

IPN REQUEST RQ 10/07

September 30, 2010

NOTICE OF REGISTRATION

Re: Request for Inspection

LIBERIA: Development Forestry Sector Management Project (Trust Funds Nos. TF057090-LR; TF096154-LR; and, TF096170-LR)

On September 24, 2010, the Inspection Panel (the "Panel") received a Request for Inspection relating to the Development Forestry Sector Management Project (the "Project"). The Request was submitted by the Sustainable Development Institute (SDI), acting on behalf of the communities of Central River Cess Statutory District, River Cess County, Liberia (the "Requesters"). The Request for Inspection includes: i) a letter, dated July 31, 2010, signed by 54 representatives of the communities of Central River Cess Statutory District, asking the Panel to investigate the Project; ii) a report prepared by the non-governmental organization Global Witness, dated September 24, 2010; and, iii) an outline of the communications related to the Project that SDI and/or Global Witness held with Bank management during which they expressed concerns related to the Project. The 54 representatives state that they are worried about their personal security and ask the Panel to keep their complaint anonymous.

The Project

The Project is supported by three different Grants for a total amount of US\$2.8 million. The Letter of Agreement for the first Grant was signed on September 26, 2006. According to the Letter of Agreement, the purpose of the Grant is *"to assist the Beneficiary in building robust and transparent economic and fiscal governance structures as a foundation for good governance, and economic recovery and growth, within its forestry sector."*

According to the Project Appraisal Document (PAD), the Bank's medium term engagement is to assist Liberia "*harness the potential of forest to reduce poverty in a sustainable manner, integrate forests effectively into sustainable economic development, [and] protect the vital local and global environmental services and values of forests, based on an integrated package of key reforms in the sector.*" The PAD adds that the Bank will assist the Government to implement the forestry program in close coordination with the Liberia Forestry Initiative (LFI).¹ Also according to the PAD, the Grant supports, *inter alia*: institution-building in the public sector (including the review and improvement of concession management legislation); sustainable management of community forests; sustainable agro-forestry systems; sustainable small-medium private sector development; and, a forest development grant facility.

The PAD further states that key indicators would include, *inter alia*, completion of critical institutional reforms (in particular Forestry Development Agency (FDA) institutional reform; forestry policy, forest taxes reform), and implementation of the results of the concession review through Executive Order or other instrument. The PAD adds that the Project will be implemented following all the principles of the Bank's Forests and Environmental Assessment policies. It adds that a strategic Sectoral Environmental Assessment (SEA) will be prepared. The PAD further adds that during the first year of Project implementation, intensive Bank supervision will be required in order to ensure that the project financial management arrangements are in place and functioning, and then there will be two supervision missions per year.

The Request

The Requesters state that they are filing this Request for Inspection in reaction to increasing frustrations among communities living within recently awarded logging concessions. They add that they learned that the Bank "*worked with the Government to predict how much money the Government can make from logging (...) [and] have been told that these numbers may be too high.*" They state that they are worried that this will lead the Government to allow the companies awarded concessions "*to log too much of the forest.*"

The Requesters state that in 2008 they were told that a certain company would provide, over its 25-year contract, jobs, money, and other benefits under a Social Agreement which they signed. They state that the concessionaire is not able to keep its promises and the Bank has helped create a logging industry that will not work and "*is violating [their] rights.*" They state that they have set up a committee representing their grievances before the company and held many meetings to prepare for logging but neither company nor Government attended their meetings to discuss their problems. They also state that other logging companies are "*not doing what they are supposed to,*" including paying their taxes on time and meeting their promises under the Social Agreements. They could not understand "*why the Bank is working with the Government when the industry*

¹ According to the PAD, the Liberia Forestry Initiative (LFI) is a partnership driven initiative in which the World Bank plays a lead in providing technical advice and in catalyzing donor support. By September 2006, other donors to the LFI included the Food and Agriculture Organization (FAO), the US Government, the European Union, the Government of Liberia, Fauna and Flora International, and Conservation International. The total funds available to LFI were US\$14.75 million.

and companies are failing.” They state that they are concerned the Government will lower its standards.

The Requesters state that they failed to understand why *“so much had been expected of a logging system that was now not working, why the law had been broken when awarding concessions and why a company that cannot meet its obligations was given a concession in their forest even though its lack of technical and financial capacity was known when the concession was awarded.”* They also state that the country’s laws were broken when some of the concessions were awarded, and they have been told that *“laws were also broken when many of the logging concessions in other parts of Liberia were given out.”* They state that they do not understand why the Bank has not used its influence with the Government *“to resolve this problem.”*

They add that, having lived through the worst abuses of Liberia’s conflict timber era characterized by widespread human rights abuses and devastating logging practices, the people of River Cess County are deeply worried about the company’s performance. They state that they have experienced false promises and destructive logging before, when large parts of their forests were destroyed leaving them with no benefits, and human rights abuses were committed against some of the people in the forests.

The Requesters also summarize the way Bank Management has violated its own Policies. They state, inter alia, that the bank failed to comply with OP/BP 4.01 on Environmental Assessment. Because of the Project’s large-scale, export-oriented logging that envisaged two-thirds of Liberia’s forests under concession, it should have been a Category A and not a Category B Project. They add that no Environmental Management Plan has been developed and that according to their assumptions, the SEA, which is yet to be published, is insufficiently thorough. The report from Global Witness, attached to the Request for Inspection, adds that in October 2007, the International Union for Conservation of Nature (IUCN), SDI, ProAct Network and members of the Liberian government executed the Bank’s study, and thirteen months later, fieldwork was completed. Nevertheless, as of September 2010 the SEA has not been published. Also according to Global Witness and interviews it conducted with Bank Management, publication has been delayed because the SEA’s content is unsatisfactory.

Regarding OP/BP 4.36 on Forestry, the Requesters state that Bank Management did not comply with this Policy in three ways; first, Liberia’s forests have been recognized as important and endangered by Fauna & Flora International (FFI) and the World Wide Fund for Nature (WWF), and the Bank failed to classify it as critical; secondly, the commercial sector supported by the project has not adopted an international certification scheme, and Bank Management made no known effort to ensure that the sector is progressing towards such certification; and thirdly, Bank Management did not undertake sufficient studies of the sector and what forest uses would be best for the country and the people who live within them prior to its financing of the Project.

They add that since FFI and WWF stressed the critical nature of Liberia’s forests and their content, Bank Management did not comply with OP/BP 4.04 on Natural Habitats, since it did not consider the country’s forests as critical natural habitats. They also add that

the IUCN Redlist describes a number of species contained in Liberia's natural habitats that are considered endangered.

The Requesters state that Management failed to comply with OP/BP 13.05 on Project Supervision, because it has encouraged unreasonable expectations as to what Liberia's commercial logging sector can produce and has increased the risk that the government will lower standards in order to meet expectations. It also failed to comply with the same Policy because the Liberian law was broken during the allocation and management of logging concessions, and Bank Management continued to support and defend the government.

The Requesters state that it was very important that the companies "*create jobs for the people, they must cut down the forest in a way that allows them to grow back, and they must give benefits to the people who live in the forests.*" The Requesters also ask the Bank to undertake the following actions in order to mitigate the damage done by the project to the communities living in Liberia's forests: i) acknowledge the breaches in Liberian law and require that future support for Liberia's forestry sector be conditional upon the maintenance of the rule of law; ii) provide material support for mechanisms designed to oversee the concession granting process; iii) make funding for Liberia's forestry sector conditional upon both the announcement of a moratorium on new industrial-scale logging concessions and the adoption of recommendations produced by a contract review process; iv) commission a survey of the environmental, social and economic values of Liberia's forests, to include a look at alternatives such as community-based uses, the generation of revenues from climate funding, biodiversity and carbon stock; v) ensure timely disclosure of Bank and Government documentation regarding forestry activities; and, vi) support the creation of an officially-mandated independent forest monitoring mechanism to monitor activities in the forestry sector, including concession allocation and management, community uses, conservation projects and forest conversion projects.

The above claims may constitute non-compliance by the Bank with various provisions of the following operational Policies and Procedures:

OP/BP 4.01	Environmental Assessment
OP/BP 4.04	Natural Habitats
OP/BP 4.36	Forests
OP/BP 13.05	Project Supervision
World Bank Policy on Disclosure of Information dated June 2002	

In accordance with paragraph 17 of the Panel's Operating Procedures (the "Operating Procedures"), I am notifying you that I have, on September 30, 2010, which is also the date of the dispatch of this notice, registered this Request in the Inspection Panel Register. Please note that the Panel's registration is an administrative procedure and it implies no judgment whatsoever concerning the merits of the Request for Inspection.

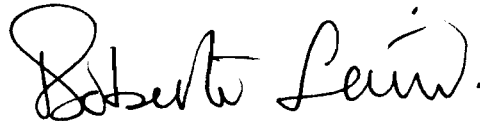
As provided in paragraph 18 of the IDA Resolution that established the Panel (the "Resolution"), paragraphs 2 and 8 of the "*Conclusions of the Board's Second Review of the Inspection Panel*" (the "1999 Clarifications"), and paragraph 18(d) of the Operating Procedures, Bank Management must provide the Panel, no later than November 1, 2010,

with written evidence that it has complied, or intends to comply, with the Bank's relevant policies and procedures in relation to the above-referenced Project. The subject matter that Management must deal with in a response to the Request is set out in paragraphs 3 and 4 of the 1999 Clarifications.

After receiving the Management response, the Panel will, as outlined in the 1999 Clarifications and as provided by paragraph 19 of the Resolution, "*determine whether the Request meets the eligibility criteria set out in paragraphs 12 to 14 [of the Resolution] and shall make a recommendation to the Executive Directors as to whether the matter should be investigated.*"

The Request has been assigned IPN Request Number RQ 10/07.

Yours sincerely,

A handwritten signature in black ink that reads "Roberto Lenton". The signature is written in a cursive style with a large initial 'R' and a distinct dot over the 'i' in 'Lenton'.

Roberto Lenton
Chairperson

Mr. Robert B. Zoellick
President
International Development Association

The Executive Directors and Alternates
International Development Association