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**World Bank
Cambodia: Forest Concession Management and Control Pilot Project**

Inspection Panel Investigation Report and Management Report and Recommendations

**United States Position
Board Date: June 29, 2006**

We appreciate the work of the Inspection Panel, and find the Panel's report on the Cambodia Forest Concession Management and Control Pilot Project to be thorough and balanced. We also appreciate the Bank's effort to engage in an environmentally and socially risky sector in a challenging governance environment, as well as Management's forthright acknowledgement of the Panel's findings.

We are particularly concerned about the Bank's decision to use a Learning and Innovation Loan (LIL) for this project. We understand that the original decision to do so was likely prompted by a desire to move forward quickly, but the use of this mechanism permitted circumvention of certain safeguards that would have otherwise applied. The assumption by the Bank that concessionaires would undertake appropriate environmental assessments was optimistic, at best, and ultimately proved to be mistaken. Further, an LIL should be designed to explicitly test innovative approaches, incorporate mechanisms for mid-course corrections, and identify broader applications for lessons learned. However, the model used for this LIL (improving the existing forestry concession system) was essentially the same that the Bank has used in several other countries and involved no new concepts. Moreover, the Bank clung to the model almost until project closure, despite mounting evidence that concession reform was not going to be successful in the prevailing governance environment. Management's response is candid in acknowledging the project's shortcomings, but the proposed scope for bringing the project into compliance is of questionable value now that the project is completed.

We agree, however, that it is important for the Bank to remain actively engaged in Cambodia's forest sector. The Bank's involvement to date created a pause in granting concessions that did not have sustainable management plans, and its future involvement would at a minimum shine a light on whatever forest management system comes next. Thus, we urge Bank staff to work with the government of Cambodia to protect the people who depend on forest products for their life and livelihood, and to better protect the environment of the country. Although "country dialogue" may be helpful, it will not be sufficient for continuing engagement. We hope that an appropriate operational instrument can be identified in coordination with other donors. The recommendations of the 2004 Independent Forest Sector Review provide a good basis for considering a broader range of management options, including working with community partners. We are sympathetic with the argument that past World Bank involvement has had the unintentional effect of legitimizing the existing concession system, including the current set of players. Thus, a key criterion for selecting future private sector partners should be their demonstrated willingness and ability to undertake meaningful consultations with affected communities, and to produce accurate and detailed environmental and social analyses. We also strongly support the plan to work with the Government of Cambodia and other stakeholders in the Technical Working Group for Land to implement the Land Law provisions regarding the protection of indigenous communities

Finally, we recognize that some observations and recommendations from the Panel have potential implications for the Bank's ongoing review of its forest sector strategy. We encourage the Panel to

communicate relevant observations and implications, from both this inspection and the one conducted for Democratic Republic of Congo, in a manner that preserves the Panel's independence but serves to better inform the Bank's strategy.