

# Is The World Bank Meeting Its Forest Commitments?

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# Summary

The World Bank has recognized the importance of forests for sustainable development. In three documents—the Forest Action Plan (FAP), Climate Change Action Plan (CCAP), and IDA-18 Replenishment Report—it undertook both to increase its work in forest conservation/forest management and in reducing impacts from development projects in other sectors such as agriculture and infrastructure.

BIC compiled a list of 39 forest-related planned actions contained in the three documents, developed metrics and indicators, took on board Bank feedback and asked the Bank to assess its own performance on the resulting “scorecard.” This report is BIC’s independent assessment of publicly available data related to the scorecard, which we intend to update annually or biannually as data become available.

Our major finding: for four-fifths of the planned actions, the Bank has not released aggregated data. While more data may become available as the Bank reviews its own performance, if ‘what gets measured gets managed,’ it appears that the Bank as a whole is doing little to manage its forest impacts. But available data points to a second, perhaps more serious finding: there is no systematic effort to “mainstream” forests across the Bank portfolio. This is reflected in the fact that Country Forest Notes, intended to bring forest considerations into the development diagnostics and planning of the Bank and its clients, are not being used for this purpose—with one exception (Nepal) and that only by chance.

Given forests’ importance in sustainable development, the Bank was right to highlight forests in its planning documents, and it should follow through during their terms (through 2020). In addition to **addressing its data and staffing gaps**, the Bank should move to implement its planned actions, e.g.:

- **Integrate Country Forest Notes in development diagnoses and plans**, such as Systematic Country Diagnostics (SCDs) and Country Partnership Frameworks (CPFs).
- **Expand application of the landscapes approach** for sustainable land (and forest) management.
- **Build on existing partnerships**: engaging other development partners expands the impact of programs by sharing knowledge and experience; this should continue.

Beyond these, BIC recommends the Bank move on both the policy and program fronts to align itself with the goals these documents embody. While the following are not required to meet existing commitments, they provide an agenda both for protecting forests and mainstreaming forests across the Bank’s portfolio, as the FAP and CCAP envision:

- **Introduce institutional incentives to mainstream forests** into other sectors.
- **Exclude commercial logging in primary forests** from eligibility for financing.
- **Make REDD+ real**: Scale up, then maintain, performance-based payments under REDD+. Despite much work on REDD Readiness, REDD+ remains largely untried: performance-based payments for reducing deforestation have only been delivered in a handful of projects. Doing this for real also means ensuring fair benefits for local forest stewards.
- **Set a target to stop deforestation**: The World Bank and its regional counterparts should commit, at minimum, to a goal to end natural forest loss in projects they finance by 2030, consistent with the N.Y. Declaration on Forests.
- **Grow forests in PMR and WAVES**: Both the Partnership for Market Readiness and the Global Partnership for Wealth Accounting and Valuation of Ecosystem Services (WAVES) offer significant potential as underpinning of payment for ecosystem service programs that recognize the many economic values of forests—beyond, e.g. as a source of timber-- and other natural capital.
- **Have a Champion--and Be One**: As with anything of value, forests, their conservation, and management is a political as well as economic issue, and ensuring recognition of forests’ values and forest peoples’ rights requires a strong political will and voice.

This is an ambitious agenda. But little of it is new ground. And much of this could be accomplished by robust implementation of the FAP/CCAP/IDA-18 commitments. So, it is worth reviewing those, and their implementation status, in more depth.

# Easy Question, Difficult Answer

Starting in 2018, the Bank Information Center (BIC) set out to answer a simple question: Is the World Bank meeting its forest commitments<sup>1</sup>? We found out that there's not a simple answer.

For starters, there are a lot of commitments. Our first count came up with 82; after eliminating duplicates and further consolidation based on consultations with Bank staff, we reduced the list to 39 commitments with 45 indicators<sup>2</sup> (see Annex 1) that we have grouped into five thematic categories:

- 1. Investment** - Investments in/financing for forest conservation and sustainable forest management, at both project and policy levels
- 2. Inclusion/ Rights & Participation** - Provides or supports local forest stewards, forest-dwelling and forest-dependent peoples, and their tenure, access, and rights to forests & forest resources; increases sharing of forest benefits, especially for the vulnerable & marginalized and for women and other groups who have traditionally been denied benefits, access, or skills development.
- 3. Forest-Smart Interventions** - Promotes or provides for action in other sectors to avoid deforestation and forest degradation, i.e. "forest-smart" policies and programs
- 4. Planning/ Institutions & Governance:** - Provides or supports forest planning, research, monitoring, information, awareness, and/or capacity affecting the forest sector to prepare, inform, motivate, and promote investment, inclusion, and avoided deforestation.
- 5. Cross-cutting** - Fulfills two or more of the commitment categories above.

Then we evaluated the World Bank's portfolio – both in the forest sector and in other sectors—to see if these commitments are being put into practice. And it became clear that the answer is mixed: in a few areas, yes; in other areas, no; and in most areas: we don't know because the information is not available.

That, of course, is not satisfying—or satisfactory, given the importance of forests and forest peoples for the well-being both of people and the planet. But by consolidating and communicating the Bank's forest commitments and identifying indicators for measuring progress, we are bringing forests and forest peoples back into the conversation. We are working with the Bank to get answers so that the Bank, its Board, and other stakeholders can track progress in these areas.

While we don't have all the information, we do have lessons learned. Based on our experience, we share the answers we have, note where information is needed, and offer recommendations on how the Bank, its Board, and its clients can better engage in and mainstream forest work.

## WHAT ARE THE COMMITMENTS?

The World Bank's Forest Action Plan ("FAP," April 2016) set out two pillars to heighten the Bank's support for forests: the first is an increase in direct support for forest programs; the second is to "mainstream" forests so that they are taken fully into account in other sectors. Overall, the FAP "aims to integrate the sustainable management of forests more fully into development decisions and define priorities for WBG interventions in the next five years."

Alongside the FAP, the Bank adopted its Climate Change Action Plan (also April 2016) and the Executive Directors' Report for the 18th Replenishment of the International Development Association (IDA-18), the Bank's fund for its lower income clients, in January 2017, covering FY2018-20, essentially the last three years of the FAP.

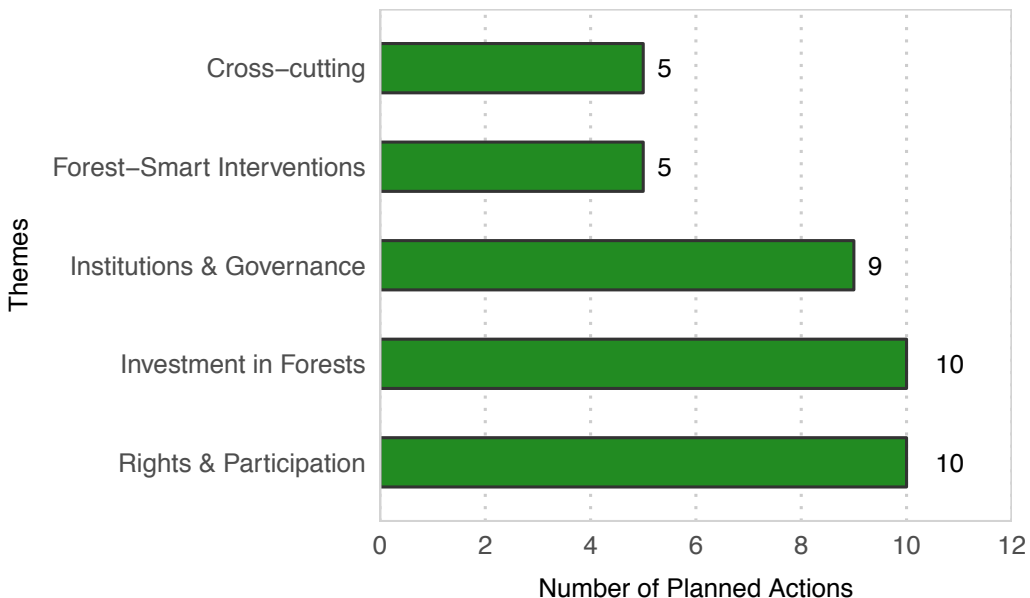
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<sup>1</sup> Discussing the question with Bank staff, they objected to the characterization of the items we identified as "commitments," noting that an action plan, for example, only lays out proposed or planned actions, not commitments. While we don't see the terms as meaningfully different, we have generally used "planned actions" to be consistent with Bank usage. What matters is whether the actions (or commitments) are being undertaken/implemented, and we believe it most productive to focus on that.

<sup>2</sup> While the reduction in number means some loss in granularity, the remaining actions and indicators still provide a strong basis for assessing WBG performance with respect to forests and forest-related programs. We also believe that as a general rule, a study is enhanced when those responsible for the activities under review are provided a right of response.

Since the IDA-18 Report included climate change as one of its themes, we found elements relevant to a review of Bank performance on forests, and included those where appropriate. To align the information from these documents, we organized it in five themes, shown in the chart below with the number of Planned Actions for each.

Of the 39 total actions, we were able to score from public data only seven—ones where the data was easily tracked, such as funds committed, documents produced, or partnerships operating. The results for the seven Planned Actions for which we have data are in **Annex 2**.



Based on this partial information, what can we say? The World Bank Group appears to be making progress in its investment in forests; is falling short in its goals in planning & institutions; and is doing well in cross-cutting work.

Weighting themes equally, it yields a 3.0, or B, from what we can measure. But the real concern is the 32 of 39 actions, more than four-fifths, that we can't measure, including all of those in "Rights & Participation" and "Forest-smart Interventions."

Numbers are funny. Interpreting them requires context. According to the World Bank's own forest projects data, the total of new forest commitments approved since the FAP (2 ½ years)<sup>3</sup> is \$1.9 billion – significantly less than the \$2.3B for FY18 cited above. What explains the gap in the data the Bank is sharing? The discrepancy appears to be in the difference between "commitments on forests," which may include projects in other sectors (such as agriculture) that are coded to include forests, and the projects that are primarily focused on forests—the forest projects we found.

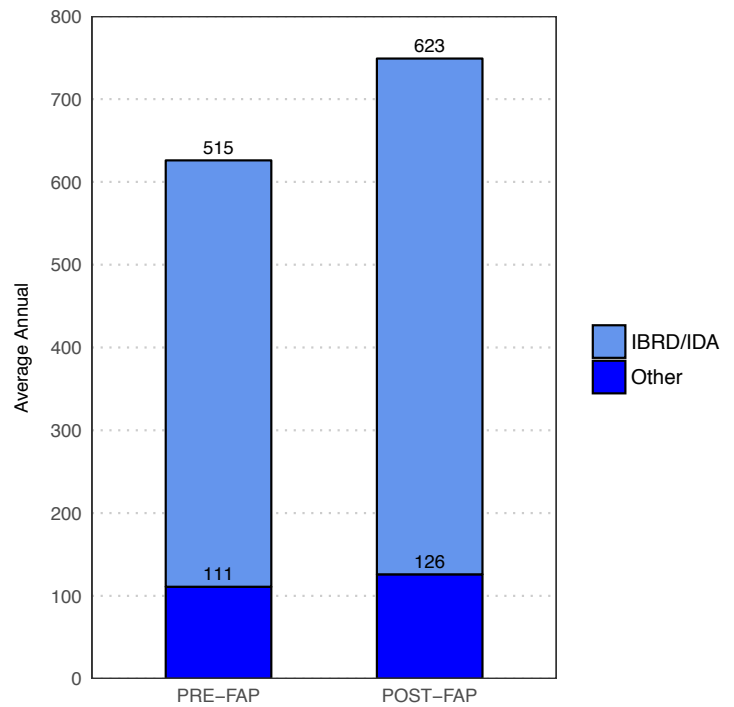
## WB "INVESTMENT IN FORESTS:" GROWTH FROM A MODEST BASE

BIC did dive deeper to assess the Bank's forest-related loan portfolio to see what else we could learn from the data, a bit more than halfway through the FAP effort. According to the Bank's Forests website,

Since the adoption of the FAP in 2016, World Bank commitments on forests have increased from US\$1.8 billion (FY16) to US\$2.3 billion (FY18), and IFC investments grew from \$24 million (FY16) to \$118 million (FY18).

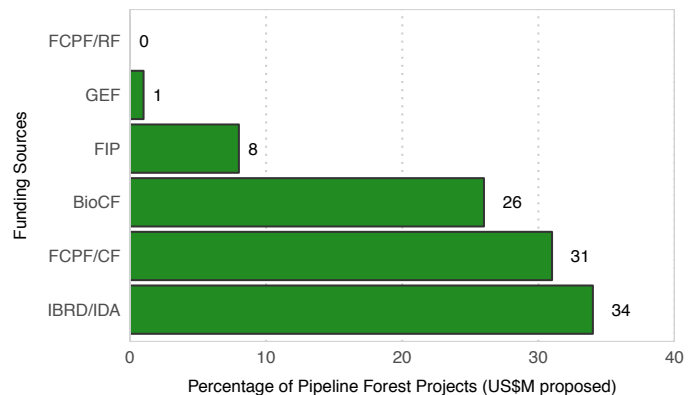
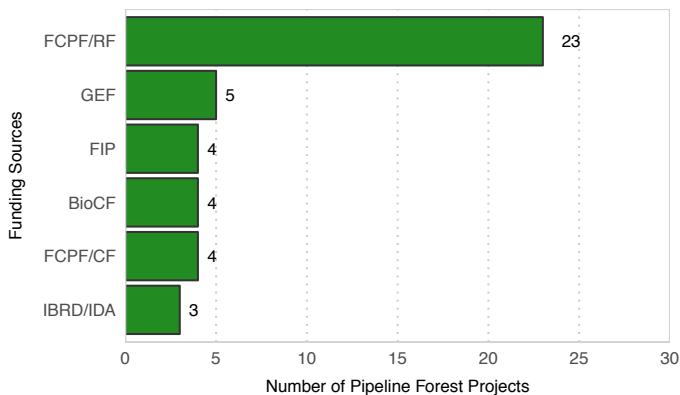
<sup>3</sup> We used a cutoff date of October 31, 2018 for our portfolio analysis.

Our analysis shows an annual average of new forest project approvals since the FAP of just over \$725 million. This is an increase of almost \$100M p.a. (16%) relative to the prior four-year period (April 2012- Mar. 2016). That is substantial growth, albeit from a modest base. Also positive: the vast majority of these projects (83%) has been funded from the Bank's own (IDA and IBRD) resources. So the growth is not only from trust funds (which depend on one-off donations) that the Bank administers. The IBRD/IDA percentage turns out to be consistent with that for the prior four years (84%).



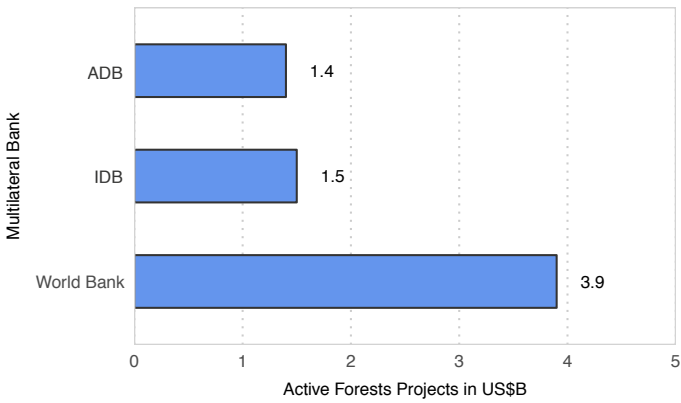
### AVERAGE ANNUAL WB FORESTS PROJECTS (US\$M)

The current forest project pipeline shows a changing profile. Of 43 projects, only 3 are funded by IBRD or IDA; while these are larger than most of the rest, totaling \$208M or 34% of the total \$620 million in the pipeline, it is still a big shift away from IBRD/IDA in favor of trust fund-supported projects. At the same time, with a range of 13-23 (and average of 18) forest project approvals annually over the past five years, it is less a fall in the IBRD/IDA pipeline than a bulge caused by a large number of trust fund grants included, 28 from the Forest Carbon Partnership Facility alone.



Looking at the numbers alone--the quality and effectiveness of the design and implementation of these projects warrants its own study-- the first pillar of the FAP, increasing the Bank's work on sustainable management of forests, appears to be on track. The Bank deserves credit for this, and for developing trust funds with a forest focus that are now being implemented in processes that have included improved stakeholder engagement.<sup>4</sup>

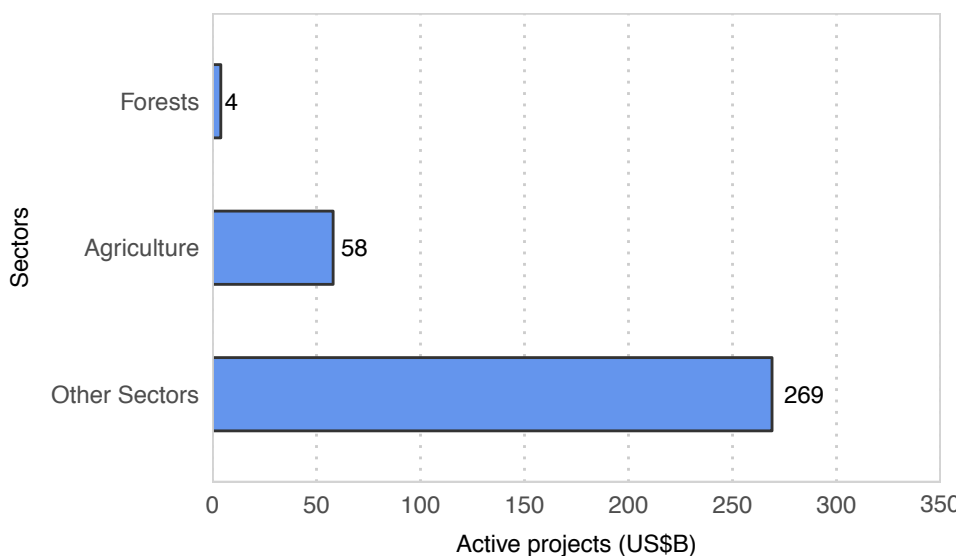
With these, the Bank has roughly \$3.9 billion in active forest projects. This is substantially higher than any other multilateral bank. Among the regional multilaterals, we found that IDB has about \$1.47B and ADB \$1.36B in forest projects, while AfDB doesn't track forest projects as a separate category.



<sup>4</sup> All of the trust funds with forest projects (GEF, BioCF, FCPF, and FIP) pre-date the FAP, so this part of the Bank's forest portfolio really represents a continuation of pre-FAP forest work, rather than a shift. That said, continuity of programs is essential in the forest sector since achieving results usually requires years, and enables improvement as lessons learned are incorporated.



More sobering, though, is that the forests portfolio pales in comparison to the Bank’s overall portfolio. Total IBRD/IDA loans as of 6/30/18 were \$331.3 billion<sup>5</sup>, so the forests portfolio represents 1.2%.



What this means is that, regardless of the uptick in the Bank’s lending for forests, what really matters is: **how are forests affected by the other 98.8% of the Bank’s lending?** Is it really “forest-smart?” Agriculture or infrastructure projects that do not protect the environment and the needs of forests peoples and other local communities could quickly outweigh any benefits brought by the increased work in forests, a cruel paradox both for those engaged in such work and for the people intended to benefit from the project.

## FOREST MAINSTREAMING? WHO CAN KNOW?

Given the importance of the Bank’s performance on the FAP’s second pillar, mainstreaming or integrating forests in other sectors, good information is critically important. Here, we have a problem, or rather, a few problems:

- 1. Limited data/no tracking:** The FAP set out a number of forest-related indicators which were to be tracked across its loan portfolio, but the Bank has found this couldn’t be done because projects varied too much

in their settings and their specific objectives. The Bank is not able to track many of the actions in the Forest Action Plan and other documents committing to forest actions. Thus, the Bank’s performance in mainstreaming forests is not clear. With no data for forest-related outcomes, it is difficult to assess the Bank’s real impact on forests and forest peoples.

This is not surprising given the modest size of the Bank’s Forests team, even for actions that fall in its purview. Bank-wide actions-- mainstreaming of forests—require resources and attention from staff with broader responsibility for measuring the Bank’s impacts. To support an effort in this direction, BIC has shared its analysis of the Bank’s forest commitments, focusing on those that are likely to be most impactful, and suggested indicators that could or should be used in a self-assessment.

<sup>5</sup> This is \$185.6 billion of IBRD and \$145.7 billion of IDA loans. See Management’s Discussion & Analysis and Financial Statements June 30, 2018, IBRD – p.30 and IDA – p.5. NB: Our sectoral numbers were collected on Active projects as of 10/31/18, so (given growth) these actually slightly overstate the sectors’ shares relative to the total loans outstanding.



**2. Ambiguous data.** To assess the Bank's success in mainstreaming forests, we also looked at its Agriculture portfolio, since agriculture is the greatest driver of deforestation across the developing world.<sup>6</sup> This is a huge part of the Bank's portfolio...or is it? The Bank lists some 381 projects totaling over \$30 billion in its Agriculture portfolio approved since the FAP<sup>7</sup>; over 90% of these are still active. Many of these, about a third, look likely to have a positive impact on forests—in fact, many are forests projects. This is understandable since the Bank groups agriculture and forestry together. That said, it makes it hard to analyze the impact of the Bank's agriculture portfolio on its own.

Along with agriculture (and forestry), one finds projects on trade, energy, fiscal/public sector reform, competitiveness, earthquake reconstruction, transport infrastructure, and local development—to name a few! One has to imagine that this reflects a Bank incentive structure in which project leads are rewarded for coding projects in as many sectors as possible, or perhaps especially as Agriculture, rather than reflecting the primary aim of the project.

Despite this, we attempted to analyze this portfolio. About a quarter of the projects post-FAP seemed to have a “climate-smart” focus, such as sustainable land management, integrated water resource management, and the like (though only two were titled as “climate-smart”). While this is positive, impacts will depend critically on how projects are implemented. For example, projects for livestock development could be good, but only if they are designed and implemented to reduce the negative environmental impacts that the livestock industry generally has. Many projects are designed to enhance productivity, competitiveness, etc., which can be positive, if done without adding externalities, as economic growth pushes risk doing.

For comparison, we also looked at the previous four years of Agriculture projects (April 2012–April 2016). The results look quite similar to the more recent Agriculture portfolio. The major difference is an increase in volume (from \$9.3B to \$11.9B p.a., a 28% jump) since April 2016, but this may reflect more an increase in the range of projects being coded to agriculture than an actual increase in Agriculture projects. In sum, whether the Bank's

Agriculture portfolio is fully “climate-smart”—or more particularly, forest-smart—can't be assessed from its portfolio data.

**3. Partial Follow-through.** The Bank's limited data on meeting forest-related commitments that can be tracked is mixed. For example, the Bank committed to preparing climate-smart agriculture (CSA) profiles and investment plans for at least 40 countries, including 10 country-level investment plans for IDA countries, by 2020.<sup>8</sup> [We have included this in our analysis since “climate-smart” (although broader) is a reasonable proxy for “forest-smart” agriculture.]

The Bank has prepared 31 CSA country profiles (17 since the FAP/CCAP), with three more under preparation. So this is on track. At the same time, while the CSA profiles do include brief sections on “CSA Financing” and “Potential Finance,” these are primarily retrospective and do not quantify either CSA financing needs or opportunities. Not one CSA investment plan as such has yet been published; it will require a major push to complete 10 for IDA countries by 2020.

**4. No (deliberate integration in) planning.** Similar to its commitment on CSA profiles, the Bank committed to producing 20 “Country Forestry Notes” (10 in IDA countries)<sup>9</sup> by 2020. As of January 2019, only four CFNs have been published, and a fifth produced in draft. You can read BIC's reviews of CFNs for Mozambique and Liberia, Nepal and Indonesia (draft), and Turkey. In general, while CFNs are strong on analysis, they address only partially the integration of forests with other sectors/overall development plans, and largely fail to integrate the Bank's forest programs either with its own diagnoses of development needs (Systematic Country Diagnostics), its country program plans (Country Partnership Frameworks), or the larger development finance community. To fulfill their intended purpose, CFNs need to serve either as an input to SCDs and CPFs or be prepared in tandem in an integrated way. As the FAP itself explains (p.30):

A key objective of this strategic analysis is to define investment options that are not achieved at the expense of forests.<sup>15</sup> The strategy is to avoid locking countries into pathways that may lead to irreversible conversion of land, such as the destruction of natural forests.

<sup>6</sup> Agriculture is estimated to be the direct driver for around 80% of deforestation worldwide. See Science News, “Agriculture is the direct driver for worldwide deforestation,” September 25, 2012, Wageningen University and Research Centre.

<sup>7</sup> As above, we used a cutoff date of October 31, 2018 for our analysis.

<sup>8</sup> World Bank Climate Change Action Plan, p.44; Report from the Executive Directors of the International Development Association to the Board of Governors, Additions to IDA Resources: Eighteenth Replenishment, (modified on January 31, 2017), p.39.

<sup>9</sup> Ibid.

So while CFNs are doing a good job of analyzing what needs to be done in the forest sector, they are doing less well in what is really the more critical job of shifting the development pathway for the country to avoid deforestation from other sectors.

**5. Budget and Staffing: Where's the beef?** The Forest Action Plan set out what had the potential to be a transformational agenda. But transforming a major institution such as the World Bank requires time and effort, which translates into people and money. What additional resources has the Bank devoted to realize the forest mainstreaming agenda laid out in the FAP? Little to none, it seems.

A couple of examples: to draft its Country Forest Notes, the Bank has had to convince Participants of the Forest Carbon Partnership Facility to allocate \$3 million from its budget to the Bank's Program on Forests<sup>10</sup>, which does a lot of the Bank's analytic work for the sector. Taking money from FCPF to give to PROFOR is at best a zero-sum result for actual forest programs. In terms of staff, at the time the FAP was published, the Bank had separate staff serving as Forests Lead, as Forest Investment Program manager, and Dedicated Grant Mechanism (DGM) manager<sup>11</sup>; today, all three of those responsibilities fall on a single Bank staff member.

Looking at the Bank's forest pipeline, it is dominated by projects funded by forest and environment trust funds (FCPF and GEF); only a third of funds come from IBRD or IDA (and this concentrated in 3 of 43 projects in the forest pipeline). While we applaud, on the whole, the work of these trust funds, they tend to segregate, rather than mainstream, work on forests. The exception would be the BioCarbon Fund's Initiative for Sustainable Forest Landscapes (ISFL), through its jurisdictional/landscapes approach. But ISFL is only a \$350M (total pledged) program, divided among four countries.<sup>12</sup>

## WHAT IS NEEDED: A FEW MODEST (AND SOME IMMODEST) PROPOSALS

We recognize that the World Bank is making an effort—as noted above, the forest portfolio has grown; growth to date has included IBRD/IDA (not only the trust funds); there has been some progress in forest planning/"upstreaming" (e.g. the Nepal CFN); the "agriculture" portfolio, including climate-smart agriculture, is growing; and the World Bank, compared to its regional counterparts, is #1 in forest finance! These are positives to build on.

We also recognize that ending deforestation is beyond what any one institution can do. But the World Bank should be able to measure and improve its own forest impacts. Several of the actions below should already be underway in line with the FAP, CCAP, and IDA-18 Report. These steps don't require huge resources or policy adjustments. Others, more ambitious, would require a policy decision by the Bank's Executive Directors, normally based on a staff proposal, and for some, additional resources, and some donor funds—but in amounts that are modest relative to overall development finance.

Recommendations below are divided according to primary responsibility, as we see it, although all require collaboration, including with Country Teams, Trust Funds (as referenced/relevant), and the Forests Team (necessarily involved in most).

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<sup>10</sup> See Forest Carbon Partnership Facility Twenty-Sixth Meeting of the FCPF Participants Committee (PC26) Washington DC, October 9-11, 2018 Co-Chairs' Summary, p.3.

<sup>11</sup> Carole Megevand served as Forests Lead, Gerhard Dieterle as Forest Investment Program manager, and Madhavi M. Pillai as Dedicated Grant Mechanism (DGM) manager.

<sup>12</sup> For comparison, this is about the same as a proposed WB budget support loan for a single state in Brazil, the Mato Grosso Fiscal Adjustment DPL.

## OPERATIONS POLICY AND COUNTRY SERVICES:

**Better Data/Tracking Indicators:** We would posit, as a corollary to the dictum “what gets measured gets done,” that “what gets measured properly gets done properly.” As a starting point, the Bank should devote the resources needed to apply to its forest portfolio the Core Sector Indicators set forth in the Forest Action Plan. Beyond the CSIs, it should commit to robust tracking of all the actions laid out in the Forest Action Plan, at least on a par with other sectoral initiatives. It should also apply more rigor to its sectoral tracking generally so that fiscal reform and energy projects, for example, are not counted as agriculture.

### **Integrate Country Forest Notes in Development Plans:**

Forests cannot be saved if addressed as a stand-alone sector. To shift the development paradigm, CFNs must:

1. be integrated at the beginning of the SCD/CPF process<sup>13</sup>;
2. address fully how development in other sectors, notably agriculture and infrastructure, will be changed to become “forest smart;”
3. integrate “forest smart” planning with other development actors, both national and international.

## GLOBAL PRACTICES AND CROSS-CUTTING SOLUTIONS AREAS

**Integrate Landscapes (More):** Consistent with the need for integrating forests in land use and spatial planning generally, the application of the landscapes approach is one of the more hopeful developments for sustainable land (and forest) management. Landscape approaches apply spatial planning, adaptive management, stakeholder engagement, and other tools/methods to allocate and manage land to achieve social, economic, and environmental objectives in areas where agriculture, livestock, and other productive land uses may compete with environmental and biodiversity goals.<sup>14</sup> In a sustainable landscape approach, according to Conservation International (CI)

*“essential natural capital is maintained by promoting the use of best practices in production, planning and local decision-making processes to ensure the healthy provision of ecosystem services and the improvement of human well-being. Over the long run, a sustainable landscape is characterized by zero net deforestation, with all land under some form of management regime, leading to quantifiable improvements in local human well-being. This includes sustainably-financed protection of essential natural capital and development of sustainable production areas.”*

This kind of approach has been piloted by the Bank in the BioCarbon Fund Initiative for Sustainable Forest Landscapes (ISFL)<sup>15</sup> and in some of the Bank’s Agriculture projects; it should be expanded.

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<sup>13</sup> We base this on country-level experience as well as the logic and stated purpose of CFNs. In Peru, the SCD/CPF process provided a vehicle through which civil society groups could express their concerns to “reduce pressure on forests and the people who depend on forests, biodiversity and carbon stocks” and include them in the strategic documents that would guide and prioritize World Bank investment in the country. Thus if CFNs are integrated from the beginning of the SCD/CPF process, the Bank will be better able to integrate forests and forests peoples’ issues in sectoral projects in a systemic and holistic manner.

<sup>14</sup> According to the Center for International Forestry Research (2013), Ten Principles of the Landscape Approach are recommended for reconciling agriculture, conservation, and other competing land uses:

- Principle 1: Continual learning and adaptive management.
- Principle 2: Common concern entry point; negotiation processes based on trust.
- Principle 3: Multiple scales to incorporate synergies, flows, interactions, and time lags.
- Principle 4: Multi-functionality that enables landscape uses to be reconciled.
- Principle 5: Multiple stakeholders engaged.
- Principle 6: Negotiated and transparent change logic.
- Principle 7: Clarification of rights and responsibilities.
- Principle 8: Participatory and user-friendly monitoring.
- Principle 9: System-level resilience via active recognition of threats and vulnerabilities.
- Principle 10: Strengthened stakeholder capacity.

...Above all, people lie at the heart of the landscape approach, and the 10 principles... enable it to be applied in a more consistent way. This will allow the multiple benefits that flow from a landscape to be enjoyed by a wider range of stakeholders. The principles shift the center of gravity of decision making to local people, and from the “what” and “where” to the “how” and “why” of managing the agriculture–environment nexus.

<sup>15</sup> Other examples include a Rainforest Alliance landscape-level project in Ghana centered on sustainable practices that conserve biodiversity, increase productivity, provide greater long-term stability to all value chain participants and increase the income of smallholder farmers.... Technical assistance was provided to assist farmers in meeting the rigorous standards of the Sustainable Agriculture Network, or SAN (SAN 2010). SAN encourages farmers to analyze and consequently alleviate environmental and social risks caused by agricultural activities. Many of the SAN criteria necessary for certification promote climate-smart agriculture [CSA] practices. Landscape activities implemented under the project were directly linked to Ghana’s national agricultural and environmental policy for cocoa production and biodiversity conservation (Gockowski et al. 2010; Government of Ghana 2012).

**Keep Partnering and Innovating:** The World Bank is most effective when it engages other development partners in its programs. The Forest Investment Program has been a good example, ensuring that the regional MDBs take part in designing and implementing investments in sustainable management of forests—and thereby sharing knowledge and experience. The Forest Carbon Partnership Facility likewise has had UNDP and IDB as delivery partners along with the World Bank. IFC has collaborated with NGOs, such as CI, and others in developing its forest bonds. This kind of work should continue.<sup>16</sup>

While the above recommendations are what we view as baseline programmatic steps (to be followed by project-level implementation) for demonstrating follow-through on the FAP, CCAP, and IDA-18, really robust implementation would involve both policy and programmatic moves. So here are our “immodest” proposals:

## **DONORS, EXECUTIVE DIRECTORS, TRUST FUNDS:**

**Introduce Institutional Incentives To Mainstream Forests Into Other Sectors:** To ensure that other sector projects at the Bank prioritize protecting the environment and the needs of forests peoples, incentives need to be introduced. Budgetary incentives can be combined with results-based incentives to prioritize forests and forests peoples’ agenda.

**Primary Forest Exclusion:** The WBG should join ADB, AIIB, EIB, and IDB in excluding from eligibility for financing, as a matter of policy, commercial logging in primary tropical or old growth forests. EIB has an additional policy against financing conversion of natural forests to plantations that the WBG should also adopt as consistent with its FAP/CCAP commitments.

**Set a target to stop deforestation:** Members of the Consumer Goods Forum have committed to zero net deforestation in their supply chains by 2020; the N.Y. Declaration on Forests, of which the World Bank is a signatory, commits to at least halve the rate of loss of natural forests globally by 2020 and strive to end natural forest loss by 2030. It is thus entirely appropriate that

the World Bank and its regional counterparts commit to, at minimum, a target to end natural forest loss, to be achieved by 2030 at the latest.

**Make REDD+ real:** Scale up, then maintain, performance-based payments under REDD+. <sup>17</sup> The Bank as Trustee for the Forest Carbon Partnership Facility, the Forest Investment Program, and the BioCarbon Fund, has done much of the hard work (REDD Readiness) to make this possible, yet REDD+ remains largely untried: performance-based payments for reducing deforestation have only been delivered in a handful of projects, and in most cases, promised payments and local benefits have been insufficient to ensure permanent forest protection. REDD Readiness, which includes Strategic Environmental and Social Assessment (SESA) and Environmental and Social Management Frameworks (ESMF), has value in raising awareness of forests’ multiple benefits and should be continued. As of January 2019, of the 47 country participants in FCPF, 24 have validated or completed REDD+ Strategies, 14 SESAs, and 13 ESMFs<sup>18</sup>.

So, even in REDD+ Readiness, work remains to be done completing and validating REDD+ Strategies, etc. for 20+ remaining Participant countries. Especially as countries move toward putting a price on carbon, and given the reality of ‘path dependency’ for the time and resources invested in it already, REDD+ deserves to be continued wherever there is demonstrated national commitment to it and to sharing benefits fairly with local forest stewards, notably forest-dependent peoples who have previously been marginalized. Fair benefit-sharing means providing local stewards with benefits at least equal to those foregone, i.e. the opportunity cost. The 13 countries that have already submitted their Emissions Reduction Program Document to FCPF’s Carbon Fund are a good starting point, followed by the six others in the Carbon Fund pipeline.

**Grow forests in (with?) PMR and WAVES:** The Partnership for Market Readiness (PMR) is one of the World Bank’s least heralded success stories—partly because of its small size (\$127 million total capitalization, spread among 19 countries) relative to the overall WB portfolio. But in helping countries prepare for carbon pricing, sector by sector, PMR is laying the groundwork for effective government carbon pricing. And given that

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<sup>16</sup> The foregoing is not necessarily an endorsement for re-capitalization of the Climate Investment Funds, of which the FIP is part, or of IFC’s forest bond proposal to the Green Climate Fund; both involve complex questions which lie outside the scope of this review. As for innovations, we suggest the Bank look closely at applying results-driven debt buy-down, used successfully in polio eradication, to the forest sector.

<sup>17</sup> This idea is not original with us. See the Center for Global Development’s blog by Frances Seymour, 4/14/16. Or for more detailed treatment, see CGD’s Forest & Climate papers, or her and Jonah Busch’s book, *Why Forests, Why Now? The Science, Economics, and Politics of Tropical Forests and Climate Change*. This will require additional resources, but \$1 billion for forests will go much farther than \$1B on almost any other mitigation measure. Forests remains a bargain in particular relative to other carbon capture and storage technologies—and unlike those, are of proven effectiveness, and provide multiple co-benefits.

<sup>18</sup> Count is per Sec. 15.5 of the Fund Management Unit of the Climate Change Department (GCCFM) “Evaluation of the Strategic Environmental and Social Assessment (SESA) and the Environmental and Social Management Framework (ESMF) in the REDD+ Readiness Process,” p. 64, draft final report, World Bank, January 31, 2019.

agriculture, forestry and other land use (AFOLU) accounts for 30% of global greenhouse gas emissions (higher in many WB client countries), building a carbon pricing system that accounts for AFOLU would be a huge step forward in mitigation in countries like Brazil, Indonesia, and Peru where pressure on forests remains intense.

Likewise, the Global Partnership for Wealth Accounting and Valuation of Ecosystem Services (WAVES) offers significant potential impact by accounting for the many economic values of forests—beyond, e.g. as a source of timber-- and other natural capital.<sup>19</sup> WAVES has been a force multiplier for those concerned about better natural resource management and its work should be expanded beyond its core implementing countries (13 so far)<sup>20</sup> to all the countries where the Bank is engaged in forests and natural resource management. If countries do put a price on carbon, revenues could be dedicated in part to compensate local forest stewards. Even if PMR and WAVES don't lead to a global carbon price that includes forest carbon, they offer positive spillovers by demonstrating the feasibility of carbon pricing and of valuing the services that forests and other ecosystem components provide.

**Have a Champion (with a Staff)--and Be One:** As with anything of value, forests, their conservation, and management is a political and public policy as well as economic issue, and ensuring recognition of forests' values requires a strong political voice. A high-level forests advocate, such as a former Minister from a country that has demonstrated successful management of its forests, supported by added staff, is needed to make the case for forests both within the Bank and with its clients. The latter is especially important. WBG staff often excuse lack of engagement in a sector by saying they are "demand-driven." This is true—but only partly. As the World Resources Institute has pointed out

MDBs also play an important role in shaping global understanding of what is possible and desirable in international development...MDBs regularly put new facts, analysis, and opportunities on the table, expanding the choice set....In short, MDBs also have agency.

Otherwise stated, it is not enough for the Bank to be a passive player. It needs to share its data, its knowledge & perspective, its expertise—and this is truer with respect to forests than in other, better understood, areas—and to be forests' advocate. Only then will the Bank be fully meeting its forest commitments and acting as a standard setter in the MDB community to promote forest conservation and sustainable management, and forests peoples' rights and participation.

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<sup>19</sup> For example, several countries (e.g. Australia, Costa Rica, Guatemala, Indonesia, and the UK) have produced carbon and forest accounts and these have been applied to a range of policy issues:...land use planning and sustainable forestry...to protect, restore and promote sustainable use of forests, halt and reverse land degradation, and halt biodiversity loss.... to reduce greenhouse gas emissions... to compare the benefits from timber concessions with those from conserving forests ... to better quantify the ecosystem services provided by the forests ... with better insights into the difference between the financial and social values of their forests. See p. 89, 2nd Policy Forum on Natural Capital Accounting for Better Decision Making Applications for Sustainable Development (World Bank, 2018, Arjan Ruijs & Michael Vardon, Eds.).

<sup>20</sup> The original WAVES countries were Botswana, Colombia, Costa Rica, Guatemala, Indonesia, Madagascar, the Philippines, and Rwanda. Rwanda, Indonesia, and Guatemala remain core implementing countries, with five added – Uganda, Zambia, Kyrgyz Republic, Egypt, and Morocco (the last two announced in March 2019). WAVES will also give seven Targeted Technical Assistance (TTA) grants to Myanmar, Lao PDR, Cambodia, Vietnam, Nepal, Madagascar, and the West Africa Coastal Areas (WACA) Management Program. Looking ahead, WAVES has announced that a new World Bank initiative, the Global Program on Sustainability (GPS) to succeed WAVES in the next few months. GPS expands WAVES' work to apply a 'sustainability' lens to a range of public and the private sector decision-making processes in developing countries.

# ANNEX 1:

## WBG FOREST ACTIONS SCORECARD

Planned Actions	Metrics	Indicators	Y/N (0-4) Assessment
Below are WBG Forest Program Goals [show improvement in each area since FAP & CCAP were approved (April 2016)]	Baseline= FY2016 (or FYs 2015 &16); Current= FY2019 (or FYs 2018 &19)	Amounts/Units	Has WBG (impact) improved this? <sup>21</sup> [Scores provided where aggregated data are available.]

### THEME 1:

#### **Investment in Forests**

[Investments in/financing for forest conservation and sustainable forest management, at both project and policy levels]

[ Protect natural forests & optimize their management as measured by ]

Forest area brought under management plans	Forest area	ha	
Area restored or re/afforested	Land area	ha	
Area brought under enhanced biodiversity protection	Protected area	ha	
Programmatic approaches on forest landscapes	WBG programmatic forest approaches	Number of countries benefitting	
Lending commitments to forests: IDA/IBRD	WB commitments	\$ million	3
IFC investments	IFC commitments	\$ million	3
Recipient executed trust fund commitments to forests	TF commitments	\$ million	
[Reduce] Problem projects (at closing, %)	Projects that close as unsatisfactory [lower is better]	% of forest portfolio	
Produce a series of area-based operations using ecosystem-based adaptation (natural infra-structure), land restoration, integrated water management, and biodiversity conservation, to maximize development benefits & carbon sinks.	Projects financing EbA, land restoration, IWRM, BD conservation; increase in carbon sinks	(a) #, \$ value, % of ENR/ NRM projects; (b) ha. restored/ conserved	
Forest countries: Support growth patterns that a) significantly reduce deforestation and increase carbon sinks while b) addressing livelihoods for forest-dependent people.	REDD++; forest communities' non-extractive income	#, \$ value of new commitments which include (a) and/or (b).	

*Investment sub-total=10 actions, 12 indicators*

<sup>21</sup> For indicators without aggregated data, we have requested that the Bank provide a self-assessment; we have left these blank pending provision of that information.

## THEME 2:

### **Rights & Participation:**

Provides or supports local forest stewards, forest-dwelling and forest-dependent peoples, and their tenure, access, and rights to forests & forest resources; increases sharing of forest benefits, especially for the vulnerable & marginalized and for women and other groups who have traditionally been denied benefits, access, or skills development.

Beneficiaries	Project-affected people (receiving benefits)	Number
Of which, women	" " "	Number, %
Of which, vulnerable and marginalized people (VMP) [social groups with identities distinct from dominant groups in their national societies]	VMP present in, or having collective attachment to, the project area	Number, %
People in targeted areas with improved livelihoods or yields	Project-affected people	Number, %
Land users adopting sustainable land management practices as result of project	SLM practitioners	Number, %
Representatives in community-based decision making and management structures from the vulnerable or marginalized beneficiary population	VMP Representatives in community-based decision making	Number, %
Participants in consultation activities during project implementation	Consultation Participants	Number
Target population with use or ownership rights recorded as a result of the project	New Rights-holders	Number, %
Target land area with use or ownership rights recorded as a result of the project	land area with use or ownership rights recorded	Ha., % area
[IDA] Adaptation efforts should include work to empower women, especially in the area[s] of...forests and climate-smart agriculture.	Women's empowerment= activity outcome in forests and climate-smart agriculture.	#/% of fem-empowering activities

*Rights & Participation sub-total=10 actions/measures, 10 indicators*

### THEME 3:

#### **Forest-Smart Interventions**

[Promotes or provides for action in other sectors to avoid deforestation and forest degradation, i.e. “forest-smart” policies and programs]

Make World Bank investments forest-smart: upstream collaboration with other Global Practices to reduce potential adverse forest impacts, optimize synergies.	ENR & PROFOR collaborations w/other GPs, regions/ missions	#/\$/% of operations
Ensure that interventions in economic sectors (such as agriculture, transport, mining, and energy) are done in a forest-smart way.	WBG Forest-smart commitments	#/\$/% of operations
GHG emissions reduced or avoided (or carbon sequestered) as part of the project activities	GHG emissions	tCO2e
Avoided deforestation	Forest area	ha
CSA: climate-smart agriculture programs will be delivered at scale in 6 areas: (i) hybrid seeds, carbon capture for major crops; (ii) high-efficiency irrigation (in AFR/SAR/MNA); (iii) livestock productivity increases / emission reductions; (iv) private capital to develop resilient supply chains; (v) energy solutions for agribusiness (e.g., solar and biogas); and (vi) mainstreamed risk assessment & management including using insurance products.	a) Climate-smart agriculture operations; b) food supply chain initiatives benefitting smallholders	a) #, \$ value, % of Ag operations as CSA; b) # of qualifying supply chain initiatives

*Forest-Smart Interventions sub-total= 5 actions, 6 indicators*



## THEME 4:

### **Institutions & Governance:**

Provides or supports forest planning, research, monitoring, information, awareness, and/or capacity affecting the forest sector to prepare, inform, motivate, and promote investment, inclusion, and avoided deforestation.

Upstream assessments: Systematic Country Diagnostic (SCD) and Country Partnership Framework (CPF) instruments identify the challenges and opportunities related to forests in a strategic and integrated manner.	SCDs, CPFs include forests in analysis, or have CFN reference	% of each (SCDs, CPFs)	2
20 Country Forest Notes (and sub-national Notes as appropriate) are prepared for priority countries [including 10 IDA].	Country Forest Notes completed, published	# each p.a.; # for IDA countries	2
CFNs reflect NDCs and/or SCD/CPF reference	CFN refers to NDC goal, SCD, or CPF	#/% of each, total	2
Results monitoring at two levels: (i) improving WBG capacity to monitor, report, and evaluate impacts of forest-relevant interventions and (ii) supporting client countries to build forest monitoring/reporting systems.	Forest results monitored, reported, evaluated; countries' w/forest M&E	Y/N, #/% of projects	
Knowledge generation through (1) a) analytical work and b) operations and (2) dissemination.	Analytic works completed, published, presented	# of products	
Institutional Arrangements: Collaboration across WBG, Global Practices, Cross-Cutting Solutions Areas, & improved effectiveness of forest climate funds.	Collaborations among GPs and CCSAs	#/% of projects	
Government institutions provided with capacity building support to improve management of forest resources	Institutions supported, Forest managers & users trained	Number	
Reforms in forest policy, legislation or other regulations supported	Forest laws/policies enacted or REDD+ strategies completed	# of each	3
Develop at least 10 climate-smart agriculture investment plans	IDA Countries w/climate-smart ag investment plans	#, \$ value	

*Institutions & Governance sub-total=9 Actions, 10 indicators*

## THEME 5:

### Cross-cutting

[Fulfills two or more of the commitment categories above]

Support NDC priority actions linked to AFOLU. From FAP: Overall Implementation Actions	AFOLU actions/goals in NDCs supported	#, \$ value	
Programmatic approach. WBG supports countries pursuing forest-smart development based on a: 1) country-owned program, 2) good mix of financial instruments, 3) cohesive financial architecture, & 4) long-term engagement. [Pp. 54-5.]	Countries' forest-smart work supported, # of instruments, tenor	#, \$ value of projects, length (yrs.; longer=better) [IBRD, IDA]	
Partnerships: The WBG will emphasize partnerships that can deliver operational support to client countries through coordinated efforts.	Partnerships delivering support [for climate/forests] to client countries	# of partners, # of countries	4
<b>Development outcome ratings of forest related operations</b>			
Satisfactory [forest] operation outcomes at completion	Outcomes	% IEG rating	
Number of [WBG] staff with forest-related skills	WBG Skilled staff	(change in) Number	

Cross-cutting sub-total=5 Actions, 7 indicators

Total Actions, 45 indicators [indicators counted as separate only when they require separate underlying data/source; data for # and \$ value of operations count as one, since compiled together]

# ANNEX 2:

## SCORES

To compare different types of commitments (e.g. hectares of forest, \$ committed, people supported), we came up with a 0-4 rating system:

- 0 No, or no information
- 1 Yes, but it is very limited, token, or one-off support, not part of a program.
- 2 Yes, but it is not adequate to achieve target.
- 3 Yes, and if trend lines continue, it could meet the proposed target.
- 4 Yes, in a robust fashion, that should meet or exceed the proposed target.

The results for the seven Planned Actions for which we have data are:

Planned Actions	Metrics	Indicators	Y/N (0-4) Assessment	Baseline Data	Current Status	Future Target
Lending commitments to forests: IDA/IBRD	WB commitments	\$ million	3	\$1800 M	\$2400 M	?
IFC investments	IFC commitments	\$ million	3	\$24M (FY16)	118M(FY18)	Not sure
Upstream assessments: Systematic Country Diagnostic (SCD) and Country Partnership Framework (CPF) instruments identify challenges and opportunities related to forests in a strategic and integrated manner.	SCDs, CPFs include forests in analysis, or have CFN reference	% of each (SCDs, CPFs)	2	1	1 Nepal	
20 Country Forest Notes (and sub-national Notes as appropriate) are prepared for priority countries [including 10 IDA].	Country Forest Notes completed, published	# each p.a.; # for IDA countries	2		4 (Liberia, Mozambique, Nepal, Turkey) published, 2017-18; 1 more in draft	20 by April 2020
CFNs reflect NDCs and/or SCD/CPF reference	CFN refers to NDC goal, SCD, or CPF	#/% of each, total	2		1 Nepal	
Reforms in forest policy, legislation or other regulations supported	Forest laws/policies enacted or REDD+ strategies completed	# of each	3	0 in 2009, 38 prep grants signed before FAP, 6 since	39 REDD+ strategies completed, validated or in execution	REDD+ strategies: 50+ countries by 2020

Partnerships: The WBG will emphasize partnerships that can deliver operational support to client countries through coordinated efforts.	Partnerships delivering support [for climate/forests] to client countries	# of partners, # of countries	4	75+ (client countries in 16+ climate funds)	Old partnerships mostly continue, new ones have 60+, 26, & 20 client participants
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Scores by theme are:

- Investment in forests - two scores of 3
- Planning & institutions - three scores of 2;
- Cross-cutting work - one score of 4.

Thus, from what we can measure, weighting each theme equally, this yields a 3.0 (or B); weighting each indicator equally, it yields a 2.7 (or B-).