

**Mr. Ian Johnson**

Vice President  
The World Bank  
MC-4-409  
1818 H Street, N.W.  
Washington D.C. 20433

June 2, 2004

Dear Vice President Johnson,

Several months ago, the External Advisory Group (EAG) established by the World Bank to review the implementation of the Bank's forestry strategy and policy, sent you the attached letter concerning the Operational Policy on Development Policy Lending (OP 8.60). The letter stresses that for 8.60 to achieve its intended purpose the Bank needed to greatly strengthen both its own capacity and that of the borrower countries to assess the environmental and social impacts of policy-based lending and take appropriate action. It also noted that unless the Bank clearly demonstrates it is pro-active and seriously committed to addressing this issue, the Bank's conduct will provide for strong arguments to support those that call for a stricter and more bureaucratic safeguard approach. In addition, it urged the Bank to include in its assessments the environmental and social impacts of policies linked to IMF conditionality, where the World Bank requires countries to meet those conditions in order to get access to World Bank funds. These suggestions were also in accordance with the assurance given by the President of the World Bank to WWF and IUCN to safeguard forests from the negative impacts of structural adjustment and other policy-based lending.

On May 1 2004, the EAG held its second meeting. There we were able to review in depth the most recent draft of OP 8.60 that is posted on the World Bank's web page and were able to discuss the issue with several World Bank staff members. While the group recognizes that the most recent draft of OP 8.6 and the documents that accompany it have many positive elements, we feel they fail to adequately address a number of the points in our previous letter. We are particularly concerned about the lack of any firm commitment to provide substantial additional resources to effectively implement the proposed policy. Without that, it would be completely impossible for the Bank to comply with the spirit of the policy, even though it might be able to comply with the specific requirements - since those are currently rather vague. The fact that the World Bank spending on Economic and Sector Work related to forests actually declined between 2000 and 2004 despite the public commitment to increase it, and that several regions did nothing at all, did not reassure us. The problem is further aggravated by the fact that the policy is rather weak in the area of consultation and disclosure, which will both make it difficult for governments and other groups to assess whether the Bank is complying with the policy, and will deprive the Bank of the insights that it could obtain from the various stakeholders.

The EAG is aware that the deadline for publicly commenting on the draft policy that the Bank has posted on its website is June 30th. Before that date we need to decide what sort of public statement that we should make on this matter. The approach we take will depend heavily on how we assess the Bank's willingness to seriously address these issues. Concretely, we would like to know: 1) what levels of resources

Bank management will propose to be committed for the implementation of OP 8.6 over the next five years, and what these would be used for? And 2) what mechanisms the Bank will propose to guarantee participation and transparency in the OP's implementation? Any information or insights you might give us on these issues would greatly assist us in developing our thinking about this issue.

Before closing, let us emphasize that the EAG greatly appreciates your personal dedication to the new forestry strategy and policy and to forestry issues more generally. We look forward to continuing to working with you to make the implementation of the strategy and policy a complete success.

Sincerely,

**Arvind Khare**

Chairman

External Advisory Group on Implementation of World Bank Forest Sector Strategy

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