
Laos stops World Bank forestry programme

The Government of Laos (GoL) has halted the Forest Management and Conservation Programme (FOMACOP) after the first five-year phase because of difficulties between the GoL and external actors including the World Bank over the management of logging revenues from the programme.

Initiated by the GoL to promote “Sustainable Forest Management”, the Fomacop was planned to be a 10-15 years programme with the first phase beginning in January 1995 and ending in September 2000. Fomacop had two subprogrammes: forest management and biodiversity conservation. The forest management programme consisted of “Village Forestry” in 60 villages comprising 20,000 village people and 145,000 hectares (ha) of land and forests in the Savannakhet and Khammoune provinces.

Fomacop started with a total budget of US\$20.3 million financed by a loan of \$8.3 million from the World Bank, \$5.6 million for technical assistance from the Government of Finland, a grant of \$5 million from the Global Environment Facility (GEF) and \$1 million from the GoL. Implemented by the Department of Forestry and the district forestry offices, the consultants for Fomacop were the Finland-based Jaakko Poyry Consulting (of Finland), CARE International and Burapha Consultants in Laos.

One of the main features of the programme was the establishment of Village Forestry Associations (VFAs) that consisted of training local communities in “village forestry” that including logging of “village forest management areas” ranging in size from 400 to 600 ha. While the forests remained under state ownership, the village people in the programme areas would keep the revenue from logging “after paying royalties and other taxes”.

The programme ran into difficulties in early 2000, after a World Bank Evaluation Mission reported in its Mission Aide-Memoire dated February 5, 2000 that: “Accompanying the investment program, the project design anticipated significant reforms in the policy framework. These included preparation of sector legislation, deregulation of market controls on wood to ensure export parity pricing of timber and issuance of implementing regulations, satisfactory to the Bank, for forest management. Compliance with these measures has been slow and partial...

“The timeline shows a persistent pattern of policy changes, incomplete and inconsistent directions and excessive intrusion into the management and commercial practices of the VFAs.... These doubts are consistent with the mission’s assessment of the revenue foregone by virtue of the timber sales procedure imposed by the Government.... it can be estimated that foregone Government revenues will amount to approximately US\$800,000 and losses to VFAs ... to nearly US\$700,000...

“... losses of this magnitude are not justifiable. They are suggestive of aggressive rent-seeking and preferential treatment of favored local timber purchasers at significant cost to the economy and intended project beneficiaries.”

The Aide-Memoire also warned that: “the village forestry model ... has enormous potential to contribute to sustainable poverty alleviation and Government revenue mobilization. The prospect that

this potential will be ignored is deeply troubling and will be raised by the mission with the World Bank Management and Finland Ministry of Foreign Affairs.”

Marko Katila, Former Chief Technical Adviser of Fomacop, stated that with the village forestry management, “the villagers can sell the logs, and pay taxes like everyone else. They can keep the balance for communal development purposes only and to finance their future conservation and management efforts. On average, each village has received about US\$3000 per year, which may not sound a lot of money but for villagers it is quite a lot.”

About the reasons for GoL halting the programme, Katila said: “The main problems have been mainly at the policy level. Fomacop has been in many ways a pioneering project in Laos in the area of community forestry. For many government forestry officers and industry people, the idea of community/village forestry was so new that they have been slow to accept it, which in way is understandable, because traditionally forestry has been state-driven and industry-oriented in Laos.”

“Also, Fomacop has been a pilot project so maybe it is not realistic to expect a single project to change things so quickly. However, that fact is some groups have wanted to continue practising forestry as “business as usual”, which of course has created problems in the project area e.g. in the areas of log sales. One problem is that Laos still does not have a clear policy and legal framework that would recognize village forestry and villagers’ rights and also duties regarding forest resources, especially when it comes to natural production forests.”

The programme spent only US\$1.8 million of the \$8.3 million credit during the six years of Phase I; the GoL has returned the remaining funds to the World Bank. Although the programme is now stopped, the Finnish government has offered to provide a grant of US\$18,000 for the government to continue with the work started by Fomacop, said Mr. Buahong Phantanusi, former head of the Forest Management and Conservation Project in Laos.

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