

## Responses to Key Recommendations of the Mid-term Review of the Forest Strategy

	Recommendations of the MTR	Agree/ Disagree	Response	
			Actions underway to address recommendation	Actions needed
1	<p><b>Mainstream the Strategy in Related Programs and Projects</b></p> <ul style="list-style-type: none"> <li>The Bank should <b>encourage countries where forests are important to include forest issues in country dialogues and support forest-related analytical work in the preparation of PRSPs; strive for a more effective mainstreaming of Forest Strategy interventions in CAS.</b> Poverty strategies should be better linked to national forest programs and other sectoral planning frameworks.</li> <li>The Bank should <b>systematically manage potential impacts on forests of DPL operations early in the planning process.</b> As a matter of priority, the Bank should finalize the design of methodologies to address forest issues in DPLs.</li> </ul>	Agree	<ul style="list-style-type: none"> <li>PROFOR has supported the <b>development of a Poverty-Forests Linkages Toolkit</b> to inform PRSPs, and the <b>Bank is conducting CEAs and SEAs to inform CAS and lending</b>, and mainstreaming of the Forests Strategy (CEAs and SEAs with a forest sector focus include Ghana, Guatemala, Honduras, Indonesia, Kenya, Liberia, and Nicaragua).</li> <li>The <b>Bank will shortly publish the Forests Sourcebook.</b></li> <li>The <b>Bank has a well established process for providing inputs to DPLs regarding due diligence as per OP 8.60 at the concept stage and prior to finalization</b> of the loan.</li> <li>The <b>Bank is finalizing a DPL due diligence rapid assessment toolkit.</b></li> </ul>	<ul style="list-style-type: none"> <li>Harness opportunity to mainstream forest governance issues via the Bank's new Governance and Anticorruption (GAC) Strategy. (lead: Forests Team, ARD)</li> </ul>
2	<p><b>Expand Lending and Enhance the Quality of Interventions in Forest-Related Activities.</b></p> <ul style="list-style-type: none"> <li>The Bank should <b>expand its involvement in all types of forests and ensure greater mobilization of human and financial resources,</b></li> </ul>	Agree	<ul style="list-style-type: none"> <li>The <b>Bank has successfully extended its engagement to non-tropical forests through lending</b> (e.g. Russia, Georgia, Romania, Turkey and China).</li> <li><b>There are more forest components</b></li> </ul>	<ul style="list-style-type: none"> <li>Further explore sources of concessional financing related to the public goods</li> </ul>

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	<p>including from international sources outside the Bank.</p> <ul style="list-style-type: none"> <li>▪ Greater efforts and resources should be dedicated to <b>create awareness on the contribution of forests to poverty alleviation and their role in producing services among regional and technical management</b> of the Bank.</li> <li>▪ Bank should <b>strengthen its knowledge management to ensure integration of lessons of experience in project design and implementation.</b></li> </ul>		<p><b>integrated into lending not classified as forest projects (e.g. livelihoods, natural resource, agriculture, rural development projects)</b> (e.g., projects in Gabon, Guatemala, and Albania).</p> <ul style="list-style-type: none"> <li>▪ The Bank is <b>creating an enabling environment to encourage responsible private sector investments.</b></li> <li>▪ There is increased interest in investing in the forest sector for carbon sequestration and climate change mitigation. In this context, the emerging <b>Global Forest Partnership (see details under item 6) aims to raise the profile of forests and improve incentives for forest sector investments.</b></li> </ul>	<p>aspect of forests</p> <ul style="list-style-type: none"> <li>▪ Develop a forestry core course targeted principally at Bank staff to raise the level of awareness and appreciation for the significance of the sector.</li> <li>▪ Strengthen PROFOR within the GFP to expand the delivery of knowledge products</li> </ul> <p>(lead for all: Forests Team, ARD)</p>
3	<p><b>Increase Focus on Poverty Alleviation and Broadly Shared Growth</b></p> <ul style="list-style-type: none"> <li>▪ <b>Increase the importance attached to the impacts of its forest interventions on the poor and disadvantaged, and capture opportunities for gearing forest management and utilization to poverty alleviation.</b></li> <li>▪ Place more emphasis on <b>helping small-scale forest owners and communities to participate in investing in sustainable forest management and downstream value added processing as well as in developing and accessing markets for their products.</b></li> </ul>	Agree	<ul style="list-style-type: none"> <li>▪ <b>Bank emphasis on poverty alleviation and shared growth has increased</b> (e.g., establishment of forest owner associations in 184 of the 214 regions in Mexico; the creation of employment for over 70,000 forest-dependent poor in Honduras, 2.75 million in China and 100,000 in Lao PDR; and the equitable sharing of benefits from forest management with 280 out of 345 communities in Albania).</li> <li>▪ <b>The Bank has increased its attention</b></li> </ul>	<ul style="list-style-type: none"> <li>▪ Further promotion of the Poverty Forests Linkages toolkit</li> </ul> <p>(lead: Forests Team, ARD)</p>

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	<ul style="list-style-type: none"> <li>▪ <b>Improve quality of integration of poverty issues</b> by including a sound logical framework in project design, with a focus on a core set of clear objectives and effective mechanisms for monitoring and evaluation. Use of the Poverty-Forest Linkages Toolkit should be promoted.</li> </ul>		<p>to results frameworks in project design and through this further increased emphasis on poverty.</p> <ul style="list-style-type: none"> <li>▪ <b>The Bank, in cooperation with IFC, is working to link small holders and communities with private sector companies, increasing access to markets and employment</b> (e.g., in Brazil, Indonesia, India and Kenya).</li> <li>▪ <b>The Poverty-Forest Linkages Toolkit is available on PROFOR's website and trainings have been held during internal training weeks.</b> External workshops have been held and additional events are being planned.</li> </ul>	
4	<p><b>Strengthen the Cooperation between the Bank and IFC.</b> Cooperation should cover:</p> <ul style="list-style-type: none"> <li>(i) promoting investment in forest-based small-scale and community enterprises;</li> <li>(ii) enhancing role of markets to reduce illegal logging and promote sustainable forest practices;</li> <li>(iii) supporting company–community/ smallholder partnerships that foster involvement of small holders and local communities as true partners of the harvesting and manufacturing companies;</li> <li>(iv) encouraging private investment in payment mechanisms for environmental services;</li> <li>(v) producing guidance material for the implementation of both institutions' safeguards;</li> </ul>	Agree	<ul style="list-style-type: none"> <li>▪ <b>There is cooperation between the Bank and IFC</b> on: (a) Bank-supported Forest Investment Forums, (b) participation of Bank forestry staff in IFC appraisal missions and vice versa, (c) using funding provided by PROFOR and Bank-WWF Alliance to facilitate IFC's Regional Development Facilities in supporting forest and wood-based small and medium enterprises to contribute to poverty alleviation, and (d) involvement of the Global Forest and Trade Network of the WB/WWF Alliance to assist IFC in mitigating its investment risks.</li> <li>▪ <b>The two agencies have collaborated</b></li> </ul>	<ul style="list-style-type: none"> <li>▪ Collaboration to further align activities including sharing of sector knowledge and the development of good-practice guidance.</li> <li>▪ Further improve sector governance and transparency to help IFC increase its investment in small producers in AFR, SAR, EAP, and LCR.</li> <li>▪ Expand promising activities under the</li> </ul>

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	(vi) jointly developing IFC and Bank proposals to put in place strategic frameworks for private sector–IFC investment and to identify areas where the Bank should be supporting policy reforms to create an enabling climate for responsible private sector–IFC investment; and (vii) ensuring staff exchange.		<b>to align OP 4.36 and IFC’s policy and performance standards on social and environmental sustainability (PS6).</b>	joint IFC/WWF Global Forest and Trade Network, especially those focused on adoption of independent certification processes.  (lead for all: Forests Team, ARD)
5	<b>Enhance the Role of the Market to Promote Improved Forest Governance and Sustainability.</b> <ul style="list-style-type: none"> <li>▪ <b>In forest certification, the Bank should: focus on promoting implementation</b>, including provision of support to community forests, small-scale private forest owners, and countries that lack implementation capacity; organize <b>an independent, transparent and participatory review of existing certification schemes</b> operating in the Bank client countries against OP 4.36 requirements to provide guidance for these schemes to meet the Bank requirements and assist TTLs in preparing projects. <b>IFC should consider including a requirement for chain-of-custody certification for its downstream projects.</b></li> <li>▪ <b>Efforts to improve forest governance should</b> give greater importance to and be based on greater efforts to analyze the political economy of forest reforms <b>and constituency building to support them over time.</b> The Bank should</li> </ul>	Agree	<ul style="list-style-type: none"> <li>▪ <b>The Bank completed the Forest Certification Assessment Guide (FCAG)</b> which provides a tool to assess the comprehensiveness of independent forest certification systems/schemes.</li> <li>▪ <b>Regional FLEG processes have catalyzed serious attention on the part of parliament, government and private sector, to illegal logging and related trade.</b> Forest sector governance and institutional reforms have become a central focus of Bank assistance in countries including Albania, Bosnia-Herzegovina, Cambodia, Cameroon, Congo Democratic Republic (DR), Gabon, Georgia, Honduras, Indonesia, Kenya, Madagascar, Romania, Russia, Tanzania and Uganda.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Disseminate the FCAG among other development banks and bilaterals, and initiate pilot-testing of FCAG in various countries.</li> <li>▪ Scale up efforts to improve forest sector governance under the proposed GFP (see item 6), and develop indicators to measure improvements in forest sector governance.</li> </ul> (lead for all: Forests Team, ARD)

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	continue to develop common approaches to defining legality and tools for verifying legal.			
6	<p><b>Strengthen and Expand the World Bank Group's Forest Partnership Approach</b></p> <ul style="list-style-type: none"> <li>▪ The Bank should <b>integrate its global forest programs within a coherent, all-embracing strategy for implementation under the planned Global Forest Alliance (GFA) concept.</b></li> <li>▪ As a global initiative, the <b>new overarching forest alliance should focus on integration of global public goods generated by forests and other innovative investment and financing approaches, including the capital markets.</b> Being complementary, GFA should target at <b>mainstreaming the global dimensions of forests into present investment vehicles and local action</b>, and it should <b>contribute to integration of parallel sources of financing and technical assistance</b> (including GEF, bilateral donors, international organizations, NGOs and the private sector).</li> <li>▪ <b>GFA interventions and outputs should be effectively linked to the Bank's country dialogue and lending program thereby scaling up the impacts.</b> GFA should facilitate the mobilization of funding for forest related ESW. GFA should be inclusive in participation, transparent in decision-making, and effective in communication.</li> </ul>	Agree	<ul style="list-style-type: none"> <li>▪ <b>The Board recently approved the Forest Carbon Partnership Facility</b></li> <li>▪ <b>The Bank is developing a new initiative – the Global Forest Partnership</b> (formerly called the Global Forest Alliance). The GFP approach acknowledges the fact that the World Bank needs to work with partners to deliver on the goals of poverty reduction, economic development and conservation of forest environmental services. <b>An international consultation process has been initiated to fully respond to the needs of GFP's stakeholders, obtain feedback and foster support.</b> Key bilateral donors and select international organizations have already indicated initial support for the GFP.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Finalize focus and structure of GFP and initiate implementation</li> </ul> <p>(lead: Forests Team, ARD)</p>
7	<b>Improve the Application of Safeguards and Due Diligence</b>	Agree	<ul style="list-style-type: none"> <li>▪ <b>The Bank is reviewing the application of its safeguard policies</b></li> </ul>	<ul style="list-style-type: none"> <li>▪ OPCS consider mandatory forest</li> </ul>

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	<ul style="list-style-type: none"> <li>▪ <b>Provide further guidance and training in the application of its safeguards related to forests covering both the due diligence process and project implementation.</b> Management and staff training should clarify how to apply safeguards to not only avoid risks, but also effectively contribute to the objectives of the Bank's Forest Strategy as integral part of project design.</li> <li>▪ <b>Urgently bring to completion the Forest Sourcebook, the Forest Law Manual and the DPL Due Diligence Toolkit.</b></li> <li>▪ <b>Training should be extended to client counterpart staff</b> to increase understanding of the purpose and foster ownership of safeguards.</li> <li>▪ <b>A forest safeguard specialist should be assigned to the Anchor to provide necessary backstopping for regions.</b></li> </ul>		<p><b>in forest projects</b> undertaken since the endorsement of the Forest Strategy. Lessons learned from the review will be shared with management, staff, and the Board and applied through clarifications to procedures, improved guidance, and training.</p> <ul style="list-style-type: none"> <li>▪ <b>The Forests Sourcebook has been completed.</b> This document will be periodically updated to incorporate new lessons learned.</li> <li>▪ <b>The Forests Law Manual was published in April 2007.</b></li> <li>▪ <b>The DPL due diligence toolkit is close to finalization</b></li> <li>▪ Training workshops on the Forests Operational Policy (OP 4.36) are held biannually <b>to help staff better understand the role of the policy.</b> Similar training sessions are conducted on the Development Policy Loan operational policy (OP 8.60) <b>and trainings on instruments for due diligence</b> (e.g., SEA and CEA).</li> </ul>	<p>related safeguard training</p> <p>(lead: OPCQC)</p>
8	<p><b>Improve Risk Management in Forest Operations.</b></p> <ul style="list-style-type: none"> <li>▪ In cooperation with FAO, ITTO, NGOs and the private sector, <b>the Bank and IFC should organize policy dialogues and consultative processes to remove constraints and mitigate</b></li> </ul>	Agree	<ul style="list-style-type: none"> <li>▪ <b>The Bank has been involved in organizing Forest Investment Forums in partnership with IFC, ITTO, PROFOR, WWF and local government agencies</b> (e.g., in Washington DC, Mexico, Brazil, South</li> </ul>	<ul style="list-style-type: none"> <li>▪ Expand the range of promising activities under the joint IFC/WWF Global Forest and Trade Network.</li> </ul>

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	<p><b>risks related to investments in sustainable management of natural tropical forests and planted forests.</b> This requires: (a) further analytical work on costs and benefits of action and inaction in promotion of sustainable forest management, (b) effective communication, and (c) organization of high-level policy forums on the financing of commercial sustainable forestry. Such policy dialogue and consultation on the productive use of natural tropical forests would be a priority as it could lead to a quantum leap in financing for their sustainable management.</p>		<p>Africa, Ghana, Kenya and Indonesia).</p> <ul style="list-style-type: none"> <li>▪ <b>The Bank and IFC are jointly undertaking efforts to transform markets and to stimulate trade with legally and sustainably produced timber.</b> Through the former WB-WWF Alliance the Bank and IFC supported the expansion of the Global Forest and Trade Network (GFTN).</li> </ul>	<p>(lead: Forests Team, ARD)</p>
9	<p><b>Strengthen the Bank Staff and Resources</b></p> <ul style="list-style-type: none"> <li>▪ Addressing the challenges identified in the Review would <b>require an increase in the technical staff in the Anchor (global programs) and some regions.</b> The Bank should <b>consider options for employing its technical forestry staff more effectively</b> than at present. Staff mobility between the Anchor and the regions and between regions should be encouraged.</li> <li>▪ <b>The Bank should revise its staff incentive structures for addressing the specific characteristics of forest projects, which inherently increase transaction costs.</b></li> <li>▪ <b>Adequate resources should be allocated for the supervision of forestry projects</b> in cases where implementation problems can be expected.</li> </ul>	Agree		<ul style="list-style-type: none"> <li>▪ Although the Forest Team is fully sympathetic to these recommendations of the MTR, and will advocate for their implementation, as a practical matter we recognize that HR decisions, including the size and inter-sectoral composition of staff in the Anchor and in the Regions, will depend on many factors, including overall budget envelopes, that may have to be</li> </ul>

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				<p>addressed gradually.</p> <ul style="list-style-type: none"> <li>▪ While the Forest Team supports the recommendation, budgeting decision for individual projects are made by responsible Bank managers in the context of wider country and sector portfolio considerations that again may have to be addressed gradually.</li> </ul>