

World Bank Management's Required Actions Following the Inspection Panel's Report on the PNG Smallholder Agriculture Development Project (SADP) and Board Vote of December 13, 2011

Listed below are World Bank Management's commitments in Papua New Guinea ("PNG"), as taken from their Action Plan (p. 16) and Annex 1 (pp. 17-33) in *Management Report and Recommendation in Response to the Inspection Panel Investigation Report: Independent State of Papua New Guinea Smallholder Agriculture Development Project*, IDA Credit 4374-PNG (Oct. 31, 2011). While some of the commitments listed are actions proposed and approved by the World Bank Board of Directors, others are actions described in Annex 1 or in the Palm Oil Mill Effluent Action Plan as tasks that Management or OPIC was already undertaking or planning to undertake.

I. Information Disclosure, Consultation and Broad Community Support

A. Action Plan Items

- Assist OPIC in developing a Consultation Framework.
- Ensure that the Consultation Framework is implemented in all three Project areas.
- Support OPIC in improving documentation of consultations.

B. Additional Items in Annex 1

- Award contract for (and presumably complete) a comprehensive baseline survey, "which forms part of a monitoring and evaluation consultancy." (This was expected to be awarded in November 2011). (p. 19).
- Since it's initial response to the complaint, Management has translated key documents into Tok Pisin and made them available in Project areas and made information available via OPIC radio programs. (p. 22).
- Now that implementation has begun, OPIC is undertaking "more targeted and meaningful consultations in Tok Pisin and other appropriate languages" re road works and the infill planting applications and approval process. (p. 22).
- During implementation, "agreement must be given to various Project activities, including improvements of community roads and assistance with smallholder infill planting." (p. 23).
- Continued documentation of community support. (p. 23).
- "Management has provided support to OPIC to help strengthen its grievance redress mechanism, its guidelines for consultations and its communication strategy." (p. 24).

II. Environment

A. Action Plan Items

- Closely support and monitor the implementation of the Effluent Action Plan.

B. Additional Items in Effluent Action Plan¹

- Establish baseline information for each Project area mill, to include: (1) a determination of current compliance “with the selected² wastewater discharge criteria to surface water and land;” (2) an assessment of the design and operating performance for each mill’s process wastewater treatment plants (e.g. effluent ponds, etc.); (3) an assessment of the impacts of increased fresh fruit bunches (FFBs) from SADP on each mill, its wastewater treatment plants and the quality of its final effluent; (4) a prediction of whether the final effluent will be in compliance with “the selected discharge criteria” as well as what the impacts will be on the receptor (e.g. surface water or land) of the discharged effluent; (5) identification of specific mitigation measures to bring the final effluent into compliance and to address potential adverse environmental and human health impacts; (6) a recommended implementation schedule for each mitigation measure; and (7) a published report of the established baseline information, excluding any commercially confidential information or trade secrets.³ The target completion date for the baseline report is March 31, 2012. (pp. 41-42).
- One follow-up environmental audit of each of the mills, to include: (1) review of the compliance with existing discharge standards under the Environmental Code of Practice Papua New Guinea Oil Palm Processing Industry and the “draft” updated standards, when they become available; (2) monitoring of the progress in implementing mitigation measures; and (3) public reporting of the audit findings. “Actions” were supposed to be initiated by August 30, 2011.⁴ (pp. 41-42).
- Consideration of additional follow-up audits, depending on the results of the first audit and “the perceived efficacy of the concurrent RSPO surveillance audits.” (p. 41).
- At the Sangara mill, identified as presenting a high environmental risk, obtain a commitment⁵ from Kula Palm Oil regarding a timetable for investigating effluent

¹ This plan is included in the Management Response as Annex 4 (pp. 41-43).

² There is no explanation of what the “selected” criteria are.

³ Commitment to doing this has been obtained from the milling companies. The PNG Department of Environment and Conservation will be responsible for supervision of qualified consultants, who will be funded by SADP. The SADP Project Coordinator will oversee procurement and financial management.

⁴ There is no information on whether this has actually happened. It is also difficult to understand how the follow-up audit could start in August if the baseline report has not yet been completed.

⁵ Apparently the commitment has been obtained; OPIC is listed as the responsible party.

treatment and site drainage. Assess progress in the follow-up environmental audit. (p. 42).

- At the Hargy and Navo Mills, both identified as presenting a high environmental risk, obtain a commitment⁶ from Hargy Oil Palm Ltd. regarding a timetable for improving pond performance. Assess progress in the follow-up environmental audit. (p. 42).
- At the Mosa Mill, also identified as presenting a high environmental risk, obtain a commitment⁷ from New Britain Palm Oil for investigating cooling pond overflows into discharge channels and implementing mitigation measures as per an agree-upon schedule. Assess progress in the follow-up environmental audit. (p. 42).
- Assist the government and the milling companies in updated the Code of Practice, to include: (1) updated standards for discharge to surface water and land; and (2) monitoring, sampling, chain-of-custody, quality assurance, recordkeeping and reporting requirements. The draft updated standards will draw on the PNG Environmental Code, the WHO guidelines and the World Bank Group Environmental Health and Safety guidelines. SADP can support the PNG Department of Environment and Conservation in doing this. This process was supposed to start by September 31, 2011. (pp. 42-43).
- Use the updated Draft Code of Practice “as the basis for regulation, to improve the quality and scope of effluent-related environmental monitoring, provide greater guidance on the design and operation of palm oil wastewater treatment systems in PNG, and better define ‘targets’ and ‘limits’ for discharge . . . ” (pp. 42-43).

C. Additional Items in Annex 1

- “[A] site specific inventory of critical forest areas will be undertaken through the screening process to be used for all potential blocks proposed for infilling under SADP.” (p. 29).
- The Infill Planting Approval Forms “explicitly exclude sensitive sites and provide explicit criteria against which every proposed site must be evaluated.” Management notes that OPIC has updated the form. (p. 29).
- Bi-annual independent environmental audits will be undertaken, including monitoring of blocks selected for infilling. OPIC “is in the process of recruiting Environmental and Social Auditors.” (p. 29).
- GIS maps showing classifications of vegetation cover in the three Project areas are being developed per an ongoing project between the World Bank and the European Space Agency.⁸ (p. 29).

⁶ Apparently the commitment has been obtained; OPIC is listed as the responsible party.

⁷ Apparently the commitment has been obtained; OPIC is listed as the responsible party.

⁸ It is unclear whether this Project is part of, or even related to, SADP. It is also unclear whether Management or OPIC plans to incorporate these maps into the infill approval process in any way.

III. Road Maintenance Trust Fund

A. Action Plan Items

- Verify that adequate consultations are conducted as part of the RMTF study.
- Verify that proposed amount of levy, if any, is not an unsustainable burden to smallholders.

B. Additional Items in Annex 1

- Begin RMTF study by early 2012. (p. 30).
- Undertake “extensive consultations” as part of the study, which will include growers associations and the broader grower community and will specifically encourage the participation of women. (p. 30).
- The “detailed study” will include “[a] thorough analysis of routine and non-routine maintenance costs, savings in transport costs, and the willingness and ability of smallholders and other stakeholders to contribute to road maintenance costs.” (p. 30).
- In light of the delayed RMTF study, there is a proposal that the Project procure a grader for each Project area, “which should allow the parts of the smallholder networks that are in fair or good condition, to receive maintenance on an annual basis.” The graders would be available in early 2013. They would be owned by OPIC, and operated and maintained by the milling companies, using their own funds.⁹ (p. 32).

IV. Culturally Appropriate Benefits, Poverty and Livelihood Impacts

A. Action Plan Items

- Nothing identified.

B. Additional Items in Annex 1

- PNG OPRA (who is this?) is undertaking a study to improve food security and marketing opportunities for smallholders residing on Land Settlement Schemes. The study includes

⁹ Management notes that the milling companies have agreed to this “in principle,” with no explanation of what that qualification means.

investigating optimal planting arrangements for oil palm to facilitate intercropping of food crops.¹⁰ (p. 21).

- The SADP Extension Specialist began work in late June 2011; OPIC is now reorganizing “in a participatory manner” to increase harvesting rates, address productivity issues and improve coordination between milling companies’ smallholder affairs departments and growers associations. The reorganization will be officially implemented in January 2012. (p. 24).
- Specific provisions to ensure adequate record keeping for the infill loan component of the Project have been included in the Infill Memorandum of Agreement signed August 15, 2011, between OPIC, PNG Microfinance Limited and the milling companies. (p. 25).
- The Extension Specialist, who began work in late June 2011, will implement activities outlined in Table 2.1 on p. 13 of the PIM to improve smallholder welfare, including encouraging income and employment diversification. (p. 27).
- The Skills Development Trust Fund, based in Kimbe, West New Britain, is assisting the formation of women’s groups for skills training in Hoskins and Bialla. “This will be expanded to the Popondetta Project soon.” (p. 27).
- OPIC, with Project partners, continues “to explore ways of encouraging savings,” including through discussions with PNG Sustainable Development Ltd. and PNG Microfinance Ltd. (p. 27).
- “Management takes seriously concerns about the negative effect of cash injection and will continue to follow up with OPIC regarding the need to ensure that social issues are addressed as part of OPIC’s overall extension strategy.” (p. 27).
- Management “shares concerns” about the delay in the FFB price review, which is being funded under SADP.¹¹ According to the terms of reference for the review, it should include an update of the price formula and annual audits that provide growers with independent verification that they are getting a fair price and the formula is being applied correctly. (p. 32).

¹⁰ It is unclear whether this study is related to SADP, or just something else that is happening in PNG at this moment. It is also unclear whether Management or OPIC intends to incorporate any of the results of the study into SADP implementation.

¹¹ According to Management, the delay is because OPIC received notification from the PNG Independent Consumer and Competition Commission (ICCC) that the study would be in contravention of the ICCC Act (no explanation of why in the Annex). The Department of Agriculture and Livestock and the ICCC are trying to resolve the issue, and Management hopes that the study will begin after the 2012 elections.