Global Witness Submission to Phase I of World Bank Safeguard Policies Review and Update

Robust safeguard policies are critical to effective, equitable and sustainable development. This was confirmed by the Bank's Independent Evaluation Group (IEG), which found, in its 2010 evaluation, that safeguards have helped "to avoid or mitigate large-scale social and environmental risks in the projects financed by the [World Bank Group]." The importance of safeguards is clear in the context of the recently disclosed Common Vision for the World Bank Group, which recognizes that the World Bank's goals of "ending extreme poverty and promoting shared prosperity cannot be sustained over time and across generations, without safeguarding the long-term future of our planet and its resources, ... and ensuring social inclusion."2

The increasing global demand for dwindling resources such as land and forests necessitates robust policies to ensure the most vulnerable are not excluded from the development process or denied access to resources that are vital to their survival or are theirs by customary right. The disproportionate impacts of climate change on vulnerable, natural resource-dependent populations further exacerbates risks to sustainable development, as recognized by the Bank's recent report, and demands robust safeguard policies to protect vulnerable peoples and the resources they depend on.

The World Bank continues to have considerable influence on global standards for preventing or mitigating adverse environmental and social impacts of development finance. The update of its safeguard policies therefore entails both an opportunity and a responsibility to take leadership in promoting sustainable and equitable growth. It is important that the updated safeguards take into account analysis and lessons learned from the Bank's internal oversight and accountability mechanisms, particularly the Inspection Panel, Independent Evaluation Group and Integrity Vice Presidency, external analysis from civil society, the voices of impacted communities, and legal and policy developments in other multi-lateral processes and agreements.

We make the following key recommendations for the safeguard review and update:

1. Ensure enhanced security of land and natural resource tenure by respecting all legitimate tenure rights for local populations, recognizing the fundamental role customary tenure can play in improving forest protection;
2. Strengthen protection of local and global environmental services and values, particularly of intact forest ecosystems, taking into account the contribution these resources make to the livelihoods of natural resource-dependent peoples;
3. Mandate more robust processes of risk assessment and supervision, paying particular attention to risks posed by weak governance; and
4. Apply uniform safeguard standards across all Bank instruments.

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3 See, for example, UN Interagency Framework Team for Preventive Action. 2012. Toolkit and Guidance for Preventing and Managing Land and Natural Resources Conflicts.
5 See, for example, the Voluntary Guidelines on the Responsible Governance of Tenure of Land, Fisheries and Forests, the UN Declaration on the Rights of Indigenous Peoples (UNDRIP), the UN Framework Convention on Climate Change and REDD+ initiatives, and the UN Guiding Principles on Business and Human Rights.
I. Incorporate new safeguards to protect and enhance security of land and natural resource tenure, recognizing the fundamental role of customary tenure in improving forest protection.

The proposed integrated safeguard framework must promote responsible governance of forest, land, and natural resource tenure. The issue of tenure cuts across many of the Bank’s current safeguard policies – most notably on natural habitats, forests, indigenous peoples, physical cultural resources and resettlement, and is inextricably linked to the livelihoods and well-being of the poor. This is because, as stated in the Voluntary Guidelines on the Responsible Governance of Tenure of Land, Fisheries and Forests, “the eradication of hunger and poverty, and the sustainable use of the environment, depend in large measure on how people, communities, and others gain access to land, fisheries and forests.” As World Bank Group President Kim recently acknowledged, “securing access to land is critical for millions of poor. Modern, efficient, and transparent policies on land rights are vital to reducing poverty and promoting growth, agriculture production, better nutrition, and sustainable development.” In particular, recognizing customary tenure is fundamental to improving forest protection. Community-ownership and management of forests, particularly by indigenous peoples, has been shown to be one of the most effective means of forest protection. This has been demonstrated by the World Bank’s own analysis.

The World Bank’s recent endorsement of the Voluntary Guidelines is an import step forward in enhancing security of tenure and addressing the global land crisis, and it paves the way for incorporating these Guidelines into the updated safeguards. Among its many provisions, the Voluntary Guidelines call for the recognition of and respect for all legitimate tenure right holders and their rights. The safeguards should therefore recognize that there is a continuum of tenure types and provide protections against threats and infringements for all types, prioritizing the protection of vulnerable groups with less secure tenure arrangements.

For all interventions affecting access, control and use of land and other natural resources, projects should proceed only on the basis of an accurate understanding of whose existing tenure rights may be affected by the project. Where not all legitimate tenure rights holders are formally recognized, a participatory and transparent identification and recording of all existing forms of tenure within the project’s area of influence should be conducted prior to the project.

The safeguards must also ensure consistency with international law and go beyond a “do no harm” approach by facilitating respect for human rights. The Voluntary Guidelines are explicitly embedded in the human rights framework and other international standards and norms, and has helped to articulate the relationship between human rights and governance of land and natural resource tenure.

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9 See Nelson A, Chomitz KM. 2011. Effectiveness of Strict vs. Multiple Use Protected Areas in Reducing Tropical Forest Fires: A Global Analysis Using Matching Methods (finding that multi-use protected areas and indigenous areas were more effective than strict protected areas in preventing deforestation in Latin America and Asia); World Bank. 2008. Forests Sourcebook: p. 49 (noting “clearly defined rights are essential if the forest dependent poor are to improve their income and well-being.”)
10 Id.
11 Voluntary Guidelines: Part 2, para. 3.1(1).
12 The human rights framework consists of international human rights instruments and standards that provide a broad framework for the protection of fundamental human rights.
Tenure security is important in realizing the right to adequate housing and the right to food, and this relationship should be recognized in the safeguards. For example, in all cases where restrictions to access or use of land and other natural resources that people depend upon for their well-being occur in a project-affected area, a robust resettlement policy should be applied that incorporates the principle of free, prior and informed consent (FPIC). The safeguard policies must recognize the rights of indigenous peoples consistent with the UN Declaration on the Rights of Indigenous Peoples and of other peoples who have customary rights to natural resources. It must also protect the livelihoods of natural resource-dependent populations who could be significantly affected by proposed changes to land, forest and natural resource ownership and management.

Lastly, the safeguards must ensure transparency in decision-making, meaningful consultation and active participation of affected persons in the project design and planning processes as well as in project implementation. In the context of increasing commercial pressure on land, such safeguards for land and natural resource tenure are of particular importance in the cases where Bank projects involve large-scale land acquisitions (directly and through financial intermediaries). Such safeguards must also cover all projects supporting broader land, agriculture or investment reforms which are likely to result in large-scale land acquisitions, investments or transfers.

II. Strengthen existing safeguards to ensure the protection of vital local and global environmental services and values of forests and related natural habitat, taking into account the contribution of these resources to the livelihoods of natural resource-dependent peoples.

The recent IEG review of the World Bank’s implementation of its 2002 Forest Strategy found that in World Bank Group forest interventions, “poverty reduction, for the most part, has not been adequately addressed.” This was particularly pronounced in the case of timber concession reform in tropical rainforest countries, largely funded by Development Policy Lending (DPL), where IEG affirmed previous findings by the Bank that industrial timber production “has a poor track record” in contributing to poverty alleviation of rural populations or to sustainable economic development generally. On the other hand, the review found that projects promoting participatory forest management have been beneficial for poverty reduction, but its potential has not been fully realized due to “failure to devolve true authority to communities and by regulatory environments that often discriminate against small producers.” This knowledge must inform the update of the natural habitat and forest safeguards.

First and foremost, the safeguard review must ensure consistency across all Bank instruments in the policies safeguarding forests and other natural habitats. As evidenced in the IEG review and Inspection Panel findings, the World Bank’s extensive use of DPLs to pursue forest policy reforms have resulted in

17 IEG Forest Strategy Evaluation: p.x.
interventions that neglect environmental and social harm or have minimal positive impact. The exemption of DPLs from the safeguard policies have allowed the Bank to support policies that promote commercial harvesting of timber in natural forests, including intact tropical forests, in environments where regulations and government oversight were inadequate to prevent widespread social and environmental harm. As highlighted by recent analyses of forest management plans in Cameroon,¹⁹ the types of logging operations that have resulted from policy reforms supported by the Bank through DPLs would almost certainly not have been eligible for direct finance from the Bank according to the requirements of OP 4.36. This is a glaring inconsistency in the Bank’s approach that highlights weaknesses in the environmental safeguard provisions of OP 8.60.²⁰

In their current form, DPLs lack the explicit requirements for robust risk assessment or social and environmental impact assessment and protections that apply to investment lending.²¹ It is critical that the safeguard review address this loophole. Further, given the extensive use of DPLs in promoting industrial timber concession reforms over the last decade, the present safeguard review cannot adequately consider the social, economic and environmental outcomes of Bank interventions in support of concessions unless DPLs are included in its scope.

The safeguards must ensure the Bank’s interventions impacting forests and other natural habitats enhance equity and benefit the livelihoods of those who are directly dependent upon natural resources for their livelihoods. While it is an explicit objective of OP 4.36 and the 2002 Forest Strategy “to harness the potential of forests to reduce poverty in a sustainable manner,” the IEG review has clearly indicated that current Bank policies are not achieving this objective. The safeguards should prioritize activities that increase community participation such as community-based forest management and build community capacity such that local communities and indigenous peoples, including women, are front and center as participants in and beneficiaries of forest management activities that maintain the ecological functions of forests.²² Forests provide an important source of livelihood for over a billion people, and the safeguards should recognize this by explicitly requiring a proper assessment of the multiple values and uses of natural resources that takes into account ecosystem services, and affords additional protections for the ecosystem services provided by intact natural habitats.

In this regard, the Bank should end its support for industrial logging concessions since they have been shown to provide little to no direct benefit to local forest-dependent communities over the long term while causing widespread environmental degradation resulting from timber logging operations and increased access to forests and wildlife through logging roads. Global Witness’ work in the Democratic Republic of Congo (DRC), Liberia, Malaysia and Cambodia has shown that industrial logging typically exacerbates corruption and conflict, centralizes wealth, and impinges on the customary tenure rights of local communities and indigenous peoples.²³

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¹⁹ For citations and further discussion, see January 31 2013 letter from Global Witness, Greenpeace and Bank Information Center to the World Bank Board of Executive Directors accompanying this submission.

²⁰ See Forests Sourcebook p. 293 (noting “there is a strong presumption against any significant conversion or degradation of noncritical natural forests.”)


²² See, for example, Global Witness. Making the Forest Sector Transparency: Annual Transparency Report 2012. Global Witness has worked with policy makers, CSOs and local communities in Cameroon, DRC, Ecuador, Ghana, Guatemala, Liberia and Peru to advocate for accountable forest sector governance.

With increasing threats to biodiversity as a result of habitat loss and climate change, current safeguard policies must strengthen protections for forests and other natural habitats. Specifically, Bank projects must not support any conversion of critical natural habitats or policies that would promote this, and limit the use of such areas to economic and cultural practices of local communities and indigenous peoples that are compatible with ecological sustainability. As noted in the Mid-term Review, under the current OP 4.36 “an adequate procedure has not been laid out for establishing which forests could be critical.”

A clearer definition of “critical” must be established which includes all high conservation value areas and intact forests. This is supported by the fact that there is little evidence logging in tropical forests can be conducted sustainably. The Asian Development Bank in fact “bans financing of commercial logging or purchase of logging equipment for use in primary tropical moist or old-growth forests.” Moreover, the safeguards must not rely on the use of offsets as a mitigation option in natural habitats, as there is little evidence that offsets are effective in compensating for the loss of habitat, and they face an increased risk of failure when implemented in countries with weak governance.

III. Improve the effectiveness of the Bank’s interventions through better risk assessment and supervision, paying particular attention to risks posed by weak governance.

Analyses by the IEG and the Bank, as well as Inspection Panel findings, have indicated serious deficiencies in the Bank’s risk assessment process, particularly with regards to political economy risks, and weaknesses in implementation and supervision. We question whether recent investment lending reforms will ensure effective implementation of the safeguards considering their heavy reliance on voluntary guidance. The safeguard review must ensure the safeguards properly address these gaps.

A sector specific analysis indicates that screening of risks has been seriously flawed in the case of the forest sector. A 2007 mid-term review of the World Bank’s implementation of its Forest Strategy found that OP 4.36 was triggered for only 79% of forest projects. Inspection Panel cases for forest projects in Cambodia and the DRC also indicated a failure by the Bank to identify potential impacts on local communities and the environment, thereby resulting in mis-categorization of project risk and flaws in project design. This was particularly evident in the case of the DRC, where the Bank failed to recognize the profound social and environmental impacts associated with facilitating a forest concession system in a country with weak institutional capacity: the Bank’s environmental assessment completely neglected the potential for significant harm to a large indigenous population who lived in and around the forested project area.

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2010 Inspection Panel complaint filed by Sustainable Development Institute on behalf of communities impacted by industrial timber concessions in Liberia, available on the Inspection Panel website [here](#).


25 This must consider socio-economic and cultural values and include areas fundamental to meeting the basic needs of local communities as well as areas critical to local communities’ traditional cultural identity.

26 Zimmerman et al. 2012. *Prospects for Sustainable Logging in Tropical Forests*, BioScience 62: p. 479-487 (“industrial scale SFM guarantees the commercial and biological depletion of high-value timber species within three harvest rotations in all three major tropical forest regions.”); Shearman, P. et al. 2012. Are we approaching 'peak timber' in the tropics? Biol. Conserv., Vol. 151, Iss. 1: p. 17-21 (noting there is little hard evidence to support the argument that 'reduced impact logging' provides an incentive for developing nations to maintain large forest areas and protect them from conversion to agricultural plantation. They conclude that “some recent discussions about tropical logging risk creating an overly optimistic view of logging sustainability.”)


28 *Mid-term Review*: p. 34. See also *Forests Sourcebook*: p. 294 (explaining OP 4.36 should be triggered for any forestry project).

In order to improve the quality of interventions, the safeguard policies should require a more robust risk assessment process, which includes upstream risk assessment and human rights due diligence, and is carried out by staff with the appropriate skill-set. In particular, the Bank would benefit from a systematic usage of strategic environmental and social assessments and political economy analyses to ensure an accurate understanding of governance risks and measures to mitigate such risks. A 2011 IEG review of political-economic analysis found that “political analysis was and is thinly and inconsistently applied,”30 despite support for it in the 2007 Governance and Anticorruption Strategy. Where governance is weak, an understanding of political economy risks is particularly important for the effective implementation of projects: the safeguards should ensure that such risks are systematically assessed and considered in the project design.

The safeguard review must also enhance the quality of the Bank’s project supervision. IEG’s 2010 evaluation of safeguard policies found that “more than a third of World Bank projects had inadequate environmental and social supervision, manifested mainly in unrealistic safeguards ratings and poor or absent monitoring and evaluation.”31 Weaknesses in monitoring and evaluation indicators were found in the recent forest sector evaluation as well, where the IEG concluded that “the monitoring and reporting systems of the World Bank forest sector operations are inadequate to verify whether its operations are supporting forest management in an environmentally and socially sustainable way, in line with the 2002 Strategy and the Bank Group’s Operational Policies.”32

While the Bank has acknowledged the need to strengthen project implementation when undertaking Investment Lending Reform,33 these reforms have potentially diluted the Bank’s supervision responsibilities by shifting explicit requirements to guidance, with possible negative implications on the implementation of safeguards.34 It is imperative that the Bank retain clear and robust supervision responsibilities as it relates to safeguard implementation, including monitoring of sub-projects and regular site visits, particularly where the client’s institutional capacity is weak. Use of more effective indicators and participatory monitoring and evaluation would strengthen supervision, as will addressing staff incentives to encourage safeguard application and compliance. The IEG found staff incentives to work on safeguards to be lacking and staff promotions biased against providing safeguard services.35 Staff should be rewarded for effective outcomes and not simply for brokering the investment.

IV. Conclusion

The safeguard review presents an important opportunity for the Bank to incorporate the lessons from past mistakes and address new development challenges. We encourage the Bank to embrace this opportunity to show leadership in moving the world toward more sustainable and equitable development.

32 IEG Forest Strategy Evaluation: p. xii.
34 See, for example, removal of the obligation under BP 13.05, para. 3, to develop and agree on a supervision plan.
35 IEG Safeguards Evaluation: p. 32 Box 2.6.
31 January 2013

To: World Bank Board of Executive Directors

Re: Independent Evaluation Group (IEG) evaluation of World Bank Forest Strategy implementation

In light of the upcoming CODE discussion of the IEG evaluation of the implementation of the World Bank’s 2002 Forest Strategy, our organizations are writing to share our views regarding the Bank’s continued support for industrial-scale logging as a principal approach to forest management in tropical rainforests. We understand that the evaluation concludes that this approach has not been successful in achieving the objectives of the Forest Strategy, particularly around poverty alleviation and environmental sustainability. We agree with these findings and urge you to ensure that the Bank commits to halting its support for industrial-scale logging in tropical rainforests in favor of alternative approaches that prioritize land rights, rural livelihoods, and the protection of vital ecological functions.

The importance of tropical forests for mitigating climate change, preserving biodiversity and supporting the hundreds of millions of vulnerable people who depend on these forests for survival demands that the World Bank develop and promote alternatives to industrial-scale timber extraction in tropical rainforests. Industrial-scale logging is widely acknowledged as a major driver of tropical forest destruction and is often the first step in the process of deforestation. The Bank has positioned itself as a leader in international efforts to halt deforestation and forest degradation, and yet it continues to support the unsustainable expansion of industrial logging operations into the world’s last intact tropical forests.

In the ten years since the Bank adopted its current forest strategy, the destruction of tropical forests has continued nearly unabated, even as recognition of the importance of these forests for rural livelihoods, biodiversity conservation, and climate change mitigation and adaptation has grown. A growing body of information based on the Bank’s own operational experiences and a wealth of independent sources, some of which are cited in this letter, demonstrates the need for increased attention to governance and land tenure issues, improving rural livelihoods, scaling up community forest management, and developing holistic approaches to valuing forest resources, while calling into question the potential of industrial-scale timber extraction to drive sustainable development. We are concerned that the Bank is not taking into account critical lessons and recent data in a comprehensive and systematic manner, but rather is continuing to support an outdated industrial forestry model that is not meeting the objectives of its Forest Strategy.

Over the past several decades, the World Bank has been instrumental in promoting legal and policy reforms that support the establishment of large logging concessions in tropical forests in countries such as Cambodia, Cameroon, Democratic Republic of Congo (DRC), Gabon, Indonesia, Laos, Liberia, and Republic of Congo. In many cases, the Bank was critically involved in the establishment of policies that earmarked much of its client countries’ intact forests as logging concessions. Since the adoption of its 2002 Forest Strategy, the Bank has largely continued to support this approach using a range of instruments including development policy loans, technical assistance, and investment projects. Recently, IFC investments in industrial logging and processing operations in tropical rainforests in Indonesia and Central Africa have been proposed.

The consequence is that tens of millions of hectares of tropical rainforest that millions of local people depend on for their livelihoods have been and continue to be allocated as industrial timber concessions under Bank-
supported forest sector programs. At the same time, the Bank gives relatively little attention and resources to addressing land tenure issues and building the capacity of local communities to directly manage and benefit from their forest resources before forests lands are allocated for industrial logging.

Recent studies have found that industrial-scale logging operations in tropical rainforests cannot be both ecologically sustainable and economically viable, have failed to contribute significantly to poverty alleviation and rural development in Africa, and in many cases violate the rights and harm the livelihoods of forest-dependent indigenous peoples and local communities. In Cameroon, where the Bank has been deeply involved since the 1990s in the legal and policy reforms that put much of Cameroon’s tropical rainforests under logging concessions, a growing body of independent evidence shows that sustainability and local development outcomes associated with these logging concessions are extremely poor. The concession system has also had severe detrimental impacts on the rights and livelihoods of Cameroon’s vulnerable, forest-dependent indigenous peoples.

However, the Bank’s own retrospective self-assessment on Cameroon, published in 2009, contains little up to date field data with which to evaluate the actual impacts of its interventions. The study concludes that “The most serious threats against forest lands have virtually ended in permanent production forests” (p. 126), ignoring findings by independent researchers that weak regulations and poor law enforcement are allowing companies to carry out widespread unsustainable logging in the country’s production forests. In 2011, the Bank was forced to close its forest sector development policy operation in Cameroon with two tranches undisbursed after the government failed to meet its commitment to sign concession agreements more than ten years after the concessions were allocated to logging companies. The Government, according to the Bank’s ICR, recently stated that it does not view industrial logging concessions as having sufficient economic benefit to justify the permanent allocation of forest land for this purpose. Despite these failures, the concession system that the Bank was instrumental in establishing in Cameroon formed the basis for forest sector reforms in DRC also supported by the Bank.

Since the Bank adopted the 2002 Forest Strategy, its forest projects in Cambodia, DRC and Liberia supporting the establishment of industrial timber concessions were the subject of complaints to the Bank’s Inspection Panel by impacted communities and/or indigenous peoples. In Cambodia and DRC, the Inspection Panel investigated the claims and found that the Bank had violated multiple operational policies, particularly in relation to identifying potential negative social and environmental impacts on indigenous populations and the forest. We are concerned that the lessons from these cases are not being learned. The Bank is currently financing a zoning process in DRC that may lead to the designation of large tracts of tropical rainforest for industrial timber concessions, despite evidence of widespread illegality and social harms in existing concessions that already cover roughly 15 million ha of forest (more than twice the area under concession in Cameroon).

In 2011, Global Witness visited 67 communities in and around logging concessions in three large forested provinces in northern DRC and found that communities were receiving little benefit from logging in their area, were negotiating “social contracts” with logging companies under highly unfair and disadvantageous circumstances, and were experiencing increased and sometimes violent social conflicts as a result of frustrations with logging operations. A Government decree that would give communities the legal right to manage forest resources has gone unsigned for years, and, due to a lack of funding, the Bank-financed zoning process will not be carried with the full participation of communities and indigenous peoples living in the
areas being zoned. In addition, recent reports from an independent, third-party monitor of forest law enforcement hired by the Government of DRC with support from international donors found that nearly all of the international companies holding logging concessions are involved in illegal activities, indicating that the Government still lacks the capacity and will to perform adequate oversight of existing concessions. All of these issues raise serious concerns that the Bank has not learned from the Inspection Panel case and is at risk of facilitating the expansion of poorly-governed industrial timber concessions that could result in irreversible negative impacts on globally significant tropical rainforests and the communities and indigenous peoples who depend on them.

In conclusion, we would like to reiterate our call for members of the Board to ensure that the Bank commits to halting its support for industrial-scale logging in tropical rainforests in favor of alternative approaches that will better contribute to the poverty alleviation and environmental objectives of the Bank’s Forest Strategy.

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2. The Bank established the Forest Investment Program and the Forest Carbon Partnership Facility, for example.
4. Examples include programs in Cameroon, Central African Republic, DRC, Gabon, Laos, and Liberia.
5. The IFC projects database describes a proposed investment of up to 22.7 million Euros in the French logging company Rougier to finance logging operations and processing facilities in Cameroon, Gabon, and/or Republic of Congo; Indonesia’s Investment Plan under the Forest Investment Program includes potential IFC investments in large logging companies operating in intact forests in several provinces, as well as timber processing facilities.
13. ICR for Cameroon Forest and Environment Development Program (IDA-H2070 TF-56544), January 2012.
15. Complete information for each case is available on the Inspection Panel website.
16. The zoning process is financed through the Bank’s Forest and Nature Conservation Project (P100620). For information about current area under concession, see Greenpeace, *Turning REDD into Green in the DRC: Can a National REDD Plan in the Democratic Republic of Congo set a new course for the protection of forests, people and global climate?*
18. Available in French here.