

**U.S. Position on World Bank's Investment in
Madagascar's "Third Environmental Program Support Project"**

The United States recognizes the critical importance of preserving Madagascar's unique biodiversity and that the cost of inaction is high. Indeed, more than 80 percent of Madagascar's species are found nowhere else in the world. This is a treasure that should be protected. The United States is deeply troubled by reports that environmental destruction has accelerated since the 2009 coup, with illegal logging not only posing a grave threat to Madagascar's unique biodiversity, but also allegedly serving as a source of revenue for the High Transitional Authority (HAT) regime. This is a regime that has stood by, and reportedly directly profited from, the exploitation of illegally logged timber and poached wildlife. This poses a grave threat to Madagascar's biodiversity and robs the people of Madagascar of their heritage.

This project is designed to help counter illegal logging through community based approaches, using civil society-based organizations to strengthen environmental surveillance. However, despite the safeguards built into the project, the United States is concerned that this project could provide financial and moral support to the HAT regime, and faces enormous hurdles to being effective given the poor track record of the HAT regime in honoring its commitments. Providing additional funding to Madagascar at this time may serve inadvertently to allow this illegal regime to claim international support and enable the de facto leaders to divert resources to other priorities while continuing to profit from illicit activities. Therefore, the United States is compelled to register an abstention on this matter.

Should the project be approved, the United States calls on World Bank Management to closely monitor the situation on the ground and inform the Board of any developments. The World Bank should move quickly to suspend project activities, should the regime renege on its commitments under this project.

In addition, World Bank Management's use of a waiver to Operational Policy (OP)7.30 for dealing with de facto governments is based on a highly unique set of circumstances in Madagascar. Should this project go forward, this waiver should not be considered as a precedent for future dealings with de facto governments.

Further, the Bank's participation in this sector should not be construed to indicate U.S., World Bank or the international community's recognition of the HAT regime, nor should it be perceived to imply any change in the status of this illegitimate and unconstitutional government.