

17 June 2015

Mr. Massimiliano Paolucci
World Bank Group Special Representative to the European Union
Brussels

Dear Mr. Paolucci,

We thank you for the invitation to participate in the consultation on the preliminary findings of the DPO Retrospective scheduled to take place in Brussels on June 18, 2015.

Given the sparse information available on which the consultation is to be based, we do not believe that an effective consultative process is possible at this point and will be unable to attend.

While the PowerPoint presentation sent to us as background material for the consultation includes useful statistical data, the analytical and substantive content provided is far too thin to allow for meaningful discussion.

The Brussels consultation includes the proposal to discuss the critical issue of whether the Bank pays adequate attention to the environmental and social aspects of the reforms supported by DPOs in its client countries. Any such discussion would require extensive and in-depth analytical background information, including the results of the presently on-going IEG Evaluation of Environmental and Social Risk Mitigation in DPOs. In addition, if the Brussels consultation could have provided a platform to discuss how problems related to corruption are addressed as part of DPO lending, an issue of particular interest to some of the Bank's shareholders.

A previous IEG report included a review of Bank support for industrial timber concession reform in tropical moist forest. Most, if not all, of this lending was made through DPLs, which now cover an estimated 40% of all World Bank forest-related lending.¹

The IEG found no evidence of sustainable forest management or inclusive development and recommended that a comprehensive study of environmental, social and economic impacts be undertaken.²

Such a study might have led to a better understanding of why 53% of likely significant negative environmental impacts of DPOs are never adequately assessed (Brussels PowerPoint, Slide on p.36).

This statistic shows that the provisions in OP 8.60, which require the Bank to determine whether specific policies supported by DPOs are likely to have significant poverty and

¹ WBG, Forests and Trees in Sustainable Landscapes, Action Plan 14-16, Concept Note, May 20, 2013 .

² IEG, Managing Forests for Sustainable Development, February 8, 2013.

social/environmental impacts (#9, #10), are simply too weak to prevent harm to communities and the environment.

It is often wrongly assumed that the environmental and social footprint associated with DPOs is simply not tangible enough to require the application of mandatory environmental and social safeguards. The support for policy reforms with potentially significant environmental and social impacts, for example in the mining, forest, climate change and financial sectors, would surely indicate otherwise.

The finding that there needs to be a complete revision of how the Bank manages environmental issues in DPOs (Brussels PowerPoint, slide on p.42) is absolutely critical and deserves the widest possible support. A similar comprehensive review of the treatment of social issues is equally needed.

The final results of the IEG Evaluation as well as the Retrospective should be taken into consideration before finalizing the World Bank's on-going Environmental and Social Safeguard Review. The failure to do so will represent a regrettable missed opportunity.

Once the IEG report on the environmental and social risks of DPOs has become publicly available, we look forward to providing input in a future consultation process designed to enable effective participation.

We thank you for your attention.

Sincerely,

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