

## ACCOUNTABILITY COUNSEL

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December 1, 2010

***Via Electronic Mail***

Mr. Robert B. Zoellick  
President  
The World Bank Group  
1818 H Street, N.W.  
Washington DC 20433  
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**Re: Papua New Guinea: Smallholder Agriculture Development Project (SADP)  
(IDA Credit No. 43740-PNG)**

Dear President Zoellick:

We are writing to follow up on the letter that Accountability Counsel sent to you on April 21, 2010. In that letter, we drew your attention to policy violations that occurred and are occurring in preparation and now implementation of the Papua New Guinea Smallholder Agriculture Development Project (SADP). To our knowledge, this is the only remaining palm oil project being implemented by the World Bank Group despite the moratorium in effect on all palm oil projects pending a full review of World Bank Group strategy in this sector. Because the concerns that led to the moratorium on palm oil are present in this Project, we request that the issues raised in our April letter be addressed at the highest levels and with full attention and urgency.

Our April 2010 letter was prompted by World Bank Management's acknowledgement of an array of safeguard policy violations that have occurred in SADP preparation, particularly with respect to the environment, information disclosure and consultation. These acknowledgements were made in the Management Response to a complaint filed before the Inspection Panel by the Centre for Environmental Law & Community Rights Inc. (CELCOR) on behalf of the Ahora/Kakandetta Pressure Group, affected customary land owners from the Oro Province, as well as affected smallholders. CELCOR's complaint was deemed eligible and the Inspection Panel is carrying out an investigation. In light of the admitted policy violations, Bank Management's failure to redress these violations, and the ongoing Inspection Panel investigation, we urged the World Bank to suspend disbursement of substantive funds to the Project.

In May 2010, Regional Vice President, Jim Adams, responded to the letter we wrote to your office. Mr. Adams attempted to address some of our concerns, including the failure to translate any project documents into local languages and distribute them to affected peoples during the consultation process. According to Mr. Adams' letter, translations of the Environmental and Social Assessments, which were never completed during the initial Project

preparation, would be distributed to the project areas by July 1, 2010. However, when Accountability Counsel visited Papua New Guinea in September 2010 and consulted with CELCOR and affected people, we confirmed that these translations had still not been completed. It is our understanding that these documents have been made available in project offices, but still have not been disseminated to affected people in project areas. We also understand that the “further consultations” that were planned have not yet occurred with affected people in the Project area.

In that same letter, Mr. Adams promised that the effluent study, which Management acknowledged was insufficiently detailed, would be completed and “disclosed to the public” in the local language by August 31, 2010. However, to our knowledge, this study is still not publicly available.

In his response letter, Mr. Adams informed us that completion of the effluent study is “expected ahead of commencement of any infill planting of oil palm.” However, he predicted that infilling would start after “September/October, 2010.” We now fear that there will not be adequate time to respond to the results of the studies, integrate them into the project design, and plan necessary mitigations measures. Based on the implication in the letter and prior experience with OPIC, we are concerned that infilling is planned to begin immediately following the release of these studies with no opportunity for the new information to be discussed by the affected communities, incorporated into the Project design, or used to inform Project implementation.

As you know, the World Bank’s social and environmental safeguard policies are designed with the purpose of preventing harm to the communities where projects take place. In the absence of proper and complete assessments, it may be presumed that harm will occur. Failure to complete these assessments denies affected communities the opportunity to participate in project design. These assessments are not merely procedural requirements that should be checked off before implementation begins; the results of these studies should not be taken as forgone conclusions. In order to give any meaning to the Bank’s safeguard policies, no substantive Project component should move forward when the consultations that should have been the basis for Board approval for the SADP are yet to take place.

Given Bank Management’s admissions of serious policy violations and failure to comply with even initial promises to address these violations, we must repeat our request from April 2010 that substantive funding for the SADP not be disbursed at this time. We observe that this is the only way that claimants and other affected people can be assured that the underlying studies will inform Project design. If any funds are released, the monies should cover only the studies Management agrees should have been conducted before the Board initially approved the Project.

At a minimum, funds should not be disbursed for substantive Project components until the Inspection Panel investigation is complete so that the Board may consider the Panel’s findings (which could identify additional violations) along with the results of yet-to-be completed studies that Management agrees were required prior to Project approval.

As you know, we are disappointed with the decision not to include the SADP as part of the moratorium on World Bank lending in the palm oil sector. We feel that the policy violations that have occurred with regard to the SADP are indicative of the weaknesses in World Bank

Group palm oil strategy and therefore, the we urge you to reconsider suspension of the SADP until the Palm Oil Strategy Review has been completed.

Please do not hesitate to contact Accountability Counsel or CELCOR if we can provide you with further information or if you would like to discuss our request. We hope you will continue your commitment to addressing deficiencies in the palm oil sector through recognition that the issues are present in the SADP as well. We look forward to your response and to your continued commitment to upholding the highest social and environmental standards for World Bank operations.

Sincerely,



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Mr. Jim Adams, Regional VP, East Asia & Pacific  
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