
[Laos: ADB's eucalyptus plantations increase poverty](#)

It's official. The Asian Development Bank's Industrial Tree Plantations Project in Laos has increased poverty. In a December 2005 report, the Bank's Operations Evaluation Department (OED) concludes that the project "failed to improve the socioeconomic conditions of intended beneficiaries, as people were driven further into poverty by having to repay loans that financed failed plantations."

The ADB rated the Industrial Tree Plantations Project, which ran from 1993 and 2003, as "unsuccessful" and the ADB's performance in the project was "unsatisfactory", according to the November 2005 Project Completion Report.

The ADB's response? Another tree plantations project in Laos. On 16 January 2006, the Bank's Board of Directors approved a six-year Forest Plantations Development Project. The project will set up a Lao Plantations Authority and establish about 9,500 hectares of "small livelihood plantations". The Bank will give a US\$7 million loan and a US\$3 million grant towards the project costs.

Akmal Siddiq, ADB's Principal Project Economist, describes the Lao Plantation Authority as "a one-stop window for private investment in plantations". He said this during an ADB-supported Private Sector Consultation Workshop in Vientiane, in August 2004. The aim of the workshop was "to present the investment opportunities to multinational pulp and paper companies".

During the workshop Siddiq said that the goal is 500,000 hectares of industrial tree plantations in Laos by 2015. He added that the ADB sees Laos as the pulp producer for the region. Among the companies present at the workshop were Oji Paper (Japan), APRIL (Indonesia), BGA (Laos) and Phoenix Pulp and Paper (Thailand).

Clearly, Siddiq did his job of selling Laos as a new target for the international pulp industry: "Oji Paper Company Ltd of Japan, introduced to such opportunities in Lao PDR for the first time, was so convinced that it acquired BGA Plantation Company Ltd within months," states an ADB project report.

The ADB's Industrial Tree Plantations Project established plantations on "degraded forest land". But, according to the OED's evaluation report, "in many cases, such lands were reported by farmers to be areas traditionally used for shifting cultivation." The Bank's Project Completion Report states that "Most villages expressed the opinion that they have no degraded forest land." The report adds, "Most farmers use forest land for harvesting logs and bamboo, collecting fire wood and non-timber forest products. Together with rice production and livestock breeding this use of forest is one of the three important main sources of income."

This information seems not to have filtered through to the ADB's headquarters in Manila. Under the new project, "Plantations will be established on degraded forestlands that have little or no alternative economic value," according to a Bank project report.

As part of the Bank's previous plantations project, the Agricultural Promotion Bank handed out a total of US\$7 million in loans to farmers, individuals and companies to set up plantations. Many of these

plantations failed. "Plantations (comprising *Eucalyptus camaldulensis*) established and managed by the majority of farmers and individuals were unproductive or had low yields," states the OED's evaluation report. "Thousands of inexperienced farmers and individuals were misled by prospects of unattainable gains, leaving the majority of farmers with onerous debts, with no prospect of repaying their loans, and with failing plantations." Repayments on more than 82 per cent of the loans are overdue by more than one year.

The OED's evaluation report states that "There were allegations of ghost borrowers, misuse of credit funds, inflated development costs, and overdisbursements of loan funds." The ADB's Project Completion Report uses the word "fraud". The OED has reported the allegations of corruption to the Integrity Division of the Office of the Auditor General of the ADB.

Had the Bank made more effort to monitor the project, its highly paid staff might have noticed something was going wrong. But the OED found that Bank missions included few trips outside Vientiane. Between 1996 and 2003 there was no forestry specialist on any of the Bank's project review missions. Between July 2000 and February 2002 there were no ADB review missions at all.

The ADB's Principal Project Economist, Akmal Siddiq, maintains that the new project is about poverty alleviation. "The development of livelihood plantations is an effective way to reduce poverty," he said in a press release announcing the project.

Siddiq, it appears, doesn't read the Bank's own documents. A report produced during the preparation of the new Bank project refers to an ADB "Participatory Poverty Assessment" conducted in 2001 in Laos. "The message from the villagers", states the report, "to the PPA study team was: 'Please, start the development process by building upon what we already know -swidden fields, livestock and forest.'"

Another report produced during project preparation was based on a rapid rural appraisal in six of the villages where the Bank plans to establish fast growing tree plantations. The ADB's consultants reported that "discussions with farmers (women and men) in the 6 villages revealed that their priorities in livelihood improvement do not include tree plantations of the kind offered by the proposed project."

The ADB claims that its overarching goal is poverty alleviation. This is a lie. The Bank's loans to Laos for industrial tree plantation projects reveal the ADB's true overarching goal: to prise open the country to multinational corporations.

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