

The World Bank

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL DEVELOPMENT ASSOCIATION

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April 14, 2005

Arvind Khare,
Chair, External Advisory Group on
Implementation of World Bank Forest Sector Strategy
5301 Macomb Street NW
Washington DC 20016

Dear Mr. Khare,

*Invitation in follow up to the recommendations of the February 8-9 meeting of the
External Advisory Group (EAG) on the Forests Strategy Implementation*

Your letter on behalf of the EAG communicating the recommendations resulting from your third meeting has been received and shared amongst colleagues. As noted in my prior communication, the views expressed in that letter are considered to be extremely helpful and we are committed to following up on the issues that you raised.

Some initial responses to your letter are offered below. I would also like to invite you to the Bank to meet with myself and the ESSD Forests Team to discuss the recommendations by the EAG more thoroughly. We would be available to meet with you Monday, April 18, or at another date that you find more convenient. Some initial responses to your recommendations are offered below.

IFC Safeguards and Priorities: The EAG expressed concern over whether the IFC's growing forest sector portfolio is contributing to the goals of the Forests Strategy and more specifically to poverty reduction. The IFC's involvement in the forest sector is indeed growing, and investments may be as much as US\$400 million in FY05. Collaboration between the Bank and the IFC in the forest sector has also been increasing in recent years and we are working to achieve consistency in safeguard policies across the World Bank Group. Indeed, the ongoing process of updating the IFC's safeguard policies provides an opportunity to achieve this goal and we are working hard toward that end. You should be reassured to know that in the interim while the safeguard review process is underway the IFC's forest sector investments are proceeding in line with the Bank's forest policy (OP4.36).

Meeting with MIGA: In your letter you also requested a meeting with MIGA to discuss consistency across the Bank Group. This is an excellent idea and we will be certain to ensure someone from MIGA is at the EAG's next meeting. We will also learn if there are MIGA guarantees of specific relevance to the forest sector.

Due Diligence on Development Policy Lending: Regarding the environmental safeguards in the new Development Policy Lending (DPL) policy (OP/BP 8.60) the EAG expressed concern that without greater commitment of human and financial resources for implementation, compliance will be impossible. We share these concerns. In fact, this is a matter of preoccupation for the ESSD council of managers. As you are aware, the Bank is currently undertaking an extensive analysis (referred to as Economic and Sector Work) of how best to identify potential impacts of DPL on forests.

Forest Sector Tenure Reforms: We agree with the EAG's observation that the 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 will follow-up on the recommendation that the Bank should take a leadership role in undertaking analytical work on this topic. Indeed, the Bank is already engaged on this topic in several countries.

Market Based Approaches to Pro-community Development: The EAG suggested that there is an enormous opportunity for the Bank to promote market-based approaches for community managed forests and enterprises. Indeed, through our collaboration with the IFC and its Small and Medium Enterprise Development department, we are working to promote such opportunities for communities. We are very interested in learning more about what opportunities the EAG perceives for market-based approaches to pro-community development and are eager to discuss EAG views on how these opportunities might be pursued.

Forest Law Enforcement and Governance (FLEG) Initiative: We agree with the EAG observation of the need for a more programmatic approach to follow up on FLEG commitments made by participating countries. The new multi-donor trustfund on FLEG and the Bank staff who are fully committed to this issue should enable such an approach going forward.

Internal Incentives: The EAG expressed its interest in helping to identify ways to develop a more pro-active approach and incentive structure to ensure ownership and active support of operational staff for implementing the new forest sector strategy. Your offer is welcome, and it should be noted that internal incentives are an issue not just for the forest sector, but for all sectors. To this end, Bank management has recently initiated a process to more efficiently integrate global programs into country programs – we will keep you informed on how this is evolving.

The ESSD Forests Team and I look forward to meeting with you next week to further explore these issues and the next steps that we can take to address them.

Sincerely,



Kevin Cleaver
Director
Agriculture and Rural Development