

Mr. Ian Johnson

Vice President
The World Bank
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Dear Vice President Ian Johnson

The External Advisory Group (EAG) on implementation of the World Bank Forest Strategy held its third meeting on 8th and 9th February, 2005 in Washington, D.C. It was a very fruitful and insightful meeting which opened a dialogue between the forest community of the Bank and EAG; and provided a good understanding of the emerging forest portfolio of the Bank. For this enhanced understanding, we are thankful to ESSD, which did an excellent job of presenting a progress report and organizing presentations from the Bank's operational regions. It continues to play an important leadership and co-ordination role.

Through this letter, I am conveying some points of view of EAG members relating to certain issues discussed in the meeting.

IFC Safeguards and Priorities: Bank-wide response to the changes in the Forest Strategy has been mixed. While there has been a moderate growth in IBRD/IDA lending, IFC lending to the sector has increased manifold, expected to reach \$ 1 billion this fiscal year. We are not very clear if the tremendous increase in IFC lending is contributing to the objectives of the new forest strategy and the Bank Group's poverty alleviation objectives. It was apparent from several country presentations made to EAG that IBRD and IFC are operating as two different organisations in the same countries. The EAG was briefed by Peter Neame on IFC's approach to updating their safeguard policies. We are concerned at the potential reputational risk to the Bank Group as a whole if the various branches do not follow consistent approaches to forest issues. We also feel that the on-going updating process of IFC safeguard policies offers an opportunity to look closely at the current draft policies and evaluate their treatment of forest concerns. Meanwhile, we hope IFC will follow the earlier agreed safeguard policies. We have made a separate request to ESSD to organize a presentation by MIGA for our next meeting to enable EAG to understand the Bank-wide activities in the forest sector.

Due diligence on Development Policy Lending: We had earlier expressed our appreciation of the positive and pro-active provisions for environmental safeguards in the new Development Policy Lending (OP/BP 8.60) that substitutes the OD 8.60. At the same time we are concerned that without greater commitment of human and financial resources for implementation of this policy, it would be impossible for the Bank to comply with the new policy in all countries receiving development policy lending and, without the due diligence mandated by the new policy; unanticipated impacts are likely to undermine the development objectives of such interventions. The EAG is particularly concerned at the apparent decline in Bank budget support for forest-related ESW/AAA, which would be necessary to meet the due diligence requirement of the new Development Policy Lending.

Forest Sector Tenure Reforms: Presentations by regional teams of the Bank and by members of the panel organized by EAG made it clear that clarification of forest tenure and the ownership and use rights of people living in and around forests is a necessary pre-condition for harnessing the potential of forests to alleviate poverty in a lasting manner. We feel the Bank should take a leadership role, as it did for the agriculture sector in 1970's and 1980's, in undertaking analytical work on forest tenure regimes and promoting the rights of rural poor who depend on forests for a substantial portion of their livelihood support.

Opportunities for market-based approaches for pro-community development: It seems there is an enormous opportunity for the Bank to promote market-based approaches for community managed forests and enterprises. While these approaches may not address the poorest of the

poor in forests, they will definitely help a number of poor forest owners to cross over the poverty line.

Forest Law Enforcement and Governance: We noted the continuing efforts on the part of the Bank and its partners to follow-up the FLEG in Asia and to extend it to Russia. We think that the experience to date indicates the need to conceptualise and plan further initiatives in FLEG on a programmatic basis, in order to influence participating countries to follow-through commitments in this area.

Internal Incentives: We are keen to explore with the Bank ways that might allow a more proactive approach and incentive structure that will ensure ownership and active support of operational staff for implementing the new forest sector strategy.

We hope that in the coming days we will have the opportunity to work with you to address some of the issues highlighted in this letter. We thank you and your colleagues in ESSD for the time and attention given to the EAG, and we value the opportunity to serve the global public interest in this way.

Yours sincerely

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