO, Government of Ghana, Forest Trends and one NGO in Papua New Guinea. There are no representatives of local communities, indigenous peoples, the private sector or bilateral agencies. The EAG has met three times since 2003 but, despite requests from the EAG itself, the Bank has not released any information whatsoever about its structure, membership, or terms of reference. Nor have the minutes of its meetings and the recommendations of the EAG been made available outside the Bank.

NGOs have repeatedly asked the Bank for clarification about the EAG but the process remains opaque. Far from acting as a mechanism of transparency, and notwithstanding the good intentions of EAG members, the EAG is in effect just a smokescreen behind which the Bank can hide its non-compliance with its new policy.

The effectiveness of the EAG has been tested by the case of the Bank's involvement in the forest sector in the Democratic Republic of Congo (DRC). This represents one of the biggest forestry challenges the Bank has faced since the adoption of the new forest policy, and has been highly controversial (see page 11). The members of the EAG were contacted by the Rainforest Foundation in February 2003, and informed that the Bank's actions jeopardised the future of the world's second largest area of rainforest – as well as the future of millions of people dependent on it – and was in blatant contravention of the Bank's Forest Strategy. In response, the Foundation was informed that many of the EAG's members shared the Foundation's key concerns, but that the Chair of the group *"is the only person authorized to speak on its behalf"*. The EAG Chair responded in March 2004, noting that:

*"the group is currently in a formative stage and yet to evolve its mandate, methodology and means to address the kind of issues you have raised. On my part, I am seeking a meeting with WB officials and calling for an early meeting of EAG to hasten the process. I will keep you informed".<sup>61</sup>*

Nothing has been heard since.

**Forest Peoples Programme and The Rainforest Foundation UK**

<sup>60</sup> Letter from Ian Johnson, Vice President for Environmentally and Socially Sustainable Development to Forest Peoples Programme, 14 July 2003.

<sup>61</sup> Khare, A, personal communication

## ***The International Finance Corporation (IFC): luring increased private sector investment into forestry and other sectors affecting forests at any price?***

**Korinna Horta, Environmental Defense**

The International Finance Corporation is the member of the World Bank Group which lends directly to the private sector or purchases equity stakes in private sector companies that do business in developing countries. But the IFC's stated role goes beyond helping to generate profits for the private sector companies and their shareholders. According to its mission statement, the IFC exists to reduce poverty and improve people's lives through sustainable private sector development.

Working in tandem with the IFC is MIGA (Multilateral Investment Guarantee Agency) which provides insurance against political and commercial risks to corporations operating in developing countries, economies in transition or emerging markets – whichever euphemism we may choose.

At present the IFC has a committed portfolio of close to US\$ 18 billion, but its role in syndicating loans from private banks for infra-structure, oil development and other sectors increases its influence far beyond its own investments.<sup>62</sup>

The World Bank's 2002 Operational Policy on Forests (OP 4.36) only applies to the Bank's public sector operations which is when the Bank lends to governments.<sup>63</sup> It does not

apply to the IFC and MIGA. But OP 4.36, a brief document laying out mandatory guidelines, is accompanied by a Forest Strategy document which is all-encompassing and entirely voluntary. This Strategy document, which was also adopted by the IFC, calls for vastly increased private sector investment in the forest sector to be mobilized by IFC and MIGA. According to the Forest Strategy, MIGA would have a larger role in forests through its ability to insure private investors against political and catastrophic risk.<sup>64</sup> This naturally begs the question of how the Bank's central goal of poverty reduction through sustainable forest management can ever be reconciled with support for this type of high risk forestry investment, where private sector risk is cushioned by the public purse while forest-dependent peoples and ecosystems are bearing the cost for ill-conceived schemes.



***Logging trucks in Cameroon***  
*[Photo K. Horta]*

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<sup>62</sup> International Finance Corporation, World Bank Group, Adding Value to Private Sector Investment, 2004 Annual Report, Washington, D.C. 2004.

<sup>63</sup> The World Bank Group's members lending to governments are the International Bank for Reconstruction and Development (IBRD) which lends to so-called middle income

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countries and the International Development Association (IDA) which lends to the countries with the lowest per capita income.

<sup>64</sup> The World Bank, Sustaining Forests, A Development Strategy, Washington, D.C., 2004, p.53.

What does apply to the IFC is a 1998 Operational Policy on Forestry (OP 4.36 – which is analogous to the World Bank’s previous policy of 1993) which in theory is mandatory. Among the provisions of the policy are: a ban on direct financing of logging operations or the purchase of logging equipment for use in primary moist tropical forest; the promotion of the active involvement of local people in long-term sustainable management of forests; and the requirement to undertake environmental and social assessments of forests being considered for commercial use. If fully implemented, this policy would help address concerns about ecological sustainability and respect for the rights of indigenous peoples and forest-dependent communities more broadly.

But a listing of current projects under preparation by the IFC appears to indicate that it is operating in a policy vacuum despite the – theoretically - mandatory nature of the safeguard policies, which include Operational Policy 4.36 on Forestry. None of the forestry-related projects in the list requires a full environmental assessment. All are listed as Category B projects for which a simple desk review is usually deemed sufficient:

- **India** AP Paper Mills US\$ 35 million loan + US\$ 5 million in equity (approved July 6, 2004)

- **China** – Chenming Corporation Pulp & Paper - US\$ 75 million

- **China** – Krono Beijing – Wood Panels US\$ 21.69 million

- **Brazil** –Aracruz Celulose - US\$ 50 million

- **Chile** – Sociedad Inversora Forestal S.A. – US\$ 6.5 million

- **Uruguay** – Pulp and Paper Metsa Botnia – US\$ 100 million

- **Russian Federation** – Kronospan Wood Panels – US\$ 70 million

This brief list of projects currently in the pipeline barely scratches the surface. It tells us nothing about the hundreds of millions of US\$ invested

currently being invested in forestry. In addition to forestry, IFC investments in extractive industries, large-scale infra-structure, agribusiness, etc. are in many cases likely to have significant impacts on forests and forest-dependent people. The latest IFC listing includes investments in hydropower in India, gas in Bolivia and coal-fired power plants in the Philippines. None of which are listed as category A projects and therefore will not require a full environmental assessment. Furthermore, one third of IFC funding supports banks and other financial intermediaries. An example of the IFC’s latest listing is a US\$ 40 million loan for Banco Agro Industrial de Exportaciones (Banex) of Costa Rica to expand export-oriented agribusiness.<sup>65</sup> Again, there is little transparency on how the environmental and social impacts of these types of loans are accounted for, prevented or mitigated.

The IFC is currently in the process of revising its environmental and social policies as well as its disclosure of information policy. As described by the IFC, the revision is part of its efforts to fully integrate sustainability in all its business activities. NGOs fear that the IFC plans to replace mandatory safeguard policies – for which it can be held accountable – by almost voluntary performance standards. NGOs across the world are calling for clear and enforceable rules for IFC lending and the institutional reforms necessary to ensure their implementation. IFC investments in forestry and extractive industries are a stark reminder of the need for transparent monitoring and evaluation of the companies benefiting from IFC support and for effective accountability to affected communities and the public at large.

<sup>65</sup> IFC, Monthly Operations Report – October 2004, Washington, D.C., December 7, 2004  
IFC, Monthly Operations Report – November 2004, Washington, D.C., January 4, 2005

# **World Bank & International Finance Corporation (IFC) investment in the company Aracruz Celulose S.A.**

**Letter to the President of the World Bank: Mr James D. Wolfensohn**

**cc'd to:**

- Executive Directors and Alternates**
- Bank Group Senior Management**
- Vice Presidents, Bank, IFC and MIGA**
- Directors and Department Heads, Bank, IFC and MIGA**

4 April 2005

President Mr. Wolfensohn,

In November 2004, the World Bank through the International Finance Corporation (IFC), granted a loan of 50 Million USD to the company Aracruz Celulose S.A. in Brazil. It is inadmissible that the World Bank, after a full environmental and social analysis of the company, concluded that Aracruz Celulose S.A. is dealing correctly with social and environmental issues, and fulfilling the Bank's Operational Directive (OD) 4.20 Indigenous Peoples.

It is surprising that nowhere in the text did the IFC cite and/or evaluate the issue of the land dispute involving Aracruz and the indigenous Tupinikim and Guarani in the municipality of Aracruz (Espírito Santo), or other land disputes that exist with communities affected by Aracruz Celulose. One example includes the 34 quilombola<sup>66</sup> communities from the cities of São Mateus and Conceição do Barra that have been fighting to reclaim lands to which they have a right and that are controlled by Aracruz Celulose since

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<sup>66</sup> With 'quilombolas' are meant descendants of African slaves who fled from plantation areas during the colonial time and founded 'free' and autonomous communities (called 'quilombos'), often within forest areas.

the 1970s.<sup>67</sup> When analyzing the Operational Directive 4.20 of the World Bank on indigenous peoples and similar minorities, it indicates that this was not totally fulfilled when the project of the Aracruz was prepared and analyzed. This directive defines that "*special action is required where Bank investments affect indigenous peoples, tribes, ethnic minorities, or other groups whose social and economic status restricts their capacity to assert their interests and rights in land and other productive resources*" (OD 4.20, par. 2). Another clause affirms that "*in a project that involves the land rights of indigenous peoples, the Bank should work with the borrower to clarify the steps needed for putting land tenure on a regular footing as early as possible, since land disputes frequently lead to delays in executing measures that are contingent on proper land titles*" (OD 4.20, par. 17). Therefore, we consider the affirmation in documents of the project, presented to the Bank's Board, that Aracruz and the project "*complies with (...) the World Bank's Operational Directive 4.20 on indigenous peoples*"<sup>68</sup> to be unacceptable.

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<sup>67</sup> Article 68 of the Federal Constitution declares that "*To the descendants of the 'quilombos' who occupy their lands the definitive property is recognized, and the state must emit the respective land titles*".

<sup>68</sup> IFC (2004) *Brazil: proposed Investment in Aracruz Celulose S.A. IFC/R2004-0214* at pages iii and 12

We can only conclude that the analysis of the World Bank disrespected issues of utmost importance to the communities that live around and resist the eucalyptus plantations of Aracruz Celulose which include: Indigenous Tupinikim and Guarani, quilombolas, fishing communities, small farmers and landless peoples. The invasion of the lands of indigenous peoples, quilombolas and peasants by Aracruz has been the main reason for the resistance by these communities.

Since 1979, the Tupinikim and Guarani have been fighting for the recovery of their lands, a right guaranteed by the Brazilian Constitution. In 1981, the Tupinikim and Guarani obtained the rights to 4,491 hectares of indigenous lands. In 1997, the Working Group No. 783<sup>69</sup> identified an area of 18,070 hectares to be re-demarcated. The FUNAI stated in its advice about this identification that it *“confirms all the terms from the report of the Working Group installed by the Decree no. 783/94, that appeals for the demarcation of the indigenous lands”*, and decided in relation to the plea presented by Aracruz, *“for the impertinence of the presented manifestation”*.<sup>70</sup>

In spite of this, in 1998 Aracruz Celulose pressured the Federal Government into acting against its legal attributions by deciding through the Ministry of Justice to reduce the indigenous area to only 7,061 hectares<sup>71</sup> from the 18,070 hectares that is rightfully indigenous lands. Unreconciled to accept this decision, the indigenous initiated on their own the demarcation of the 18,070 hectares, but an intervention by the federal police on the 18<sup>th</sup> of March 1998, in a true war operation, closed

the access to the villages. The federal government forced the indigenous leadership to go to Brasilia where they were pressured to sign an agreement with Aracruz Celulose. The agreement stated that the indigenous communities accept that Aracruz would continue to exploit 11,009 hectares of Tupinikim and Guarani lands in exchange for creating social projects with the two groups for the following 20 years. The illegal exchange of indigenous land for money was confirmed by the Federal Public prosecution service of Brazil which removed its signature from the Agreement. In the PUBLIC LETTER, annexed to this letter, the indigenous leaders clearly state their dissatisfaction with this Agreement, affirming that they will fight for the constitutional rights to their lands.

Therefore, it is of utmost importance that the World Bank also evaluates the real contribution with the Brazilian population of a company who occupies 375,000 hectares of lands in four states. Today, Aracruz Celulose is the biggest landowner in Espirito Santo, a state where according to information from the Rural Landless Workers Movement (MST) are about 70,000 families without land. Agrarian reform in the North of Espirito Santo and the Extreme South of Bahia, regions where Aracruz concentrates its lands, has been practically paralyzed. A strategy applied by Aracruz Celulose has been to buy or ‘rent’ the most fertile agricultural lands, taking possession of farms that could be used for agrarian reform while also provoking a rise in land prices which has been confirmed systematically by the regional representatives of the National Institute of Colonization and Agrarian Reform (INCRA).

Regarding job creation, the facts indicate that Aracruz Celulose generated only 2,031 direct jobs in 2004. Besides, the supposed 6,776 indirect jobs include, to a large extent, the workers in the plantations that earn about US\$ 100 per month and do not have the same rights or working

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<sup>69</sup> Working Group, installed by the National Foundation for the Indigenous (FUNAI) in 1994

<sup>70</sup> Advice 029/DID from 31/03/1997

<sup>71</sup> Decrees 193, 194 and 195 from 06/03/1998 from the former Minister of Justice Íris Rezende

conditions as the direct labor. The jobs generated by Aracruz are absolutely insignificant compared to the population of indigenous peoples, quilombolas, peasants and landless who could live from small-scale agriculture on the lands now occupied by the company. The lands of Aracruz Celulose could produce foods in a country where millions suffer from hunger, and could generate work and income for people who do not have access to the land because of the expansion of the company. Each one of the 173 direct and indirect jobs generated by the third pulp mill of Aracruz Celulose in 2002, cost the equivalent of US\$ 3,323,699, while the generation of a job in a rural settlement costs only 2,900 dollars, according to a study of the Rural University of Rio de Janeiro.<sup>72</sup>

The IFC states that Aracruz fulfills an important macroeconomic function as an export company. But from the point of view of the affected communities, the presence of Aracruz has been a disaster. Cited below are some examples of the company's harmful actions:

- Destruction of 50,000 hectares of Atlantic Rainforest in the decades of 60 and 70; besides continuing the deforestation indirectly in lands bought from farmers who sell their lands to Aracruz; this situation has occurred in the South of the Bahia, as stated by the environmental control agency IBAMA;
- Implantation of extensive areas of eucalyptus monoculture without respecting the environmental legislation; in March of 2005, a Public Civil Lawsuit<sup>73</sup> was entered the Federal Justice of Victory, Espirito Santo, by the Federation of Organizations for Social and Educational Assistance (FASE), having denounced the not-fulfillment for the Aracruz Celulose of the legal requirement to carry

through Environmental Impact Assessments;

- Application of agrochemicals that contaminate the water sources of the communities that resist;
- Explosive growth of the population and the problems of the fishing community of Barra do Riacho (Espirito Santo), before and after the implementation of the pulp mills of Aracruz;
- Promotion of the persecution by the police of the neighboring populations that have only the residues of eucalyptus as a survival source;
- Pollution and illegal diversion – Aracruz is also being prosecuted for this<sup>74</sup> – on rivers that supply communities, to only guarantee enough water for its plants of cellulose in Barra do Riacho that consume an amount that is equivalent today to the consumption of a city of 2,5 million inhabitants.
- Financing of election campaigns in exchange for favors;
- Manipulation of the public opinion through the medias;
- Co-option of communitarian and trade-union leaderships, besides environmental NGOs.

It is based on the exploration of the natural resources and on the disrespect to local communities that depend on these resources that Aracruz turned the 'efficient' and lucrative company for the world of the businesses. Moreover, it promotes an excessive consumption of disposable papers (55% of the production is used for sanitary and tissue papers), over all in Europe and North America. But it needs to be added that the violation of economic, social, cultural and environmental rights by Aracruz Celulose already had been reported and denounced internationally to the Inter-American Court of Human Rights of the OEA<sup>75</sup> in the city of Washington in 2002.

<sup>72</sup> Democracia Viva 21: Especial Mercado de Trabalho, Ibase, abril/maio 2004

<sup>73</sup> Public Civil Lawsuit 2005.50.01.001768-3

<sup>74</sup> Public Civil Lawsuit 2002.50.01.003717-6

<sup>75</sup> Organization of American States

We affirm that the affected communities are only in search of dignity, and want to use the land so that it can give life and not generate the death that Aracruz provoked with its “green desert”. Therefore, we demand that the World Bank revoke its loan granted through the IFC to Aracruz Celulose. And further for the World Bank to question and to pressure Aracruz Celulose and the Federal Government of Brazil in the direction of that the rights of the impacted populations are respected, above all the constitutional right to their lands.

We request that a reply to this letter is directed to the e-mail addresses of the 64 signatories of this letter,

Sincerely,

1. ACPO - Associação de Combate aos POPs – Brazil - acpo94@uol.com.br
2. ACPO - Associação de Consciência à Prevenção Ocupacional – Brazil - jeffer@acpo.org.br
3. AGB/ES – Associação dos Geógrafos Brasileiros – Seção ES – Brazil - marildamaracci@click21.com.br
4. AGB-Rio Associação dos Geógrafos Brasileiros - Rio de Janeiro – Brazil - agb\_rio\_gt@yahoo.com.br
5. APEDEMA - Assembléia Permanente das Entidades em Defesa do Meio Ambiente – Brazil - joabatistajobit@yahoo.com.br
6. Artur Soffiati – Brazil - soffiati@censa.com.br
7. Barbara Happe - Urgewald-Germany - barbara@urgewald.de
8. Ben and Patty Strik – Foundation Brasilhoeve – The Netherlands - benstrik@planet.nl
9. Bicuda Ecológica – Brazil - bicuda@bicuda.org.br
10. Brasil Sustentável e Democrático – Brazil - brsust@fase.org.br
11. Brice Bragato - Deputada Estadual/ES – Brazil - bricebragato@al.es.gov.br
12. CAA – Centro de Agricultura Alternativa – Montes Claros/MG – Brazil - caa@caa.org.br
13. CAEF-UFES – Centro Acadêmico de Engenharia Florestal – UFES – Brazil - miracidiobr@yahoo.com.br
14. Campo Vale – Minas Gerais – Brazil - campo@uai.com.br
15. Carbon Trade Watch – Brazil - tamra@carbontradewatch.org
16. Carlos Eduardo Mazzetto Silva – Professor de Ecologia e Desenvolvimento Rural do UNI-BH, consultor em agroecologia – Brazil - mazzetto7@terra.com.br
17. CDDH-Serra – Centro de Defesa dos Direitos Humanos Serra – Brazil - cddh@terra.com.br
18. CDDH-Teixeira de Freitas/BA – Centro de Defesa dos Direitos Humanos – Brazil - pejose@tdf.com.br
19. CDM Watch – Indonesia - cdmwatch@ozemail.com.au
20. Celeste Ciccarone- Antropóloga - DCSO/UFES – Brazil - ciccarone@hotmail.com
21. Censat Agua Viva - Amigos de la Tierra Colombia – Colômbia - bosques@censat.org
22. CEPEDES – Centro de Estudos e Pesquisas para o Desenvolvimento do Extremo Sul/Ba – Brazil - cepedes@cepedes.org.br
23. Chris Lang – Plantations campaigner, World Rainforest Movement - Germany - chrislang@t-online.de
24. Christian Aid – United Kingdom - AMenezes@christian-aid.org
25. Clélia Rejane Antônio Bertoncini – Professora da Universidade federal de São Paulo- UNIFESP- Escola paulista de Medicina Laboratório de Controle genético do CEDEME- Centro de Modelos Experimentais para Medicina – Brazil - clelia.cedeme@unifesp.epm.br
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27. COATI – Centro de Orientação Ambiental Terra Integrada, núcleo de Jundiá – Brazil - mbcl5@terra.com.br
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***A processor debranching and cutting eucalyptus on an Aracruz plantation***  
*[photo [http://www.chem-eng.utoronto.ca/~tiscut/brazil\\_97\\_industries\\_visited.html](http://www.chem-eng.utoronto.ca/~tiscut/brazil_97_industries_visited.html)]*

# ***Roads of deforestation in Brazil: how soya and cattle are destroying the Amazon with the help of the IFC***

**Emily Caruso, Forest Peoples Programme**

## **Introduction**

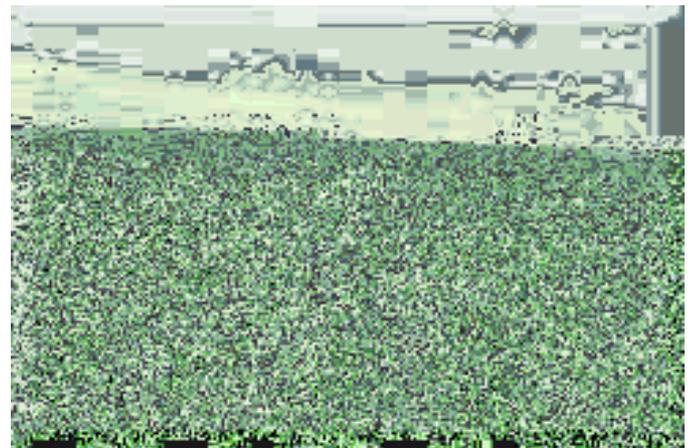
In Brazil, in the past 60 years, soya agriculture has expanded from nought to over 21 million hectares of cultivated land. Soya cultivation was initiated in the more arid southern states of Brazil, but has now extended to the central and western areas, encroaching principally upon the *cerrado* (the Latin American savannah woodland) and to a lesser extent the Amazon rainforest. Driving the expansion of soya agriculture, amongst others, has been the huge expansion of cattle ranching in Brazil, primarily in the states of Mato Grosso, Pará and Rondônia. The number of head of cattle has increased from 26 million in 1990 to 164 million in 2004. The International Financial Corporation (IFC) has very recently been involved directly both in the expansion of soya and cattle ranching in Brazil.

## ***Environmental consequences of cattle ranching and soya expansion***

Cattle ranching has traditionally been understood as the leading cause of deforestation in the Amazon, however, soya cultivation now comes a close second, and the two combined have resulted in the clearance of 80 million hectares of land in Brazil to this date (which is roughly equivalent to 10% of Brazil's total area).

In 2003, the Centre for International Forestry Research (CIFOR), released a report highlighting how the main cause of deforestation in Brazil was the rapid expansion of cattle pasture – the Hamburger Connection all over again.<sup>76</sup> It found that between 1997

and 2003, Brazilian beef export increased fivefold, and that, in 2003, for the first time, growth in Brazilian cattle production – 80% of which is in the Amazon – was export driven.



***Extensive soya crops in Brazil***  
[photo: TotalTradeNews.com.br]

Simultaneously, ever since the foot-and-mouth outbreak in 2001, soya has become increasingly important as the basic ingredient for cattle feed in Europe and the USA, and a large volume of Brazil's soybean production is exported to Europe – in 2003, soya exports represented 6% of Brazil's GDP. The Brazilian government now estimates that its total soya production will reach 63.6 million tons in 2005. Thus, the area of productive soya cultivation in Brazil has increased by about 50% in the past four years (from 14 million ha in 1990 to 21 million ha in 2004). The cultivation of soya in the Amazon has been at the root of increased *direct* deforestation of the *cerrado* in Brazil where soya production is concentrated, and of increased *indirect* deforestation of the Amazon through the displacement of

<sup>76</sup> Wunder, S, Mertens, B, Pacheco, P and Kaimowitz, D. (2003) *Hamburger Connection*

*Fuels Amazon Rainforest Destruction*. CIFOR, Bogor, Indonesia

land-based activities from the areas taken over by soya. As Philip Fearnside, co-author of a report in *Science* (21 May 2004) and a member of Brazil's National Institute for Amazonian Research in Manaus, explains:

*“Soybean farms cause some forest clearing directly. But they have a much greater impact on deforestation by consuming cleared land, savanna, and transitional forests, thereby pushing ranchers and slash-and-burn farmers ever deeper into the forest frontier. Soybean farming also provides a key economic and political impetus for new highways and infrastructure projects, which accelerate deforestation by other actors.”*

The danger of soya expansion generating further damaging encroachment into the rainforest ecosystem has been reiterated by many.<sup>77</sup> WWF has estimated that nearly 22 million ha of forest and savannah land in Latin America could be destroyed by 2020 as a result of soya agriculture.



**Brazilian rainforest being burned by agricultural giant Cargill to make way for soya crops** [photo: Greenpeace]

<sup>77</sup> WWF (2003) *Sustainability Assessment of Export-led Growth in Soy Production in Brazil*; Jan Maarten Dros (2004) *Managing the Soy Boom: Two scenarios of soy production expansion in Latin America*; WWF (2003) *Soy Expansion – Losing the Forests to the Fields* (all available at <http://www.panda.org/>); Lilley, S (2004) *Paving the Amazon with Soy: World Bank Bows to Audit of Maggi Loan*. CorpWatch, USA (available at [http://www.corpwatch.org/print\\_article.php?&id=11756](http://www.corpwatch.org/print_article.php?&id=11756))

This would not only devastate unique ecosystems, but put at risk countless indigenous people, their cultures and their survival. In many regions, unclear land tenure regimes and corruption have greatly assisted the expansion of soya agribusiness. Indigenous peoples are threatened with eviction from their ancestral lands to make way for soya, while landless peasants are threatened with a further reduction of the landbase and the water tables. Soya agriculture has in fact been proven to disrupt local hydrological and climatic systems – and this may be the reason for which soya yields actually fell in 2003-04 as a result of the drought.

The human rights abuses resulting from the expansion of cattle ranching in the Amazonian states of Mato Grosso, Rondônia and Pará are severe, especially with regard to indigenous peoples and landless peasants. There has been an enduring conflict between indigenous peoples and invading cattle ranchers over land, and in most cases, the cattle ranchers win the struggles, largely thanks to corrupt political protection and the use of violence. There have been repeated cases such as that of the Guaraní-Kiaowá in Mato Grosso, whose struggle for their lands in the face of invasion by cattle ranchers in the past 20 years has led to displacement, violence, murder, loss of livelihoods, famine and suicide.

### ***IFC loans***

Despite the serious environmental and social consequences of soya production and cattle farming, in the past two years, the IFC has provided two loans to the largest soya agribusiness in the country, Grupo Amaggi, and is close to approving a loan to Bertin, Brazil's largest beef exporter.

Leading the expansion of soya in Brazil is Blairo Maggi, the so-called “King of Soya”, who is the governor of the province of Mato Grosso, as well as the CEO of Grupo Amaggi. Both in July 2002 and December 2004, the IFC lent Grupo Amaggi US\$ 30 million.

The 2002 loan was provided to support the incremental working capital needs of Amaggi, such as farmers' advances and inventories of soybeans and by-products. The 2004 loan was for the establishment of additional soybean collection centres and silos and to further help meet Amaggi's growing working capital needs. Blairo Maggi is, incidentally, also the main proponent of the paving of the BR-163, the soon-to-be superhighway linking Mato Grosso to Santarém, a major port on the Amazon River.<sup>78</sup> This would greatly facilitate the transport of soya, and according to the Amazonian Institute for Environmental Research, the 1,600 km road would cut a 10 million ha swath of land through the region.<sup>79</sup> Maggi is unrepentant however: "*To me, a 40% increase in deforestation doesn't mean anything at all, and I don't feel the slightest guilt over what we are doing here. We are talking about an area larger than Europe that has barely been touched, so there is nothing at all to get worried about.*"<sup>80</sup>

Subsequently, in December 2004, it appeared that a loan of US\$ 300 million had been approved for Bertin, despite strong protests by international and national NGOs. Robert Goodland, an ex-World Bank senior staff member, noted in December 2004, that "*The Bertin project violates the Bank's environmental safeguards.*"<sup>81</sup>

### ***Were the IFC's policy directives on forests respected in these loans?***

Soya expansion and cattle ranching are proven to massively increase deforestation and generate serious

<sup>78</sup> *The Economist* (2004) 'Asphalt and the Jungle: Along the BR-163'. *The Economist*, 22 July 2004.

<sup>79</sup> Lilley, S (2004) *Paving the Amazon with Soy: World Bank Bows to Audit of Maggi Loan*. CorpWatch, USA (available at [http://www.corpwatch.org/print\\_article.php?&id=11756](http://www.corpwatch.org/print_article.php?&id=11756))

<sup>80</sup> see footnote 4 for the source of this quote

<sup>81</sup> "Amazon Cattle Plans Draw Fire from Environmentalists", *Daily Telegraph*, 14 December 2004. (<http://aworldtowin.net/rainforest.htm>)

social, economic and cultural problems for indigenous peoples and landless peasants in Brazil. However, the IFC's safeguard policy relating to forests, the Forestry Policy (OP 4.36) of 1998, does not provide *any* safeguards for forests and forest-dependent peoples in projects that are not *directly* forestry related. Therefore, the projects outlined in this article are implemented without any provisions for their impacts on forests and forest peoples. Furthermore, there is only one other policy that would provide some protection for ecosystems in the Amazon under these projects: the Natural Habitats Policy (OP 4.04). The most important provision of this policy is that "*The IFC does not support projects that, in the IFC's opinion, involve the significant conversion or degradation of critical natural habitats*" (point 3) (emphasis added). This provision should logically cover the *cerrado* and Amazon rainforest ecosystems, and yet, clearly, "*in the IFC's opinion*", the soya expansion projects it has financed and the cattle ranching project it is proposing to finance do not involve the 'significant' conversion of these critical habitats.

### ***Conclusion***

The IFC has financed the expansion of soya through one of the most irresponsible agri-business companies, and is proposing to finance the biggest cattle ranching outfit in Brazil. Both these activities have been proven, time and again, to be not only massively destructive to Brazil's fragile ecosystems, but to its indigenous peoples and its landless poor. The IFC's current safeguard policies and environmental and social sustainability screening system provide inadequate protection to forests, forest-dependent peoples and landless people. The policy gap is therefore huge, and glaring. The IFC's current safeguard revision process has much progress to make, and many loopholes to address before it will be accepted by most NGOs, indigenous peoples, and forest-dependent communities.

## ***The Natural Habitats Policy: institutionalised derogation***

**Marcus Colchester, Forest Peoples Programme**

A superficial reading of the World Bank's Forests Policy suggests that it implies a proscription prohibiting World Bank funding of projects that it determines may damage 'critical forests'. However, a closer reading of the policy suggests otherwise. This is because, in the first place, it is Bank operational staff and not others, who will decide what areas of forests are 'critical' and what are not.

Secondly, the Forests Policy relies on the procedures of the current Natural Habitats policy (revised in June 2001),<sup>82</sup> which allows derogations from the overall proscription where there are no feasible alternatives. The table below compares the language in OP 4.04 on Natural Habitats and OP 4.36 on Forests.

**Table: Comparison of OP 4.04 and OP 4.36**

<b>OP 4.04 'Natural Habitats'</b>	<b>OP 4.36 'Forests'</b>
<p>4. The Bank does not support projects that, in the Bank's opinion, involve the significant conversion or degradation of critical natural habitats.</p> <p>5. Wherever feasible, Bank-financed projects are sited on lands already converted (excluding any lands that in the Bank's opinion were converted in anticipation of the project). The Bank does not support projects involving the significant conversion of natural habitats unless there are no feasible alternatives for the project and its siting, and comprehensive analysis demonstrates that overall benefits from the project substantially outweigh the environmental costs. If the environmental assessment indicates that a project would significantly convert or degrade natural habitats, the project includes mitigation measures acceptable to the Bank. Such mitigation measures include, as appropriate, minimizing habitat loss (e.g., strategic habitat retention and post-development restoration) and establishing and maintaining an ecologically similar protected area. The Bank accepts other forms of mitigation measures only when they are technically justified.</p>	<p>5. The Bank does not finance projects that in its opinion would involve significant conversion or degradation of critical forest areas or related critical natural habitats. If a project involves the significant conversion or degradation of natural forests or related natural habitats that the Bank determines are not critical, and the Bank determines that there are no feasible alternatives to the project and its siting, and comprehensive analysis demonstrates that overall benefits from the project substantially outweigh the environmental costs, the Bank may finance the project provided that it incorporates appropriate mitigation measures.<sup>7</sup></p> <p>(Footnote 7: For provisions on designing and implementing mitigation measures for projects that may have an impact on forests and natural habitats see OP 4.01 and OP 4.04)</p> <p><i>Comment: Article 5 appears to proscribe Bank financing of projects that will convert or degrade 'critical' forests but Footnote 7 suggests that this provision is subject to the procedures in OP 4.01 and OP 4.04. The latter sets out a series of derogations from the overall proscription (see below).</i></p>

<sup>82</sup> The new draft OP 4.36 on Forests does not apply to the IFC. In 1998, the IFC ascribed to a slightly modified version of the 1995 version of OP 4.04 on Natural Habitats.

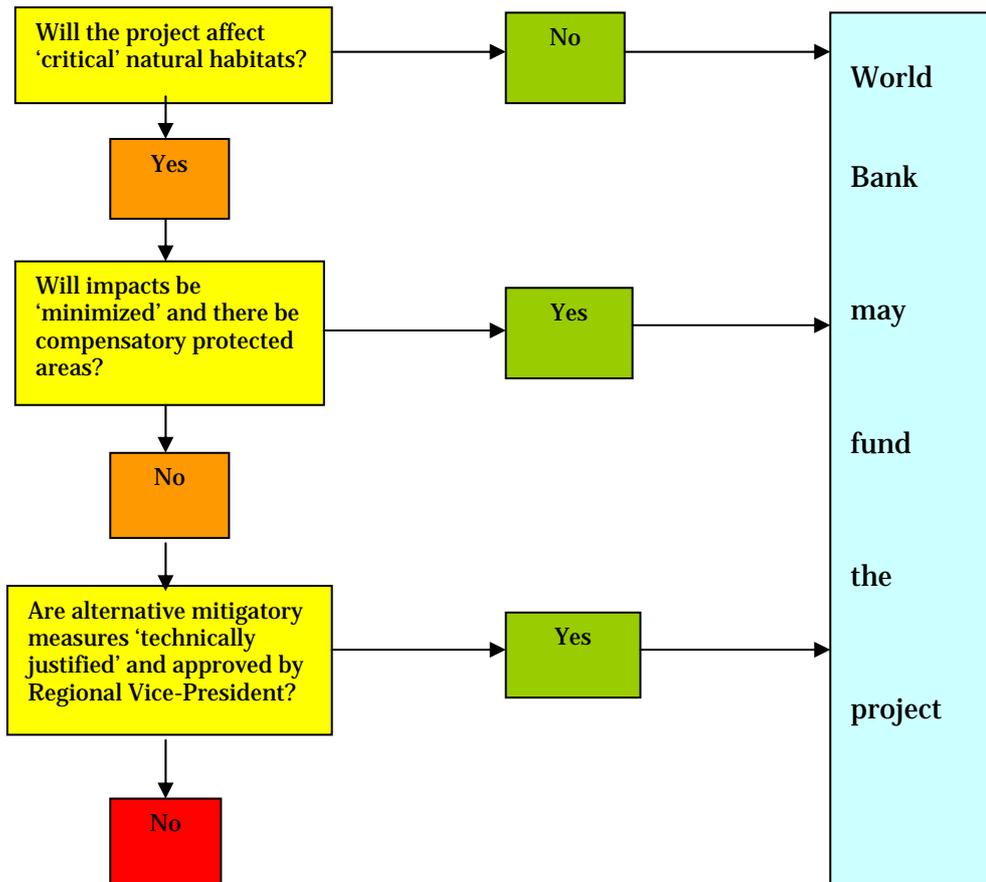


***The Chad-Cameroon oil pipeline: destruction of the rainforest.***  
*[Photo: Friends of the Earth International]*

Under the Natural Habitats Policy (OP 4.04 and BP 4.04), a series of derogations allows the Bank to support projects that will damage 'critical' natural habitats subject to the following conditions:

- There are no 'feasible' alternatives
- Mitigation measures are in place in accordance with OP 4.01 on Environment Assessment to minimize impacts
- Compensatory protected areas are established or maintained
- The borrower's capacity to implement such mitigation measures is assessed and strengthened if needed
- The Bank 'expects' the borrower to 'take into account' the views, roles and rights of NGOs and local communities and involve them in project design, planning, implementation, monitoring and evaluation.
- The project is classified as Category A (implying greater provision of information to civil society and slightly longer project preparation time).
- The costs of mitigation and compensatory conservation are included in the project's financing.
- However, if compensatory conservation is *not* possible and/or mitigation in line with OP 4.01 is *not* possible, then a further derogation is allowed. Other forms of mitigation may then be 'technically justified' (OP 4.04 Article 5 last sentence). In these cases, the Bank's own environmental and legal staff are consulted and the Regional Vice President has to approve the project (BP 4.04 Article 3).

**Figure 1: Derogations under Natural Habitats Policy OP 4.04**



What is needed, and has been called for by NGOs for years, is an independent review of the effectiveness of the Natural Habitats

policy. Is it being applied effectively? Does it actually protect biodiversity and critical ecosystems? No one really knows.



**Logging Trucks in Cameroon** [Photo: K. Horta]

## ***Forests and Structural Adjustment: the World Bank's steamrolling of stakeholders and its own Board***

**Korinna Horta, Environmental Defense**

The World Bank held nine regional consultations with governments, industry and civil society organizations all over the world during 2000 and 2001. The stated purpose of this far-flung effort was to receive input into the development of the Bank's new Operational Policy on Forests. In addition, the Bank set up a Technical Advisory Group (TAG) to advise it on the writing of the new policy. At the end there was one resoundingly clear and unanimous message to the Bank from both the regional consultations and the TAG: The Bank's new Operational Policy on Forests must apply to the Bank's lending for structural adjustment to prevent further loss and degradation of the world's forests.

It is well known today that the main causes driving deforestation are located outside of the forest sector. Chief among those external causes are ill-conceived economic policies which – sometimes inadvertently – provide incentives to clear or convert natural forest lands by promoting export-related industrial-type activities such as plantation forestry and industrial logging while weakening or dismantling government agencies responsible for the environment and social safety.

The World Bank's own Operations Evaluations Department (OED) has identified trade liberalization and export promotion measures as important driving forces of deforestation.<sup>83</sup> Yet these are precisely the type of economic policies that World Bank lending is actively

promoting through structural adjustment loans without considering their environmental and social consequences. At present about one third of World Bank lending is for this type of fast disbursing loans in support of economic policies geared towards privatization of public enterprises, export promotion and the downsizing of government regulatory functions.

Over the past decade, structural adjustment has received an increasingly bad reputation for causing social hardship and for its failure to lead to economic development. In response to the growing lack of credibility of structural adjustment, the Bank has simply given it a new name: "Development Policy Lending" (DPL). DPL consists of essentially the same set of economic policies with the addition of a bit of rhetoric on 'government ownership' and the need for better institutions.

The need to pay attention to the impact of structural adjustment lending on forests is not a new issue. Already the Bank's previous Forest Policy Paper of 1991 had promised to pay attention to the potential impact on forests in macro-economic planning. But as the Bank's own evaluators concluded in 2000, adjustment operations put large pressure on forests but had rarely taken this into account, even in countries where forests are important in the macroeconomy.<sup>84</sup>

Despite the unanimous view of stakeholders, advisers and findings by the Bank's own OED, the Bank did not include a reference to structural adjustment (or its heteronyms

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<sup>83</sup> Operations Evaluation Department (OED), *A Review of the World Bank's 1991 Forest Strategy and its Implementation*, Vol. 1, Main Report, The World Bank, Washington, D.C., January 13, 2000.

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<sup>84</sup> Ibid.

programmatic lending/development policy lending) in its new Operational Policy on Forests which came into effect in November 2002.

The adoption of Operational Policy 4.36 on Forests was widely disappointing, including to organizations that are usually supportive of the World Bank. The director-general of IUCN –the World Conservation Union, which had assisted the Bank in organizing the regional consultations-, warned World Bank president Wolfensohn about the loss of credibility, as the consultations were being perceived as a superficial exercise with no real commitment on the part of the Bank to heed their findings.<sup>85</sup>

The Bank argued that for efficiency's sake the on-going review of the Bank's Policy on structural adjustment would address the possible impact on forests. Several members of the World Bank's Board of Directors were voicing their own concerns about the possible impact of structural adjustment on forests. In order to reassure its own Board, the Bank promised that transparent arrangements would be put in place to screen adjustment operations when they were under preparation to identify potential harm and help governments to avoid or at least mitigate that harm.<sup>86</sup>

There was much doubt that a new policy on structural adjustment would be able to deal adequately with a specific sectoral issue such as the direct and indirect impact on forests. Indeed, in December 2003, the first draft of the new structural adjustment policy – OP 8.60 on Development Policy Lending – did not even mention the word 'Forests'. This little oversight was corrected in the final OP 8.60 of August 2004, but to what effect? The

paragraphs on 'Poverty and Social Impacts' and 'Environmental, Forests and other Natural Resource Aspects' of OP 8.60 state that the Bank will determine if there is going to be significant impact on the environment, the poor and forests and assess the borrowers' systems to address those impacts. If those systems have gaps, then the Bank commits itself to describing them.<sup>87</sup> In other words, the Bank is not obliged to take action when its own lending hurts the poor, degrades the environment and devastates forests.



**Road in clear-cut in Cameroon**  
[photo K.Horta]

According to World Bank environmental staff, there have been few efforts to define how best to screen structural adjustment loans which nowadays often amount to general budgetary support – albeit with economic policy conditions. While some funding appears to have recently been committed to further study the matter, there is little evidence that Bank staff have the resources or expertise to even carry out their very limited mandate under the new Development Lending Policy.

The Bank's new Operational Policy on Forests (OP 4.36) of November 2002 seriously weakened provisions for forest protection. The Bank promised that one of its main shortcomings – its failure to apply to structural

<sup>85</sup> Letter by Achim Steiner, Director-General, IUCN-The World Conservation Union, to World Bank President Wolfensohn, dated July 30, 2002.

<sup>86</sup> World Bank document No. R2002-195/2 'Revised Forest Strategy for the World Bank Group: Management Responses to Executive Directors' Comments and Suggestions'. October 31, 2002.

<sup>87</sup> The World Bank Operational Manual, Development Policy Lending, OP 8.60, August 2004, p.2

adjustment lending – would be addressed by the new Operational Policy on Development Policy Lending (OP 8.60) of August 2004. This promise has been broken.

NGOs and other stakeholders, experts on the Technical Advisory Group and the Bank's professional evaluators invested considerable time and resources to provide input into the Bank's Forest Policy. Their unanimous

recommendations on the need to ensure that structural adjustment policies do not negatively affect forests were brushed aside. The commitment made to the Bank's own Board of Executive Directors to put in place transparent mechanisms to screen structural adjustment lending has not been kept. Fundamental questions of accountability are coming to light here. Addressing them is long overdue.

### ***The Invisible Sourcebook: a 'critical' omission***

A virtue of the 1991 Forests Policy was its simplicity. Following the shattering revelations in the 1980s about the huge areas of rainforest being destroyed in World Bank-funded projects – building dams, roads, oil wells, plantations and in colonisation and logging – the 1991 policy instructed Bank staff to stay clear of any projects that could damage primary moist tropical forests.

By contrast, the 2002 Forests Policy permits Bank funding of projects in all types of forests, except those that imply 'significant' clearance of 'critical' forests. Logging operations are to be 'certified' (or have a 'time bound phased action plan' to get certified). By 'preference' plantations should not be established in areas cleared of non-critical forests unless alternatives are not 'feasible'. Just what these key words actually mean was not made very clear at the time and the Bank admitted that they could allow for a great degree of subjective judgement. To clarify how Bank staff should interpret these terms, the Bank promised to issue a 'Forest Conservation and Management Sourcebook', which would issue 'good practice guidance on these and other issues'. Despite repeated promises to concerned governments, the 'sourcebook' has never appeared. This has left Bank staff to make up the rules as they go along.

The World Bank now has some US\$ 3 billion worth of projects 'in the pipeline' that are affecting forests. But there is no clarity about how or whether these projects are being screened to ensure they do not impact 'critical forests'.

**Forest Peoples Programme**

***The World Bank's role in the creation  
of the carbon market:  
helping the rich become richer, and the poor grow  
poorer as fossil fuel subsidies keep flowing***  
Jutta Kill, Sinkswatch & Ben Pearson, CDMWatch

The concept of carbon trading as an instrument to 'avert dangerous climate change' first surfaced in the negotiations that resulted in the UN Framework Convention on Climate Change (UNFCCC) of 1992. Under the UNFCCC, projects claiming to reduce greenhouse gas emissions could sell the 'saved'<sup>88</sup> emissions to a company that finds it more lucrative to pay someone else to reduce emissions rather than to reduce them themselves. Although the concept faced some opposition, the first Conference of Parties (COP) to the UNFCCC in 1995 established a pilot phase of Activities Implemented Jointly (AIJ), a mechanism that would allow for such projects. In response, a large number of countries, including Costa Rica, Vietnam, Zimbabwe, Russia and the USA set up AIJ funds and initiated projects.

In 1996 the World Bank also established an AIJ fund which developed pilot projects in conjunction with the Norwegian Government and the IFC. While the projects could not generate tradable carbon credits, they did begin the process of establishing the expertise and knowledge necessary for future schemes. As the Bank noted, this early learning was "*critical for establishing a long-term basis for AIJ and other environmental trading schemes*".<sup>89</sup>

The concept of a carbon market was consistent with the Bank's ongoing liberalising and deregulating agenda for the South and it embraced the emerging market enthusiastically, seeking from the early days to become

a key player. With its extensive project pipeline and experience in developing-country project finance the Bank was well placed to position itself as a fund manager for industrialised country governments and industries seeking to invest in projects, particularly in the South, that would enable them to lower emission reductions domestically. Embracing the role of fund management was also potentially lucrative. Early internal documents on the Bank's carbon market activities estimated the international carbon 'offset' market reaching billions of dollars by 2020 with the Bank in a position to capture US\$ 100 million per year in net revenue by 2005.<sup>90</sup> In addition to its AIJ program the Bank began a range of 'capacity building' programs in key developing countries – such as the National Strategy Studies program – to identify projects and begin setting up the legal and institutional infrastructure necessary for future carbon market projects.

As international climate negotiations moved towards industrialised countries taking on mandatory emission reduction targets under the Kyoto Protocol in 1997, World Bank President James Wolfensohn at the Rio+5 Conference in June 1997 proposed a Carbon Investment Fund. Through the proposed fund, the Bank would invest money from industrialised countries into greenhouse gas reducing projects in exchange for carbon credits that industrialised countries could use to meet their Kyoto targets. At the conference, the Bank declared itself "*willing to set up such a Fund if*

<sup>88</sup> For a detailed critique of the flaws of project-based carbon credits see L. Lohmann: *Democracy or Carbocracy?* Corner House Briefing 2001.

<sup>89</sup> <http://www-esd.worldbank.org/aij/>

<sup>90</sup> SEEN 2004: 'A Wrong Turn From Rio. The World Bank's Road to Climate Catastrophe.' [www.seen.org](http://www.seen.org)

*signatories to the Convention find the proposal useful”.*

They did, but not under Bank management. Initially received with scepticism by everyone but US government officials and one or two non-governmental organizations, countries agreed to two similar project-based mechanisms under the Kyoto Protocol that would allow countries with a reduction target to exploit the theoretically cheaper reduction opportunities in other countries: Joint Implementation (JI) would allow for projects in other countries with a reduction target, and the Clean Development Mechanism (CDM) for projects in developing countries that did not have a reduction target.

The Bank’s plan for a Carbon Investment Fund was easily adapted to this new reality. Only 20 months later, in July 1999, President Wolfensohn had received approval from the IBRD Board of Directors to establish the Prototype Carbon Fund (PCF), a mutual fund that would operate along the same lines as the proposed Carbon Investment Fund, but within the CDM and JI framework. The PCF was publicly launched in January 2000 with contributions from Finland, The Netherlands, Norway, Sweden and a number of Japanese utilities and trading houses.<sup>91</sup> It was soon followed by a variety of other funds under the Bank’s management.<sup>92</sup> The structure of the Bank’s funds is also designed to showcase the use of “public-private partnerships” with the flagship PCF being described as a “*Public-private partnership to combat global climate change*”.

<sup>91</sup> World Bank Launches First-of-its-Kind Market-based Carbon Fund, 18 January 2000.

<sup>92</sup> Netherlands Clean Development Facility, launched in 2002, the Italian Carbon Fund, launched in 2003, and the Spanish and Danish Carbon Funds launched in 2005 as well as the three mutual funds: Prototype Carbon Fund, BioCarbonFund and Community Development Carbon Fund.

### ***Put your money where your ... money is***

Today, the Bank is one of the largest public sources of funds for the fossil-fuel industry. From 1992 through late 2004, the World Bank Group approved US\$ 11 billion in financing for 128 fossil-fuel extraction projects in 45 countries. These projects will lead to more than 43 billion tons of carbon dioxide emissions, with more than 82% of World Bank financing for oil extraction going to projects that export oil back to countries in the industrialised North. In 2003 alone, the Bank provided US\$ 2.5 billion in financing for fossil fuel projects.<sup>93</sup>



***The Baku-Tblisi-Ceyhan Oil pipeline, financed by the IFC.***

In contrast, the combined capitalisation of the six funds under Bank management as of May 2004 amounts to US\$ 410 million. Thus, the entire amount that the Bank’s carbon funds will place in greenhouse gas-‘reducing’<sup>94</sup> projects over a period of seven years will be about 20% of annual World Bank financing for greenhouse gas-producing fossil fuel projects. Even the total amount of investment the Bank estimates will be leveraged by all its carbon market funds is only US\$ 2.2 billion, less than 2003 spending on fossil fuels.<sup>95</sup>

<sup>93</sup> [http://www.seen.org/pages/reports/WB\\_brief\\_0903.shtml](http://www.seen.org/pages/reports/WB_brief_0903.shtml)

<sup>94</sup> It should be noted that, at best, CDM projects result in no net reductions of emissions as the supposedly saved emissions are then released elsewhere. More likely, under the current market trends, the comparison is worse considering that several World Bank carbon finance projects are non-additional, that is, they would have happened anyway, and thus do not actually reduce greenhouse gas emissions in the South while granting extra emission ‘rights’ to buyers of carbon credits from these projects.

<sup>95</sup> World Bank Group, Sustainable Energy Carbon Finance, May 2004, [www.carbonfinance.org](http://www.carbonfinance.org).

In 1999, the year the PCF was established, the Bank assured NGOs that it would focus on renewable energy projects, yet that very same year the Bank rejected a proposal to redirect 20% of its mainstream funding to renewable energy projects. Five years later, the Bank again rejected proposals to stop financing extractive industries and to utilise its lending to “*aggressively promot[e] the*

*transition to renewable energy*” - this time from the Bank’s own Extractive Industries Review. The rejection to phase out fossil fuel funding came only two months after the Bank had sponsored the first carbon market trade fair in Cologne, Germany, whose promotional material called climate change “*one of the main challenges facing humanity*”.

### ***Carbon Finance smokescreen exposed***

The financing package for the controversial Chad-Cameroon pipeline project<sup>1</sup> is more than the combined capitalisation of all six World Bank carbon funds. Greenhouse gas emissions directly related to the Chad-Cameroon pipeline project are estimated at 446 million tonnes of CO<sub>2</sub><sup>2</sup> - more than six times the total expected emission reductions achieved by all 43 current PCF projects over the next 21 years and about 3 times the total amount of reductions that are expected through all six of the Bank’s carbon funds.

The contradictions of funding greenhouse gas producing projects at the same time as claiming a leading role in contributing to ‘avert dangerous climate change’ don’t end here. The Bank’s carbon funds continue this trend, with many PCF investors simultaneously receiving Bank financing for fossil fuel projects (see Table 1)

<b>Corporation</b>	<b>PCF contribution (US\$ million) for CDM/JI projects 1999-2004<sup>3</sup></b>	<b>Received from WB for fossil fuel projects 1992-2002 (US\$ million)</b>
Mitsui (PCF and BCF)	16 <sup>4</sup>	1,807.5
BP	5	938.8
Mitsubishi	5	403.6
Deutsche Bank	5	165.6
Gaz de France	5	138.9
RWE	5	138.9
Statoil	5	242.3
<b>Total</b>	<b>45</b>	<b>3,834,600</b>

Table 1: Contributions of selected companies *to* the PCF for carbon market projects and support received *from* the World Bank for fossil fuel projects.

Even more striking is that in many cases PCF investors are receiving emission reduction credits from projects in countries where they are simultaneously developing fossil fuel projects supported by the Bank – projects which will help lock those countries into a fossil fuelled energy path and lead to emissions of greater orders of magnitude than the PCF projects claim to be reducing.

The Bank is in the unconvincing position of claiming to be developing a market in greenhouse gas emissions to deal with a problem that the Bank itself helps perpetuate.

<sup>1</sup> For more detail on the failures of fossil fuel projects helping reduced poverty, see Pumping Poverty.

<sup>2</sup> Environmental Media Services, “The World Bank’s investments in climate changing fossil fuels”, 16.10.03, www.ems.org.

<sup>3</sup> This is the operational period of the PCF during which the funds are placed. The contributions from investors take place during this period.

<sup>4</sup> Mitsui invested an additional US\$1 million in January 2003.

***World Bank Carbon Funds promote large-scale monoculture tree plantations***

Given the Bank's historic role in financing and promoting fossil fuel use, it is perhaps unsurprising that it has emerged as one of the most committed champions of using carbon finance to promote tree planting projects – so-called carbon sinks, because trees soak up carbon from the atmosphere. By absorbing carbon emissions in the short term, tree plantations help avert near-term action to reduce carbon emissions at source which would inevitably involve reducing fossil fuel use. Despite the Bank's rhetoric about the PCF being focused on renewable energy projects, the two PCF carbon sinks projects in Brazil and Moldova are claiming a combined total of over six million emission reduction credits – 15% of the credit volume from projects taken forward as of 30 September 2004. Moreover, the Bank has a specialist carbon sinks fund – the BioCarbon Fund (BCF), which is expected to deliver four million carbon credits<sup>96</sup> through approximately 14 small afforestation projects.<sup>97</sup> Critics argue that without the support of the BCF, many of these small projects would be unable to compete in a market where a single large-scale tree plantations project like the PCF's Plantar project will deliver 4.2 million carbon credits – more than the entire portfolio of the BCF combined. The World Bank may also develop more plantations projects through its Community Development Carbon Fund, which was set up to “give carbon a human face”.<sup>98</sup>



***Inside the Plantar plantation. Habitats and livelihoods are lost when grasslands are turned into tree plantations***  
[photo: Jutta Kill]

The Bank has publicly set itself the task of ‘selling’ carbon sinks. The Bank's literature on carbon sinks focuses on small community based projects with an emphasis on poverty alleviation and sustainable development. The BioCarbon Fund slogan is, unblushingly, “*bringing carbon finance to the world's poor*”. Yet behind the rhetoric the Bank is focused on using carbon financing for the same industrial tree plantation projects it has long championed. The first carbon sinks project developed by a World Bank carbon fund – the PCF in this case – is the Plantar project in Minas Gerais, Brazil; the project will establish 23,000 ha of eucalyptus plantations which temporarily sequester carbon before being converted to charcoal for use in pig iron production. For small farmers nearby, the consequences of this plantation are devastating: streams and swamps have dried up, chemicals contaminate the air and water, and the diverse species that once inhabited the land have all but vanished.

<sup>96</sup> The BCF will generate less than 4 million CERs according to a presentation by PCF Fund Manager Ken Newcombe in Paris, 15 May 2003.

<sup>97</sup> For a preliminary list of projects see [www.biocarbonfund.org](http://www.biocarbonfund.org)

<sup>98</sup> <http://carbonfinance.org/cdcf/router.cfm?Page=About>.

The Plantar project was always intended as a precedent for other projects of its type. The 2002 Project Appraisal Document states explicitly that *“The project is expected to prepare the ground for similar projects in the future”*. Projects like Plantar are the real focus of the Bank’s carbon sinks agenda. The BCF is primarily a greenwash fund that aims to increase support for carbon sinks with politically attractive initiatives that draw attention away from projects

like Plantar, which are based on industrial wood production. Yet in the current carbon market, projects of the type being developed by the BCF will provide little more than a cover picture for the BCF annual report given the high costs and the tiny volumes of carbon credits these projects will generate. The small volumes also render them a largely irrelevant response to climate change as long as they justify additional fossil carbon releases.



***Plantar plantation covering a large area of cerrado landscape in Minas Gerais, Brazil***  
*[photo: Tobias Schmidt]*

It is unavoidable that if sinks projects are to attract commercial investment and generate significant volumes of carbon credits, they will inevitably involve projects based on industrial wood production, like Plantar. A comparison of the carbon credits being generated by the Plantar project compared to the BCF underlines the point well: Plantar’s single sequestration component alone will generate more emission reduction credits than the entire BioCarbon Fund,<sup>99</sup> and forest destruction related

to World Bank-funded fossil fuel extraction and infrastructure projects is likely to release more carbon than BCF projects claim to sequester.

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<sup>99</sup> Plantar’s sequestration component will generate 4.2 million carbon credits. The BCF will generate

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less than 4 million according to a presentation by PCF Fund Manager Ken Newcombe in Paris, 15 May 20,03.

## ***The GEF and Indigenous Peoples: some findings of a recent critical study***

**Tom Griffiths, Forest Peoples Programme**

The Global Environment Facility (GEF) is the main intergovernmental mechanism for addressing “global” environmental problems, including the loss of biodiversity. It is the main vehicle for funding the United Nations Convention on Biological Diversity (CBD). Since its formation in 1991, forest-related projects have accounted for between 30 and 50% of the GEF’s annual spending on conservation. By June 2003, the GEF had allocated US\$ 778 million US\$ in grants for 150 forest conservation projects. Most of these projects have been implemented by the World Bank and most have supported the establishment or expansion of protected areas, which remain the “cornerstone” of GEF support to biodiversity conservation. Many of these GEF-assisted projects have affected lands traditionally occupied and used by indigenous

peoples. Yet indigenous peoples have repeatedly claimed that these conservation schemes often fail to respect the rights of indigenous peoples and undermine their traditional livelihoods.

Drawing on a series of past, recent and ongoing case studies of GEF full-size conservation and sustainable use projects (in Peru, Guyana, Mexico, Panama, Cameroon, Uganda, India, Philippines, and Bangladesh) a recent study completed by the Forest Peoples Programme has sought to examine these problems. The study finds that though progress has been made in some quarters, especially through the GEF’s Small Grants Programme, some GEF conservation projects and programmes continue to struggle to respect the rights and livelihoods of indigenous communities.



***Demolished dwellings at Totladoh village on the banks of Totladoh reservoir, Maharashtra state, Pench National Park, where villagers were forcibly resettled outside the protected area in April 2002. In Madhya Pradesh, Pench National Park formed part of the controversial GEF/World Bank Ecodevelopment project which closed in 2004. Villagers in Madhya Pradesh report that as a result of the project forest authorities have become stricter and rigorously enforce access restrictions. As a consequence, relations with the forest department have deteriorated. Even traditional healers are barred from entering the forest to collect medicines, which villagers complain threatens the viability of their traditional knowledge system. Despite serious and unresolved controversies over the GEF-assisted Ecodevelopment project, the government of India is seeking GEF and World Bank finance for another IEP-style project, that is to be renamed a Biodiversity Conservation and Rural Livelihood Project. As current proposals stand, the proposed project has all the makings of yet another imposed and unwanted intervention conceived and implemented by government agencies and conservationists. [photo T. Griffiths]***

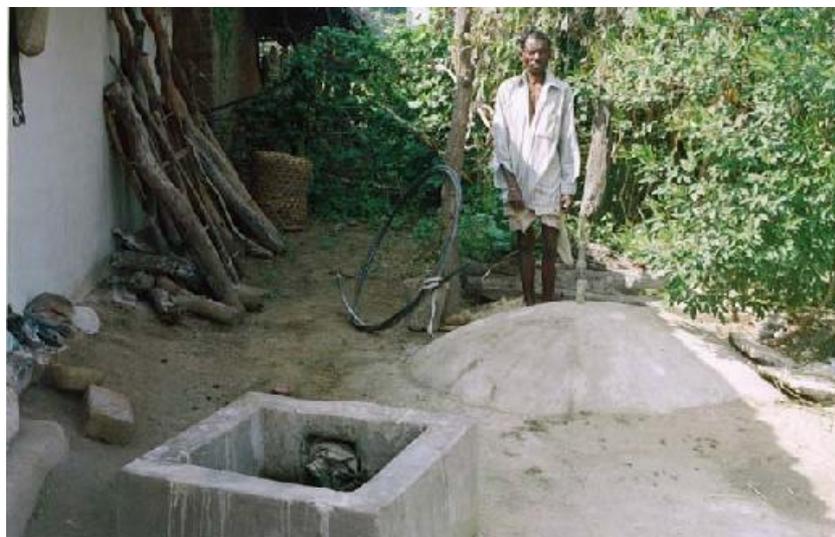
Key findings are that GEF projects still tend to treat indigenous peoples as “beneficiaries” rather than rights holders. GEF biodiversity projects also finance the legal establishment of protected areas without first ensuring mechanisms are in place to secure the free, prior informed consent of affected indigenous communities. Some GEF projects have resulted in the curtailment of livelihoods, forced relocation and increased enforcement of anti-people laws and exclusionary conservation policies, particularly in GEF projects in Africa and Asia. Other disturbing findings are that GEF projects fail to properly involve affected communities in project design and do not pinpoint critical legal, rights and cultural issues in social assessments.

The study has also found that:

- Flawed “alternative” livelihood interventions sometimes leave affected families and communities worse off, less secure and more

dependent on the market and wage labour

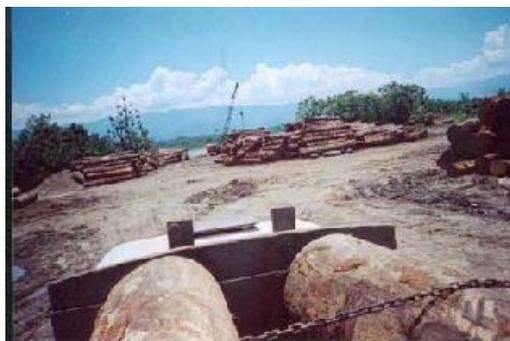
- Full-size and medium-sized grants are still often considered to be top-down interventions by government agencies or big international conservation NGOs
- Indigenous peoples do not enjoy effective participation in decision-making in GEF projects, even in some projects targeting indigenous peoples
- Indigenous communities are not always aware of GEF involvement in projects that affect them
- Some projects targeting indigenous peoples do not implement progressive components set out in grant agreements or project plans e.g., protection of land rights, protection of and respect for traditional knowledge
- Projects often introduce new project-level institutions that fail to build on or may even undermine local traditional institutions and decision-making structure



***A villager in Madhya Pradesh stands by a defunct biogas plant that has never worked. The plant was provided by the GEF/World Bank-financed India Ecodevelopment Project (IEP). Many villages affected by the IEP have received few “benefits”. Very often, works that were carried out with IEP funds were shoddy, did not work well and have not compensated villagers for the loss of their customary resource rights. Biogas plants constructed under the project were not requested by the villagers. These plants were promoted by the Forest Department as a fuel wood-saving technology to supposedly offset villagers’ loss of access to the forest. However, on average less than half these plants functioned and in some villages no gas plants functioned at all. In the worst cases, villagers affected by the IEP in Madhya Pradesh complain that they are worse off and their livelihoods are less secure after the World Bank/GEF project interventions. For a full critical evaluation of the IEP from the perspective of affected communities, see Samata (2005) ‘General overview and a case study of people’s perspectives of the India Ecodevelopment Project’, India – available at [www.forestpeoples.org](http://www.forestpeoples.org) [photo: T. Griffiths]***

An analysis of GEF governance, accountability and policies argues that many of the ongoing problems with GEF projects can be partly traced to an out-of-date and incomplete framework for GEF policy standards and to faults in implementation and monitoring mechanisms. In this regard, it is stressed that implementing agencies such as the World Bank continue to suffer from systemic failures in the implementation of their own mandatory social and environmental policies – an ongoing problem that has been found by recent official reviews of the Bank's implementation of its Indigenous Peoples Policy (OD 4.20).

It is noted that there are signs that the GEF is seeking to respond to some of the above criticisms. For example, it has launched a review of local benefits in GEF projects (due to be published in 2005) and now plans to develop social and participation indicators. In Latin America, the GEF is starting to support community conservation areas and a few medium-sized projects are beginning to be prepared and implemented by indigenous peoples.



***Illegal logging threatens the El Sira Communal Reserve in Peru, which forms part of the much criticised GEF-assisted and World Bank-implemented PIMA Project. Indigenous peoples' organisations complain that the design of the PIMA project failed to properly address external threats to biodiversity. After two years of implementation, the project has so far failed to provide timely assistance to establish effective indigenous participation and governance of the protected area. See independent case study of the PIMA project at: [http://www.forestpeoples.org/Briefings/gef/gef\\_pima\\_eval\\_oct04\\_sp.htm](http://www.forestpeoples.org/Briefings/gef/gef_pima_eval_oct04_sp.htm) [photo: T. Griffiths]***

Nevertheless, such progressive projects still tend to be the exception rather than the rule. Crucially, the study shows that even GEF/World Bank projects that are intended to “do good” can end up doing harm where project governance, implementation and participation mechanisms fail on the ground (e.g., the ‘Indigenous Management of Protected Areas in the Amazon’ Project PIMA (Peru)).

Indigenous organisations and support NGOs stress that a piecemeal approach to indigenous peoples in GEF projects is not sufficient: what is needed is a root and branch overhaul of GEF policies and oversight procedures. As one indigenous spokesperson told a meeting with the GEF on the margins of CBD COP VII:

*“We welcome the GEF's growing support for indigenous conservation areas in some parts of Latin America. But the questions remain: how will the GEF ensure that all its conservation projects recognise and respect our rights in across all continents where it works? For example, we want to know how GEF policies and projects will respect the right of indigenous peoples to free prior and informed consent?”* (Esther Camac, February 2004)

The final part of the study calls on the GEF to adopt a rights-based approach, strengthen its own implementation and accountability mechanisms, and adopt a specific mandatory policy on Indigenous Peoples. At the same time, it is recommended that the GEF update all its biodiversity policies to ensure they are fully consistent with international standards on indigenous peoples and conservation including standards established under the CBD and best practice agreed in the 2003 IUCN Durban Action Plan and Recommendations.

**The full study, titled *Indigenous Peoples and the Global Environment Facility (GEF)*, is available in hard copy from [info@forestpeoples.org](mailto:info@forestpeoples.org) and is also on-line <http://www.forestpeoples.org>**



***An approximately six-month old land clearing site in the Jatim Perkasa Jaya concession. A clear case of conversion of natural forest***  
*[photo: Down to Earth]*



***Tupinikim Indigenous People demonstrating against Aracruz Celulose in Brazil in 2002, declaring that “Aracruz Celulose has stolen Indigenous Lands”*** *[Photo: Green Desert]*

***Cover Photo: Plantar plantation, Brazil*** *[photo: Jutta Kill, Sinkswatch]*