

**Democratic Republic of Congo (DRC): Transitional Support for Economic Recovery Credit Operation (TSERO) and Emergency Economic and Social Reunification Support Project (EESRSP) – Inspection Panel Investigation Report and Management Response**

**U.S. Position**

The Panel has raised serious and legitimate safeguards policy-compliance issues arising from these two operations. The U.S. reaction to the Panel report and Management’s response is framed by the following key issues:

- The enormous community-level, national, and global stakes related to how the DRC’s forests are managed. These stakes clearly encompass traditional livelihoods of indigenous communities; biodiversity; and the “global public good” of the enormous carbon sink represented by DRC’s forests.
- The Panel’s report and Management’s response are being discussed by the Board as we also consider the Mid-Term Review of the Bank’s Forest Sector Strategy and the recent launch of the Forest Carbon Partnership Facility.
- The Panel’s findings have implications for how the Bank applies safeguard policies in other emergency and budget-support operations.
- The Bank bears a sizeable reputational risk among external stakeholders if it is perceived as not taking concerted and effective action to address the issues arising from this investigation.

In this context, the U.S. agrees that the Panel’s findings should *not* be seen as an argument for the Bank to exit from the sector. In fact, the Panel “recognizes that it is important for the Bank to remain engaged in the forest sector in DRC”. As such, the critical question is what form that engagement should take going forward, and how to incorporate the “lessons learned” from the Inspection Panel’s findings and recommendations. Further, the U.S. is in general agreement with Management’s response to the Panel’s findings. However, we would welcome greater specificity on how the rights of the local affected communities will be addressed in the legal review of the forest concessions. It is appropriate for the Bank to experiment with a variety of different models for sustainable forest management if: 1) it is able to resist understandable pressures to mainstream any of them before adequate governance capacity is in place, 2) culturally-appropriate consultations with local communities and thorough environmental and social assessments have first been conducted, and 3) the Bank has established conditions for terminating the experiment with a particular model should it be demonstrated to be unviable or ineffective.

As further context for the above views, the U.S. abstained on the TSERO when it came to the Board primarily because of concerns over the lack of an assessment of the DRC’s macroeconomic performance and insufficient controls to address potential fiscal leakages and corruption. However, the U.S. statement also noted that “In this high-risk context, the Bank needs to be willing to make mid-course corrections in its

approach if necessitated by the unfolding evidence on the ground, and take special care to engage forest-dependent peoples in culturally-appropriate consultations before investing...in a specific reform model.” We also requested assurances that the operation meet all relevant safeguard policies, and expressed concern in our statement that the prescriptions in the project document might be based on an overly optimistic assessment of the prospects for reform. In this regard, the Inspection Panel raises a highly valid concern as to whether a Development Policy Loan was the appropriate instrument for engagement in this sensitive sector. Further, although the U.S. supported the EESRP, we expressed concern to staff over the delayed preparation of an environmental assessment.

Although these two operations cover a much broader reform agenda than the forest sector alone, the Bank used them to engage in a difficult and chaotic situation in the DRC’s forests. While the state of these forests is arguably better than it would have been absent the Bank’s involvement, stepping into a risky post-conflict situation does not justify or excuse short-cut adherence to safeguard policies. With respect to plans for training activities that will sensitize staff across the Africa region to the Bank’s safeguards and issues unique to the rights and concerns of indigenous peoples, this training should ideally be offered Bank-wide, and not be limited to the Africa region. The U.S. looks forward to the completion of the Forest Sourcebook (referenced in the Mid-Term Review of the Forest Sector Strategy), which includes a chapter on indigenous peoples and the social dimensions of forest sector operations. This is a critical recognition of the scope of issues surrounding the Bank’s work in forests – not just in DRC – and the need to build the Bank’s capacity to understand these issues and apply the appropriate safeguards consistently.

The recently distributed World Bank co-authored report “Forests in Post-Conflict Democratic Republic of Congo: Analysis of a Priority Agenda” takes fuller measure of the pressing range of social and environmental issues beyond just the trees in these forests. This recognition is also reflected in the new Country Assistance Strategy (CAS) for the DRC, which the Board discussed in late 2007. With a transport operation and a forest sector operation among the projects proposed in the CAS, the U.S. would argue that this Inspection Panel discussion should have preceded the Board discussion of the CAS. As these two operations are being prepared for presentation to the Board in the coming months, we cannot overemphasize the importance of meaningful consultations with the affected communities and the need to take note of all relevant safeguards. In this regard, we are interested in seeing the results, when they become available, of the forest policy compliance review requested by Management in the wake of the Cambodia Inspection Panel.

The U.S. supports Management’s plans for a progress report on implementing its responses to the Panel one year from now, and we recommend that this progress report be made publicly available. In formulating the action plan to address the issues raised, we expect the Bank will conduct full consultations with requesters and the Congolese authorities.