

---

## [Cambodia: World Bank Inspection Panel findings Slam Bank Forestry Project](#)

A leaked World Bank Inspection Panel [1] report heavily criticises the Bank's own forest management project in Cambodia for breaking internal safeguards, ignoring local communities and failing to reduce poverty, says Global Witness, a non-partisan international non-governmental organisation --co-nominated for the 2003 Nobel Peace Prize for its work in uncovering how diamonds have funded civil wars across Africa-- focused on the links between the exploitation of natural resources and the funding of conflict and corruption.

Cambodia's forests covered 73 % of the country in 1971, but were decimated in the wake of the civil war by illegal and unsustainable logging. In the early 1990s the Cambodian government secretly awarded 32 logging concessions areas to private companies, many of them foreign-owned. Most of these firms went on to engage in illegal and unsustainable logging in pursuit of short-term profits. The rationale for the concession system was a steady source of revenue that could be used for Cambodia's development; yet between 1994 and 2000 the government collected only \$92 million in timber royalties. Over the same period companies, politicians and the military made enormous profits through illegal logging.

An Asian Development Bank review in 2000 described this concession regime as 'a total system failure'. That same year however the World Bank launched a \$5 million Forest Concession Management and Control Pilot Project (FCM CPP) aimed at demonstrating that the concession system could work. The project focused on helping the concessionaires meet government requirements for new sustainable forest management plans (SFMPs) and environmental and social impact assessments (ESIAs) as a prerequisite for further logging. For the project to realise its objectives, the Bank needed the concession system and at least some of the companies to remain in place. It was in this context that the FCM CPP recommended the Cambodian government accept the SFMPs and ESIAs of six concessionaires in 2004. All six firms had broken the law or the terms of their contracts. Some were a front for the interests of relatives of senior officials.

Local communities lodged a complaint with the Bank's Inspection Panel in 2005, after it became clear the Bank's project was exacerbating, not improving the situation. These communities saw the project as promoting the interests of companies that had already damaged their livelihoods. In the event, the Panel's findings do not condemn the focus on the concession system per se, but do conclude that the project "did not seem to take on the key objective of using the potential of forests to reduce poverty".

The complaint to the Panel also claimed the project had several other serious flaws in its planning and implementation. According to Simon Taylor, Global Witness Director: "The findings of the Inspection Panel reveal the extent to which the Bank was prepared to break its own regulations in pursuit of project success."

In a damning report, the Panel finds the Bank overrode several of its own safeguard policies in several areas – its comments are quoted below.

---

Consultation in development of management plans. The project allowed concession companies to take charge of consultations with communities over the future of forest use. “The idea that the concession holders would manage community consultations or resource assessments is a very serious flaw, especially given that the forest concessions were exploiting a resource which rural poor people...relied upon for an important part of their livelihoods.”

Environmental Assessments. The Bank misclassified areas of forest – allowing areas of high ecological value to be used for commercial logging. “There is no doubt that the Prey Long forest merits consideration as a forest of high ecological value, and this should have been obvious to Bank Staff during both the design and implementation stages of the Project.”

Indigenous People. Cambodia’s indigenous people mainly live in the North and Northeastern parts of the country – the same areas which constitute the heart of Cambodia’s logging concession system. Bank guidelines state for an investment project affecting Indigenous People, Indigenous Peoples Development Plans should be prepared to ensure they benefit from development investment. This never happened. “Had they been developed, many of the problems that have afflicted the Project would have been recognised and might have been corrected.”

Cultural and Spiritual Property. Bank guidelines clearly seek to conserve, not eliminate areas of cultural importance. Yet the project left the dubious concession companies to identify areas of cultural and spiritual importance within their cutting areas. In Cambodia, these included Spirit Forests and areas of archaeological importance. The Panel found this was “not consistent” with Bank safeguards.

Social Impacts. The Panel found that the lack of social assessment specific to this project seriously denigrated the ability of the bank to comply with its own operational policies. For example, there was no acknowledgement from the Bank that resin tree harvesting by concession companies severely harmed the livelihoods of local populations. Resin tapped from various species of dipterocarp tree is an economically valuable commodity both within Cambodia and abroad. Recent studies estimate that at least 100,000 rural Cambodians derive part of their income from resin-tapping. The Panel noted Bank Management were frequently made aware of the issue from many sources, concluding: “it is amply clear not only that the Bank should have been aware of the importance of resin tapping to forest dependent communities, and the harm that illegal cutting of resins was doing to those communities, but also that the Bank was aware of these issues.”

Endorsement of sub-standard management plans for six concession companies. “The Panel considers that SFMPs and ESIA’s were deficient in almost all regards from process to content.”

While Global Witness welcomes Panel findings showing the deeply flawed nature of the project, the question they are now asking is what is the Bank going to do about it?

Paul Wolfowitz has stated how important the Panel is for monitoring Bank performance and this latest report could be seen as a test-case. According to Director Simon Taylor: ‘If the Bank is serious it needs to ensure that those responsible for this debacle are held accountable and that other forestry projects in countries such as Democratic Republic of Congo are not recycling the same flawed approach. More broadly the Bank has to rethink the way it operates in highly corrupt environments such as Cambodia so that its efforts benefit the poor rather than local elites and dubious private companies.’

Since the launch of the Inspection Panel investigation the Bank has withdrawn its support of the

---

logging concession system and its operators, advocating a range of alternative approaches to forest management with greater emphasis on the role of local communities.

“This belated u-turn on forest sector policy in Cambodia deserves to be welcomed, but we have yet to see these words turned into reality on the ground. We now need to see the Bank to put its political influence and in-house capacity behind a concerted drive to make sure that this more appropriate package of measures is fully implemented”, said Taylor.

The request for inspection of the FCMCPP was sent to the Inspection Panel in February 2005 by NGO Forum on Cambodia, whom the plaintiffs have nominated as their representative. This request document can be downloaded from the Inspection Panel’s website, along with the World Bank management’s response and the Inspection Panel’s assessment of the request and its recommendations: <http://web.worldbank.org/WBSITE/EXTERNAL/EXTIN S PECTIONPANEL/0,,contentMDK:20387088~>

[pagePK:64129751~piPK:64128378~theSitePK:380794,00.html](http://web.worldbank.org/WBSITE/EXTERNAL/EXTIN S PECTIONPANEL/0,,contentMDK:20387088~pagePK:64129751~piPK:64128378~theSitePK:380794,00.html). The briefing document by Global Witness which sets out in detail the case for investigating the FCMCPP was submitted to the Inspection Panel in February 2005 as part of the request for inspection. This document can be downloaded at <http://www.globalwitness.org/campaigns/forests/cambodia/briefing.php>.

[1] The World Bank’s Inspection Panel was created in 1993 to increase the accountability of World Bank lending and to provide local people with a forum of last resort to enforce their rights under Bank policies and loan conditions.

By Eleanor Nichol, Global Witness, e-mail: [enichol@globalwitness.org](mailto:enichol@globalwitness.org)