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A Forest Safeguard: What Lessons from official Evaluation Reports?

How much more time can we afford to lose?

The negative impacts of World Bank-financed programs on tropical forests have been an issue of concern for forest peoples and for civil society for decades. The livelihoods of hundreds of millions of people who rely wholly or in part on the use of forests are being put at risk, terrestrial biodiversity is disappearing faster than ever and the destruction of forests is a major factor contributing to climate change.

The World Bank Group is the largest source of multilateral funding for forests.¹ This does not include its influential funding of forest projects through World Bank-managed Trust Funds such as the Forest Carbon Partnership Facility or the Forest Investment Program (FIP), one of the Bank's Climate Investment Funds. Beyond its direct funding for forest-related projects, World Bank investments in infrastructure, energy and extractive industries projects have significant impact on forests.

In view of the WBG's fundamental role in shaping forest-related investments, especially in the tropics, it is critical that a revised Forest Safeguard absorb lessons from past experience.

The World Bank's own evaluators, starting with reports by the Operations Evaluation Department (OED) in 1999² to the latest Independent Evaluation Group (IEG) report on the Bank's support for the forest sector, which was published in January 2013³, document fundamental failures in WBG's forest-related lending:

- Inadequate reflection of social, institutional and political realities on the ground in project design and implementation;
- A lack of participatory approaches;
- A lack of attention to poverty reduction;
- No evidence of environmental sustainability of both tropical timber concessions and protected areas.

¹ The World Bank Group, Forest and Trees in Sustainable Landscapes, Action Plan, FY 14-16, Concept Note, May 20, 2013, p.5.

² OED, "A Review of the World Bank's 1991 Forest Strategy and its Implementation," Volume 1, Main Report, January 13, 2000.

³ IEG, "Managing Forest Resources for Sustainable Development – An Evaluation of World Bank Group Experience, December 2012.

The 1999 OED Evaluation documented serious flaws in the Bank's support for the forest sector during the previous decade. Yet, as the latest IEG Report on the WBG's forest-related lending shows, the problems identified more than a decade earlier have remained unaddressed. In the meantime, WBG forest-related lending in the period from FY 02 to FY 12 has totaled at least US\$ 4.1 billion.⁴

In addition to the IEG's most recent evaluation related to forests, its evaluation concerning Safeguards more broadly is also highly relevant.⁵

Development Policy, P4R and other Non-Project Finance Lending

In the period FY02-FY12, an estimated 40% of forest sector funding were supported by Development Policy Loans (DPLs), including support for policy and institutional reforms of tropical timber concession management.⁶

Yet the Safeguard Review is currently framed to apply only to the World Bank's shrinking portfolio of project finance and not to DPLs.

The IEG called for the consistent application of safeguards across all types of Bank lending:

"It is vital to seek consistency among the approaches followed in these growing segments of the portfolio to ensure coherence in environmental and social sustainability outcomes."⁷

To date this critical recommendation is simply being ignored.

Inter-Sectoral Linkages

OED, IEG's predecessor, already called in 1991 for a forest policy that pays close attention to inter-sectoral linkages because forests depend strongly on policies beyond the forest sector, such as those affecting land-use and the management of existing forests.⁸

This recommendation has not been put in place over the past quarter century. But it now has a new urgency because the expansion of WBG-related investments, such as infrastructure development in so-called middle income countries and in mining in Africa, is likely to have significant impact on already vulnerable forest lands.

⁴ The World Bank Group, Forest and Trees in Sustainable Landscapes, Action Plan, FY 14-16, Concept Note, May 20, 2013, p.5.

⁵ IEG, Safeguards and Sustainability Policies in a Changing World, An Independent Evaluation of the World Bank Group Experience, 2010.

⁶ Supra note 4.

⁷ IEG, Evaluative Directions for the World Bank Group's Safeguards and Sustainability Policies, 2011, p.17.

⁸ OED Précis, Forestry Development: A Review of Bank Experience, June 1991.

The latest IEG Forest-Related Evaluation: Managing Forest Resources for Sustainable Development

While the IEG evaluation pays much tribute to the achievements of the World Bank, IFC and MIGA, its conclusions are unambiguous⁹:

- The environmental sustainability of 75% of Bank supported protected area projects are at risk;
- There is a failure (for the most part) to address poverty reduction;
- There are negligible outcomes, especially in the tropics, concerning the goal to integrate natural forests into economic development in a socially and environmentally sustainable way.

What follows are some key IEG findings:

Non-recognition of rights & of unequal power relationships

Concerning sustainable land management, most Bank projects focused on technical interventions, but did not pay “...attention to the rights of the people to the land or involvement of beneficiaries in the management of these areas...”(xx).

“To varying degrees, World Bank, IFC and MIGA projects often assumed, without verification, that benefits would accrue to the poor within targeted areas, rather than to community members with more wealth or power” (p.100). Note: IEG here seems to include powerful interest groups among community members.

“In the Bank’s protected area portfolio, governance is often viewed as an intra- or inter-ministerial issue with outreach to communities describes as ‘participatory’ but with little evident recognition of the large differences and power within local communities” (xviii).

“Attention to rural poverty has been lacking in World Bank supported concession reform projects” (xxi).

Alternative livelihoods in and around protected areas

75% of protected area projects included alternative livelihood schemes, but these did not achieve their intended objectives:

“Yet just 2 out of 37 closed protected area projects achieved their intended livelihood aims” (xix).

⁹ Supra, Note 3.

Involuntary Resettlement

Three-quarters of protected area projects (40 of 55) with available data triggered OP 4.12 (Involuntary Resettlement):

“Yet only two of the closed projects to date have reported on whether the potential adverse impacts on livelihoods (forest-related assets, or access to assets and services), have been mitigated” (xix).

Participation

The IEG study notes that Participatory Forestry Management projects have yielded positive livelihood benefits and better environmental outcomes.

But such participatory approaches appear to be the exception rather than the rule:

“However, the potential of participatory forestry management to lift forest-dependent people out of poverty has been inhibited by over-regulation or inappropriate regulation of small-scale forest enterprises ... Bank projects have not adequately addressed this policy barrier” (xix).

Participation has also been lacking in protected area projects:

“The lack of meaningful integration of communities into integrated conservation management schemes is one reason why sustainability of these systems is lacking” (xix).

Environmental outcomes in protected areas

“Sustainability of the environmental outcomes in three-quarters of Bank-supported projects was found to be at risk” (xix).

Industrial timber concessions

Perhaps the most important change in the 2002 Forest Strategy as compared to the Bank’s 1991 Forest Policy Paper was overturning the previous ban on direct support for industrial logging in tropical moist forests. The Bank argued that supporting industrial operations – albeit certified ones - in tropical moist forests was integral to poverty reduction. After ten years of implementing the 2002 Forest Strategy, the IEG notes that Bank-supported industrial timber concession reforms in Central and West Africa have helped lead to advances in the rule of law, transparency and accountability as compared to the without Bank scenario, but the practical results appear to be nil:

“Evidence is lacking that these reforms in tropical moist countries with weak governance has (note: should be have) led to sustainable and inclusive economic development” (xxi).

“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” (xxi).

“Evidence is also lacking that concessioned natural forests are being managed sustainably” (xxi).

IEG makes a critical recommendation in this context, calling for a comprehensive public review of the economic, environmental and social outcomes associated with Bank support for industrial timber concession reforms in tropical moist forest countries with weak governance (pls. see below).

Certification

A key argument to justify the Bank’s lifting of the ban on direct support for industrial logging in tropical moist forests was that support for such operations be subject to certification.

However, the IEG found that IFC Forest Product Sector investments face *“... continued challenges in achieving certification and ensuring sustainable forest management” (xxii)*. Less than 50% (15 out of 32) projects using wood from natural or plantation forests achieved certification as planned. It is unclear whether IEG evaluated the quality of the certifications where these took place.

Supply Chains

IEG calls for greater attention to creating demand for certified supplies.

“Of the six (IFC) investments that used pulp or fluff, only one project... provided verified information on the sustainable sourcing of its supply” (xxii).

Conservation

One hundred of the Bank’s 289 forest sector projects were designed to explicitly support protected areas.

“However, in those projects specifically designed to conserve global biodiversity, there was little evidence to support an evaluative conclusion about biodiversity outcomes” (xviii).

“The siloed nature of many of the protected area projects considered livelihoods only in the context of providing alternative income schemes (e.g. though micro-grants) without addressing the root causes of the anthropogenic threats” (xviii).

Climate Change

Only one-third of the protected area projects designed since 2008 included climate change in project design.

Concerning Sustainable Land Management projects:

“Despite references to climate change, there was a tendency to neglect the role of climate variability when rehabilitating degraded areas or when shaping the success or failure of revegetation projects” (xx).

Monitoring and Reporting Systems

“The monitoring and reporting systems of the World Bank forest sector operations are inadequate to verify whether its operations are supporting forest management in an environmentally and socially sustainable way, in line with the 2002 Strategy and the Bank Group’s Operational Policies” (xxiv).

Indicators are weak and inadequate:

“World Bank and IFC projects often assumed, without verification, that benefits would accrue to the poor within targeted areas, rather than to community members with more wealth or power” (xxiv).

Critical recommendations of the IEG

- **Meaningful participation** of local communities both to be built into the design and management of protected areas and in forest management;
- **Tropical Moist Forests:** 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 countries with weak governance.
- **Track outcomes:** utilize indicators that can actively track the three objectives of the 2002 Forest Strategy (development, poverty reduction and conservation).

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