

Ref.No. 230211/CM

16<sup>th</sup> February, 2011

Rivani Noor  
Director  
CAPP  
Jl HM Yusuf Singedikane (d.h. Sri Sudewi) No. 10 RT 16  
Kelurahan Sungai Putri, Telanipura  
Jambi 36122, INDONESIA

On behalf of:

CAPPA, 'Ulu Foundation Hawai'i, Rainforest Action Network, Forest Peoples Programme, Urgewald

Dear Messrs. and Mmes. Noor, Freid, Cortesi, Colchester and Voeking,

Thank you for your letter of 8<sup>th</sup> February 2011 to Rachel Kyte regarding IFC's Sustainable Forestry Program in Indonesia. She has asked me to respond to you on her behalf. I am pleased that you have made arrangements to contact my colleagues in Jakarta to discuss your concerns and suggestions for improvements to our work. I understand that two such meetings are being scheduled for this month

In terms of progress with lead firms, IFC has worked with the non-profit Global EcoRescue on a concession in Aceh through an exploratory first phase that ended in October 2010 when the ownership of the targeted concession was not obtained by Global EcoRescue, thus terminating the agreement. IFC involvement was to help support an independent community assessment, including identification of lands in dispute, as well as an initial assessment of potential greenhouse gas emissions reductions through new plantings on land that has been covered by grass and shrubs since before 1990.

The second agreement, which was just signed, is with PT Musi Hutan Persada, which is a joint venture between Marubeni and Inhutani for the production of wood for the PT TEL mill. IFC involvement with this operation has been to assist in helping the company identify new ways to engage local communities and Kabupaten governments in resolving land-related conflicts. At this point, IFC has no plans to invest in MHP plantation operations.

We have followed our due diligence process with MHP. MHP has Forest Stewardship Council certification (Controlled Wood) and is actively seeking to engage with communities. The concession has gone through multiple rotations with initial plantings done in the 1980's on degraded lands. The company has a good reputation of working degraded lands that few other forest plantation companies would have chosen to work.

IFC respects client confidentiality and cannot release documents that the company has shared with us in confidence. The purpose of our engagement with MHP is to help the company and communities find common ground that will continue to provide local employment, revenue sharing and environmental benefits.

Thank you again for your inquiry – the Indonesia team looks forward to your suggestions for improving sustainable forest plantations in Indonesia.

Sincerely,



Adam Sack  
Country Manager



Cc Rachel Kyte, Vice President  
Ken MacDicken, Senior Operations Officer