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## World Bank shenanigans in Cambodia

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.

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.

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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.

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.

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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>

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