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COMMITTEE ON DEVELOPMENT EFFECTIVENESS

FROM: The Secretary, Committee on Development Effectiveness

**Managing Forest Resources for Sustainable Development
An Evaluation of World Bank Group Experience**

Draft Management Response

Attached is the Draft Management Response to the IEG document entitled *Managing Forest Resources for Sustainable Development - An Evaluation of World Bank Group Experience* (CODE2012-0054), which will be discussed at a meeting of the Committee on Development Effectiveness scheduled for **February 4, 2013**.

Questions on the document may be addressed to Mr. L. Casey (ext. 89418) or Mr. P. A. Dewees (ext. 84021).

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IEG EVALUATION

**MANAGING FOREST RESOURCES FOR SUSTAINABLE DEVELOPMENT: AN
EVALUATION OF WORLD BANK GROUP EXPERIENCE**

DRAFT MANAGEMENT RESPONSE

January 15, 2013

IEG EVALUATION

MANAGING FOREST RESOURCES FOR SUSTAINABLE DEVELOPMENT: AN EVALUATION OF WORLD BANK GROUP EXPERIENCE

DRAFT MANAGEMENT RESPONSE

Introduction

1. The World Bank Group Management welcomes this Independent Evaluation Group review of the Bank's support for managing forest resources for sustainable development, and thanks IEG staff for constructive dialogue during its preparation. This review of performance against the objectives outlined in the World Bank Group's 2002 strategy, *Sustaining Forests*, and of the impact of revisions to Operational Policy 4.36 which accompanied it, gives guidance to Management as well as to clients about the potential for both public and private investment in forest conservation and management. This is particularly relevant given the critical role of forests in mitigating climate change. But it is also because of their role in mitigating the impacts of poverty, their importance to local and national economies, and because of global and regional environmental values which are threatened by forest loss.

2. The World Bank Group (WBG) is the largest source of multilateral finance for forests globally. Because of this, what the Bank does and how it delivers on its strategic objectives is closely followed by governments and policymakers, who are increasingly concerned about how to address the challenge of forest loss on the one hand (and its environmental and economic costs), while improving food security and increasing resilience to climate variability on the other. IEG's findings will be closely scrutinized by a wide range of external partners.

3. Management provided detailed comments to IEG on the first and second drafts of the Review, and welcomes its efforts to address some of the concerns raised. While we agree with several IEG's findings, we strongly disagree with others. We feel that the report contains a number of inaccuracies and misleading assertions that are based on generalizations about the forest sector rather than on an evaluation of the WBG's own work in this sector.

4. The first section of this note sets out Bank Management's response; the second section provides International Finance Corporation (IFC) Management's response. The Management Action Record, including Multilateral Investment Guarantee Agency (MIGA), is attached as Annex 1.

World Bank Management Response

5. The Bank's forests lending in the 1980s was widely criticized by civil society organizations for failing to take account of its potential negative environmental and social impacts. In 1991, revisions to the forests policy were introduced to restrict the scope of what the Bank could support, introducing a chilling effect on Bank lending, accompanied by progressive disengagement. The WBG 2002 Forest Strategy *Sustaining Forests* was prepared at a time when the Bank was seeking to re-engage in supporting forests sector investments within a more

inclusive, development-oriented paradigm, while at the same time strengthening environmental and social safeguards. The Strategy was developed based on extensive consultations with Shareholders and civil society organizations. The 2002 policy reforms (captured in OP 4.36), which accompanied the Strategy, sought to create a more constructive space for Bank lending, introducing a requirement that finance for commercial harvesting could only take place in areas which were not critical natural habitats or critical forest areas, and that harvesting met independently verified standards of responsible forest management. Great emphasis was placed on the importance of forests for supporting development more generally, and for providing global environmental public goods.

6. Management agrees with IEG's conclusion that the changing composition and nature of the forests portfolio reflects an increasingly sophisticated interpretation of the 2002 Strategy. The evolution of the forests portfolio over the last 10 years has demonstrated how the pillars of the 2002 strategy can be addressed through innovative measures to improve forests and tree management, and increasingly, to build on the landscapes narrative which has emerged in the last few years.

Specific findings and recommendations:

7. ***Protected area management.*** Management agrees with IEG's recommendation that the Bank should build meaningful community participation into the design and management of protected areas. Effective community participation is essential for improving the management of protected areas. Management questions, however, the evaluative basis for IEG's conclusions that the Bank is not already doing this. The section of the text which draws this conclusion cites a single Bank operation for this shortcoming, and seems to draw its more general conclusion about the Bank's biodiversity portfolio on the basis of published literature, rather than on the basis of evaluative evidence.

8. Indeed, Bank Management questions the approach taken by the IEG review team, which places a heavy emphasis on extracting lessons from a narrow reading of published literature in reaching its conclusions, and on unstructured field interviews, rather than relying on evaluative evidence from Bank operations or on a more balanced reading of the literature. This makes actionable recommendations drawn from the review problematic.¹

9. IEG's conclusions with respect to Bank support for community based approaches in its forest biodiversity conservation portfolio are in striking contrast to the findings of multiple other reviews of the biodiversity portfolio. Other reviews carried out describe lessons learned from support for efforts to engage communities in mapping critical forest conservation areas, in developing participatory protected area management plans, in operating community-managed tourism enterprises in forest areas, integrating biodiversity conservation measures into

¹ Of the 87 projects with forest components which closed during the period under review, IEG cited ICRs from only 4 of them and referenced only 3 of its own Project Performance Assessment Reports. When it cited various Inspection Panel cases, it cited the complaint, rather than the Management Response.

community-based land-use planning efforts, promoting community management of indigenous reserves, sacred groves, and clan conservation areas and so on.²

10. Another of IEG's conclusions which purports to be drawn from the evaluative evidence is that 'alternative livelihood schemes embedded in the design of protected area projects did not achieve their intended objectives.' While it is not explicitly clear from the text, this conclusion is apparently drawn from experience with a small subset of activities which aimed to support alternative livelihoods development through small grants programs, and not the more extensive suite of measures and initiatives which sought to achieve these outcomes through a range of policy measures, community-based management planning efforts, regulatory reforms and explicit investments. To characterize the portfolio as one which fails to address alternative livelihood strategies on the basis of this narrow finding alone is misleading.

11. Finally, IEG notes that data related to biodiversity outcomes and the protection of critical flora and fauna at the site level was lacking. The science of conservation biology is clear that biodiversity outcomes – such as changes in key indicator species populations– are unlikely to be evident within the short investment horizon covered by most Bank operations in the first place. In addition, even if population data were available to cover the project period, natural fluctuations from year to year would make their interpretation for evaluative purposes methodologically flawed. Many Bank biodiversity investments are made in data-poor conditions, and indeed, have as their objective the development of the capacity for establishing long term conservation monitoring programs. The Bank has been at the forefront of providing assistance to governments to do this, and has worked closely with partners such as the World Conservation Monitoring Center, IUCN, Flora and Fauna International, WWF, and others to mobilize world-class expertise with this objective in mind.

12. ***Participatory forest management.*** Management agrees with IEG's proposal that the Bank should expand support for participatory forest management. These types of investments pose great promise for improving forest management, and IEG's conclusions are consistent with the evaluative material. Management appreciates the concern about the need to 'level the playing field,' by working with clients to improve the regulatory environment for small-scale informal forest enterprises. Management is not, however, convinced that this is the primary constraint limiting the ability of communities better to manage their forest resources. Rather, uncertainties over communities' rights of use and access to forests and trees pose a much more fundamental constraint to their ability to manage these resources effectively. When these are clarified through relevant and credible tenure reforms, the evidence from Bank operations is that small-scale informal enterprises benefit. Inherent to credible forest tenure reforms is the idea that communities should be empowered to develop and implement their own regulations over forest use, and so regulation should be 'right-sized' where upstream analysis shows that it is a constraint to participatory forest management. The IEG review presents no evidence from the

² World Bank (2008). Biodiversity, Climate Change and Adaptation. Nature-based solutions from the World Bank's portfolio.

C. Sobrevila (2008). The Role of Indigenous Peoples in Biodiversity Conservation: The natural but often forgotten partners

World Bank (2010). The Role of Biodiversity and Ecosystems in Sustainable Development

World Bank (2012). Toward Africa's Green Future: World Bank support in biodiversity conservation.

portfolio that over-regulation is a systemic constraint in the Bank's participatory forest management projects.

13. In Senegal, this approach generated significant outcomes, through the highly rated Sustainable and Participatory Energy Management Project (P046768). This project introduced measures to improve the sustainable management of forests by strengthening community-based forest management systems. The project brought nearly 380,000 ha under community management, and developed the capacity to sustainably supply more than 370,000 tons of woodfuel annually. It coupled land and tree tenure reform measures with the creation of platform for more effective community involvement in forest management, and then supported woodfuel micro-enterprises which responded to the new supply opportunities. In Tanzania, measures supported by the Bank through two forestry projects contributed to bringing around 3 million ha under participatory forest management. The central regulatory change which facilitated this transformation enabled communities to establish Village Forest Reserves, and to benefit directly from managing forests themselves.

14. ***Forest concession reform.*** Bank Management agrees with IEG's findings that its work on forest governance (including concession reform) has helped to advance the rule of law, to increase transparency and accountability, and to put environmental standards in place. But having accomplished these significant outcomes, IEG nonetheless concludes that there is a lack of evidence that these achievements have led to sustainable and inclusive economic development. IEG recommends that the Bank should carry out a "comprehensive review of the economic, environmental, and social outcomes associated with World Bank support for industrial timber concession reforms in tropical moist forest countries with weak governance," and then should determine "...whether and how the World Bank Group can realistically support effective sustainable forest management in tropical moist forest countries."

15. Bank Management rejects these findings and recommendations on four grounds. First, IEG's narrow conception of Bank supported 'concession reforms in tropical moist forest countries with weak governance' misrepresents the broader policy, institutional, and legal environment in which these reforms were introduced. Indeed, the IEG review hardly acknowledges that they were part of much wider institutional reform processes and were never undertaken as standalone, narrowly-defined interventions. Most originated as integral pieces of multi-sectoral Government-led and Bank-supported strategies and interventions, such as the HIPC initiative, the PRSP process, and structural reforms supported by a broad suite of development policy measures aimed at addressing the most glaring cases of poor governance, the misappropriation of public property, and environmental risk in resource-rich countries.

16. Public expenditure management was also targeted through these measures, and other natural resource sectors were addressed by them as well, particularly oil and mining. The inclusion of forests sector reforms in this wider set of measures was entirely appropriate, and sought to un-do years – even decades – of mismanagement of these valuable assets.

17. The remote possibility of developing alternative land-uses in forest areas when the Bank first began to address these issues was at the time highly unlikely. The choice of supporting concession reform efforts (and protecting national parks and other public lands in the process)

was not made with the consideration of alternative land uses in mind, but out of necessity, to work with governments and the private sector to stop well known abusive practices which were being carried out to the detriment of local communities, to the integrity of forests and wildlife, and to national treasuries.

18. If concession reforms in ‘tropical moist countries with weak governance’ had been designed as targeted poverty interventions, then the IEG’s concern that evidence was lacking about their impact on poverty, would raise obvious flags. But forest concession reforms were never supported by the Bank with this narrower stand-alone objective in mind. Concession reforms were introduced as one part of a suite of reforms, and it is the impact of these overall economy-wide measures which would be expected to demonstrate ‘sustainable and inclusive economic development.’ There is, of course, extensive evaluative material which addresses this question, of the impact of overall reform processes in these economies on sustainable and inclusive development, which IEG has chosen not to cite.

19. In any event, concession reform processes supported by the Bank have created the space for a policy dialogue with governments about alternative land uses. In Cameroon, for example, legal and regulatory reforms which accompanied the concession reform process introduced for the first time anywhere in West Africa legal recognition of community forests. In DRC, a legal review of concessions resulted in a dramatic reduction in the area of forest under concession management, from 43.5 million ha in 2002 to 9.7 million ha in 2008, and this was accompanied by support for community based forest management; clarification and articulation of the rights of traditional users; the development of innovative ecosystem services models; and means for ensuring community participation and consultation decision making processes related to forest management. In Gabon, somewhere around 4.7 million ha in concessions were cancelled, creating space for introducing new models of forest management.

20. Institutional, policy, and legal reforms which have accompanied the concession reform process in the cases cited by IEG have been carefully sequenced, first by developing multi-sectoral policy interventions to target the most urgent issues, followed by well-structured DPLs, and then complemented by investments in analytic work and on-the-ground measures to support specific interventions and safeguards. This sequenced set of measures has accomplished much in terms of the broad array of issues related to the management of all public and forest land and national parks, including the rights exercised by the communities on concessions and other lands.

21. Second, the conditions and circumstances of ‘whether and how’ the Bank should be providing ... support for sustainable forest management in tropical moist forest countries” are already clearly articulated in OP 4.36, and a proposal to reconsider these would have significant implications for the on-going safeguards review process. IEG’s own report on the need for safeguards reform argued that the Bank should “revise the (safeguards) policy frameworks to harmonize thematic coverage and guidance across the WBG and enhance the relevance of those frameworks to client needs” – a recommendation which is surely at odds with this proposal to support a parallel track or review process for the forests safeguard.

22. Third, there is already an extensive body of literature published by the Bank and by others which is widely available on the social, environmental, and economic impacts of

concession reform. These include a comprehensive review of institutional, policy and legal reforms in Cameroon³, for example, the three reports to the Board on progress in implementing the Management Action Plan in response to an Inspection Panel complaint in the DRC⁴, a growing number of academic articles⁵, and Bank evaluative material.⁶ Several of these are cited in the references, but their findings are not incorporated into the text. We see little added value in contributing further to this literature.

23. Fourth, the Bank's support for sustainable forest management (SFM) in tropical moist forests is consistent with the prevailing international scientific consensus that SFM is and remains a viable approach for ensuring their long term conservation and sustainable use. Bank support for SFM measures, bolstered by its recognition of the importance of independent third party certification and support for the development and implementation of certification standards, has been an extremely important signal to both public and private sectors that long term conservation measures can be consistent with sustainable use. The ability of the Bank's clients to participate in emerging forest carbon markets will be dependent on their capacity to

³ Topa G., Karsenty A., Mégevand C., and Debroux L. (2009). The Rainforests of Cameroon: Experience and evidence from a decade of reform. Washington, D.C.: World Bank

⁴ World Bank (various years). Inspection Panel Investigation Report on Transitional Support for Economic Recovery Project and the Emergency Social and Economic Reunification Project in Democratic Republic of Congo; Management Action Plan in response to this Inspection Panel Report and the three progress reports for the Board, 2009-2012.

⁵ Cerutti, P.O., Lescuyer, G., Assembe-Mvodon, S., and Tacconi, L. (2010). The challenges of redistributing forest-related monetary benefits to local governments: a decade of logging area fees in Cameroon. *International Forestry Review* 12(2): 130-138.

De Blas, D.E., Ruiz Perez, M., Sayer, J., Lescuyer, G., Nasi, R., Karsenty, A. (2009). External influences on and conditions for community logging management in Cameroon. *World Development* 37(2):445-456.

Delhage C., Kibambe Lubamba J.-P., and Defourny, P. (2011). Analyse quantitative des causes de la déforestation et de la dégradation des forêts en République Démocratique du Congo. (FAO-RDC Coordination Nationale REDD N°UNJP/DRC /041/01/2009). Université Catholique de Louvain.

Delhage, C., and Defourny, P. (2010). Quantitative Analysis of Deforestation Drivers in DR Congo: Preliminary Results. Report to a Conference on "Monitoring Forest Carbon Stocks and Fluxes in the Congo Basin", 2-4 February 2010

Karsenty, A. (2010). Forest taxation regime for tropical forests: lessons from Central Africa. *International Forestry Review*. 12(2):121-129.

Karsenty, A., Drigo, I.G., Piketty, M.G., and Singer, B. (2009). Regulating industrial forest concessions in Central Africa and South America. *Forest Ecology and Management* 256(2008):1498-1508.

Karsenty, A. (2007). Overview of industrial forest concessions and concession-based industry in Central and West Africa and considerations of alternatives. Montpellier, CIRAD.

Karsenty, A., and Gourlet-Fleury, S. (2006). Assessing sustainability of logging practices in the Congo Basin's managed forests: the issue of commercial species recovery. *Ecology and Society*. 11(1):26

Nielsen, M.R., Pouliot, M., Bakkegaard, R.K. (2012). Combining income and assets measures to include the transitory nature of poverty in assessments of forest dependence: Evidence from the Democratic Republic of Congo. *Ecological Economics* 778: 37-46.

OFAC, 2012. Forests of the Congo Basin: State of the Forests 2010. European Publication offices, Luxemburg.

Palmer, J. and Bulkan, J. (2010). Legitimacy of public domain forest taxation and combatting corruption in forestry. *International Forestry Review* 12(2):150-164.

⁶ For example, see, World Bank (2011). Implementation Completion and Results Report (ICR) of the Development Policy Loan on Natural Resources Management (NRM-DPL) in Gabon; and World Bank (2011). Implementation Completion and Results Report of the Ghana Natural Resources and Environmental Governance First, Second and Third Development Policy Operations.

sustainably manage their forests, and this will never succeed except in partnership with the private sector.

24. Forest concessions are a widely accepted approach to forest management in both tropical and temperate forests. As the IEG report correctly points out, the management of forest concessions had not been without its challenges and there are clear examples where concessions have failed to deliver good outcomes because of corruption, poor governance and conflicting tenure regimes.

25. The challenges of concession management are country specific, and considerations like social contracts, the certification of sustainable forest management practices, and the potential for community involvement can be addressed in many different ways depending on these considerations, and on a case-by-case basis. Management does not believe that a revision of its highly country-specific approach to institutional and legal reform, would improve development outcomes or effectiveness. Project teams will continue to examine the most effective ways of supporting the development of economically, socially, and environmentally sustainable forestry operations (including concessions) to meet local and export market demands based on country-specific realities. These efforts will be based on best practices, knowledge and experience.

26. ***Sustainable forest management outcome indicators.*** Bank Management agrees with IEG's recommendation that attention should be given to developing and using sustainable forest management outcome indicators which address the three pillars of the strategy: supporting economic growth, reducing poverty and protecting local and global environmental services. This is a systemic problem for governments and development agencies with interests in forests, partly because of the very long time period it takes for sustainable forest management interventions to show impact. Investments in thinning, in tree stand improvement, or in supporting natural regeneration, (and a comparison with forests which are unmanaged), are unlikely to show significant outcomes for 10 to 30 years. This is why the development of forest management plans and their implementation has been an important proxy indicator for SFM outcomes.

27. Bank Management is committed to working with specialists and development partners in clarifying how best these types of indicators could be developed and implemented in a cost effective manner. The use of quasi-experimental approaches will also be examined, and incorporated into planned work on the use of impact evaluation in natural resource management projects. In the coming months, we intend to launch an initiative with this objective in mind, which should complement the Bank's support for work on providing guidance for conservation monitoring.

28. Related to the question of the monitoring of sustainable forest management outcomes, is forest certification. Revisions to OP 4.36 on Forests introduced the requirement, that the Bank would not support certain forest investments in the absence of independent third party verification of sustainable forest management. This was a very significant reform, and much of the support for changes to the OP was predicated on this condition. IEG has not examined to any extent (outside of the IFC) the impact of this change on Bank operations, nor of the Bank's work in supporting governments to develop certification standards consistent with the requirements of policy. This is a significant shortcoming of the Review, and it remains an important question for

Bank Management whether and under what conditions, the use of certification has improved sustainable forest management outcomes.

29. IEG has also not addressed the role of the External Advisory Group on Forests, which was established to “assess design, relevance, and progress” following adoption of the Forest Strategy. IEG’s recommendations could have focused on the effectiveness of the EAG as an oversight body, and its usefulness in light of the changing nature of the forests portfolio.

30. ***Collaboration within the World Bank Group.*** IEG has identified an important shortcoming with respect to weaknesses in collaboration within the WBG. Management agrees that action should be taken to facilitate more effective and complementary forest-related outcomes. Private sector investments in forests globally totals around \$15 billion per year, far outstripping any resources which could be mobilized by the Bank or by any other development institution for new investment in forests. The Bank will seek to engage more proactively with IFC and with MIGA to identify how best it could finance policy and institutional reforms to help create an enabling environment for more effective private investment.

31. At the same time, Bank Management is deeply cognizant of the fact that any support it could provide in these areas depends very much on country-based demand for it. The alignment of country interests with other institutional interests in the World Bank Group will be an important prior condition for mobilizing complementary and better-sequenced support. As the IEG report notes, if the Bank can work with clients to improve forest policies and legislation, it will create a better enabling environment for the IFC to mobilize subsequent private investment.

IFC Management Response

32. IFC welcomes the report’s assessment of IFC’s forest product sector operations and its recommendations that are relevant to IFC. The report’s suggestions for going forward broadly support IFC’s intention to pursue an integrated, industrial and landscape-based approach to investing in private sector forest products companies.

33. IFC also appreciates that the report is positive on the private sector response to the three pillars of the 2002 Forest Strategy as articulated in IFC’s Forest Strategy updates. IFC approved 56 projects in the Forest Product Sector during FY03-11 with total investments valued at \$1.5 billion. IEG’s review of the 32 operationally mature forest product sector projects, (i.e. approved between FY02 and FY06) show that IFC achieved strong development outcomes in line with IFC’s overall average across different sectors. IFC investments in the forest product sector helped companies produce higher value-added products, increase their productivity and production capacity, and foster outgrower markets and job creation for rural poor communities. The forest product sector’s contribution to private sector development was particularly strong, with 81 percent of the project achieving satisfactory or excellent ratings, implying that they catalyzed investments and job creation opportunities beyond the project company.

34. IFC notes that because of the report’s timing, some recent and significant developments were not considered in the report. For one, the report’s finding on IFC’s portfolio concentration in downstream operations does not take in account some of the more significant projects in the

upstream space committed beyond FY11. In addition, there were positive developments in some of the larger IFC portfolio projects that happened after the report has been drafted. For example, In November 2012, an IFC project in received Chinese certification for 90,000 ha of forest land, the first certification of its kind in China. With assistance from IFC, the same forests received certification from the Forest Stewardship Council (FSC) in December 2012.

35. Going forward, it is important to not to lose focus on the important contributions of commercial forestry in particular and the forest sector in general to broader development of economies and outcomes, including the vital role of forestry and wood products in the energy, agribusiness and green construction industries. The future health of the vast majority of remaining forests can only be preserved if they are accorded a financial value which can compete with other more destructive uses such as agricultural conversion or the like.

36. There is a long-standing view regarding protected areas, which states that all forests should be managed by local people for local benefits. There is arguably global agreement that roughly 20 of the world's forests should be preserved in their current natural status and that the balance can and should be addressed as "working forests" for multiple benefits. There is thus danger that the "Protected Area" concerns may inadvertently exclude commercial forestry.

37. Future analysis might benefit from a focus on increasing investment in forests set-asides by sovereign governments and private entities for the sustainable management of production of forest and non-timber products. These are vital and can be buoyed by development institutions such as the WBG.

38. The WBG as a whole will benefit from inclusion of commercial forestry plantations in the discussion of approaches to harnessing of forest resources for development. IFC is increasing the use of integrated landscape approaches for plantation work to improve forestry and wood products' aggregate contribution to poverty reduction and overall development impact. While constructive suggestions for improvement are welcome, IFC does not believe the IEG analysis justifies a suggestion that the Bank/WBG contemplate whether it should consider discontinuing its work in forest concessions reform. Properly established concession regimes which incorporate sustainable management are a must for IFC investments in upstream forestry.

Management Action Record

IEG Findings and Conclusions	IEG Recommendations	Acceptance by Management	Management Response
<p>Protected areas are more effective at reducing deforestation when they are designed and managed by the people that live in and around them and depend on the forest for resources.</p> <p>Poverty can be exacerbated by limiting or restricting communities access to forests through the creation or expansion of a park or a protected area if due consideration is not paid to livelihoods. While projects are triggering OP 4.12, with few exceptions, those projects are not reporting on whether the potential adverse impacts on livelihoods have been mitigated.</p>	<p>Enhance the effectiveness of Bank Group efforts to protect vital local and global environmental services and values by building more meaningful community participation into design and management of protected areas.</p> <p>Consider the following actions: include communities in the design of new or expanded protected areas and in decision-making about management of those areas, assisting with expanded tenure and resource security where applicable, and use innovative techniques to monitor biodiversity; assess the welfare and livelihoods of persons living in and around a protected area system and use resettlement instruments to mitigate any potential negative impacts caused by the project intervention; include in project preparation an assessment of land ownership and use claims, including but not limited to customary and traditional land claims grazing, harvesting, farming, and transit rights; and access to fuel sources and fodder; also assess the contribution of forest resources to household security.</p>	<p>WB: Agree</p>	<p>Management agrees that effective community participation is essential for improving the management of protected areas and will continue to support this approach in its forest biodiversity conservation projects. Communities however lack the specialized technical skills needed to <u>design</u> protected areas, especially when a park is being gazetted to protect biodiversity. Solid technical knowledge about which biomes need to be protected as global public goods, and the role of the public sector in establishing protected areas and regulating land use within them, remain critical and should not be compromised because of a perception that somehow communities can do this better.</p> <p>Having said this, management effectiveness ultimately depends on deal making and negotiation and agreement over rights of use and access. The record is clear that the Bank has consistently supported measures more fully to engage communities in protected area management, and has an impressive record to support this view.</p> <p>With respect to OP4.12, Management agrees that more systematic reporting of progress in mitigating and, where necessary, offsetting adverse impacts on livelihoods would also be</p>

IEG Findings and Conclusions	IEG Recommendations	Acceptance by Management	Management Response
			useful. The Bank is already working on ensuring that reporting on the application of safeguard instruments is more thorough. Currently, reporting on safeguards performance is covered in publicly disclosed supervision mission reports. More systematic report at project completion would be helpful.
<p>Participatory Forest Management, when implemented effectively, has delivered livelihood enhancing benefits as well as positive environmental outcomes. But its potential is often hampered by the failure to devolve true authority to communities and by regulatory environments that often discriminate against small producers. Where this is the case, the benefits enjoyed by communities may be too limited to provide sufficient incentives to ensure sustainable</p>	<p>Expand support for participatory forest management with help to level the playing field for community based forest enterprises by working with clients to improve regulations and procedures and integrate small scale informal forestry activities.</p> <p>This can be supported with analytic work (with clear dissemination strategies), development policy lending, IFC investment and advisory services, and by the incorporation of regulatory issues in project indicators.</p>	WB: Agree	<p>Participatory forest management can be an efficient tool in sustainable forest management and improving rural livelihoods. It is not a panacea and much depends on the quality of the forest, access to markets and the investment climate. The Bank will continue to support forest operations which incorporate strong participatory elements to them. With respect to regulatory complexity, this is neither a systemic nor a binding constraint for community-based forest enterprises. Rights of forest use and tenure are a far more significant constraint, and ‘overregulation’ is often only a symptom of more fundamental issues having to do with tenure. The evidence from Bank operations shows that more secure rights of use and access improve forest management outcomes, and that when these have been resolved, community-based forest enterprises have tremendous latitude for operating with great efficiency and effectiveness (for example, within the framework of the regulatory mechanisms introduced and managed by</p>

IEG Findings and Conclusions	IEG Recommendations	Acceptance by Management	Management Response
forest management.		IFC: Agree	<p>communities themselves.) The Bank will continue its analytical work on the policy and business environment for forest sector investments, at all investment scales (large and small, private and community owned). This will be done in close collaboration with the IFC.</p> <p>In future relevant projects/programs, IFC will promote the broad concept of participatory forest management with the project sponsors where appropriate and within the frame of the project’s authorizing environment.</p>
<p>World Bank support for industrial timber concession reforms in tropical moist forest countries has helped to advance the rule of law, increase transparency and accountability (as compared to the without Bank scenario) and put environmental standards in place.</p> <p>Evidence is lacking however that these reforms in tropical moist countries with weak governance has</p>	<p>Undertake and disclose a comprehensive review of the economic, environmental and social outcomes associated with World Bank support for industrial timber concession reforms in tropical moist forest countries with weak governance, including an analysis of the outcomes that could be achieved under alternative land-use schemes. Based on the evidence, determine whether and how the World Bank Group can realistically support effective sustainable forest management in tropical moist forest countries.</p>	<p>WB: Disagree IFC: Disagree</p>	<p>There is already a fairly extensive body of literature published by the Bank and by others which is widely available on the social, environmental, and economic impacts of concession reform. These include a comprehensive review of institutional, policy and legal reforms in Cameroon, for example, the three reports to the Board on progress in implementing the Management Action Plan in response to an Inspection Panel complaint in the DRC, a large number of academic articles, and Bank evaluative material. Management is of the view that an additional review would create little added-value and would do little to inform the development of new operations. The conditions and circumstances of ‘whether and how’ the Bank should be providing support for “sustainable forest management in</p>

IEG Findings and Conclusions	IEG Recommendations	Acceptance by Management	Management Response
<p>led to sustainable and inclusive economic development. Attention to rural poverty has been lacking in World Bank supported concession reform projects. World Bank policy advice and projects that have supported the reform of industrial timber concession regimes have usually neglected or underestimated the nontimber values and uses of the forests, with respect to the livelihoods of forest-dependent people, their traditional claims, sociocultural values, and overall sense of security. Evidence is also lacking that concessioned natural forests are being managed sustainably.</p>			<p>tropical moist forest countries” are already clearly articulated in OP 4.36, and a proposal to reconsider these would have significant implications for the on-going safeguards review process. IEG’s own report on the need for safeguards reform argued that the Bank should “revise the (safeguards) policy frameworks to harmonize thematic coverage and guidance across the WBG and enhance the relevance of those frameworks to client needs” – a recommendation which is surely at odds with this proposal to support a parallel track or review process for the forests safeguard.</p> <p>In any event, IEG’s narrow conception of Bank supported ‘concession reforms in tropical moist forest countries with weak governance’ misrepresents the broader policy, institutional, and legal environment in which these reforms were introduced. The IEG review hardly acknowledges that they were part of much wider institutional reform processes and were never undertaken as standalone, narrowly-defined interventions. They all originated as integral pieces of a suite of multi-sectoral Government-led and Bank-supported strategies and interventions, such as the HIPC initiative, the PRSP process, and structural reforms supported by a broad suite of development policy measures aimed at addressing the most glaring cases of poor</p>

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			<p>governance, the misappropriation of public property, and environmental risk in resource-rich countries.</p> <p>It is the impact of these overall economy-wide measures which would be expected to demonstrate ‘sustainable and inclusive economic development.’ There is, of course, extensive evaluative material which addresses the question of the impact of overall reform processes in these economies on sustainable and inclusive development, which IEG has chosen not to cite.</p> <p>The sequencing of concession reform processes supported by the Bank has created the space for policy dialogue with governments about alternative land uses. In DRC, for example, a legal review of concessions resulted in a dramatic reduction in the area of forest under concession management, from 43.5 million ha in 2002 to 9.7 million ha in 2008, and this was accompanied by support for community based forest management; clarification and articulation of the rights of traditional users; the development of innovative ecosystem services models; and means for ensuring community participation and consultation in decision making processes related to forest management.</p> <p>The Bank’s support for sustainable forest management in tropical moist forests is</p>

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			<p>consistent with the prevailing international scientific consensus that SFM remains a viable approach for ensuring their long term conservation and sustainable use. This is echoed in the political consensus of bodies such as the UN Forum on Forests. Bank support for SFM measures, bolstered by its recognition of the importance of independent third party certification and support for the development and implementation of certification standards, has been an extremely important signal to both public and private sectors that long term conservation measures can be consistent with sustainable use. Management does not believe that a revision in its highly country-specific approach to institutional and legal reform, would improve development outcomes or effectiveness. Project teams will continue to examine the most effective ways of supporting the development of economically, socially, and environmentally sustainable forestry operations (including concessions) to meet local and export market demands based on country-specific realities.</p>
<p>The monitoring and reporting systems of the World Bank forest sector operations are inadequate to verify whether its operations</p>	<p>Provide guidance and actively encourage staff to develop and utilize sustainable forest management outcome indicators that can adequately track progress across the three pillars – including indicators that can track and mechanisms that can</p>	<p>WB: Agree</p>	<p>Measuring and reporting on the impacts and structural changes from the WBG’s engagement in the forest sector is essential and it needs to be strengthened. Bank Management agrees that this is an important area which requires attention, and is committed to working</p>

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<p>are supporting forest management in an environmentally and socially sustainable way, in line with the 2002 Strategy and the Bank Group's Operational Policies. Environmental indicators used in forest projects are mainly process or effort measures (such as number of hectares planted, or numbers of hectares under management plans). Most poverty alleviation indicators were less direct indicators of poverty than is desirable both for accurately assessing project outcomes and for comparison across projects. Poverty reduction indicators like numbers of productive investments made are imperfect measures of whether</p>	<p>manage attendant tensions and trade-offs in the forest landscape.</p>		<p>with specialists and development partners in clarifying how best these types of indicators could be developed and implemented in a cost effective manner. The use of quasi-experimental approaches will also be examined, and incorporated into planned work on the use of impact evaluation in natural resource management projects. In the coming months, we intend to launch an initiative with this objective in mind, which should complement the Bank's support for work on providing guidance for conservation monitoring and its work on Core Sector Indicators.</p> <p>The monitoring of changes at the project level poses enormous methodological challenges. Investments in improved forest management or in biodiversity conservation simply take a long time to show impact. Natural population variability makes short term biodiversity outcomes problematic to measure and the sustainability of forest management can be measured only over several rotations. Empirically robust methods to assess the impacts of forest investments on poverty outcomes are equally challenging because of the attribution problem. In developing more robust approaches to monitoring, these considerations will be central.</p> <p>More recent IFC downstream forest product sector projects that were not covered by the</p>

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<p>programs are reaching the most vulnerable members of a community.</p> <p>Several of IFC's downstream Forest Sector investments cannot be evaluated from a sustainable forest management perspective because information regarding chain-of-custody of the wood products sources is lacking.</p>		<p>IFC: Agree</p>	<p>evaluation already track chain of custody of raw materials, ensuring our clients source from sustainably managed origins.</p> <p>More recent IFC downstream forest product sector projects that were not covered by the evaluation already track chain of custody of raw materials, ensuring our clients source from sustainably managed origins.</p>

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<p>IFC Forest Product Sector (FPS) investments have helped forest companies produce higher value-added products, increase productivity and production capacity, and foster outgrower markets and job creation for rural poor communities. These investments have been targeted mainly downstream. Investment in downstream processing of forest and wood products are highly relevant for sustainable forest management when targeted to create demand for certified supplies upstream. IFC has stepped up efforts at supporting sustainability along the supply chain, but the record indicates continued challenges in</p>	<p>Target IFC’s downstream investments and MIGA’s support towards firms that can have a catalytic effect on generating greater demand for and supply of sustainable forest products. Make traceability a priority in IFC Forest Product Sector Investments, and associated MIGA guarantees both up and downstream.</p>	<p>IFC: Agree</p>	<p>IFC will look for opportunities to invest in catalytic downstream projects which favor traceability and a sustainable value chain.</p>

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<p>achieving certification and ensuring sustainable forest management.</p>			
<p>As IFC seeks to move its investments upstream – as envisioned in its 2010 Strategy Update - there are several lessons that can be learned from its operations with regard to land and resource rights and claims and about stakeholder engagement. In particular, linking IFC’s Advisory Services with</p>	<p>Use the upstream experience gained by IFC’s advisory and investment operations to mitigate project risks and assist with community and company relations as IFC moves its investments upstream. Adjust skills accordingly.</p>	<p>IFC: Agree</p>	<p>IFC recognizes that a wealth of community/land rights knowledge has already been gained by IFC through its AS programs and this experience extends to investment projects as well. IFC’s enhanced focus on linked AS and IS projects should facilitate further sharing of knowledge on this and other areas.</p>

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investments can help in mitigating social risks and enhance development results.			
<p>In a few cases World Bank Group cooperation has facilitated effective forest sector-related outcomes. The Bank Group has been most effective as an institution when the World Bank’s work to help countries lower barriers to private sector entry in the forest sector has been combined with IFC and MIGA support to catalyze sustainable investments in the forest sector. Action on such complementary services was found in China, Nicaragua, Russia, and Uruguay but nowhere else.</p>	<p>Develop mechanisms and instruments between Bank, IFC and MIGA—such as joint action plans, coordinated business development and integrated product offerings—in strategically important countries to offer a well-sequenced package of forest-related products and services to clients and better use the synergies between the public and private sector arms of the World Bank Group.</p> <p>Depending on country circumstances, opportunities for synergies exist in such areas as: mobilization of private funds for conservation, including by encouraging private investment in sustainable tourism and markets for eco-friendly products; use of IFC advisory services focused on leveling the playing field for community forestry and small and medium enterprises in the sector; potential combination of Bank policy reform and IFC/MIGA support to catalytic investments with demonstration effects in timber concessions; certification and industry standards for biodiversity-friendly business practices where experience shows that voluntary industry action can be effectively supported by</p>	<p>WB: Agree</p>	<p>Management agrees that close collaboration at the country-level is needed between the Bank, IFC and MIGA and could lead to better outcomes. Ideally, Bank investment should focus on policy and institutional reforms which help create the enabling environment for the type of private investments which can be mobilized by the private sector.</p> <p>At the same time, Management is of the view that a coordinated approach would be viable in only limited conditions, where there was both government demand for this type of sequencing, and private sector interest in investment.</p> <p>The demand-driven nature of Bank lending would makes strategic sequencing of interventions somewhat challenging. Consequently this objective can be best promoted by opportunistic interventions, constant exchange of information of planned activities at early stages of project preparation and joint missions rather than rigid action plans.</p> <p>The Bank and IFC, together with MIGA, will launch consultations between the agencies to identify and remove impediments to smooth collaboration and how to enhance joint</p>

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	government policies; REDD/carbon finance agenda where pilot investments supported by IFC can complement the policy-level work led by the Bank and its forest-related partnerships.	<p>IFC: Agree</p> <p>MIGA: Agree</p>	<p>engagement with client countries. This will happen both at the level of management and task teams.</p> <p>IFC will continue to look for synergistic opportunities and collaborate with the Bank and MIGA at the strategic and project levels where it makes sense in certain countries and markets.</p> <p>MIGA will actively collaborate with the Bank and/or IFC when supporting FDI into these projects, and will look for synergistic opportunities within the WBG.</p>