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## [World bank's forest policy review](#)

What follows are summaries of the OED main report and of the six country studies which the OED carried out as part of the FPIRS process. In the summaries, we have aimed at highlighting those aspects which we believe to be more relevant, trying not to include our own opinions, some of which we add at the end of each summary. We strongly urge, however, all those intending to participate directly or indirectly in the FPIRS process to also read the full studies, given that neither our summary nor the official OED studies' summaries reflect the rich information contained in the full texts.

### **OED Main Report**

The report contains two main messages: firstly, that the Bank implemented only partially the 1991 forest policy and secondly, that the 1991 policy has been superseded and there is therefore a need for a new strategy.

The report highlights as positive that the Bank's forest policy sent a strong signal of changed objectives in the forest sector, with a new focus on conservation. In consequence, it helped to shift operations away from projects that had in the past contributed to deforestation. But on the other hand, it emphasizes a number of drawbacks, some of which resulting from poor implementation while others attributed to the limitations of the policy itself. In general terms, the OED considers that the Bank has basically failed in containing rates of deforestation in moist tropical forests, which was one of the main objectives pursued by the 1991 policy.

Regarding implementation, the report points out at the lack of sufficient synergy between conservation and development, area in which the Bank could have played a major role. The multisectoral approach -emphasized in the forest policy as essential- was "not pursued actively." Integration of the forest policy with country assistance strategies, macroeconomic and sectoral analysis, or with lending to adjustment, infrastructure or agriculture, "was also limited." Although the report stresses the existence of a "widespread perception that the 1991 strategy had a chilling effect on Bank forest lending", the fact -also stated in the report- is that Bank lending for forests (both direct forest projects and forest-related components of other projects) increased, from 1992-99 in 78 percent, compared to the 1984-91 period. So while direct forest lending stagnated, forest components were incorporated into other non-forest sector projects. Such integration of forest sector lending into the natural resource sector has been -according to the OED- a positive development.

Another failure in implementation highlighted by the report, is that the Bank generated no momentum for the design of a strategy to establish adequate mechanisms for international transfers from North to South to ensure conservation of forests of global value. In the view for the OED team, unless "losers" (forest-rich countries) are compensated by "gainers" (rich countries), forests will continue to diminish and goes on to say that "the Bank should resist pressures to exhort governments to achieve global objectives that cannot be justified on the basis of country benefits alone." The general approach is that there is a contradiction between development and conservation: "Developing countries need increased incomes, employment and exports to meet their development objectives." Those countries need to use their natural capital to finance development. In this case, to exploit their

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forest resources, thus producing "a conflict between national interests and global environmental objectives." If forests are not exploited, the cost will be paid locally and immediately -lesser economic benefits today- while the environmental benefits will be national/global and long term. However, the way in which such exploitation is being carried out is described as wasteful and within a context of illegal logging, poor governance, corruption and lack of enforcement capacity, all leading to environmentally damaging and socioeconomically inequitable exploitation of the forest.

Regarding the ban on the financing of commercial logging in primary moist tropical forests, the report considers it to have been "strategically and symbolically important." However, the consequences on the ground are considered to have been "largely irrelevant to the rates of deforestation", partly due to market pressures for forest production and land conversion stemming from economic liberalization, globalization and devaluation. Additionally, the report blames the strategy for having made the Bank wary of getting involved in experiments to improve forest management, to address illegal logging or to modernize forest industries. On the other hand, it recommends the broadening of the current focus on primary moist tropical forests to encompass conservation of all forest types with rich biological diversity and carbon sequestration potential, including other tropical forests, as well as temperate and boreal forests.

The OED team also points out at the Bank's failure in incorporating forest concerns into its country assistance strategies, although adding that -due to the conservation-oriented forest policy- borrowers from forest-rich countries have been reluctant to incorporate forest concerns in their own priorities for Bank support. Similarly, forest use has not been an important element in the Bank's assistance strategy for poverty alleviation, in spite of the fact that a large share of the population that lives in and around forests is poor and often consists of indigenous peoples and minorities.

In spite of all the above failures in implementation, the OED team arrives at the conclusion that the 1991 policy "has already been superseded, that its effectiveness has been modest and the sustainability of its impact uncertain", highlighting five inherent limitations (which we quote and comment below). It then goes on to describe the characteristics that a modified forest strategy should have in order to meet the aspirations of developing countries.

From our viewpoint, the conclusion reached by the OED team regarding the need to change the policy is not well substantiated. What is clear from the report is that the main problem has been a lack of implementation, coupled with a lack of leadership from the Bank's higher hierarchies to assist country-based staff in the implementation of the policy. The "inherent limitations" of the policy described by the OED team -which we comment- are:

1) The strategy "was narrowly focused on 20 moist tropical countries and neglected other biodiversity-rich forest types that are even more endangered, more important globally, or more in need of conservation to meet the needs of the poor." The fact is that even in those 20 countries, the Bank was not successful in the implementation of the policy, which shows that the problem was not the policy itself but proper implementation. We agree, however, on the need to include all types of primary forests.

2) "While it diagnosed the problem of externalities, it did not stimulate a mechanism for mobilizing grant or concessional funding for gainers to compensate losers for conserving forests of global value, implicitly assuming that governments will borrow Bank funds to achieve global conservation objectives." Again, this is a lack of implementation issue and not an inherent problem of the policy. On the other hand, we disagree with the loser-gainer approach, given that the true gainer in forest conservation is usually composed of local communities which are struggling to protect their forest

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against national and transnational "development" forces.

3) "The strategy failed to address governance issues beyond economic solutions such as the length and price of concessions as incentives for conservation." Governance issues are certainly a day-to-day issue in most Southern countries and are therefore not an inherent component of any specific policy, but of the Bank's strategy to deal with the issue at the country level.

4) "Its cautious approach had a chilling effect on Bank involvement in improving forest management in forest-rich countries that wished to use their forests for economic development." The message is unclear. Should the Bank remove its prohibition of financing logging in primary moist tropical forests? Apparently not, since the OED team recommends the inclusion of other forest types in the future strategy. In such case: will this not mean an increased "chilling effect" on even more Bank staff?

5) "The strategy's diagnosis was insufficient in determining the impact of domestic and international market forces on rates of deforestation." The fact that the Bank itself is one of the major promoters of market deregulation should have surely been discussed in the OED report. However, the fact that the diagnosis was insufficient does not entail the need to change the policy.

In sum, we believe that the policy would benefit from some adaptations, but that there is insufficient evidence to show that the policy has been "superseded", while there is more than ample proof of a lack of implementation. Perhaps the underlying issue is the Bank's wish to change a "policy" into a "strategy", given that the latter would be seen as less mandatory by Bank staff and more of a "good practice" tool than something which they are clearly mandated to adhere to.