[Indonesia: The challenges of World Bank involvement in forests]

The OED Report starts by highlighting that the so called "Indonesian miracle" was the result of an export-led strategy in which forest resources were viewed "as an asset to be liquidated to support (its) growth strategy, establishing Indonesia as a world leader in the export of tropical forest products". At present the rate of deforestation reaches 1.5 million hectares per year, being commercial logging its main cause. This unsustainable use of forests has been accompanied by a highly inequitable distribution of benefits.

As from 1991, the Bank's strategy aimed at wide ranging reforms in the forest sector. However, until the financial crisis in 1997, forest sector issues were ignored because Bank staff were reluctant to jeopardise their relations with the government by pursuing the sensitive issues of policy and institutional reform in the forest sector. As the Report states, "Between the risk of irritating a large borrower and the relevance of the small proportion of forestry operations in the overall lending portfolio, the Bank was willing to sacrifice the latter."

The Bank's direct assistance in the forest sector after 1991 consisted almost entirely of policy dialogue rather than lending. However, the Bank's reform agenda -which according to the OED appears to have been in the right direction- failed through the lack of political will from the government coupled with the fact that the Bank worked in isolation from Indonesian civil society. Additionally, the "impact of good policy advice was diluted by ambivalence at the higher levels of Bank management", resulting in mixed signals to the government regarding the seriousness of its concern over environmental sustainability.

The issue of the linkages between the Bank's Country Assistance Strategy and its overall macro-policy dialogue with the issue of the poor was inadequately addressed. The impacts of forest sector issues on forest dwellers and others dependent on forests for their livelihoods -considered by the OED as being among the poorest groups- were not adequately taken on board in that dialogue, nor did the Bank include the forest-dependent poor into its poverty reduction strategy.

During the adjustment lending phase (post 1997), the Bank engaged again directly in forest issues. With an increase in its leverage -as a result of the country's financial crisis- the Bank included in its lending some conditionalities regarding changes in forest sector policies. Although such conditionality was in part intended to increase the government's revenues and to increase exports, it also aimed at addressing issues of governance, competitiveness and environmental impacts in the forest sector. However, the implementation of the reforms is considered to have been poor, mainly as a result of the lack of political will on the part of the government. Additionally, adjustment lending raised significant criticism from civil society, which the OED attributes to the lack of consultations and inadequate awareness-building to gain support from key stakeholders.

According to the OED, the Bank has not adequately taken into account cross-sectoral impacts, such as those of agricultural incentives on natural resource sustainability, in particular in relation to forests. Nor has it emphasized the linkages between economic growth, poverty alleviation and the unsustainable exploitation of natural resources. "As a result, the quality of growth has rarely been questioned in terms of its impact on forests or forest dwelling people." Resource exploitation has therefore not only been inequitable, but has also compromised the long-term sustainability of the economic growth based on the depletion of the natural resources. The Bank is said to have failed in adopting a real multisectoral approach, and largely ignored the indirect impacts on forests of policies outside the forest sector, especially the macroeconomic and pricing policies.

The Bank's involvement in the sector is considered relevant to the 1991 strategy regarding the Bank's objective of sustainable forest management and environmental sustainability. However, the efficacy of the Bank is qualified as negligible, since it was unable to diminish deforestation and forest degradation in the country. Important threats to forests -as commercial logging, plantations and infrastructure developments- were not addressed. The efficiency of the Bank's activities is considered negligible as well, since little has been achieved in terms of concrete results. "Overall outcome, a combination of the above three aspects in OED methodology, is judged highly unsatisfactory." The evaluation made by the Report of other aspects regarding the Bank's activities in Indonesia is also negative: the impact on institutional development is considered negligible; the persistence of the reforms is doubtful.

In sum, the OED Report considers that the 1991 policy was partially implemented by the Bank, but highlights the existence of important gaps in its approach. It emphasizes the Bank's failure to apply a truly multisectoral approach, resulting in its lack of analysis regarding the full impacts -among others- of macroeconomic and trade policy reform.

From our viewpoint, the following points are to be underscored in the OED Report:

- it admits that the Indonesian "miracle" -of which the Bank was an indirect agent- was based on the depletion of the country's natural resources, among them its forests;
- the 1991 Policy was only partially implemented;
- the Bank failed to implement a truly multisectoral approach;
- participation of relevant stakeholders -particularly forest and forest-dependent peoples- has been negligible;
- the Bank did not adequately integrate the forest dwelling poor fully into its poverty reduction strategy and Country Assistance Strategy;
- Bank staff were more concerned in lending money than in ensuring that its lending would serve to protect the forests -with the possible risk of "irritating a large borrower."