

June 5, 2009

Mr. David Kaimowitz
Chair
External Advisory Group on the Implementation of the World Bank Forest Strategy
Emilio Castelar 131
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MEXICO

Dear Mr. Kaimowitz,

Thank you for your letter of March 26, 2009, providing the conclusions of the External Advisory Group's 8th Meeting of January 12 and 13, 2009.

After a year of many changes in the World Bank's forestry- and climate change-related work—from the finalization of the World Bank Group's Strategic Framework for Development and Climate Change, to the operationalization of the Forest Carbon Partnership Facility (FCPF) and the launch of the design process of the Forest Investment Program (FIP)—we welcomed your assessment that the World Bank Forestry Strategy is still valid. In fact, on closer examination, the strategy was quite forward-looking in addressing the importance of forests for climate change.

Analytical work on pro-poor REDD policies

The EAG encouraged the Bank to conduct analytical work that would help ensure that REDD policies favor low-income people living in or near forests. Last year the Bank-managed multi-donor trust fund Program on Forests (PROFOR) initiated a study led by the International Institute for Environment and Development (IIED) that intends to inform and facilitate stakeholders' awareness of the application of pro-poor payments (and options for maximizing pro-poor returns in these payments) for avoided deforestation and degradation within national and regional contexts of the Miombo Eco-region in Africa. It is hoped that the increased awareness will build decision-makers' capacity to develop workable REDD mechanisms that increase pro-poor returns, and more effectively articulate countries' positions on REDD at continental and international scales.

In addition, PROFOR is contributing to a comprehensive analysis of the drivers of deforestation in the Congo Basin to assist in the development of national strategies for REDD. Money from the Bank Netherlands Partnership Programme (BNPP) is being used to conduct strategic environmental assessments (SEAs). Currently there is discussion underway to explore the use of SEAs to inform the development and implementation of R-Plans. Funds from the Danish and Finnish trust fund (TFESSD) is being used to carry out a study on making contract-based partnerships and benefit-sharing work for local communities. All these studies aim to provide useful input into developing FCPF readiness plans.

Collaboration with and Support to Indigenous and other Forest-dependent Peoples

The Bank agrees with the EAG's recommendation that consultations with Indigenous Peoples be followed up with concrete actions. Indigenous and other forest-dependent peoples are a key stakeholder group in tackling deforestation and forest degradation. REDD mechanisms, and payments for environmental and other forest services have the potential to generate income and contribute to poverty alleviation. However, these payment schemes might also create increased competition for access to these resources, an aspect the World Bank is watching carefully for the impact it may have on forest peoples.

Capacity building, information-sharing and active involvement of local stakeholders in local, national and global processes is a key prerequisite for the success of such programs and requires continued financial support. It is of particular importance that such support is untied and flexible, meeting the individual needs of stakeholder groups. We believe that the Growing Forest Partnerships, which the World Bank is helping to catalyze, is addressing this gap and helping to identify solutions. Although still in its initial stages, the reactions in the three pilot countries are encouraging.

You ask that the World Bank formally recognize the importance of the UN Declaration on the Rights of Indigenous Peoples, adopted in September 2007, for its work. As described at the close of the EAG's last meeting, at the time of the approval of the World Bank's Policy on Indigenous Peoples in May 2005, the Bank's Executive Directors asked, and management agreed to prepare and present to the Executive Directors a report on the implementation of the approved policy during the period 2005-2008. Accordingly, Bank staff are currently preparing the report requested by the Executive Directors. In connection with this report, Bank staff will raise with management the issue of consistency of the Indigenous Peoples policy with the Declaration, including the principle of Free, Prior and Informed Consent. After deliberation with management, the issues will be brought to the attention of the Executive Directors later this year.

Forest Investment Program (FIP)

In its letter, the EAG made specific reference to supporting the establishment of a separate funding window for non-government initiatives within the Forest Investment Program.

At the FIP's third design meeting held in Washington from May 4-5, 2009, participants agreed on the following language in their design document:

“the full and effective, continuous participation of indigenous peoples and local communities in the design and implementation of FIP investment strategies is necessary. This participation will be highly dependent on strengthening the capacity of these groups to play an informed and active role in national REDD processes in general and FIP processes in particular, as well as on recognizing and supporting their tenure rights, forest stewardship roles, and traditional forest management systems.

The scope of activities eligible for support from a dedicated grant mechanism for indigenous peoples and local communities (...) should include, *inter alia*, support for securing and strengthening customary land tenure and resource rights and traditional forest management systems of indigenous peoples and local communities; support, including capacity building as required, for the development of pilot project proposals by indigenous peoples and local communities and their implementation; and support for the involvement of indigenous peoples and local communities in monitoring and evaluation of forest activities, in conformity with relevant national laws and regulations.

Specific grants should be made available for indigenous peoples and local communities to support their participation in the development of the FIP investment strategies, programs and projects. (...) The terms of reference (ToR) for the development of a proposal for a dedicated mechanism should be drafted by the IP and civil society representatives selected to participate in FIP design meetings (or a subset thereof), in consultation with indigenous communities and local communities, and a qualified consultant. A proposal for a dedicated mechanism should be submitted to the FIP-SC for review and approval.”

Growing Forest Partnerships

We welcomed your request for clarification on what the Growing Forest Partnerships initiative will and will not do, and more precisely what differentiates it from FAO's National Forest Program Facility. Now that the idea is being piloted in Guatemala, Ghana and Mozambique, concrete examples are emerging of how stakeholder groups are using the initiative to network and influence national policy discussions. We have planned to present these pilots to you at the next meeting, including bringing in some stakeholders from Ghana.

Conflict and Post-Conflict Countries

At your last meeting, and in your letter, you have recommended that PROFOR commission analytical work on the need to examine the interrelations between conflict and post-conflict circumstances and sustainable forest management. PROFOR has prepared a request for proposals on this topic which it will share with the EAG for their review at the next meeting in June.

Also, a good representation of conflict-afflicted countries is included in the list of countries from which data is being collected in the Large-Scale Land Acquisition study. These include Angola, Cambodia, Liberia, Mozambique, Nigeria, and Senegal.

Separately, the FLEG team is currently initiating support to the chain-of-custody work in Liberia.

Forest Law and Governance

The alignment of PROFOR and FLEG has been agreed and will generate synergies between these two programs, such as allowing for flexible linkages between knowledge generation (PROFOR) and support to governance process and implementation (FLEG). It will also streamline the administration of the two programs.

The whole forests team, including the FLEG team, has intensified and structured its collaboration with the FCPF—this collaboration will be one of the key components of the forest team’s work program in the coming year.

The Bank FLEG work has been addressing, and continues address, governance in a broad sense. Forest law enforcement is only one part of the agenda. While fundamental and sustainable changes are achieved by working with communities and institutions, appropriate law enforcement is needed to make reforms credible. Much relevant governance work in the Bank is also done by other teams. As an example, the Sustainable Development Network (SDN) land policy team has worked extensively on property rights.

IFC/World Bank Coordination

IFC is presently at work on defining a new strategic framework to guide its approach in the Forest Sector, and the World Bank’s forestry team has participated in that definition. Within this proposed framework there are a number of suggested new approaches that speak to the issues raised by the EAG. Two are of particular relevance:

Within the context of natural production forest, the key recommendation is to enhance support for SMEs in forest-related businesses. Given that these SMEs on an individual basis tend to be too small for direct IFC investment, the focus will be on working with “clusters” of forest-based SMEs to improve business practices and environmental performance of their operations (through payment for and promotion of certification), strengthen linkages to buyers and anchor firms who require sustainably sourced wood and wood products and where possible, grouping these SMEs to create “bankable” entities that can then access finance either from IFC or other financial institutions.

In an effort to support the growth of sustainable, certified plantations, from which a larger share of the world’s supply must come, there is a specific proposal for country-level collaboration between the Bank and IFC. This would involve Bank-IFC teams working together to design a country-specific program to support plantation development inclusive of smaller holders. This program would seek to create an enabling environment addressing such key factors as land tenure, and infrastructure development as well as generate the patient capital required to develop and grow the plantations. To the extent possible, the focus here will be on IDA-eligible countries.

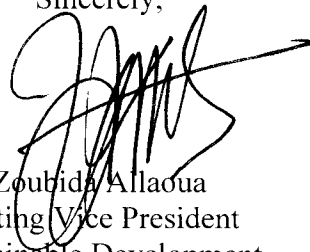
Critical Ecosystem Partnership Fund (CEPF)

In its last letter, the EAG suggested that the World Bank re-examine its participation in the CEPF, in light of improving synergies with its own programs. To better describe the relationship and existing synergies, and get clearer guidance on this point, we have included this topic on the agenda of the next meeting in June.

Staffing Issues

We have noted your concerns over the number of staff rotations among forestry staff in recent months. Rest assured that the need to maintain continuity is also present in our minds as we structure and phase these rotations. You made specific reference to the manager of the Program on Forests (PROFOR): Peter Dewees, a Lead Environmental Specialist with extensive experience in both the Africa and Europe and Central Asia regions, was selected for the position and began on May 1.

Sincerely,

A handwritten signature in black ink, appearing to read 'Zoubida', with a long horizontal stroke extending to the right.

Zoubida Allaoua
Acting Vice President
Sustainable Development