

## ACCOUNTABILITY COUNSEL

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April 21, 2010

*Via Electronic Mail*

Mr. Robert B. Zoellick  
President  
The World Bank Group  
1818 H Street, N.W.  
Washington DC 20433  
[rzoellick@worldbank.org](mailto:rzoellick@worldbank.org)

**Re: Papua New Guinea: Smallholder Agriculture Development Project (SADP)  
(IDA Credit No. 43740-PNG)**

Dear President Zoellick:

On behalf of the Papua New Guinea-based organization Center for Environmental Law and Community Rights (CELCOR), I am writing to call your attention to World Bank Management's admissions of policy violations that occurred in the process of preparation of the Papua New Guinea Smallholder Agriculture Development Project (SADP). These admissions came in response to the complaint to the World Bank Inspection Panel filed by CELCOR in December 2009 on behalf of the Ahora/ Kakandetta Pressure Group, affected customary land owners from the Oro Province, as well as affected smallholders. In light of these admissions, we urge the World Bank to use this opportunity to give meaning to the World Bank's safeguard policies and to refrain from disbursement of substantive funds to the SADP.

In the "Management Response to Request for Inspection Panel Review of the Papua New Guinea Smallholder Agriculture Development Project" ("MR"), Management admits to an array of policy violations, particularly with respect to the environment and information disclosure and consultation. Management makes a blanket acknowledgment that the project preparation process was "accelerated by the window of opportunity to resume lending" and "would have benefited from a more complete preparation of the arrangements for the operation of the Road Maintenance Trust Funds and finalization of the Terms of Reference (TOR) for the consultancies under the project." MR p. 12. As you know, a short time frame is no justification or excuse for failure to abide by World Bank policy and procedure in the preparation of a project.

Management admits to failures of information disclosure and inadequate consultation in multiple ways. With respect to consultation, Management "agrees that there could have been broader consultation within the grower community on the road maintenance levy during preparation" but maintains that *further consultations are planned*. MR p. 31. No substantive

Project component should move forward where the consultations that should have been the basis for Board approval for the Project are yet to take place.

Where consultation did take place, Management “recognizes that documentation of the consultation process in the Social Assessment should have been more detailed and complete.” MR p. 27. The Social Assessment, the Environmental Assessment (“EA”), and related documents were publicly disclosed, but they were only made available in English and not the local language, Tok Pisin; no documents were made available in local language. MR pp. 28, 40. Finally, Management “acknowledges that the Requesters’ request for the Bank to disclose 8 Aide Memoires and 11 identification/background studies could have been addressed more expeditiously.” MR p. 33.

Management also effectually concedes failure to comply with World Bank environmental policies. The requirements of OP 4.01 were not fully met because information regarding the EA was only shared in verbal form and the EA included insufficient detail regarding effluents that would result from the Project’s expansion of palm oil production. MR pp. 28, 36. Management has thus promised that a “thorough analysis of the impact of increased effluents due to Project activities will be undertaken.” MR p. ix, 36. Furthermore, Management has identified “[s]ome inconsistencies between the EMP [Environmental Management Plan] and the PIM [Project Implementation Manual] in describing the division of labor between OPIC [Oil Palm Industry Corporation] extension officers, the environment officers and the land officers for completing the Oil Palm Planting Approval Form.” MR p. 40. The admission that the environmental impacts of effluents from this project are *yet to be studied* is reason alone to halt substantive funding for this project. The Board should have received information resulting from the effluent study prior to making a determination of whether to approve the Project.

Given Bank Management’s admissions of serious policy violations, the World Bank should not disperse substantive funds to implement the SADP. If any funds are released, the monies should cover only the studies Management agrees should have been conducted before the Project was approved in the first place. 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.

Finally, we thank you for your leadership in calling for a moratorium on World Bank Group lending in the palm oil sector pending consultations with civil society and further study of the sector strategy. While we are disappointed with the decision not to include the SADP as part of the moratorium, we request that the World Bank Group Palm Oil Strategy Review take the lessons from this Project into account. Lessons may be drawn from the policy violations acknowledged by Management in this case so far, but will also necessarily include lessons from the Inspection Panel’s eventual findings in their investigation of the complaint.

Please do not hesitate to contact me or my colleagues at CELCOR if we can provide you with further information or if you would like to discuss our request. Thank you for your sincere commitment to these issues. We look forward to your response.

Sincerely,



Natalie L. Bridgeman, Esq.  
Executive Director  
Accountability Counsel

cc via email: World Bank Board of Directors;  
World Bank Inspection Panel;  
Mr. Jim Adams, Regional VP, East Asia & Pacific;  
Mr. Damine Ase, Executive Director, CELCOR