



Sustainable Development Institute/ FoE Liberia

September 24, 2010

The Inspection Panel
1818 H Street, NW
Washington, D.C. 20433
USA

Regarding: Request for Inspection, the Development Forest Sector Management Project (Liberia)

To Whom It May Concern:

Sustainable Development Institute (SDI), acting on behalf of the communities of Central River Cess Statutory District, River Cess County, Liberia, hereby request that the World Bank Inspection Panel investigate the World Bank's Development Forest Sector Management Project in Liberia. It is our understanding that the project has not yet expended 95 percent of its funds, and that this request is timely.

In addition to this letter, we submit the following information in support of our request:

1. A letter, dated July 31, 2010, signed by representatives of the communities of Central River Cess Statutory District, River Cess County, requesting that the Inspection Panel investigate the Development Forest Sector Management Project.
2. A report, dated September 24, 2010, drafted by Global Witness, providing background on the project and detailing the violations of Operational Policies and Bank Procedures that have occurred as a result of the project.
3. A list outlining the meetings held between SDI or Global Witness and World Bank project management during which SDI or Global Witness have expressed concerns related to those raised in this request.

SDI is a Liberian non governmental organisation (NGO) focusing on the rights of communities affected by natural resource concessions. SDI programming includes direct work with affected peoples, including community organization and education on natural resource issues. We also undertake legal and policy advocacy in Liberia's capital on issues pertaining to forestry

management, mining concessions and transparency in the natural resources sector. In 2006, SDI Director Silas Kpanan'Ayoung Siakor was a recipient of the Goldman Environmental Prize.

We file this request in reaction to increasing frustrations among communities living within logging concessions recently awarded by the Liberian government. The communities of Central River Cess Statutory District, who are affected by the large logging concession Forestry Management Contract "B" (FMC B), are angry that the company awarded the concession has not provided them the benefits they were promised, and are legally obliged to provide under their social agreement with the company, and that neither the company nor government representatives have attended their meetings. 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 being subjected again to a company that is not performing.

Members of these communities have requested that SDI represent them in a request to the Inspection Panel. Aware of the communities' increasing frustrations and aware also of the World Bank's ongoing role in Liberia's commercial forestry sector, we organized a meeting in River Cess County in July 2010. It was at this meeting that the people affected by FMC B demanded to know 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 can not 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. Having heard that the World Bank helped create the system and supported logging while the rule of law was breaking down, the communities decided that they should submit a request for the World Bank's project to be investigated.

Specifically, we are concerned that the World Bank's project has put Liberia's forests and the people who live in them at risk in the following ways:

1. While working closely with the Liberian government's Forestry Development Authority (FDA), the World Bank has produced timber production and revenue projections that are too high. It is unclear whether the government has relied upon the World Bank's projections, but the government has also produced figures that are inflated and, along with logging companies that have received concessions, has promised communities that they will benefit from logging. Communities are now being let down as these expectations are not met. Moreover, as the government is disappointed by lower revenues it has begun lowering standards for logging companies. This risks considerable threat to people living in the forest, who have seen companies log unsustainably without giving back to the communities in the past.
2. Despite breaches by the government of laws designed to protect Liberia's people and forests from predatory companies, the World Bank has continued to support the FDA and commercial logging in Liberia. Particularly damaging, the Bank has defended the logging sector despite knowing that the FDA was awarding contracts to companies that could not prove they were able to perform.
3. Both independently, and as a leading member of the Liberian Forestry Initiative, the World Bank has pushed for large-scale logging concessions without first undertaking sufficient studies to see whether such concessions are beneficial to Liberia's people. It is not clear from the data produced by either the World Bank or the FDA that responsible logging is possible in Liberia. Because no thorough survey was conducted examining different possible forest uses, including community uses, it is uncertain also whether the commercial logging path is the best way for communities to benefit from their forests.
4. The World Bank has failed to publish the final Environmental Assessment – termed the Strategic Environmental Assessment (SEA) – that was required by its project. SDI assisted in the public consultations undertaken for sections of the SEA. However, neither we, nor

the communities affected by logging, know anything about the bulk of the final SEA's findings. It is thus impossible for anyone to understand the true impact of the Bank's project and the logging it has encouraged.

The decisions made by the World Bank that have led to these problems are also violations of the World Bank's Operational Policies and Bank Procedures. While the attached Global Witness report describes these violations in detail, they are summarized also here:

1. Operational Policy 13.05; Bank Procedure 13.05: Project Supervision

In order to meet the requirements of the Project Supervision Operational Policy, a World Bank project management team is required to do the following:

- "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;..."*

The management team responsible for the Development Forest Sector Management Project has violated this Policy in two ways. First, the World Bank has producing logging production and revenue projections that are too high and lack sufficient supporting data. It is possible that the government's own high projections are based upon the World Bank's numbers, and the relationship between the two should be investigated. If the government did base its projections upon those of the World Bank, the Bank's management team 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. Second, as the government has broken the law during the allocation and management of logging concessions the management team has continued to support and defend the government.

2. Operational Policy 4.01; Bank Procedures 4.01; 4.36: Environmental Assessment Classification

In order to meet the requirements of the Environmental Assessment Operational Policies and Bank Procedures, a World Bank project management team is required to correctly classify the impact its project will have upon the environment and people the activities may affect.

A project should be classified as Category A if it may have more severe impacts upon the environment and people. Specifically, such categorized projects would have:

"...significant adverse environmental impacts that are sensitive, diverse, or unprecedented. These impacts may affect an area broader than the sites or facilities subject to physical works."

Also suitable for such a classification is a project:

"...with the potential for conversion or degradation of natural forests or other Natural Habitat that is likely to have significantly adverse environmental impacts that are sensitive, diverse, or unprecedented..."

A project should be classified as Category B if it may have less severe impacts upon the environment and people. Specifically, such categorized projects would have:

“Potential adverse environmental impacts on human populations or environmentally important areas—including wetlands, forests, grasslands, and other Natural Habitat—are less adverse than those of Category A projects. These impacts are site-specific; few if any of them are irreversible; and in most cases mitigatory measures can be designed more readily than for Category A projects.”

The fact that a project is approved under emergency funding may affect the a project's categorization, but the management team must justify any exceptions in the project's Project Appraisal Document.

The Development Forest Sector Management Project should be classified as a Category A project. However, despite the fact that the project has promoted a model of large-scale, export-oriented logging that envisaged two-thirds of Liberia's forests under concession, the management team classified the project as Category B. It is assumed that, because projects classified as Category B are held to a lower standard of Environmental Assessment documentation, no Environmental Management Plan has been developed and that the SEA being drafted will be insufficiently thorough. However, and as will be discussed in the next section, because the project's Environmental Assessment has not yet been published by the World Bank, this is an assumption.

3. Operational Policy 4.01: Environmental Assessment Publication

The Environmental Assessment Policy also requires that the management team publish a project's Environmental Assessment, and the Inspection Panel has previously found that this publication must be timely.

At present, the SEA has not been published. The project's effective date was almost four years ago and most of the programming it has supported has already been undertaken. The impacts of the project's components have already been felt. By failing to publish the SEA at a time that would allow the predicted impacts of the project to be considered, the management team has greatly diminished the document's usefulness to those people most severely affected by the project.

4. Operational Policy 4.36; Bank Procedure 4.36: Forest Policy

In order to meet the requirements of the Forest Policy, a World Bank project management team may not design a project that undertakes the following:

“The Bank does not finance projects that, in its opinion, would involve significant conversion or degradation of critical forest areas or related critical natural habitats.”

Critical forest areas are defined by the Forest Policy as being the following:

- “i. existing protected areas and areas officially proposed by governments as protected areas (e.g., reserves that meet the criteria of The World Conservation Union (IUCN) classifications), areas initially recognized as protected by traditional local communities (e.g., sacred groves), and sites that maintain conditions vital for the viability of these protected areas (as determined by the environmental assessment process); or*
- ii. sites identified on supplementary lists prepared by the Bank or an authoritative source determined by the Regional environment sector unit. Such sites may include areas*

recognized by traditional local communities (e.g., sacred groves); areas with known high suitability for biodiversity conservation; and sites that are critical for rare, vulnerable, migratory, or endangered species.”

In order for the World Bank to finance industrial-scale commercial logging projects that do not affect critical forests those projects must also:

*“a. be certified under an independent forest certification system acceptable to the Bank as meeting standards of responsible forest management and use; or
b. where a pre-assessment under such an independent forest certification system determines that the operation does not yet meet the requirements of subparagraph 9(a), adhere to a time-bound phased action plan acceptable to the Bank for achieving certification to such standards.”*

Finally, if a World Bank project will have a significant impact upon a country's forests, the management team must also undertake a thorough evaluation of best forest use:

“During project preparation, the [Task Team, (TT)] ensures that the borrower provides the Bank with an assessment of the adequacy of land use allocations for the management, conservation, and sustainable development of forests, including any additional allocations needed to protect critical forest areas. This assessment provides an inventory of such critical forest areas, and is undertaken at a spatial scale that is ecologically, socially, and culturally appropriate for the forest area in which the project is located. The assessment involves all affected parties in accordance with OP 4.04, Natural Habitats, and is subject to independent scientific peer review. In addition, in accordance with OP 4.10, Indigenous Peoples, and OP 4.12, Involuntary Resettlement, the TT ensures that the borrower assesses the potential impact of the project on local communities, including their legal rights of access to, and use of, designated forest areas. If the project involves investments in forests under OP 4.36, para. 12, the TT ensures that the borrower also assesses the feasibility of giving preference to small-scale, community level harvesting approaches to harness the potential of forests to reduce poverty in a sustainable manner.”

The management team responsible for the Development Forest Sector Management Project has violated 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 thus should be classified by the World Bank as critical. Because the project has been poorly managed and risks unsustainable logging, the project is risking the degradation of these critical forests. Second, the commercial sector supported by the project has not adopted an international certification scheme, and the management team has made no known effort to ensure that the sector is progressing towards such certification. Third, and as described in section 1, above, the management team also undertook a project affecting Liberia's forests without first conducting sufficient studies of the sector and the what forest uses would be best for the country and the people who live within them.

5. Operational Policy 4.04: Natural Habitats Policy

In order to meet the requirements of the Natural Habitats Policy, a World Bank project management team may not design a project that undertakes the following:

“The Bank does not support projects that, in the Bank's opinion, involve the significant conversion or degradation of critical natural habitats.”

The definition of a critical natural habitat provided by the World Bank parallels that of a critical forest.

Again, because FFI and WWF have both stressed the critical nature of Liberia's forests and their contents, the country's natural habitat should be considered critical. In addition, the IUCN Redlist describes a number of species contained in Liberia's natural habitats that are considered endangered. The mismanagement of the Development Forest Sector Management Project threatens the sustainability of Liberia's commercial logging sector, and thus threatens the degradation of the country's natural habitats.

It is our hope that, in order to mitigate the damage done by the project to the communities living in Liberia's forests, the World Bank draw upon remaining project funds and – if necessary – additional funds to undertake the following actions:

In Liberia:

- Publicly acknowledge the breaches in Liberian law that have given rise to the current non-performing concessionaries and require that future support for Liberia's forestry sector will be conditional upon the maintenance of the rule of law.
- Provide material support for mechanisms designed to oversee the concession granting process, including increased capacity within the Anti-Corruption Commission and a permanent, institutionalized contract review office within the Liberian Extractive Industries Transparency Initiative Secretariat.
- Call for a moratorium on new industrial-scale logging concessions until recommendations from the LEITI contract review process have been adopted by the Liberian government. Make funding for Liberia's forestry sector conditional upon both the announcement of the moratorium and the adoption of recommendations produced by the contract review process.
- Commission a thorough, balanced survey of the local and global environmental, social and economic values of Liberia's forests. This survey should re-examine large-scale, concession-based logging based on more comprehensive information about current timber stocks, and look at alternative, community-based uses, including logging, taking into consideration net contributions to local livelihoods and job creation. The survey should also take into account potential opportunities for generating revenues from climate funding. This survey should include an accurate survey of timber, biodiversity and carbon stock.
- Ensure that documentation and other information regarding World Bank and Liberian government forestry activities are made publically available in time that such information can actually be useful to people affected by those activities. Such publications should include Environmental Assessment documents produced by the World Bank and should be made available in a public information office established within the FDA.
- 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. Requirements for this mechanism should include unhindered access for monitors to all information relating to the chain of custody, the ability of monitors to work with civil society actors, independence when publishing reports and that the government officially recognize and implement monitors' recommendations.

Globally:

- Ensure that all future World Bank projects are designed and executed without bias towards large-scale, concession-based logging and sincerely take into account alternate uses of forests.
- Ensure that all future World Bank projects that address forest use are undertaken only after conducting a thorough survey of the type described above.
- Ensure that all future World Bank projects that address forest use are undertaken only after an accurate Environmental Assessment classification, with an assumption that projects that could affect a country's logging industry have a classification of Category A.
- Ensure that the Environmental Assessments and Environmental Management Plans for all future World Bank projects that address forest use are published in sufficient time so as to allow all stakeholders an opportunity to assess the project's impacts prior to approval and implementation.. These studies should take into account a country's institutional capacity and governance situation and include an analysis of the risks and potential impacts of governance failures.

The World Bank funds a range of projects in Liberia, and its support has been important to our country's reconstruction. It is our hope that the World Bank remains committed to Liberia, and to its forest sector in particular. However, it is important that this commitment not come at the expense of the people who live in Liberia's forests. If it can develop projects that take into consideration the violations here committed and the above recommendations, the World Bank can serve to be a useful partner in managing forests, both in Liberia and around the world.

Sincerely,

Jonathan W. Yiah
Coordinator

