

Steen L. Jorgensen
Acting Vice President & Head
Environmentally & Socially Sustainable Development Network

May 2, 2006

Mr. Stewart Maginnis
Chair, External Advisory Group (EAG)
on Implementation of the World Bank Forests Strategy
Route de Forchy 7
Mollens CH-1146
SWITZERLAND

Dear Mr. Maginnis,

Re: Outcomes from the External Advisory Group's 4th Meeting

Thank you for your recent letter relaying highlights of discussions and outcomes from the 4th meeting of the External Advisory Group (EAG) on Implementation of the World Bank Forests Strategy. I would like to take this opportunity to welcome you as the incoming Chair of the EAG and to express gratitude on behalf of the Bank for your service in this role. We also acknowledge the excellent leadership outgoing Chair Arvind Khare provided to the EAG as the group's inaugural chair.

I am pleased to hear that your fourth meeting was a success, allowing you the opportunity to delve deeper into some key issues, specifically due diligence in screening the potential impact of development policy lending (DPL) on forests and the role of the International Finance Corporation (IFC) in implementing the World Bank Forests Strategy. Our apologies if the agenda seemed a bit overloaded as indicated in your letter, but as you are well aware, there were many topics of high interest and priority to cover.

The following are initial responses to the specific points you raised in your letter:

Role of the EAG: The stock-taking exercise on the role and contribution of the EAG that you undertook seems like it was timely and useful, and I look forward to receiving the summary of your findings from this exercise. You noted that the exercise served to identify ways to focus and prioritize the EAG's work in light of the gap between what the EAG can reasonably deliver and the growing demands on the EAG from both the Bank and external constituencies. We support your proposal to focus on evaluating the balance of the work portfolio in relation to the three pillars of the Forests Strategy, harmonizing approaches across World Bank instruments, and assuring adequate resourcing and incentive structures to implement relevant safeguard

and operational policies. Furthermore, we especially welcome your suggestion that the EAG act as a champion of monitoring of outcomes and external outreach and disclosure in the forest sector. Another matter for consideration in the future is the need to rotate and possibly expand EAG membership.

Implementation of the Forests Strategy: The EAG expressed concern that the current portfolio leans more toward the Forest Strategy's pillar of economic development over the other two pillars of poverty reduction and conservation. This may in part be due to an under-articulation of how our current portfolio contributes to poverty reduction, a longstanding obstacle for the forest sector, as you are well aware. We hope that the new PROFOR Poverty-Forests Toolkit, designed to articulate such contributions, will help us to better document and highlight this work in the future. Furthermore, a number of investment and policy loans in the pipeline have a certification component, and it is our expectation that certification will help bridge all three pillars. In the future, we will provide portfolio review information organized according to the three pillars as requested to facilitate quick review of the portfolio's balance.

We welcome your input on the terms of reference for the upcoming mid-term review (MTR) of implementation of the Forests Strategy. The Bank agrees that EAG members should not form part of the review team, and a team of independent reviewers has been contracted to carry out this work. The aforementioned summary of the stock-taking on the role of the EAG could provide useful input to the MTR and should be shared with the reviewers.

Establishing closer collaboration with the IFC is at the center of our attention, and we believe that there are many opportunities to use the tools of the two organizations in a complementary manner. We are moving toward concrete approaches where the Bank can underpin IFC's shorter-term investments with longer-term efforts to create an enabling environment conducive to sustainable forest sector development. Furthermore, with the IFC, we are fostering partnerships with environmental and social NGOs toward this objective.

Due diligence on development policy loans (DPLs): We also share your concerns related to ensuring due diligence with regard to forests, environment and natural resources in DPLs. In fact, the ESSD Vice Presidency has taken action to enhance due diligence with the reallocation of staff time to review DPLs both at the concept stage and prior to their submission to regional operations committees. Moreover, different regions are piloting processes for systematically addressing due diligence requirements of OP8.60. For example, the Latin American and Caribbean (LAC) region is piloting a process that requires country environmental assessments (CEAs) for all DPLs as part of the regions commitment to mainstreaming the environment. We are confident

that this initiative will set the course for the future and other regions will follow LAC's example.

Economic Recovery Credit III for Democratic Republic of the Congo: We appreciate your acknowledgement that the Bank must remain engaged in the Democratic Republic of the Congo – we are committed to doing so. We believe that, in post conflict DRC, the Bank and other development partners' engagement is key to help protect forests and forest peoples from misappropriation and rent seeking, improve forest people's access to decision-making and benefits, and put in place more equitable and sustainable forest uses.

Following this approach, the Bank requested two key forest-related measures in conjunction with the release of the Transitional Support Economic Recovery (TSERO) funds: the extension of the moratorium on new forest concessions; and the launching of the legal review of old logging titles with the assistance of an independent expert. Consensus on the importance of these measures is building within the DRC as evidenced by recent statements from Congolese and international NGOs in support of these actions (available upon request). Furthermore, in line with your recommendation, a forest analytical work ("Forest in Post-Conflict DRC: Analysis of a Priority Agenda") is being finalized in collaboration with research centers and NGOs, and we are also taking action to provide better public information about the Bank's forest work in DRC through a new public outreach campaign.

Forest Tenure and Rights (including market access): This is an issue fundamental to nearly all aspects of our work, so it is no surprise that while not on the agenda this theme emerged repeatedly during your meeting as you expressed in your letter. The model for partnership between the Bank and IFC – with the respective roles of supporting sectoral reforms to strengthen the rights of poor people to forest resources and mobilizing the power of the private sector to develop new markets for the resources – is one that we are already beginning to work with through PROFOR and the Alliance.

The Southern and East Africa Investment Forum sponsored by PROFOR in partnership with the Bank and IFC is designed to provide the opportunity to empower communities to manage forest resources and to link communities with potential markets through partnership with environmentally and socially progressive companies. Such initiatives and innovative approaches bridge the goals of economic development and poverty reduction, further ensuring a balance approach to achieving the three pillars of the Forests Strategy. We plan to enhance our work in this area and look forward to your continued input to help make progress on this critical issue of underlying importance to all of our work.

I welcome an ongoing dialogue and exchange on these matters; please do not hesitate to contact me to further follow up on these points. I understand that the EAG plans to hold its next meeting via teleconference sometime in the last quarter of 2006. As always, the ESSD Forests Team stands ready to support you in preparations for that meeting to ensure another fruitful outcome.

Sincerely,

A handwritten signature in black ink, appearing to read 'Steen L. Jorgensen', written over a horizontal line.

Steen L. Jorgensen
Acting Vice President & Head
Environmentally & Socially Sustainable Development Network

Cc: EAG Members, World Bank Forest Community.

Cc:

Kevin Cleaver, ARD; Sushma Ganguly, ARD; Warren Evans, ENV; Laura Tlaiye, ENV;
Rachel Kyte, CESDR; Ole Sand, CGMGT; Dimitris Tsitsiragos, CGMDR;
ESSD Forests Team (Anchor); Forest Group Core (Regional staff working on forests);
Forestry Community (Bank-wide forest community).