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*THE NGO FORUM ON CAMBODIA*

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INSPECTION PANEL

21 January 2005

Office of the Inspection Panel  
World Bank  
1818 H Street, N.W.  
Washington DC 20433  
United States of America

Request for Inspection:  
Forest Concession Management and Control (Pilot) Project - Cambodia

The NGO Forum on Cambodia, acting as a representative of affected local communities, wish to submit the Forest Concession Management and Control (Pilot) Project (FCMCP) in Cambodia for Inspection.

In support of this Inspection Panel request, we attach a number of supporting documents:

1. Two letters from representatives of affected communities, including English translations;
2. Report prepared by Global Witness providing details of the case and the violations of World Bank policies which occurred [*Still under revision – may be sent a week later*];
3. Copies of previous correspondence between NGOs and the World Bank regarding forestry in Cambodia.

The NGO Forum on Cambodia is a Cambodia-based NGO membership organisation representing both international and local NGOs. We are a recognised non-government organisation registered with the Cambodian Government. For the past few years, we have conducted a Forest Livelihoods Project that has facilitated the networking and advocacy of NGOs working in forest concession and ex-concession areas and the rural communities they support.

We have decided to take this action after receiving letters from a number of villagers, signed in March 2004, asking us to represent their request that the Inspection Panel of the World Bank inspect all of the actions of the World Bank-financed FCMCP, which supports the logging concession system in Cambodia. Please note that the local community representatives who signed the letters have requested that their names be kept confidential.

Since the villagers wrote their letters, the FCMCP has endorsed forest concession management plans of six forest concession companies, paving the way for the possible resumption of logging by companies that have a poor record with regard to the protection of community rights and livelihoods. As stated in the villagers' letters, a resumption of logging will surely entail a repeat of the kinds of abuses villagers have suffered in the past. The

FCM CPP and Bank staff have also continued to endeavour to facilitate the movement of logs cut illegally, including trees that villagers tapped for resin. We perceive that in its commissioning and supervision of the FCM CPP, the Bank has violated a number of its operational policies leading to harm or potential future harm to people living in the project-affected areas.

Over the past few years, NGOs in Cambodia have raised with Bank staff problems associated with the FCM CPP on numerous occasions (see sample of correspondence attached). While some of the responses have been encouraging, the violation of World Bank policies and the potential harm to forest-dependent communities has not been substantially addressed.

The NGO Forum finally decided to represent the above-mentioned villagers in a meeting held on 10<sup>th</sup> January 2005. The NGO Forum's Management Committee (a group elected from our members) heard opinions from NGOs involved in forestry and human rights issues and from NGOs operating in the project-affected areas before making their decision.

Our concern is that:

1. Through flawed project design and poor implementation, the World Bank has promoted the interests of the logging concession system and the concessionaires. This despite abundant evidence that the companies have already caused harm to forest-dependent communities and will continue to do so. Here, it is worth noting that the World Bank had around five years worth of information about the concessionaires' track records before the FCM CPP began.
2. A key element of the FCM CPP has been assisting the companies in their production of sustainable forest management plans (SFMPs) and environmental and social impact assessments (ESIAs). The concessionaires have been required to produce these as a precondition for continued logging. The Bank is thus using loan money to benefit logging companies that have a track record of timber theft, tax evasion and human rights abuses. This would appear somewhat at odds with the Bank's stated goals of poverty reduction and promotion of good governance.
3. By allowing its project to endorse the sustainable forest management plans and environmental impact assessments of six of these companies, the World Bank has increased the likelihood that they will continue to maintain control of their concessions. At the same time, the Bank has not succeeded in introducing any additional checks and balances to the concession system that would compel the companies to operate differently from the way that they did before.
4. The World Bank project endorsement has in fact strengthened the position of these six companies, which hereon will present their operations as having the World Bank seal of approval. Some companies are already using this endorsement to deflect criticism of their past and future actions, making it even more difficult for adversely affected communities to hold them to account.
5. Through its acts and omissions, the World Bank has contributed to a set of outcomes that stand to inflict harm on forest-dependent communities in the near future.

While the above-mentioned Global Witness report provides details of the Bank's violations of Bank operational policies, a number of these violations are summarised below:

#### Operational Policy OP 4.36 – Forests

For the Forest Concession Management and Control Pilot Project in Cambodia the applicable World Bank Forest Policy would be OP 4.36, September 1993, along with relevant Annexes,

as this was the operational policy in place at the time of FCMCPP design and initial implementation. The policy says: ".... *the Bank Group does not finance commercial logging operations... in primary tropical moist forests.* "

The Bank has breached this Operational Policy, though indirectly, in its provision of loan-backed technical assistance to commercial logging companies that is designed to facilitate their future operations.

#### Operational Policy on Environmental Assessment (OP 4.01)

The Bank has breached a number of provisions of this operational policy:

- Misclassification of the project as a lower impact category B project, rather than high-impact category A. This lowered the level of environmental assessment that the project would be required to carry out.
- Lack of environmental assessment even to category B standards – in fact, it appears that no meaningful environmental assessment was carried out before the project began.
- Poor standards of public consultation – Here the breach is twofold: lack of public consultation during the project planning stage and then flawed public consultations during its implementation stage.
- Poor standards of disclosure – this breach centres on the disclosure of the concessionaires' SFMPs and ESIA's in late 2002. This was marred by a failure to properly disclose in which the Bank's Phnom Penh office was directly involved.

#### Operational Directive 4.20 – Indigenous Peoples

Cambodia's indigenous people, notably the Kuy minority (who are represented among those who have drafted letters to the Inspection Panel), are directly affected by the logging concessionaires. Under OD 4.20, the Bank must ensure "*informed participation* " by indigenous people and proposed projects that could impact on indigenous people, such as those relating to forestry, should be assessed carefully. Screening of projects for such impacts should usually take place via environmental assessment, which as noted above, appears not to have been undertaken for the FCMCPP. OD 4.20 states that "*For an investment project that affects indigenous peoples, the borrower should prepare an indigenous people 's development plan that is consistent with the Bank's policy. Any project that affects indigenous peoples is expected to include components or provisions that incorporate such a plan.* "

#### Operational Policy OP 13.05 – Project Supervision

The policy states, "*As a development agency, the Bank also has an interest in assisting member countries to achieve their development objectives on a sustainable basis. To these ends, recognizing that project implementation is the borrower 's responsibility, the Bank supervises the borrower 's implementation of Bank-financed projects.* "

Project supervision is required in order to "(a) *ascertain whether the borrower is carrying out the project with due diligence to achieve its development objectives in conformity with the legal agreements; (b) identify problems promptly as they arise during implementation and recommend to the borrower ways to resolve them; (c) recommend changes in project concept or design, as appropriate, as the project evolves or circumstances change.* "

Examples of the Bank's poor supervision of the FCMCPP include:

- Allowing project technical assistance to be offered to companies that should have been excluded under the terms of reference given to the TA consultants;
- Overlooking the project requirements to undertake Environmental Assessment and produce an Indigenous People's plan;
- Failure to ensure that the planning processes for SFMPs and ESIA's carried out under the auspices of the project included adequate and appropriate consultation;
- Failure to ensure quality of the 2003 forest cover survey that the FCMCPP produced.

To our knowledge, the FCMCPP has not yet reached the 95% completion point beyond which an Inspection cannot be carried out. We therefore request that the project be inspected and action be taken to bring it into compliance with World Bank policies. We would also like to suggest that the World Bank:

- Publicly acknowledge the damage that the Forest Concession Management and Control Project stands to cause to the interests of forest-dependent communities in Cambodia;
- Publicly refute the FCMCPP's endorsement of the six logging companies;
- Write off the debt that Cambodia's citizens have incurred through the Learning and Innovation Loan that supports the FCMCPP;
- Undertake a wide-ranging review of World Bank interventions concerning forestry and other extractive industries to i) ensure that these projects have not breached the same operational policies standards as the FCMCPP; ii) ensure that they are not serving to entrench and endorse organizations that have a history of illegal activities;
- Include timber in the Extractive Industries Transparency Initiative (EITI) and hold Bank interventions in the forestry sector to the same standards as those in oil, gas and mining sectors.

In summary, our hope is that an Inspection would lead to both rectifications in the World Bank's approach to the forest sector in Cambodia and potentially to similar World Bank projects elsewhere in the world. We hope that the World Bank will welcome the opportunity to reflect on lessons learned from this experience and will continue to value their relationship with NGOs in Cambodia, who consider the World Bank to be an important and respected player in Cambodia's development.

Sincerely,

R. Pete

Russell Peterson  
Representative



*[Handwritten signature of Kep Kannaro]*

Kep Kannaro  
Chair of Management Committee

Copy: World Bank office in Phnom Penh  
Member NGOs of the NGO Forum

Kingdom of Cambodia

*Nation Religion King*

We are villagers living in the concession areas of  
Chendar Plywood, Samraong Wood, Everbright, and Pheapimex

Respectfully address

The Inspection Panel of the World Bank.

Regarding: Request for inspection of the activities of the Cambodia Forest Concession  
Management and Control Pilot Project.

According to the above subject, we are all villagers living in the Chendar Plywood, samraong wood, Everbright, and Pheapimex concession areas, who have all been impacted by these four companies. We are worried that these companies will re-start their activities and impact further on us, and we are unhappy with the World Bank's support for these companies.

In the past, these companies have impacted on our communities and on us personally also, as follows:

- . Chendar Plywood has cut thousands of resin trees belonging to villagers in Prame and Mlu Prey 1 Communes that have provided a source of livelihood for many years. Other non-timber forest products that villagers have collected to sell have also been lost. Soldiers protecting the company have threatened villagers not to go into the concession area to tap resin. One company worker eloped with the daughter of villagers.
- Samraong Wood has cut hundreds of resin trees belonging to villagers in Anlong Veng Commune. Company soldiers have forbidden villagers from going into the forest to collect non timber forest products that villagers collect to make a living.
- . Pheapimex has cut thousands of resin trees belonging to villager in Talat Commune and forbidden villagers from going into the forest to collect non-timber forest products.
- . Everbright has cut thousands of resin trees belonging to villagers. The group of soldiers that protects the company has threatened villagers saying that, "If you sell your resin trees, we will cut them, if you don't sell them, we will still cut them." They also said that "I am not cutting your resin holes, I am just cutting the trees, and I'm leaving the holes for you." When villagers go into the company's logging concession, company soldiers don't let them go in.

In November 2002, we went to ask for environmental and social impact assessment books of the logging concessionaires from the Department of Forestry. But the Deputy Director of the Department, named Chea Sam-Mg, said that the books aren't at the Department of Forestry, they are at the World Bank. We waited for two days at the World Bank before getting the books, in order to take them to consult with people in our villages. This made us wonder: Why is the World Bank involved in this? When we looked at the books, we were startled because the reports by the logging concessionaires were not accurate. We saw that the companies were going to cut again without consideration for impacts on the living situation of villagers.

On 17 March 2004, we were interested again when the independent team evaluating forests in Cambodia said in a meeting at the Cambodiana Hotel that the logging concession system in Cambodia is finished. Then an expert from the World Bank asked, "Why do you say it is finished? We have worked hard to improve the logging concession system and it is good now, it is almost operating again." This made us understand that the World Bank itself is supporting the logging concession system. After that we learned that the World Bank loaned money to the government to help the logging companies prepare management plans so that they can log again.

If the logging concessions' management plans, which received technical assistance from the World Bank, are accepted by the Government, and the companies start up their activities again, there will certainly be violations even more severe than before on

villagers, especially on indigenous people, such as in the areas of the Chendar Plywood, Everbright, and Pheapimex concessions. If the companies operate again, they will certainly cut resin trees again; if they don't cut resin trees they won't have any wood to cut.

Therefore, we ask the Inspection Panel of the World Bank to inspect all of the actions of the World Bank Project that supports the logging concession system in Cambodia. In that, we would like to give the right to N00 Forum to represent us in all of this work.

Because we are worried about our personal security, we ask that the Inspection Panel not release our names as the people who have asked for the inspection.

We all are hopeful and believe fully that your Inspection Panel will definitely help us who are Cambodian villagers.

Please enjoy good health and success at all times.