

## The World Bank

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT  
INTERNATIONAL DEVELOPMENT ASSOCIATION

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

Dear Mr. Khare,

Thank you for your letter of 2 June. As I believe Jim Douglas will have explained to you at the second EAG meeting in Geneva in May, your letter to Ian Johnson in October 2003 went astray in our system, and we apologize for that. I can assure you that Ian or whoever is representing him as Vice President will respond to issues and matters you bring to him in future - that is clearly an integral part of the arrangements for the EAG, and indeed he welcomes the opportunity for this interaction.

I would also like to say how pleased we are that the EAG is operating so effectively, after only two meetings. I understand that you are approaching two more individuals to join, and that when that process is complete, the diversity and representativeness of the group will be as we all agreed at the beginning it should be - and that alone is quite an achievement. Jim Douglas and David Cassells advise me that the deliberations of the Group have been substantive and focused, and that the group is increasingly beginning to identify subjects that it should address, in addition to considering matters that we bring before it.

Your letter expresses some concerns about the draft of the forthcoming operational policy on policy lending, OP 8.60, which is presently posted for public review. I can advise you that new drafts of both the Operational Policy, and the accompanying issues paper, are currently being finalized in the Bank, as the end of the public commentary period nears. Obviously these drafts may still change before Bank management delivers them to the Board of Executive Directors for consideration, but there are some developments which have occurred since the drafts you have seen were prepared which I believe are likely to remain in place:

- As you will recall, there was considerable concern, following the discussions of the new Bank forests sector strategy and policy and the preparation of the new OP 8.60 on adjustment lending (now referred to in the new draft as development policy lending) that no specific reference to the specific issue of potential impacts of such lending on forests was made. I believe that specific reference to forests will now be made, in the drafts of the issues paper and in the OP itself which Bank management will present to the Board of Executive Directors;
- One of the concerns raised in your letter of October 30 was the possibility that without adequate analysis and knowledge ahead of programmatic operations, there would be little capacity to assess the environmental impacts and trade-offs inherent in them before the programs are implemented. I believe that the draft of the issues paper that will go forward to the Board will include a stronger reference to the importance of this preparatory work and in fact will provide a specific outline of the nature and prioritization of the work needed;
- The ESSD network has made considerable progress with development of procedures to monitor the pipeline of development policy loans, and to determine whether these

loans involve broad-based or more narrow sectoral reforms. These procedures permit the planning of the appropriate scope and type of environmental ESW, as appropriate in advance of, or as part of operations. We have also made some preliminary estimates of the resources that this would entail based on the FY04-08 pipeline of development policy loans.

This latter point brings me directly to a major concern you have raised, in both your October 2003 and June 2004 letters, which is that the sort of analytical and consultative work needed to ensure that potentially adverse impacts are identified and that measures to deal adequately with them are designed are going to require a significant increase in staff and budgetary resources, and that as yet there is no indication that these will be forthcoming.

At this stage, I can assure you that this issue has been raised with senior management in the Bank, as a matter for consideration when the new OP draft is presented to the Board. I am unable to say what commitments will be made on this matter, although I fully expect that a firm view on this will have been formulated and will be presented by Bank management when the OP is considered by the Board.

Once again, I thank you for your continuing good service to the Bank and the broader group of constituents you serve, and also for your continuing patience with us as we continue to implement our role in the workings of the EAG.

Yours sincerely,

Steen Lau Jorgensen  
Acting Vice President  
Environmentally and Socially Sustainable Development