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25<sup>th</sup> November 2009

The Inspection Panel  
1818 # Street, N.W  
Washington D.C 20433  
United States

Dear Members of the Panel,

RE: **INSPECTION PANEL CLAIM BY COMMUNITIES IN THE WORLD BANK  
SMALLHOLDER AGRICULTURE DEVELOPMENT PROJECT (SADP).**

Please find attached the request for an Inspection by the communities in the Smallholder Agriculture Development Project area, particularly in Oro Province, Papua New Guinea.

The request to the Panel is based on the World Bank Project Identification No. P079140.

The affected communities in Oro and the acting agency for the claimants have in several occasions spoken to the World Bank regarding issues with regard to SADP and the impacts of funding oil palm in Papua New Guinea. However, the Bank has never responded or has ignored our requests. We have attached list of correspondences we made with the Bank country branch here in Papua New Guinea.

The affected communities have given their consent to the Centre for Environmental Law and Community Rights (CEL COR) to act on their behalf (Appendix 1). Please find attached authorization letter and we request that the identification of the claimants be kept secret.

Our contact person in the United States is Ms. Jennifer Kalafut from the International Accountability Project. Her contact address is: 22 Pine Street, 6<sup>th</sup> Floor, San Francisco, CA 94104 USA. Telephone: +1-415-659-0555. Email: [jen@accountabilityproject.org](mailto:jen@accountabilityproject.org)

We do not give consent to the World Bank to disclose Claimants names and their details other than CELCOR's.

We look forward to cooperating with you in this request.

Yours faithfully,

**DAMIEN ASE (MR.)**  
Executive Director

November 25<sup>th</sup> 2009

Executive Secretary  
Inspection Panel  
World Bank  
1818 H. Street N.W.  
Washington DC 20433  
United States of America

Request for Inspection:  
Smallholder Agricultural Development Project – Papua New Guinea

The Centre for Environmental Law and Community Rights (CELCOR), acting as a representative of the Abora/Kakandetta Pressure Group, other claimants from the Oro Province and affected smallholders within the three project areas, submits this request for inspection regarding the Smallholder Agricultural Development Project (SADP) in Papua New Guinea to the Inspection Panel. Claimants' details and addresses are attached in Appendix 1.

CELCOR is a Papua New Guinean public interest legal NGO, focusing on the environment. It undertakes campaigns to protect and defend Papua New Guinea's rich biodiversity and landscape and provides legal assistance to landowners affected by large scale environmentally destructive projects including industrial logging, mining and oil palm plantation developments.

CELCOR submits this request to the Inspection Panel for review of the SADP based on testimony from landowners about their experience with existing economic, social and environmental problems with oil palm development and in the context of the World Bank Group's recent suspension of private sector funding to the oil palm sector based on the need to review the social and environmental sustainability of such projects. The claimants asked CELCOR to submit this request for inspection as the SADP project does not resolve existing problems and, instead, threatens exacerbate them. The claimants and CELCOR maintain that the World Bank has not considered or acted upon complaints already made about the SADP.

The claim is divided into three parts: Part A provides an overview of the project; Part B identifies harm or potential harm caused by the project; Part C lists breaches of World Bank policy in regards to the project; Part D demonstrates attempts to resolve project concerns with World Bank management and; Part E provides an update on recent project developments. Furthermore, in support of the Inspection Panel request, we attach the following documents:

1. Correspondence between the World Bank and some of the claimants;
2. Public petition against the SADP and palm oil development;
3. Open letter to the World Bank signed by some of the claimants, available at [[http://www.wrm.org.uy/countries/Support\\_to\\_Papua\\_New\\_Guinea.html](http://www.wrm.org.uy/countries/Support_to_Papua_New_Guinea.html)].

**Request Summary**

The SADP was approved by the World Bank Board on 18 December 2007 and launched in Papua New Guinea in March 2009. The project was originally identified in 2003 as a follow up to the previous World Bank funded Oro Smallholder Oil Palm Development Project. However, due to fractious relations between the World Bank and the PNG government caused by non-compliance

with the Forestry and Conservation Project loan, the SADP was put on hold until 2005. Consultation and appropriate assessment were then delayed until 2006 and were said to have been completed in 2007. Throughout this period, the project has undergone significant revision and has been adapted from an oil palm expansion and replanting project to an "infilling" and road maintenance project. The aim of the project is to actively encourage "the main growth of oil palm as the main income generating activity for smallholders in the project area" (EMP, January 2007).

The World Bank and project sponsor have not consulted with claimants and other locally affected communities about this project. Project information was not broadly disseminated prior to project approval and is still not available, nor was it ever delivered, in any language other than English. The World Bank never provided any opportunity to the claimants to give their input or feedback on project objectives and design, despite their status as Indigenous Peoples and customary land owners.

Claimants are concerned that the project will: (a) limit their economic opportunities and essentially force them to produce oil palm even though they feel that participation in oil palm farming has not and will likely not increase their standard of living, (b) cause additional water pollution in their area and degrade forests, (c) be unsustainable and therefore, un-effective, and (d) unfairly force growers to pay for road maintenance, leading to increased economic hardship. It is our assessment that the project violates the World Bank's Indigenous Peoples Policy, Environmental Assessment, Natural Habitats Policy, Forests Policy, Disclosure Policy and Investment Lending Policy.

Despite repeated attempts to raise these issues with the World Bank, claimants have not received information on who was consulted during project preparation and have not received any satisfactory response on how the project will ensure that the potential harms listed above will be prevented.

We request the Inspection Panel recommend to the World Bank's Executive Directors that an investigation of these matters be carried out. Furthermore, in making this request for inspection of the project, the claimants ask that the SADP be put on hold until:

- a) poverty reduction is incorporated into the project design;
- b) other economic livelihood options are presented;
- c) a comprehensive environmental assessment is undertaken, including assessment of effluent treatment and a forest inventory;
- d) the project design is amended to ensure sustainability of the project.

#### **Part A Project Description**

The project is made up of three components. Component 1 addresses infilling and road maintenance, component 2 looks at social projects at the local level government level, and component 3 provides support to the implementing agency, the Oil Palm Industry Corporation (OPIC).

##### ***a) Component 1: Infilling, road maintenance, road levy and training for OPIC***

Component 1 has a number of subcomponents including a credit facility, road reconstruction, road maintenance trust fund and training for the implementing agency, OPIC.

First, the credit facility offers loans to smallholders who wish to plant oil palm. An eligibility criterion for the loan includes living on blocks adjacent to existing access roads that have no oil palm development. This is known as 'infilling'. Claimants consider this to be a deceptive term

and classify the project as an 'expansion' project. Even though the project will only offer loans within the existing oil palm road network, it will extend oil palm onto blocks that currently contain forests, degraded forests and grasslands that, despite being located within oil palm blocks, still provide economic and social services for local communities including household gardens. Infilling these blocks will extend the total planted area of oil palm and will displace important services. The claimants and CELCOR consider such plantings to fall within the definition of expansion.

The loan will not extend to replanting, excluding existing smallholders from accessing the facility. Instead of promoting more productivity on existing blocks (which are by and large operating under-capacity), the SADP has identified approximately 9,000 hectares of "vacant" blocks for infilling, or new planting. OPIC will implement the planting of new oil palm once the loan is granted to the smallholder.

The second subcomponent of component 1 provides for the upgrade of approximately 550 km of existing provincial access roads servicing the existing oil palm catchment area. The project will finance construction and initial maintenance of the roads and purchase of non routine maintenance equipment. Regular maintenance is to be performed by contractors and non regular maintenance by the oil palm companies in exchange for recovery of their costs from a road trust fund. OPIC will oversee the road engineering, tendering and equipment procuring and an engineering consultant will be assigned to oversee the project roads unit within OPIC.

The third subcomponent, and arguably the most important element of the project, is the establishment of a road maintenance trust fund to maintain the roads upgraded in the project. The fund will be supported by end users of the network, with twenty five percent of the required funds being contributed by a smallholder oil palm grower levy, twenty five percent by the palm oil milling companies and fifty percent by the provincial governments and/or Government of PNG. The levy will likely be Kina 3 per tonne of fresh fruit bunches in Hoskins and Bialla and Kina 6 per tonne of fresh fruit bunches (FFB) in Oro. The seed capital will be provided by PNG Sustainable Development Project. Although the World Bank maintains that this mechanism is still in concept form and yet to be properly designed, the general organization and operation of the RMTF has been drafted and is described clearly in the project documents. As there is no maintenance review system or consultation on other types of maintenance instruments built into the project design, the RMTF is clearly intended to form a core part of the project.

The final subcomponent is the provision of finance technical assistance and training of OPIC officers. However, it is unclear what this training will entail. The staffing increase within OPIC will supposedly be funded by the OPIC smallholder levy with parallel contributions by palm oil milling companies.

#### *b) Component 2: Social projects at LLG level*

Component 2 provides social development grants to community groups within the SADP project areas. A pilot phase will be implemented in the first two years and focus on five target local level governments (LLG). Four sub-projects will be allocated funds per LLG, amounting to K80,000 for each LLG. Five sub-projects will then be allocated in the second year and six projects in the subsequent years. Component 2 will be coordinated by a management agency contracted to OPIC. After the first two years, an external evaluation of the pilot is to be conducted to determine the conditions to expand to phase 2 which will include all fifteen LLGs in the three project districts.



*c) Component 3: Support for OPIC*

Component 3 provides technical assistance to OPIC and establishes a monitoring and evaluation system. This will include undertaking a Fresh Fruit Bunch Pricing Review. The Project will also upgrade the existing oil palm extension and research services. However, it is unclear from the project documents exactly what the technical assistance and upgrades will be.

**Part B Harm caused by the Project**

**B.1. Overview of the impacts of oil palm**

Oil palm development has many negative side effects that are rarely disclosed to smallholders.

First, oil palm cultivation requires complete land clearance which has important implications for erosion, topsoil depletion, and the siltation of rivers. In Papua New Guinea, much of the forestland cleared to make way for oil palm plantations has been previously logged and is often considered to be "degraded" and therefore valueless. This ignores the often critical ecological, socio-economic and cultural functions such forestland has for local communities. These people depend on these forests and grasslands, often managed under the community's traditional law, for their subsistence and cash income, as well as for cultural and religious practices. In addition, this land often provides a habitat for an array of species. Research has shown that an oil palm plantation can support only 0 – 20% of the species of mammals, reptiles and birds found in primary rainforest.

Second, oil palm development often leads to chemical and biological pollution of waterways. In many plantations and smallholder plots, fertilizer is extensively used to maintain soil nutrients and tree productivity. Improper use of agro-chemicals and run-off during periods of heavy rainfall can cause pollution of the water table and river systems resulting in algae blooms and damage to natural biological processes. Dumping of palm oil mill effluent can also occur due to overflow of treatment ponds or intensive production. Due to its high Biological Oxygen Demand (BOD), palm oil effluent is highly polluting to waterways and has significant negative effects on aquatic life downriver.

Villagers often report that local fish stocks in rivers and lakes have declined and that potable and bathing water sources have turned brown and smelled foul since oil palm was introduced to their areas. Health wise, women have also reported significant increases in birth defects, fertility and maternity problems associated with oil palm pollution (Wakker, E. 2004).

Third, oil palm does not deliver significant livelihood benefits. The estimated subsistence value of food and housing from customary land is considered to be, in most cases, greater than the cash income from oil palm sold by families. Indeed, engagement in domestic markets in certain areas delivers a higher average informal income than rural wages from VOP oil palm cash income (Anderson, 2008). Oil palm also limits companion planting (as is done with other export crops, such as coffee and vanilla, and most domestic market crops). This limits the potential for smallholder's to intercrop and severely limits economic diversification and makes them more vulnerable to price fluctuations or reduced crop yields.

**B.2. Oil palm has not reduced poverty**

International investors, including the World Bank and the Asian Development Bank, have been involved in oil palm in PNG for the last fifty years. The first substantial plantings were in 1966,

under a World Bank-backed scheme at Hoskins in West New Britain. 'Nucleus estates', linked to communities of villagers using both their own and leased land to grow oil palm, have since developed and have been supported by international investors and the PNG Government. During the mid-1990s there was a dramatic expansion of the oil palm area in PNG, almost doubling 46,000 ha to 73,000 ha between 1990 and 2000. One of these expansion projects included the World Bank Oro Smallholder Oil Palm Develop Project 1993, bringing World Bank investment in the PNG oil palm industry to over US\$100 million.

Despite the significant level of investment, introduction of oil palm has done little to provide material improvement in smallholders' lives. Living conditions have deteriorated and key indicators of poverty such as housing, access to clean water and health services show life quality has declined (Social Assessment Report, January 2007, page 46). Of the very limited consultations conducted by the World Bank for this project, the majority of oil palm growers were found to still live in houses built from bush materials such as banana leaves, bamboo and tree posts indicating very little material improvement in oil palm growers housing. Indeed, even the SADP Social Assessment recognizes that the fall in living standards is paradoxical considering that oil palm smallholders have had a level of cash income significantly above those of other smallholder cash crop producers for a long period of time. (*Ibid.*)

### **B.3. SADP in its current form will not reduce poverty and will limit economic choices**

Under SADP, smallholders will have few opportunities to enhance their living standards. This is due to several reasons. First, farmers are locked into a dependent relationship with the estate mill, where the companies provide the only access to oil palm markets and collectively set the price for FFB and, therefore, the smallholder's earnings. Under this scheme, farmers are expected to share their revenues with the company to cover a portion of the company's cost of production. This revenue sharing takes place even though the farmer is providing all the costs for labor, equipment, seedlings, pesticides and transport (or at least a portion of transport costs) out of his or her own earnings.

The processes involved to set the FFB price further cements this relationship. The FFB price is set by the palm oil producers association (POPA), made up of representatives from the milling companies. There is no involvement of smallholders or OPIC and there is no legislation to deal with the pricing structure. A government Commodities Working Group reviews the FFB price ratio from time to time and provides recommendations to the POPA. However, these recommendations are not binding and have only been selectively implemented. Indeed, the reviews themselves are also influenced towards company interests as they do not fully consider smallholder inputs, distorting the price ratio in favour of the companies by undervaluing smallholder costs and the value of customary land, while recognising the commercial salaries and capital depreciation of the oil palm mills. Under this system, smallholders are unable to engage with milling companies or involve themselves in price setting. The SADP project will reinforce smallholders as price takers, dictated to by dominating foreign companies.

Second, in addition to the revenue sharing, smallholders are expected to pay multiple levies for producing oil palm. After the company deducts any loan payments from the farmers' harvest revenues (a typical deduction is 30 percent), the smallholder is still left to pay upwards of 44 percent in levies for state services (that often are not supplied in full or not fully implemented), growers association dues and transport costs.

Furthermore, under SADP, smallholders will be charged an *additional* levy to support the Road Maintenance Trust Fund, a fund that will be established to upkeep road networks in the

smallholder area. The levy for the RMTF will charge farmers between Kina 3.50 – Kina 6 per tonne of fresh fruit bunches produced at every harvest. According to the SADP Project Appraisal Document (PAD), this levy will be applied to all growers in the smallholder network: "End users of the network in each project area will contribute to this fund." (PAD page 35) By further embedding smallholder dependency on the mills and increasing levies, smallholders will be progressively burdened and unable to lift themselves out of poverty.

Economic choices are also limited by this project. Palm oil is promoted as the single primary income generating activity for Indigenous Peoples in the three project areas, forcing smallholders who wish to access loans for other agricultural purposes, to be driven into growing oil palm. This mono-cropping scheme is in direct contradiction with the World Bank's own assessments on the importance of income diversification in the smallholder areas. The SADP Social Assessment found that "income diversification to supplement oil palm incomes is a vital livelihood strategy for smallholders, which also reflects the capacity of smallholders to respond to sociodemographic and economic change." While oil palm clearly dominates the rural economy in the Oro and WNB provinces, most smallholders require supplementary income sources to augment oil palm income and to strengthen livelihood security. As stated above, the nature of oil palm, however, does not allow inter-cropping, therefore takes up precious land for household gardens or other cash crops. The attempt by the project to incorporate small business and employment oriented skills training into extension officers scope of work under Component 1, does not adequately address the need for economic diversification and will not provide smallholders with a choice in their development.

The claimants agree that there is no way for a grower to survive on oil palm revenue alone and all claimants have expressed a preference for livelihood options other than or in addition to oil palm.

#### **B.4. Little to no information disclosure and consultation prior to project approval has lead to unsustainable project decisions**

One of the major concerns raised by the complainants is the lack of consultation and pre-project approval information provided by OPIC and the World Bank to the communities in the three SADP areas. The communities submitting this claim were involved in very limited consultation and were never consulted on certain project activities. Claimants had no opportunity to provide their input into the scope, purpose and activities under the project.

*Importantly, claimants were not consulted about the additional road levy that will be imposed on them under SADP nor were they consulted on the strategy for them to pay for this additional levy through opening additional oil palm blocks. If claimants had been consulted, they would have proposed alternative income generating opportunities and would have negotiated on the new road "user fee".*

The World Bank maintains in correspondence with CELCOR that additional consultation took place prior to 2007 project design phase during annual World Bank missions which contacted stakeholders such as NGOs, church-based organizations, youth organizations and farmers associations. However no records of these consultations have been made publicly available and the consultations that are referred to in annexes of some of the SADP documents, do not provide summaries of these meetings. Considering there will be 4,370 new growers and over 15,000 existing growers in the three SADP schemes affected by the project, particularly by the new road maintenance levy, the lack of transparent consultation records calls into question whether there has been achievement of broad community support.

The claimants maintain that any consultations the World Bank did undertake were limited and did not refer directly to the project activities. Specifically, the consultations did not allow informed participation.

Further, project documents have not been supplied to smallholders or delivered in an accessible format. At the time of the claim, no project documents are available at OPIC project sites, despite an advertisement in the National, dated 22 February 2007, advising that project information be accessible at these sites. Discussions with OPIC project managers also revealed that they were unaware that such materials existed and should be available to the public. In addition, project documents provided at the project launch in March 2009 were disseminated via a CD-ROM, well after project approval and all project decisions had been made.

Importantly, information has not been publicly disclosed in a language other than English. While PNG has a wide range of local language, Pidgin is the common language spoken by most, if not all, communities affected by this project. None of the project documents have been translated into Pidgin, in a written or spoken format, or made available to the claimants or other project affected people prior to project approval.

#### **B.5. The SADP is not a sustainable project**

The claimants are concerned about the sustainability of two key features of this project, namely the road maintenance fund and the activities of OPIC extension officers. The project is dependent on these elements however both are poorly designed and will not be maintained after project completion.

##### **a) Road maintenance fund mechanism**

One major aim of the SADP project is to ensure the sustainability of smallholders in the oil palm industry in PNG (PID, page 12). One of the key ways identified by the project to establish sustainability is to improve road access.

At present, the standard of roads across all three SADP areas are significantly degraded with many smallholders suffering periodic or permanent lack of produce pick up (see pictures in Appendix 2). The lack of road access also affects the standard of health care and education accessible to the smallholders, as well as increasing transport levies, which are incurred to cover the financial cost to transport vehicles and increase as the vehicles require more maintenance to service poorer quality roads.

Previous development projects in the oil palm areas of PNG were designed to increase the quality and number of oil palm roads to better service the oil palm mills' smallholder contributors. In Oro, the previous World Bank Smallholder Oil Palm Development Project from 2001 was designed to construct 80 km of new access roads and 392 km of harvest roads. Lack of proper contractor supervision, limited contractor sophistication, inadequate initial drainage, inadequate culvert capacity with little consideration for headwall protection, inadequate tendering processes and recruitment of under qualified contractors, however, led to construction of deficient roads and left over 180 km of roads un-constructed. These issues are common to road maintenance in all three project areas.

Under SADP, the World Bank is proposing an end user fee pay system, with smallholders funding their infrastructure improvement to a road maintenance trust fund (RMTF) to make the road network more sustainable. *In this regard, the people of PNG are paying for the*

*construction and maintenance of the same roads three times: once through the 2001 World Bank loan, second to repay SADP and finally, through a user fee on the smallholder farmers. (See section B.7.)*

It is highly concerning that the road maintenance will again be unsustainable. According to the SADP PAD, page 35, the RMTF will be funded in the following way: 25% of the fund will be derived from the Provincial Government, 25% from the National Government, 25% from the oil palm companies and the final 25% from the growers.

In order for this to be sustainable all participants need to contribute their allocated funds. There is a high risk however that the Provincial government will be unable to make their contribution to the fund regularly (PAD risk assessment, page 62). This was recognized early on in the project design and was listed in the PID as one of the largest challenges faced in the previous projects "the Provincial government could not be relied on to provide funds for maintenance of the access road network" (PID page 9).

The World Bank indicated in discussions with CELCOR that the National Government will underwrite the provincial governments' commitments. This has not been disclosed in project documents. Past experience with the PNG government would also suggest otherwise. The PID itself recognizes the national government is slow to appropriate funds (PID, page 6).

The claimants also have concerns that the industry will not contribute their funds in a timely manner. The use of fund contributions as a political tool by the milling companies is already a well used tactic. In early 2008, the oil palm companies withheld their voluntary OPIC levy contribution to force the government to establish the National OPIC board. The action indicates that the oil palm companies have the ability to influence the direction of funds and therefore the potential use and spending of the road maintenance fund. Growers, in contrast, are compulsorily required to contribute to the OPIC levy and will be forced to contribute to the road maintenance levy if they wish road access to improve. It was noted in informal discussions with industry representatives that if growers 'chose' not to contribute to the levy, their road would not be maintained.

The annual contribution rates in the current design of the RMTF are designed to sufficiently cover the costs of anticipated routine and non-routine maintenance by contractors and the oil palm companies. This maintenance mechanism, without contributions from either the provincial, national or oil palm companies, will not be sustainable and roads access will decline. The SADP has a high risk of being unsustainable.

After not being consulted on this issue, growers will be the first participants forced to pay for the loan and will be the last ones to benefit. If road maintenance is forced to conform to a user pay system then better safety provisions must be put in place to ensure the RMTF is contributed to regularly and a very minimum, it should be made mandatory that oil palm companies contribute to the road fund and the National Government underwrites the Provincial Government's fund commitments.

#### **b) Management by OPIC**

Another concern relating to the sustainability of the project is OPIC's limited capacity to deliver appropriate extension services. There is currently one OPIC extension officer for every 400 smallholder farmers in Oro Province, providing far less than adequate support to growers. During the extension officer training under the previous World Bank oil palm project in Oro, the level of



extension service sustainability was found to be one officer for every 300 growers. Under the SADP, an additional 7 extension officers will be recruited in Biella, 3 in Hoskins and 7 in Oro. However, the numbers of growers will also rise, amounting to almost 1750 in Hoskins, 620 in Biella and 2000 in Oro. Using the above mentioned standard of sustainability, the ratio of officers to growers clearly remains above 1:300, ensuring that the project will not be viable in the long term and growers will be left with the burden of growing oil palm without any support. Considering that other critical components of the project, such as productivity increase, HIV/AIDS awareness and land tenure strengthening are tightly linked with extension officer activities, these components will suffer and will not achieve their targets.

#### **B.6. SADP will cause environmental damage**

The claimants also have concerns that the World Bank has not complied with environmental safeguard policies. The environmental assessments conducted are particularly poor and miss critical impacts. Two major gaps in the assessment are lack of reliable sources and an assessment of water effluent. There is also a concern that the mitigation measures outlined in the EMP in regards to preservation of high conservation value forests are inadequate.

##### **a) Environmental Assessment misses critical impacts**

The SADP Environmental Assessment undertakes an assessment of potential environmental impacts on subsistence resources, soils, surface waters, flora and fauna, air quality and noise. The assessment relies on baseline data collected from a field survey carried out on fresh watercourses in smallholder oil palm block areas, stakeholder consultations and a literature review. The literature review appears to rely heavily on the Environmental Plan applications submitted by the oil palm developments in Oro and West New Britain and PNG fauna textbooks. Details of other resources are not given, however the assessment does report it utilized institutional knowledge within the Environmental consultants company, gleaned from 'years of experience of working in PNG'. These sources are inadequate for a reliable environmental assessment of the impact of oil palm and there are many other environmental impacts that have not been assessed.

One example of an environmental impact that has not been assessed is the increase in mill effluent on downstream rivers. The PID clearly states that "it will be necessary to review of the performance of the existing waste water treatment systems" to assess the capacity of the mills to handle increased flows from the increased number of smallholders and prescribe necessary mitigation measures. However, the assessment does not assess mill effluent at all, merely stating that all the mills are ISO 140001 certified and therefore have procedures in place to mitigate any potential environmental damage and are regularly audited. It maintains that wastewater is now properly treated (compared to the 1990's when excessive organic pollution was discharged into local streams). The SADP Freshwater Impacts assessment, however, reports that streams which receive mill effluent are significantly polluted by organic matter (Freshwater Impacts report, page 25).

The ability to mitigate the environmental damage is disputed by the claimants who maintain that the liquid effluent ponds impact greatly on the life of the stream and regularly overflow prior to treatment. Effluent treatment systems usually drain effluent through two ponds before releasing it into local streams. The pond system reportedly allows natural bacteria to break down the residual oil and reduce BOD to acceptable standards. However, villagers living along the rivers still complain of skin diseases, respiratory problems, reduction in fish life and bad smells, particularly at the place of effluent discharge. In Oro Province, locals believe that the company only releases

the effluent at night to ensure it is washed out to sea by dawn. At times of heavy rainfall when the ponds often overflow, a rusty orange and brown liquid is seen to flow down the river.

The impact of effluent discharges has not been reviewed under the SADP Environmental Assessment despite clear evidence that streams receiving effluent are polluted and complaints by smallholders (Environmental Assessment, page 25). Claimants do not believe Department of Environment and Conservation has the ability to monitor the waste water licensing properly and future overflows will occur. There is a lack of evidence within the project documents to ensure future impacts will not occur from the increased amount of effluent produced from this project.

**b) High risk to deforestation under existing Environmental Management Plan (EMP)**

Another environmental impact that has not been properly considered is the risk of deforestation of high conservation value forests. The Environmental Assessment, Environmental Management Plan and the Project Implementation Manual (PIM) - Infill Sub-Manual, outline that a site sensitivity survey will be used to restrict deforestation of forested blocks. Only after this survey has been completed will the block be eligible for the credit facility, and oil palm planting. The survey is also intended to assess whether the relocation of household gardens will enter into areas excluded on the same environmental grounds.

The implementation of this system however rests with OPIC. Many OPIC officers lack the capacity to classify forests within the correct forest criteria of primary forest, impacted forest, regenerating and non regenerating forest, despite the criteria being clearly described in the survey form. This is aggravated further by OPIC internal targets. OPIC is a target run organization which measures extension officer productivity by fruit bunch yield and newly planted oil palm blocks. The targets are set out in the OPIC operation manual and are referred to within the SADP Project Implementation Manual - Infilling sub manual on page 2. Officers are evaluated by how much oil palm is planted.

The SADP attempts to overcome the lack of capacity by allocating an environment officer to each scheme to assess sensitive sites and develop a training program for extension officers, delivered by the Environment consultant/auditor. Given the severe capacity issues affecting OPIC at present, it is unlikely such institutional knowledge will be developed in time for the roll out of new plantings. In addition, extension officers are driven by the amount of oil palm they plant and provide the first assessment of the site (EMP, page 42). If the sites are not identified as sensitive, the environment officer will not be involved. These two factors place forested land at risk of deforestation.

The claimants believe a high forest conservation value inventory should be undertaken in the project area prior to new plantings, OPIC should undertake training to ensure extension officers have an adequate knowledge of forest definitions and internal targets be removed to ensure impacts do not occur on valuable habitat. Without such measures in place prior to planting, risk of deforestation is high.

**B.7. The project unfairly forces growers and PNG taxpayers to pay for the same road repair multiple times**

Under the previous World Bank oil palm loan in the Oro region, over 7,800 hectares was planted, increasing the total area of smallholders to around 13,000 hectares. Promises were made by OPIC to the smallholders that the new roads would deliver market access. In return, growers paid off planting loans and PNG taxpayers paid for the construction and maintenance of the roads.

At the end of the Oro Expansion project in 2001, approximately 180 km of roads were not constructed and many smallholders were left without road access. This extended into 2005-2006 where many smallholders were left without harvest pickups for 12 months. An additional 400 smallholders were permanently abandoned when 13 roads were declared no go roads (Social Assessment, page 45). The continuing poor road conditions and unreliability of harvest pickups have resulted in growing anger amongst growers in the Oro region.

Close to 70 % of the SADP project funds will be spent on road reconstruction and maintenance. The SADP intends to rebuild the entire pavement and drainage structure of 550 km of roads across the 3 SADP areas, amounting to 20 % of the network. In Oro province, an emergency AusAid fund has been mobilized to construct the left over roads from the previous World Bank project, however under the SADP, the same AusAid funded roads will be upgraded with over 100 km undergoing minor reconstruction.

The growers in the Oro region have already been subject to road construction projects that have suffered from inadequate project design. They and other taxpayers should not be expected to pay for the mistakes of previous projects.

### **Part C Breaches of World Bank Policy**

The above problems will cause significant harm to the peoples of Oro and West New Britain and breach World Bank standards. The policies breached include:

#### **C.1. OP/BP 4.10 Indigenous Peoples**

The SADP Integrated Safeguards Data Sheet (16 May 2007) the SADP Project Information Document (23 February 2007) and the SADP Project Appraisal Document (19 November 2007) reference OP/BP 4.10 as an applicable policy that is triggered in this project.

##### *a) Consultation and disclosure*

The Bank has breached the Indigenous Peoples' policy by failing to assess whether the borrower has effectively implemented free, prior and informed consultations which have resulted in broad community support (BCS). OP/BP 4.10 states that:

*"For all projects that are proposed for Bank financing and affect Indigenous Peoples, the Bank requires the borrower to engage in a process of free, prior, and informed consultation. The Bank provides project financing only where free, prior, and informed consultation results in broad community support to the project by the affected Indigenous Peoples." (OP 4.10, para. 1).*

The Indigenous Peoples policy (OP/BP 4.10) goes on to state that when ascertaining the extent of BCS, the Bank must pay "particular attention to the social assessment and to the record and outcome of the free, prior, and informed consultation with the affected Indigenous Peoples' communities" (OP 4.10, para.11).

Free, prior, and informed consultation with affected Indigenous Peoples' communities "refers to a culturally appropriate and collective decision making process subsequent to meaningful and good faith consultation and informed participation regarding the preparation and implementation of the project" (OP/BP 4.10, n4).

As part of free, prior, and informed consultation, the policy requires the borrower to inform communities of:

- (a) *their rights to such resources under statutory and customary law;*
- (b) *the scope and nature of the proposed commercial development and the parties interested or involved in such development; and*
- (c) *the potential effects of such development on the Indigenous Peoples' livelihoods, environments, and use of such resources.* (OP/BP 4.10, para. 18).

A record of the consultation process should also be maintained as part of the project files.

It is unclear if adequate and complete records of the consultations have been kept. Requests from the claimants and CELCOR to the World Bank for records of the consultations to date have not been satisfied. If records of the consultations have been kept, they have not been made publicly available. The SADP Social Assessment lists the names of people consulted in three meetings (in cities in each of the project areas) and the Environmental Assessment provides a brief summary of a consultation in the PNG capital, Port Moresby. However, no other records of consultations are available. If these are the only consultation that took place, they are inadequate as not all the claimants had knowledge of the consultations or the opportunity to attend.

The failure to maintain and provide access to a clear and complete record of the consultations conducted is itself a violation of WB policy and procedures. Far graver, however, is the evidence that the Bank has failed to assess broad community support and indeed that such support does not exist among the communities and peoples impacted by this project.

The road maintenance levy, as one example, will clearly have an effect on the growers' livelihoods and there is no evidence of broad support among the affected communities for this aspect of the project design, or at least none that has been made available to the claimants. Lack of consultation on this issue, among others, shows that there has not been informed participation. Informed participation should have been realized under a broad community support assessment and failure to undertake such an assessment indicates a serious breach of World Bank policy.

#### *c) Human Rights*

With regard to the claimants' human rights, the World Bank has a duty to read the Indigenous Peoples' policy in line with the purpose of the policy, which is to *ensure respect for indigenous peoples' dignity, human rights and culture.* (OP 4.10, para. 1)

Recognized human rights norms therefore inform the reading of the policy (OP/BP 4.10), particularly the provision that the Bank will finance projects only where free, prior and informed consultation with affected indigenous peoples results in their "broad community support". (OP 4.10, para. 1).

Many international bodies and organizations consider that in addition to other consultation mechanisms, states and private sector parties must obtain the consent of indigenous and tribal peoples to large scale development or investment projects that have a significant impact on rights of use or enjoyment of land or territories:

"[f]ree, prior and informed consent is essential for the [protection of] human rights of indigenous peoples in relation to major development projects"

U.N., *Report of the Special Rapporteur on the situation of human rights and fundamental freedoms of indigenous people, Rodolfo Stavenhagen, submitted in accordance with Commission resolution 2001/65 (Fifty ninth session)*, U.N. Doc. E/CN.4/2003/90, January 21, 2003, para. 66. See also *Saramaka People v. Suriname*, Inter-American Court of Human Rights, Judgment of November 28, 2007 (noting the internationally-recognized right to "free, prior and informed consent."); International Court of Justice, *Western Sahara: Advisory Opinion of 16 October 1975*, *ICJ Reports* 1975 (same); M. Janis, *The International Court of Justice: Advisory Opinion on the Western Sahara*, 17 *Harv. Int'l L.J.* 609, 61 (1976) (same).

Further, indigenous peoples right to development includes the right to determine their own pace of change, consistent with their own vision of development and the right to say no.

The peoples of Oro and West New Britain have been unable to engage in the design process of the SADP. Specifically, they have not given their consent (much less participated in consultation) to incur an additional financial burden as proposed under the Road Maintenance Trust Fund or for the World Bank to promote new oil palm expansion. Broad community support cannot be achieved without this consent, following international norms. The project consequently does not comply with the purpose of the Indigenous Peoples' Policy (OP/BP 4.10), which is a breach of World Bank policy.

The Inspection Panel has previously considered similar issues in the China Western Poverty Reduction Report.

#### *d) International Commitments*

The Bank must also ensure that its projects do not contravene the borrower's international human rights commitments. OMS 2.20 requires that a "project's possible effects on the country's environment and on the health and well-being of its people must be considered at an early stage... Should international agreements exist that are applicable to the project and area, such as those involving the use of international waters, the Bank should be satisfied that the project plan is consistent with the terms of the agreements." (OMS 2.20, para. 24).

The Papua New Guinean Government signed the International Covenant on Economic, Social and Cultural Rights (ICESCR) on 8 July 2008.

Under Article 11 of the ICESCR, state parties who have signed the Covenant, recognize the right of everyone to an adequate standard of living, including adequate food, clothing and housing, and to the continuous improvement of living conditions. Actions taken to realize this right must be based on free consent<sup>7</sup>

The States Parties to the present Covenant recognize the right of everyone to an adequate standard of living for himself and his family, including adequate food, clothing and housing, and to the continuous improvement of living conditions. The States Parties will take appropriate steps to ensure the realization of this right, recognizing to this effect the essential importance of international co-operation based on free consent. (Article 11, International Covenant on Economic, Social and Cultural Rights)



This indicates the Papua New Guinean government will require all development projects, undertaken to improve the standard of living, to be based on free consent. At a minimum, this places an obligation on the Bank to recognize this international obligation in its project documents and request information from the Government of PNG as to the steps taken to ensure that such consent for the project has been freely given.

## **C.2. OP/BP 4.01 Environmental Assessment**

As a Category B project, the Bank was required to ensure that the borrower "consult[] project-affected groups and local nongovernmental organizations (NGOs) about the project's environmental aspects and takes their views into account." OP 4.01, para 14.

As described above, the claimants note that for meaningful consultation to take place between OPIC and the small holders, as required under the OP 4.01 Environmental Assessment policy, the smallholders must have been provided with relevant material prior to consultation in a "form and language" that is "understandable and accessible". OP 4.01, para. 15. This has not occurred. The smallholders have not received any materials, in English or otherwise, nor have they received information in spoken form. Therefore, there was no meaningful consultation as required in OP 4.01.

## **C.3. OP/BP 4.36 Forests**

The SADP Integrated Safeguards Data Sheet (16 May 2007) the SADP Project Information Document (23 February 2007) and the SADP Project Appraisal Document (19 November 2007) reference OP/BP 4.36 as an applicable policy that is triggered in this project.

According to OP 4.36, the "Bank does not finance projects that, in its opinion, would involve significant conversion or degradation of critical forest areas or related critical natural habitats." (OP 4.36, para. 5).

The use of an implementing agency that contains internal targets to plant oil palm makes it very likely there will be significant conversion of high conservation value forest areas. However, SADP does not put in place an effective mechanism to restrict deforestation of critical forest areas. In this regard, the Bank is in possible violation of its policy on Forest and the potential of this project to cause forest conversion or degradation.

In addition, BP 4.36 requires that:

*"During project preparation, the TT ensures that the borrower provides the Bank with an assessment of the adequacy of land use allocations for the management, conservation, and sustainable development of forests, including any additional allocations needed to protect critical forest areas. This assessment provides an inventory of such critical forest areas, and is undertaken at a spatial scale that is ecologically, socially, and culturally appropriate for the forest area in which the project is located." (BP 4.36, para. 4).*

The Environmental Assessment provides a weak assessment of critical forest areas and does not provide an inventory. This is in breach of Bank policy.

## **C.4. OP/BP 4.04 Natural Habitat**

*"In deciding whether to support a project with potential adverse impacts on a natural habitat, the Bank takes into account the borrower's ability to implement the appropriate conservation and mitigation measures. If there are potential institutional capacity problems, the project includes components that develop the capacity of national and local institutions for effective environmental planning and management." (OP 4.04, para. 6).*

OPIC is currently unable to correctly implement the planting form described in the project due to capacity limitations. The SADP Project does not adequately address this lack of capacity through training under Component 3. OPIC's internal targets also threaten appropriate identification of sensitive areas. These two factors combined greatly increase the risk of deforestation. There is currently no check and balance mechanisms to ensure new block are properly categorised. It is a breach of World Bank policy that appropriate components to ensure OPIC functions effectively have not been included in the project design.

#### **C.5. OP 10.00 Investment Lending**

The Investment lending policy states that:

*"Investment projects may include any productive sector or activity and may consist of new projects, the rehabilitation of existing facilities, or a combination of both. Each investment project must meet the following criteria: it must*

- (a) be consistent with the Bank's Articles of Agreement, operational policies in force, and the Country Assistance Strategy; be anchored in country policy/sector analysis; and reflect lessons learned from the Bank's experience;*
- (b) be economically justified; and*
- (c) Contribute to poverty reduction and sustainable economic growth." (OP 10.00, para. 3).*

The SADP in its current project design is not sustainable and has no additional mechanism to ensure the project will reduce poverty. It does not contribute to poverty reduction and benefits obtained from the SADP will not be maintained after project completion. This is a breach of the Bank's Investment Lending policy and the SADP should not be implemented until a mechanism is incorporated into the project design to ensure that poverty reduction occurs and that OPIC is sustainable.

#### **C.6. OP 13.05 Project Supervision**

Operational Policy 13.05 requires that the World Bank:

*"(a) ascertain whether the borrower is carrying out the project with due diligence to achieve its development objectives in conformity with the legal agreements;*

*(b) identify problems promptly as they arise during implementation and recommend to the borrower ways to resolve them;*

*(c) recommend changes in project concept or design, as appropriate, as the project evolves or circumstances change;*

*(d) identify the key risks to project sustainability and recommend appropriate risk management strategies and actions to the borrower; and*

*(e) prepare the Bank's Implementation Completion Report to account for the use of Bank resources, and to draw lessons to improve the design of future projects, sector and country strategies, and policies." (OP 13.05, para. 2)*

In this case, the World Bank is out of compliance with OP 13.05 in that it both failed to ascertain whether the borrower carried out the project with due diligence based on the lack of consultation with the claimants and failure to obtain their consent, and then failed to identify and promptly correct the problem.

#### **Part D Contact with the World Bank**

The claimants have raised these issues with the World Bank on numerous occasions in letters, public protest petitions and meetings (see Appendix 3). The details of some of this contact are as follows:

##### **Letters to the World Bank:**

1. Letter to the World Bank dated 30 April 2004 from the Ahora/Kakandetta Pressure Group outlining its opposition to the SADP and nomination of CELCOR as its representative;
2. Letter to the World Bank dated 30 August 2004 from the Ahora/Kakandetta Pressure Group asking the World Bank to consider other alternatives to oil palm and only fund "projects planned and initiated by the people".
3. Letter to the World Bank dated 14 May 2008 presenting views of stakeholders about the SADP. Unfortunately, CELCOR is unable to provide a copy of this letter due to IT technicalities following a virus attack on the CELCOR network, however, the World Bank should have kept the original.
4. Letter to the World Bank dated 28 July 2008 from CELCOR requesting the loan not be approved.
5. Letter to the World Bank dated 17 July 2009 following up the meeting between CELCOR and World Bank in May 2009.
6. Email to the World Bank dated 28 September 2009 requesting disclosure of project documents relating to consultation records.

##### **Public protest petitions against the SADP and oil palm development:**

7. Protest Petition against the SADP from Oro Province residents signed 2008  
Available at  
[http://www.wrm.org.uy/countries/Support to Papua New Guinea.html](http://www.wrm.org.uy/countries/Support%20to%20Papua%20New%20Guinea.html)  
[Accessed 23 October 2009]
8. Protest Petition from Ioma region against Oil Palm published in the Post Courier 2006

##### **Meetings:**

9. CELCOR representatives met with the World Bank on 23 May 2009
10. CELCOR representatives met with the World Bank on 13 October 2009

In the letters and protest petitions the issues were raised relating to food security, land shortages, environmental impact of oil palm, risk of environmental damage due to ineffective monitoring, lack of improvement of living standards by palm oil development, lack of economic diversification and the inequality that smallholders should pay to fix previous World Bank mistakes.

The World Bank stated in a letter to the Ahora/Kakandetta people on 10 June 2004 that "adequate consultation with landowners and other stakeholders would take place to assist in finalizing the design of the project".

The World Bank has also responded via letter and email to questions and requests from CELCOR on behalf of the claimants including the following responses:

1. Letter dated June 10 2004
2. Letter dated June 16 2008
3. Letter dated September 3 2009
4. Email dated September 30 2009
5. Email dated October 19 2009

However, despite raising these concerns no change has been made to the project design and further consultation has not taken place.

There has been no other correspondence between CELCOR and World Bank representatives since the last meeting with the World Bank on 13 October 2009.

#### **Part E Recent Developments**

The World Bank stated during the recent meeting with CELCOR that no monies have been disbursed. However, the claimants are aware that planting is intended to begin in April 2010 following an article printed by the Papua New Guinean Post Courier Newspaper in October 2009. The article reported on a cheque handover ceremony where Papua New Guinea Sustainable Development Program, another financial contributor to the SADP project, presented monies to the loan implementer, PNG Microfinance Ltd, for "infilling loans". The World Bank PNG Task Team Leader attended the ceremony (see Appendix 4).

The claimants fear that now that a public commitment to commence the project has been made, their concerns have not been listened to, and changes to the project design will not be made. It is critical that broad consultation is undertaken and consent is granted prior to the start of the project.

We request the Inspection Panel recommend to the World Bank's Executive Directors that an investigation of these matters be carried out. Furthermore, in making this request for inspection of the project, the claimants ask that the SADP be put on hold until:

- e) poverty reduction is incorporated into the project design;
- f) other economic livelihood options are presented;
- g) a comprehensive environmental assessment is undertaken, including assessment of effluent treatment and a forest inventory;
- h) the project design is amended to ensure sustainability of the project;
- i) proper consultation is undertaken to ensure communities give their free, prior and informed *consent* to all components of the project.

#### **Appendices**

1. Authorization of CELCOR to act as claimant representative and claimant details
2. Photos of state of roads in SADP area
3. Correspondence between CELCOR and the World Bank
4. Additional Articles

### Sources

Article from the Post Courier, October 2009 documenting release of funds from PNGSDP to PNG Microfinance Ltd for SADP Component 1, "infilling" loans.

Anderson, T (2008) *Women roadside sellers in Madang* Pacific Economic Bulletin, Vol 23, No 1,

Wakker, E. (2004) *Greasy Palms: The social and ecological impacts of large scale oil palm plantation in Southeast Asia*, Friends of the Earth and Aid Environment.

UNCERD, *Consideration of Reports submitted by States Parties under Article 9 of the Convention, Concluding Observations on Ecuador (Sixty second session, 2003)*, U.N. Doc. CERD/C/62/CO/2, June 2, 2003, para. 16.).

U.N. *Report of the workshop on Indigenous Peoples, private sector natural resource, energy and mining companies and human rights* U.N. Doc. E/CN.4/Sub.2/AC.4/2002/3.

### Conclusion

We look forward to your response to this Request for Inspection. We authorize CELCOR to undertake this request on our behalf and you may reach us through the contact information below. We do not give consent to the World Bank to disclose claimant names and details, other than CELCORs.

Sincerely,



Date: 25/11/, 2009

Mr. Damien Ase  
Centre for Environmental Law and Community Rights  
(CELCOR)  
PO Box 4373 Boroko  
National Capital District  
Papua New Guinea  
Phone: +675 323 4509  
Fax: +675 311 2106  
Email: [dase@celcor.org.pg](mailto:dase@celcor.org.pg) or [etpaine@gmail.com](mailto:etpaine@gmail.com)



**Application to the World Bank Inspection Panel  
Claimants' Authority**

We, customary land owners in Oro Province, wish to file an application to the World Bank Inspection Panel to review the Smallholder Agricultural Development Project.

We are concerned that the World Bank is providing a loan to the Papua New Guinean Government when:

- Oil palm does not reduce poverty
- The SADP is not a sustainable project.
- High conservation value forests will be cut down
- Increased mill effluent will pollute our rivers
- The government will not fund the road maintenance fund and we will be left with the burden of maintaining the debt as well as the roads
- OPIC does not have the capacity to implement this project successfully

World Bank and OPIC have also failed to conduct free, prior and informed consultation about the SADP.

- You did not tell us about the road levy!
- You did not tell us the loan was only for new growers!

The people of Oro have already paid for the roads before and they shouldn't have to pay for the World Bank's mistakes!

The project in its current design breaches a number of World Bank policies, including:

- OP/BP 4.10 Indigenous Peoples Policy
- OP/BP 4.36 Forests Policy
- OP/BP 4.04 Natural Habitats
- OP /BP 4.01 Environmental Assessment
- OP 4.10 Investment Lending

Oil palm is not the best development option for Oro and West New Britain Provinces. It does not reduce poverty or ensure sustainable economic growth. The World Bank should fund other alternatives that address the social problems associated with oil palm before funding another expansion project!

The Centre for Environmental Law & Community Rights (CELCOR) has agreed to submit a claim to the Inspection Panel of the World Bank for the Smallholder Agriculture & Development Project (SADP) on our behalf. CELCOR on our instructions and consent:

- Will assist us in putting the World Bank on notice;

- Will seek expert assistance in respect of this claim. We consent to CELCOR's disclose of matters that would otherwise be subject of client confidentiality to these persons;
- Will submit our names for purposes of this claim only or otherwise stated.

We fully understand our intention for engaging CELCOR to put forward this claim.

**Applikesen igo long inspection panol blong wol benk  
Authority blong ol claimant**

Mipela ol customary papa graun insait long Oro Provins i laik wokim wanpela applikesen igo long Inspection Panol blong Wol Benk. Displa em blong ol i mas wokim wanpela review blong dispela Smallholder Agricultural Developmen Projek (SADP).

Mipela i wari stret bikos Wol Benk I wok long givim loan igo long PNG Gavaman taim:

- Oil Palm ino save rausim poverty
- Dispela SADP ino wanpela sustainable projek
- Ol bai katim planti ol bus we I bai gat bikpela value lons sait bilong conservation.
- Pipia blong ol mill bai bagarapim ol wara blong mipela.
- Gavaman bai ino nap putim mani long rot maintenens fund na mipela bai karim hevi blong bekim dinau na maintainim rot
- OPIC i nogat gutpela risos blong mekim dispela projek karim gutpela kaikai

Wol Benk na OPIC tu ibin fail long wokim wanpela free, prior, na informed consultation blong dispel SADP.

- Yupela ino bin tokim mipela long dispela levy blong rot
- Yupela ino bin tokim mipela olsem dispela loan em blong ol niupela grower tasol.

Mipela ol man/meri blong Oro ibin baim ol dispela rot bipo yet na mipla mas noken peim moni gen long stretim asua blong Wol Benk.

Dispela projek, long design we em I stap nau, i burukim planti ol policy blong Wol Benk. Ol dispela em:

- OP/BP 4.10 Policy blong ol asples man meri
- OP/BP 4.36 Policy blong bus
- OP/BP 4.04 Naturol Habitat
- OP/BP 4.01 Assessment blong Environment
- OP 4.10 Givim mani blong Investmen

Oil Palm em ino wanpela gutpela development laik insait long Oro na West New Britain Provins. Emi no save rausim poverty or kamapim sustainable growth bilong economy. Bifo ol I putim mani igo insait long narapela expansion projek, Wol Benk imas putim











mani long sampela narapela projek we I bai lukluk long ol dispela social problem we I save kam wantaim oil palm.

Centre blong Environmental Law na Community Rights (CELCOR) I tok orait lo halivim mipela putim wampela claim igo long Inspection Panel blong Wol Benk long lukluk long dispela SADP. Mipela olgeta I wanbel long CELCOR I makim maus blong mipela na bihainim tingting blong mipela we mipela laik:

- Ol bai halivim mipela long givim notis long Wol Benk
- Ol bai mas painim ol narapela save man/meri long halivim ol putim claim blong mipela. Long dispela as, mipela tu I wanbel long o liken autim sampela ol hait information igo long ol dispel ol save man/meri
- Ol bai givim nem blong mipela long wokim wok blong dispela claim tasol na ino long narapela samting.

Mipela olgeta I save long as tingting wai mipela askim halivim blong CELCOR long pushim dispela claim.

Signed

Claimant 1:	 Name	 Signature	<u>02/09/09</u> Date
Claimant 2:	 Name	 Signature	<u>02/09/09</u> Date
Claimant 3:	 Name	 Signature	<u>02/09/09</u> Date
Claimant 4:	 Name	 Signature	<u>02/4/09</u> Date
Claimant 5:	 Name	 Signature	<u>02/09/09</u> Date

Claimant 6: [REDACTED] [REDACTED] 02/09/09  
Name Signature Date

Claimant 7: [REDACTED] [REDACTED] 02/09/09  
Name Signature Date

Claimant 8: [REDACTED] [REDACTED] 02/09/09  
Name Signature Date

Claimant 9: [REDACTED] [REDACTED] 02/09/09  
Name Signature Date

Claimant 10: [REDACTED] [REDACTED] 02/09/09  
Name Signature Date

Claimant 11: [REDACTED] [REDACTED] 02/09/09  
Name Signature Date

Claimant 12: [REDACTED] [REDACTED] 02/09/09  
Name Signature Date

Claimant 13: [REDACTED] [REDACTED] 02/09/09  
Name Signature Date

Claimant 14: [REDACTED] [REDACTED] 02/09/09  
Name Signature Date

Claimant 15: [REDACTED] [REDACTED] 02.09.09.  
Name Signature Date

Claimant 16: [REDACTED] [REDACTED] 02/09/09  
Name Signature Date

Claimant 17: [REDACTED] [REDACTED] 02/09/09  
Name Signature Date

Claimant 18:

[REDACTED]

Name

[REDACTED]

Signature

02/09/09

Date

Claimant 19:

[REDACTED]

Name

[REDACTED]

Signature

02/09/09

Date

Claimant 20:

[REDACTED]

Name

[REDACTED]

Signature

02/09/09

Date



# CLAIMANTS' DETAILS

CLAIMANT NUMBER	SURNAME	GIVEN NAME	CLAN	DISTRICT	PROVINCE	POSITION IN THE COMMUNITY
1						
2						
3						
4						
5						
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## Appendix 2

Photographs taken in 8-11 May 2009 at Oro Province.

Photograph 1: Road 2 – Isiv - A road upgraded under first Oro Smallholder oil palm project. Calvert has collapsed and road as fallen into the river. Vehicles currently cross to the right side of the road, however, during high rain fall the road is impassable.



Photograph 2: Oro Province, Road 2, Isivi – A recently repaired calvert. Road has not been compacted and severe erosion around the side of the road.





Photograph 3: Harvest road in Oro Province



Photograph 4: Collapsed bridge in Oro Province.





Correspondence between  
CELCOR and the  
World Bank.

Appendix 3 (1)

Ahora/Kakandetta Pressure Group  
C/- P.O. Box 302,  
POPONDETTA  
Oro Province  
Papua New Guinea

30<sup>th</sup> April, 2004

Mr. Xian Zhu  
Country Director for PNG  
The World Bank  
Level 18, CML Building  
14 Martin Place  
Sydney, NSW 2000  
Australia

Dear Sir,

**RE: WORLD BANK LOAN FOR EXPANSION OF OILPALM IN ORO PROVINCE,  
PAPUA NEW GUINEA.**

Referring to the above, Ahora and Kakandetta are two (2) villages in Popondetta District of Oro Province in Papua New Guinea who have come together to form a pressure group and we have been pursuing for compensation payments for damages to our land as well as environment damages and water pollution caused by Higaturu Oilpalms Ltd, a company jointly owned by Pacific Rim of Plantations (PacRim) Ltd and the Government of Papua New Guinea. The allegations on environment damages and water pollution done by this oilpalm company in this part of the country has been an ongoing process for the past twenty six (26) years since the operations of the company began in 1979, almost four (4) years after Papua New Guinea gained its independence.

Together with this pressure group are seven (7) additional villages who are located downstream of Ambogo river right through to the coast who have brought up their separate compensation claim for damages done by the company to their land, environment and water (river/creeks) which are the only source of water for their daily usage. Together, we are all faced with similar problems caused by the operation of the company in Popondetta. The names of the seven (7) villages are as follows:

- |            |                 |
|------------|-----------------|
| 1. Kausada | 5. Kipore       |
| 2. Gona    | 6. Bakumbari    |
| 3. Beuru   | 7. New Warisota |
| 4. Huhuru  |                 |

We began pursuing this issue since the 1<sup>st</sup> June, 2001, against the oilpalm company and the government of Papua New Guinea demanding K310,000,000.00 for the damages done to the lives of over ten thousand (10,000) inhabitants. Since then, we have held many talks with both the company management and Government Officials but nothing tangible eventuated although we have proved many things wrong in the operations of the company with its environmental management and also we have pointed out the Government's failures in handling this issue whilst pretending as if everything was fine.

The Higaturu Oilpalms Ltd and Pacific Rim (PacRim) Ltd have been operating without proper environmental plan for the past two (2) decades and the company has deliberately breached some environmental regulations and policies of Papua New Guinea. These three (3) main Laws are:

1. Environmental Act 1978
2. Environmental Contaminants Act 1978
3. Water Resources Act 1982

Although many attempts were made by the government to have the oilpalm company honour its environmental obligations it has failed. Indeed the oilpalm company failed miserably over the years with its environmental management practices.

Our national government is caught in the dilemma because it cannot help protect the people from environmental abuse and prosecute the company and the investor, the Pacific Rim of Plantations (PacRim) because the Government is also a shareholder in the venture. In other words, as stakeholder, it cannot see how it could enforce its own laws. Very recently, the government and the company began to respond positively but how it is going through does not look good enough as far as the landowners and the affected communities are concerned. This is because according to the Department of Environment and Conservation, the Oilpalm company is not trying to compromise to have this issue settled once and for all.

Apart from environmental damages and water pollution issue, land is the other vital aspect of our claim as it is very big issue in Papua New Guinea, especially in Popondetta, Oro Province. The Hlgaturu Oilpalms Ltd and PacRim Ltd have illegally acquired our land and used it for their own benefits and economic growth leaving less or none to us, the landowners and the province for the past twenty (20) years. And again, our national government took a blind eye declaring the land as a state land in their NEC brief of 25<sup>th</sup> July, 1995 whilst knowing for sure that the land was acquired by cheaply exchanging with axes, clothes, tobacco and salt to name a few by the pre-independence administration in Papua New Guinea in 1910 and 1917 respectively. The company has been operating without proper legal land documents as declared by the National Department of Lands and Physical Planning on the 22<sup>nd</sup> - 27<sup>th</sup> March, 2002 in Port Moresby. This is also a breach of our customary laws on land as we have sustained ourselves on the land as said in our customs. Now we are landless and are just another lot of hopeless, lifeless people standing innocently and grieving on our land while others not from this land reap goodness out of our land and enjoy it. We the indigenous people are ignored and seen to be insignificant.

We also know the fact that it was originally planned and advised by the World Bank in 1963 that oilpalm was proven to be the only tree crop or otherwise the only cash crop in Papua New Guinea and its no wonder that the Bank has been putting in the funds without seen its impact on the lives of the people. Now that the World Bank has once again as usual plans to allocate funds for its expansion plan for oilpalm in Oro Province which we must inform you that it is not in the best interest of the people by this time around and we suggest that you must halt your funds for the oilpalm expansion project. There is need to review the policies of the company and the arrangement for the new Land Lease Agreement and other businesses contracts because the company is going to be here for the next seventy (70) years.

Let us warn you that, if you persist on and release of the loan, it would mean us inviting the World Bank Inspection Panel to step in and do an investigation on the whole project.

On the same note, we are asking you to release the following documents on the project to us through our Lawyer, Mr. Damien Ase of CELCOR Lawyers. These are:

1. Project Documents
2. Loan Documents

We believe, these documents are accessible to the public and therefore could you send us these documents to the group in due time under our address or to our lawyer on the following address.

Mr. Damien Ase (LLB)  
Executive Director  
Center for Environmental Law and Community Rights Inc (CELCOR)  
Suite 1, Level 1, Malagan Haus  
P.O. Box 4373, Boroko  
National Capital District  
Papua New Guinea  
Telephone: (675) 323 4509 / 323 4237

Facsimile: (675) 311 2106  
Email: [info@celcor.org.pg](mailto:info@celcor.org.pg) / [dase@celcor.org.pg](mailto:dase@celcor.org.pg)

Should require more information about the mentioned landowner group, we can be contacted through our lawyer on the above address.

Thank you so much for your attention and appropriate action.

Yours Faithfully,

  
Group Secretary

Appendix 3(2)

Ahora/Kakandetta Pressure Group (AKPG)  
C/- P O Box 302,  
POPONDETTA  
Oro Province  
Papua New Guinea

30<sup>th</sup> August, 2004

Mr. Xian Zhu  
Country Director for PNG  
The World Bank  
Level 19, 14 Martin Place  
Sydney, NSW, 2000  
AUSTRALIA

Dear Sir,

**RE: Proposed Papua New Guinea Smallholder Agriculture Development Project  
And Smallholder Oilpalm Development in Oro Province.**

We refer to your letter dated 10<sup>th</sup> June, 2004, regarding the above project.

With regard to the above, Proposed Smallholder Agriculture Development Project is very interesting, but we ask you take hold of your funds and release it to fund projects that can benefit majority of the people in rural communities. The current project proposed is geared towards expansion of oilpalm by support multi-national oilpalm companies including Commonwealth Development Corporation (CDC). CDC and its subsidiary Higaturu Oilpalms Ltd own and manage the Higaturu Oilpalm Project and various other estates in the Province. For twenty six (26) years they have completely destroyed our land and our rivers. We have been suffering on our own land and have had enough of the destruction. The destruction and pollution continues and many people have died as a result. We are now pursuing our claims for compensation with the company. We do not want any more destruction on our land.

If the World Bank is serious about alleviating poverty at the community level, we appeal to you to support projects planned and initiated by the people. Small scale agriculture development projects including organic coffee, cocoa and vanilla are the best alternatives where money is going to go directly to the farmers. We want good clean water, good health facilities and schools. Expanding oilpalm in the Province will not be the answer to our problems. Please do not fund the expansion of this destructive crop. We will hold you and the World Bank for any further destruction on our land should you go ahead with the project. Our stand is fully supported by landowner leaders from all over the Province.

In March this year, landowners from all over the Oro Province came together in Popondetta and discussed the issue of oilpalm plantation and nucleus estates as well as impact of logging in the province. The theme was "Oro people for the land, water and life for us and for our children". This was an eye opener across the board and to the four (4) corners of the province. The Oro Community Environment Action Network (OCEAN) is an Umbrella Organisation which was formed after the workshop. The Ahora/Kakandetta Pressure Group (AKPG) is a member of the organisation and it will be addressing issues affecting the Oro people regarding our development efforts and resource development projects in the province that has the potential of affecting our

livelihoods. Furthermore, we (Ahora/Kakandetta Pressure Group (AKPG)) are calling on the Government and resource development companies and International Financial Institutions like the World Bank not to promote and fund the expansion of oilpalm plantations and nucleus estates in the province.

We therefore, say "NO" to the Smallholder Oilpalm Extension in Oro Province.  
We will not hesitate to invoke the World Bank Inspection Panel Mechanism if the project goes ahead.

Thankyou so much and we look forward to hearing from you.

Yours faithfully,

  
Chairman  
Ahora/Kakandetta Pressure Group



### Appendix 3(3)

Unfortunately CELCOR is unable to provide a copy of this letter as it was unable to be recovered following a virus attack on the IT office network. The World Bank however should have a copy.

This appendix refers to a letter sent by CELCOR to the World Bank on 14 May 2008.



Center for Environmental Law and Community Rights Inc.

P O Box 4373, BOROKO  
National Capital District  
Papua New Guinea

Phone: (675) 323 4509  
Fax: (675) 311 2106  
Email: info@celcor.org.pg

Website: [www.celcor.org.pg](http://www.celcor.org.pg) Suite 6B, 2nd Floor, Garden City, Boroko,

28<sup>th</sup> of July 2008

The Board of Executive Directors  
The World Bank Group  
1818 H Street, NW  
Washington, DC 20433

Dear Sir/Madam,

**Re : PAPUA NEW GUINEA (PNG) - Smallholder Agriculture Development  
(P079140)**

We understand that a vote on the PAPUA NEW GUINEA- Smallholder Agriculture Development P079140 loan is scheduled for approval for loan disbursement in the forthcoming Board meeting. We are strongly opposed to the World Bank intention to release this loan to PNG at this point in time, and we urge you to vote against the proposal. Furthermore, we insist that you reject any loan to PNG which will facilitate the expansion of oil palm growing and processing.

Our reasons:

- **The Government of Papua New Guinea is unaccountable:** Papua New Guinea has a long track record of governance failures, mismanagement and misuse of public funds by those in power. This has rendered most development assistance useless and ineffective.
- **Imprudent banking:** It is irresponsible for the World Bank to disburse a loan for this project given the failure of the Forest and Conservation Project (FCP). Last year the Asian Development Bank (ADB) had to cancel its loan for a similar project entitled the Nucleus Agro-Enterprises project on ground of financial mismanagement. Given that the risk involved is high and the World Bank has little leverage to influence outcome as a lender, it is a bad banking practice to embark on yet another project for oil palm expansion, and to provide another loan to PNG.
- **Increase national indebtedness:** This loan, if approved, will increase the debt burden of Papua New Guinea with no real development gain. We fear that increasing debt level in the face of governance failure will lead to the further devaluation of the Kina, adding greater burden to our people and our precious environment. This will inevitably lead to more hardships for our people and further pressure to exploit the

relatively healthy environment, which over 80% of our people depend on for their survival. This is essentially poverty creation, not reduction!

- 
- **Oil palm is risky:** We are opposed to having more oil palm projects in Papua New Guinea because of the adverse social and environmental problems found in existing oil palm areas. Oil palm price is highly dependent on the world commodity price which can be volatile. Given the massive oil palm expansion program in other countries especially Indonesia, the risk of a slump in price is very high.
- **Food security problems will threatening livelihood of landholders:** The world bank project has disregard the current inflation in global food prices. Many Papua New Guineans including the growers in those oil palm provinces who depend much on their land for their subsistence living will continue to face economic hardships. Oil palm has been converted to food and other ingredients used in food and given the rising food prices, the very people who depend much on their land may not have alternative to sustain their living if their lands are cleared for oil palm. This will create food security problems. For instance, a packet of 1 kilogram rice in a supermarket store currently cost around 4.00 kina (US\$1.4) and given the increasing population and inflation currently faced by PNG, this would continue to exacerbate and many people will go hungry. Access to good land for agriculture will decline and people will be forced to go hungry when oil palm prices decline. Many growers and people in Papua New Guinea have a strong extended family bond are finding it very difficult financially to improve their living standard because of rising food prices
- **Oil palm creates land security problems:** PNG is very unique in that clans or group of clans collectively owns land customarily. Continuous oil palm expansion would create land shortages and in the case in the oil palm provinces where many lessees are currently facing conflicts with landowners and the government. We believe, continuous oil palm expansion is not the answer to food security and land security. PNG was once used to be a pristine environment but because of globalisation lands are becoming degraded, and biodiversity and cultural values lost forever. We don't want to face land shortages and tribal or clan conflicts in the future because of land shortages because Papua New Guineans are linked inextricably and culturally linked with their land for their subsistence.
- **Oil palm is environmentally destructive:** The World Bank project document downplays the environmental impact of oil palm. Our country has already suffered the adverse impacts from oil palm in those provinces where it is grown. PNG's track record in ensuring environmental sustainability is abysmal. The Department of environment and Conservation's monitoring capacity is limited by a chronic lack of resources. It has neither the capacity nor the required expertise to monitor the wide ranging and relatively complex environmental issues related to oil palm. The environmental issues and problems from oil palm are many. We have attached a summary of these issues and problems for your reference.
- **Oil palm is bad development:** Over two decades of oil palm growing in PNG has resulted in little if any real development outcomes for our country. In fact, we see a regression of living conditions and standards in places where oil palm is grown. Our Government offers tax breaks and tax credits for the oil palm industry operators but

this considerably limits the economic benefits to PNG growers who toil and sweat in the hope of better living standards – as promised by those who got them into oil palm growing – are disappointed and angry that they have been given mere empty promises whilst the resources on which they are dependent for survival are now degraded and polluted. Much of their oil palm income goes back to paying for costs incurred in the establishment of their oil palm plots. Vital infrastructures like roads, accessibility to markets, clinics, schools, electricity and telecommunication are poor or non-existent. Alternatives to other development, business activities and savings initiatives are lacking because most income earned from oil palm are used to cater for basic daily household needs like school fees, hospital fees, transport costs and generally food. We see all these bad oil palm development outcomes will continue to inflict extra financial burden on families' livelihood, savings, expenditures and survivorship in general.

- **Oil palm is forced upon our people:** Oil palm growers inform us that they only grow oil palm because they need money to pay for the ever increasing school fees so that their children can be educated. Ironically, school fees have been imposed on us precisely because our Government heeds advice from foreign power such as the World Bank to adopt the user-pay system so that revenue is directed to repay debt. For a developing nation like PNG, education and basic health care are essential services which should be priority areas for revenue PNG gets from other sectors. The World Bank should exert pressure on our leaders to fulfil these fundamental needs and responsibilities, and not on ordinary PNGeans to sacrifice fertile land, pristine forests and healthy waterways for a cash crop which no rich industrialised nation in the world wants to have in its own backyard. It is obvious that rich nations are merely pushing oil palm growing in countries like PNG because it is a labour intensive, nutrient hungry and polluting crop, so that their industry can have access to cheap palm oil.
- **Oil palm increases balance of payments problem for PNG:** Growers become too reliant upon a monocultural cash crop. What is left of their hard earned cash income from oil palm merely ends up enriching foreign corporations, owing to the widespread consumption of imported rice from Australia, tinned fish, tinned meat and a range of other poor quality consumer products from Indonesia and China. This increases and stresses our balance of payments. PNG should be assisted and supported to produce food and other sought-after domestic necessities internally, so that cash is circulated within the country for the benefits of our communities and to reduce our country's precarious balance of payments.
- **PNG becomes indebted to subsidise the palm oil industry:** Although the project document claims that this is a scheme that would increase income for PNG, it is in reality a subsidy provided to the industry. Our people, especially the growers whom the World Bank has identified as needing assistance to get out of poverty, have ended up shouldering the bulk of the debt burden. It is on this basis that communities have begun to reject oil palm projects, as evidenced by the statements of protest attached for your reference.
- **Loan contradicts our National Goals & Directive Principles:** Our national constitution emphasises small-scale enterprises and respect for the PNG way, integral human development for our people, wise use and management of our

natural resources for now and for the future. If the World Bank is genuinely interested in development in PNG, the five directive principles of the constitution provides a sound framework for a unique development approach we believe will be more beneficial for our country.

- **Oil palm and biofuel/agrofuel is not the answer to climate change mitigation:** Given the calamity of global warming and climate change impact on environment, infrastructure, livelihood, medical prosperity, oil palm expansion will continue to create many ecological foot prints. Biofuel or agrofuel is not the answer to mitigating the reduction in rising global carbon gases and other greenhouse gases emissions into the atmosphere. Continuous forest clearances for oil palm expansion would continue to compound and exacerbate the emission of carbon gases into the atmosphere because the destruction of tropical forests and soils would degrade the world's major carbon sinks which PNG has one of the largest tropical remnant forest in the world. Biofuel will nonetheless contribute to the emission of carbon gases into the atmosphere thus increasing global warming and there are no proven records that biofuel will solve the global warming phenomena by reducing the rising atmospheric temperature to 2 degree Celsius by 2050 as agreed by Convention of Parties to the United Nations Framework Convention on Climate Change (UNFCCC).
- **The PNG Government promoting Reduced Emission on Deforestation and Degradation (REDD) to curb global warming and preserving tropical rainforests and soil as major carbon sinks:** We believe oil palm expansion to acquire biofuel and to address food shortage is not the answer to the current rising world oil and food prices problem. Oil palm expansion would continue to create deforestation and destroying our major source of carbon sinks. The PNG government is currently taking the lead in promoting the Reduced Emission on Deforestation and Degradation (REDD) initiative worldwide with its Tropical Rain Forest Coalition partners that tropical deforestation can be reduced and the tropical rain forest countries can be compensated for protecting their forest at the expense of industrialised nations accept India, China and Indonesia) who are the main emitters. Many negotiations are currently underway in the global arena and many countries have now accepted that it is a global effort by all to cut global emission to at least the 1990 level as voluntarily agree under the UNFCCC. Hence, we don't want to see our islands and lowland sink and creating environmental refugees and ecological losses.
- **We want the World Bank to address climate change and global warming:** Unpredictable weather and ecological patterns are becoming pronounced in PNG and the world that is now affecting human lives in terms of food security, economy, and human health and settlements. Some ecological foot prints such as increase national infrastructure costs created by floods, landslides, rising sea level and the likes will inflict extra burden on people and their livelihoods including the government budgetary allocation. The World Bank had realised this and has developed mitigation measures to address global warming through schemes like the Forest Carbon Partnership Facility however this scheme is highly controversial. We therefore want the future of PNG and that of the planet earth to be a collective effort in addressing global warming and call for the World Bank to contribute meaningfully to the sustainable development and conservation of our biodiversity, environment and culture. We don't want globalisation which the Bank is promoting be transparent and accountable for the betterment of our future generation if the World Bank is serious about addressing global warming.

Should you require further information or clarification of our position in this matter, please do not hesitate to contact Damien Ase at [dase@celcor.org.pg](mailto:dase@celcor.org.pg)

Thank you for your attention.



.....  
Damien Ase,  
Principal Lawyer and Executive Director, CELCOR

**Endorsed by the following NGOs in PNG:**

Alotau Environment Ltd. (AEL)

Bismarck-Ramu Group (BRG)

Conservation Forum

Conservation Melanesia (CM)

East New Britain Social Action group (ENBSEK)

Environmental Law Centre (ELC)

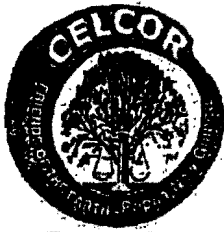
Greenpeace PNG Oro Community Environmental Action Network (OCEAN)

Osi Tanata Ltd.

Bougainville Partner with Melanesians (PWM)

PNG Eco-Forestry Forum (EFF)





Center for Environmental Law and Community Rights Inc.

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14<sup>th</sup> July 2009

Oliver Braedt  
The World Bank  
1818 H Street NW  
Washington DC 20433 USA

Dear Sir,

RE: **SMALLHOLDER AGRICULTURE DEVELOPMENT PROJECT - PAPUA NEW GUINEA**

I refer to the above.

We would like to follow up the conversation held a few weeks ago between Mr William Mandi, Mr Ian Orrell, Ms Jennifer Kalafut and members of CELCOR at the Port Moresby World Bank office regarding the Smallholder Agriculture Development Project (SADP). A number of issues came out of that meeting relating to records of consultation, free prior and informed consent, indigenous and forest policies and the DEC environmental waiver. We are now writing to you to check on these issues.

Firstly, we would be interested in seeing the records of consultations for this project. The only record we have been able to find on the World Bank's Website and in the project documents is in appendixes 2-4 of the Social Assessment Report which lists the names of people consulted in each of three oil palm growing provinces, but gave no further information. Furthermore, appendix 3 of the Environment Assessment (V.I) contains a Summary of a meeting in Port Moresby about the project in 2006. However, given that the Indigenous Peoples Policy has been triggered, the "Bank requires the borrower to engage in a process of free, prior and influenced consultation" and will only provide project financing where this consultation "results in a broad community support to the project by the affected indigenous peoples" (OP4.10). There does not appear to be any documentation of broad community consultation in the project documents.

We would like to know how the Bank assessed "free, prior and informed consultation" and how has it measured broad community support for the project.

Secondly, related to the above, we are interested in understanding when information was disclosed to the communities and in what form and language.

Thirdly, we would like to find out how the Indigenous peoples policy was applied. The Indigenous people policy requires:

*"on the bases of the social assessment and in consultation with the affected indigenous peoples communities/the borrower prepares and Indigenous peoples plan (IPP) thus sets out the measures through which the borrower will ensure that (a) indigenous peoples affected by the project receive cultural appropriate social and economic benefits, and (b) when potential adverse effects on indigenous peoples are identified, those adverse effects are avoided, minimize, instigated or compensated for.*

Was an IPP was developed? On the Banks website, when you click this link it goes to the Social Assessment Report and not to an IPP.

Similarly, the Forest Policy has also been triggered and requires the development of specific documentation. This does not appear in the project documents. Could you inform us what was done in response to the Forest policy in regards to this project?

Another question we have is how were the many recommendations made in the Social Assessment Report tracked in relation to project design and implementation?

Finally, we want to ask about the environmental permit waiver from the Department of Environment and Conservation (DEC) and how that came about as there still seems to be some confusion around this.

Thank you in advance for your responses to these questions. We would be very interested in continuing this dialogue. My email is [dase@celcor.org.pg](mailto:dase@celcor.org.pg) should you wish to discuss these issues further. However, we would appreciate the response to this letter to be in writing.

Yours Sincerely,

.....  
Damien Ase  
Executive Director & Principal Lawyer  
Center for Environmental Law & Community Rights Inc (CELCOR).

"Eddie Tanago Paine" <etanago@celcor.org.pg>  
Sent by: etanago@celcor.org.pg  
09/28/2008 09:21 PM

To: [disclosure@worldbank.org](mailto:disclosure@worldbank.org)

cc: [omeauri@celcor.org.pg](mailto:omeauri@celcor.org.pg), [s.singal@hotmail.com](mailto:s.singal@hotmail.com), "Jennifer Kalafut" <[jen@accountabilityproject.org](mailto:jen@accountabilityproject.org)>, [niles@celcor.org.pg](mailto:niles@celcor.org.pg), [obraed@worldbank.org](mailto:obraed@worldbank.org), [elizabeth.m.caldwell@gmail.com](mailto:elizabeth.m.caldwell@gmail.com), [dase@celcor.org.pg](mailto:dase@celcor.org.pg), [clayme@celcor.org.pg](mailto:clayme@celcor.org.pg), [ibookas@celcor.org.pg](mailto:ibookas@celcor.org.pg), [rpunga@celcor.org.pg](mailto:rpunga@celcor.org.pg), [howaga@celcor.org.pg](mailto:howaga@celcor.org.pg), [pbarimut@celcor.org.pg](mailto:pbarimut@celcor.org.pg), [dcullgan@celcor.org.pg](mailto:dcullgan@celcor.org.pg), [ngikins50@gmail.com](mailto:ngikins50@gmail.com), [alpalne@gmail.com](mailto:alpalne@gmail.com), [skukusen@celcor.org.pg](mailto:skukusen@celcor.org.pg), [dkarma@celcor.org.pg](mailto:dkarma@celcor.org.pg), [info@celcor.org.pg](mailto:info@celcor.org.pg), [mwerisale@celcor.org.pg](mailto:mwerisale@celcor.org.pg)

Subject: Request for copies of SADP documents

To: World Bank Disclosure Office

We refer to World Bank letter dated September 3, 2009 from Mr Oliver Braedt of the Papua New Guinea office, responding to questions raised in previous correspondence and meetings between CELCOR, the World Bank and OPIC.

We note that the World Bank states in the above mentioned letter that 'intensive interaction and consultations' were undertaken during the World Bank initial project identification mission in November 2002 and subsequent annual World Bank missions. A number of these documents are listed in Annex 12 of the Project Appraisal Document of the mallholder Agricultural Development Project.

We request copies of these documents, including:

1. World Bank PNG Aide-memoires dated November 2002, March/April 2003, November 2005, April/May 2006, October 2006 and February 2007.
2. Technical Notes dated February 2004 and October 2004
3. SADP identification mission: Financial Aspects, BROPHY Pauric. April 2003.
4. SADP identification mission: Preliminary analysis of the potential environmental impact, DIWAI VIGUS Tom. April 2003.
5. SADP identification mission: Access road program in target oil palm areas: institutional aspects. DICKSON Roger. May 2003.
6. SAPD identification mission: Access road program in target oil palm areas: technical aspects. HUBERTUS Kimmel. May 2003.
7. SADP identification mission: Rural Development Component, study and proposed strategies. LUBETT Roland. May 2003.
8. SADP identification mission: Assessment of Social Issues, Safeguard Policies and Identified Stakeholders. RASMUSSEN Soren. June 2003.
9. SADP mission: CDD, second study and proposal. LUBETT Roland. September 2004.
10. SADP technical mission: Options for the Oil Palm Industry to Mitigate the Risks of HIV/AIDS. SALES Lindsay. September 2004.

11. SADB identification mission: Environmental Specialist fact finding mission report. DIWAI VIGUS Tom. October 2004.
12. SADB technical mission: Community Development and Local Governance. LUBETT Roland. November 2004.
13. Credit Component and Financial Analysis: Papua New Guinea Proposed Smallholder Agriculture Development Project. CUDDIHY William. November 2006.

In making this request, we note paragraph 25(d) of the World Bank Disclosure Policy: Additional Issues which states:

"In response to requests from the Executive Directors, member countries, or other interested outside parties ....the President of the World Bank (or a person designated by the President) may authorize disclosure, in consultation with the General Counsel.....documents that could be considered include Country Portfolio Performance Reviews, information relating to mid-term reviews, aide-memoire, various guidelines issued to staff (such as Implementation Completion Report Guidelines or Guidelines to Staff on Project Supervision).documents that could be considered include Country Portfolio Performance Reviews, information relating to mid-term reviews, aide-memoire, various guidelines issued to staff (such as Implementation Completion Report Guidelines or Guidelines to Staff on Project Supervision)."

Please do not hesitate to contact either myself or other members of the CELCOR office on +675 323 4509 if there are any questions or problems with this request.

Thank you,

Eddie Tanago

## **A Protest to the World Bank**

**By**

**The people of Oro, Papua New Guinea**

### **Subject: Small Holder Agriculture Development Project Loan**

This is to register our concern that the Small-holder Agricultural Development Project (SADP) Loan approved in May this year (2008) has been hijacked by the Oil Palm Plantation Companies in Papua New Guinea to push for the expansion of oil palm rather than expend it in areas that will enable greater economic benefits for the agricultural dependent rural masses of Papua New Guinea. We object to the loan being spent on oil palm expansion for various reasons.

To substantiate our argument, firstly oil palm is not the only option for active participation in the cash economy for the rural populace as is the view of our Government and the multinational oil palm companies operating in our country. The various assessments have been focused on oil palm rather than alternatives. In the Northern Province, the assessment teams held discussion only with the stakeholders in the oil palm industry. These consultations also failed to convene meetings with non oil palm growers in oil palm growing areas. It is, therefore, the views presented to support the loan submission do not reflect a broad cross section of the community.

Having had not consulted non oil palm growers, there were important lessons learnt from previous loans that are not captured and therefore the focus on smallholder oil palm expansion is likely to replicate the existing socio-economic problems further with more serious negative impacts. Some of these problems are the result of structural injustices by transnational corporations such as Cargill.

Structural injustices include the procurement and supply of farm maintenance goods to small holders thus entrapping them in vicious cycles of debts to the milling companies. There are facts to indicate that the oil palm companies have no interest in our welfare other than to increase productivity for their palm oil mills hence profit directly from the loan by pushing it down our throats that planting oil palm is the best option for us. The social assessment report also points out part of the loan is to be used to maintain roads which is currently under a tax exemption agreement between the Higaturu Oil Palms Ltd and the Oro Provincial Government.

They use the argument that with oil palm there is a guaranteed market access. It is however not so. About 400 block holders, recipients of previous World Bank loan under the Oro Expansion Program from 1993 to 2002 have to carry their fruit for more than a kilometer to have it picked up. Only a small portion of the population is involved while there are many who are engaged or would rather engage in other agricultural activities.

There are many who are and are still repaying development and maintenance cost to the Higaturu Oil Palms Ltd a subsidiary company of Cargill. They were led to believe that when they plant oil palm they would have road infrastructure to access local markets for other crops and commodities as well. There are now some oil palm blocks with no road access and this promise of easy access to markets had just been a bad dream. In fact a promise that the PNG Government had made on behalf of the oil palm companies. If any roads were built most are in a state of decadence and inaccessible by vehicles other than farm tractors.

There are also Oil palm blocks developed from the ADB loan era, (1979 to 1989), who still have not realized the dreams of a multi bedroom mansion and cars of their choice. These loans have been inherited by their children.

Secondly, we are of the view that for this SADP Loan to benefit more agricultural dependent families the government should focus on developing and maintaining road access to rural communities to enable greater participation by the bulk of the population.

For instance there are more than 5000 coffee producers from the Afore District of the Northern Province who have the capability of producing thousands of tonnes of organic coffee annually, however lack supporting infrastructure. Is it not feasible to put some of the SADP loan money into rebuilding and enabling required infrastructure to get the people from the Afore District to release these immense economic potential that is now locked due to bad infrastructure. Will this not boost the local economy and support the PNG Government's export driven under its Medium Term Development Goals, (MTD)?

There is also a huge potential for a beef industry in the province, as well as the options to enable other rural Papua New Guineans to venture into commercializing various organic crops therefore object to the view that oil palm is the best option for a cash income.

Any further expansion of oil palm will not be in the best interest of the nation as it will have serious negative effects on our social and terrestrial environment. It has already contributed to major losses of forests and biodiversity in our country bringing with it social and environmental problems which the oil palm companies have refused blatantly to accept responsibility.

We are aware of the fact that the World Bank is very well informed of the issues as a direct impact by the oil palm industry however sees it fit to grant another loan to the GoPNG in the pretence of agriculture development as a strategy to alleviate poverty whilst the fact remains the multinational corporations profit from the loans while we repay these loans.

In fact the previous World Bank loan for the Oro Expansion Oil Palm Project in Oro province has done the quite the contrary from reducing poverty. Some of our



people have suddenly become landless who will pioneer a class of poor. This is something we have not known since our ancestors.

We recommend that

1. The world Bank reviews the loan conditions to promote alternatives other than oil palm or;
2. Cancels the loan.

World Bank! Keep your money! We do not want be made poor as your loans have done to our brothers and sister in other parts of the world!

**APPENDIX 3(7) was accompanied by 224 signatures which were omitted by the Inspection Panel in the interest of confidentiality as requested by Requesters.**

ADVERTISEMENT

# NO OIL PALM MILL!

We the landowners of: SAGA, BOTUE, AMANDA in KOKODA, LAUDARI, KUREREDA AND BARARA in IOMA representing the total village population upstream and downstream of the Mambare river, hereby stand to protect our land and water access rights, declare that WE DO NOT WANT AN OIL PALM MIL to be constructed in Kokoda.

We are aware of the environmental, health and social problems this factory will have on the local people as with regard to;

- quality drinking and cooking water
- Soil quality
- Threat Water pollution from mill waste
- Water bond diseases
- Depletion of fish life in and along the Mambare and Koma river
- domestic animals and livestock and
- Air pollution

## YOU HAVE BEEN WARNED

KOKODA Representatives

Name:

Position:

Village District:

Signature:

Name:

Position:

Village District:

Signature:

Sponsored By:



**CEL COR**  
FUEPTIC

Center for Environmental Law  
& Community Rights Inc.

**Meeting Notes: World Bank 14 May 2009**

Attendees: William Mandui, World Bank Team Leader (joined by Ian Orrell), Jennifer Kalafut, George Laume, Eddie Tanago and Elizabeth Caldwell

**General Notes:**

- Ian stated that the WB role is to assess the governments preparation that are in line with Bank policies
- Present status of project is no disbursement. Need to implementation plans and a procurement specialist to start everything.
- Will have separate launch workshops for Component 2
- WB says this is not an expansion project.
- The 9,000 put in the proposal is a loose estimate. Ian stated the estimate was made by OPIC bearing in mind the potential infill and eligibility criterion.
- In fact, it is meant to act as a cap so that the money is capped. It may not end up being 9000ha of infilling, it could be less.
- Price formula review is a part of component 3. will be submitted to the commodities working group, which sits under the Department of Agriculture and Livestock, outside of OPIC. No requirement by industry to enforce recommendations of review.
- Land tenure sections of the PAD are good.
- Ian thinks that environmental management problems are fixed through a control point of eligibility criterion.
- Value of oil palm in PNG is 1 billion

**Issues Raised:**

- 1) Indigenous Consultation
  - asked if there was broad community support? How did they know they had achieved it?
  - Answer – project was very protracted, consultation taken over long period.
  - Did consultation happen before approval of project? Not directly answered.
  - Noted that no documents were made available in Tok Pisin. Apparently made available at all OPIC offices, TV and radio.
- 2) Income diversification
  - Ian believes this is the most successful lowlands PNG farming system
  - PNGSDP is expected to provide other loans once infilling provides a guarantee and increased cash flow.
  - Insinuated that oil palm industry is currently in discussions with them now.
- 3) User fees – Road Levy
  - Ian stated this had been discussed with grower association during consultations.
  - Decided then that would be well over K4.00/t
  - In some places road levy will be K3.50/t – but Ian says they are working to get it down? Who is working?

- CELCOR stated that it is the Bank's responsibilities to document consultation – where are the reports from the consultations captured during the social assessment report.

Other concerns:

a) Policies triggered

- indigenous plan?
- Forest Plan

b) mama lus fruit card

- Ian believes there is cultural tension in villages as the traditional role of women as agriculturalists is changing to accommodate men managing the agricultural crops.

c) other WB projects

- project design for cocoa is taking place. Will be aimed at East New Britain and coffee of highlands.

**Meeting Notes – World Bank 12 October 2009**

**Attendees:** George Laume, Eddie Tanago, Gracelyn Meuri, Paula Bariamo Nato and Elizabeth Caldwell attended a meeting with the World Bank on Tuesday 12 October 2009. World Bank representatives attended via teleconference. They were Charles Vicestayne, the Sustainable development manager, and Mona Soeur, the new task manger replacing Oliver Braedt. Felix Bakani, the head of OPIC, was also invited to observe the meeting.

Charles gave apologies on behalf of Laura Bailey, the Incountry manager, and William Mountdul, the Environment development officer, as they were unable to attend the meeting.

**Discussions:** After introductory remarks, the meeting was left open for the discussion. Charles made it clear that the meeting had no agenda, stating it was meant to be an opportunity for the new faces on the SADP World Bank team to become acquainted with CELCOR and the issues highlighted in recent correspondence.

Some of the issues that were discussed were:

a) Infilling - CELCOR stated it's stance on no more expansion of oil palm in PNG. The World Bank asked that if monitoring was improved, would CELCOR still have a problem? CELCOR replied it would still be a problem as it believes infilling falls within the definition of expansion.

b) Monitoring - CELCOR stated that existing monitoring plans are not good enough and that even with improved training OPIC doesn't have the capacity to do this monitoring.

c) effluent discharge - downstream processing is not good enough despite the companies saying they are complying with standards. Communities are still complaining.

d) road levy - CELCOR stated it would be a burden to smallholders. The World Bank replied that it was one of the components that still hadn't been decided yet so they would still need further consultation. CELCOR replied that despite it not being drafted now, there was no alternative road support mechanism offered in the project documents, making it a core part of the project design which would ultimately define the project's success. It was noted again that consultation had not been undertaken and landowners would like to see an alternative to compulsory contributions reaching 25% of the fund contribution.

In relation to the disclosure request, the World Bank stated that the PNG office is waiting for Washington lawyers to go through documents to see what can be disclosed and will get back to us soon. It was noted by CELCOR representatives that the requirement for disclosure is "in a timely manner".

CELCOR also questioned the World Bank about the recent IFC moratorium on oil palm investment and the possibility for extension to World Bank public funding investment.

RECEIVED  
11/6/2004

Appendix 3(11)

THE WORLD BANK GROUP  
Headquarters: Washington, D.C. 20433 U.S.A.  
Tel. No. (202) 477-1234 • Fax (202) 477-6391 • Telex No. RCA248423

FACSIMILE COVER SHEET AND MESSAGE

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DATE:	June 10, 2004	NO. OF PAGES: 2 (including cover sheet)	MESSAGE NO.:
TO:	Mr. Damien Ase (LLB)	FAX NO.:	675-311 2106
Title:	Executive Director		
Organization:	Center for Environmental Law and Community Rights Inc (CELCOR)		
Address:	Suite 1, Level 1, Malagan Haus, P.O. Box 4373		
City/Country:	Boroko, National Capital District, Papua New Guinea		
FROM:	Xian Zhu	FAX NO.:	(61-2) 9223 9903
Title:	Country Director for PNG	Telephone:	(61-2) 9235 6522
Address:	The World Bank, Level 19, 14 Martin Place		
City/Country:	Sydney, NSW 2000, Australia		
SUBJECT:	Papua New Guinea - Proposed Smallholder Agriculture Development Project: Smallholder Oil Palm Development in Oro Province		

---

MESSAGE:

Dear Mr. Ase:

We refer to the letter dated April 30, 2004, from Mr. Kenneth Koja, Group Secretary, Ahora/Kakandetta Pressure Group, P.O. Box 302, Popondetta, Oro Province, Papua New Guinea, advising us of their concerns about the alleged environment damages and water pollution caused by Higaturu Oil Palms as well as about the use of land for oil palm development in the Oro Province.

With regard to the possible future Bank support for oil palm development in Oro Province mentioned in Mr. Koja's letter, please note that we have only initiated preliminary discussions with Government about a proposed Smallholder Agriculture Development Project. It is expected that the proposed project would be aimed at promoting rapid economic growth in the rural areas in four oil palm growing provinces by strengthening the smallholder oil palm sector and by establishing replicable mechanisms for community-driven development. Should a decision be made to proceed with the proposed project, rest assured that, in accordance with World Bank policies, the concerns of the Ahora/Kakandetta Pressure Group about potential environment damages and water pollution, as well as the use of land, would be addressed during detailed project preparation. Furthermore, adequate consultations with landowners and other stakeholders would take place to assist in finalizing the design of the proposed project.

As per your request, we enclose for your information the following two documents about the proposed project: "Project Information Document" and "Integrated Safeguards Data Sheet", which can also be found on the World Bank's web site at: <http://www.worldbank.org/>



Mr. Damien Ase (LLB)

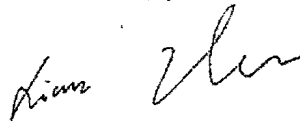
-2-

June 10, 2004

In view of their interest in oil palm development in Oro province, I am sending a copy of this fax to the officials below.

With best regards,

Sincerely yours,



Xian Zhu  
Country Director, Papua New Guinea  
East Asia and Pacific Region

Attachments

cc: Mr. Mike Scott, Group General Manager	Fax: 675-321-2418
Pacific Rim Plantations Ltd	
PO Box 525, Port Moresby, Papua New Guinea	
Mr. Felix Bakani, General Secretary,	Fax: 675-323-1573
OPIC, PO Box 3216, Boroko, NCD, Papua New Guinea	
Mr. Ian Orrell, Director of Research	Fax: 675-985-4031
Oil Palm Research Association	
Kimbe, W.N.B., Papua New Guinea	
Mr. Mosilayola Kwayaila, First Assistant Secretary	Fax: 675-323-3147
Department of National Planning, Waigani, NCD, Papua New Guinea	

Appendix 3 (12)

The World Bank  
INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT  
INTERNATIONAL DEVELOPMENT ASSOCIATION

1818 H Street N.W.  
Washington, D.C. 20433  
U.S.A.

(202) 477-1234  
Cable Address: INTBAFRAD  
Cable Address: INDEVAS

June 16, 2008

Center for Environmental Law and  
Community Rights Inc. (CELCOR)  
P. O. Box 4373  
Boroko, NCD  
Papua New Guinea

Dear Dr. Biatus Bito

**Request for review of Smallholder Agriculture Development Project (SADP)**

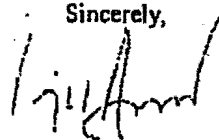
Thank you for your letter of May 14, 2008, and the attached report presenting views of stakeholders about the Smallholder Agriculture Development Project (SADP).

We were interested in the expressed stakeholder views and your analysis of these views, as well as CELCOR's recommendations for ensuring that the project is implemented in a sustainable manner. These views and recommendations usefully complement those obtained during the extensive stakeholder consultations carried out in 2006 in Oro and West New Britain, as well as in Port Moresby during project preparation. In this regard, we were pleased to note that CELCOR's recommendations are largely consistent with the outcomes of the stakeholder consultations which were used in designing the project, and which are described in the environmental and social impact assessment reports, available online at our web page (<http://web.worldbank.org/external/projects/main?pagePK=64283627&piPK=73230&theSitePK=40941&menuPK=228424&Projectid=P079140>).

We trust that the Oil Palm Industry Corporation (OPIC), which is responsible for the implementation of SADP, will also be interested in your report since they share, together with us, your concern for the sustainability of smallholder oil palm development in Papua New Guinea. We would therefore suggest that you contact OPIC to make arrangements for presenting and discussing your recommendations with those concerned with project implementation.

Thank you again for sharing your concerns about the potential impact of SADP.

Sincerely,



Nigel Roberts  
Country Director,  
Papua New Guinea, Timor Leste and Pacific Island Operations  
East Asia and Pacific Region

The World Bank  
INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT  
INTERNATIONAL DEVELOPMENT ASSOCIATION

1818 H Street N.W.,  
Washington, D.C. 20433  
U.S.A.

(202) 473-1000  
Cable Address: INTBAFRAD  
Cable Address: INDEVAS

September 03, 2009

Mr. Damien Ase  
Executive Director & Principal Lawyer  
Center for Environment Law & Community Rights Inc (CELCOR)  
Papua New Guinea

Dear Mr. Ase,

***PNG: Smallholder Agriculture Development Project  
(SADP - Credit Number 4374-PNG)***

I refer to your letter dated July 14, 2009 enquiring on aspects related to the Papua New Guinea Smallholder Agriculture Development Project (SADP - Credit Number 4374-PNG). We note and welcome your follow-up on questions previously raised and discussed with your staff during the SADP project launch workshops during March 2009, and during recent meetings in West New Britain, Oro Province and Port Moresby in June 2009. Specifically, we want to highlight the discussions between your staff and Jennifer Kalafut from the International Accountability Project with Ian Orrell, Tom Diwai Vigus and Felix Bakani and other OPIC staff who have been involved with the SADP since its inception in late 2002.

With respect to your July 14, 2009, letter, we wish to provide following clarifications:

**Consultation Process.** As you highlight in your letter, consultations took place for the Social and Environmental Assessments during the preparatory phase of the project and these documents are publicly available consistent with World Bank policies. In addition to the consultation processes carried out for these assessments, the project also incorporates lessons from intensive interaction and consultations that started with the World Bank initial project identification mission in November 2002 and through annual World Bank missions since then. During these missions, while the World Bank teams regularly contacted stakeholders involved in SADP, they also held discussions with Non-Governmental Organizations (NGOs), Church Based Organizations (CBOs), Youth Organizations, Farmers Associations, as well as with farmers and people living in the project area. The missions carried out between 2002 and 2007 are listed in Attachment 1. The consultations undertaken during these missions are noted in the documents listed in the Project Appraisal Document under Annex 12 and are also reported in some of the missions Aide-memoires. Consultations took place in the form of workshops, face-to-face interviews, Participatory Rural Appraisals, and/or focus group interviews both in English and in Tok Pisin.

As highlighted publically during the project launch workshops earlier this year, most of the consultations took place prior to March/April 2007 and subsequently there has been limited interaction at community level for the last two years. This was due to the long project preparation and approval process. Therefore the project launch workshops in March 2009, attended by some of your staff, were aimed at restarting the consultation process, which is an integral part of the project and will be continued throughout the implementation phase.

**Disclosure of Information.** Consistent to its disclosure policy, the World Bank has made available to the public both the Social and Environmental Assessments and its supporting documents on the World Bank SADP website, in the World Bank Infoshop in Washington, D.C. and in the World Bank office in Port Moresby. OPIC further disclosed the key social and environmental documents (Environmental Assessment, Social Assessment, Beneficiaries Assessment, Environmental and Social Management Framework, Environmental Management Plan, etc.) in early 2007 in locations that are accessible to project affected people and local NGOs. These places include the OPIC offices in Port Moresby, Hoskins, Biella and Popondetta. In addition OPIC has informed us that the documents have been made available at the Department of Agriculture and Livestock, the Department of Planning, the Rural Industries Council, the Institute of National Affairs, and the Michael Somare Library at the University of PNG (see Attachment 2). During the project launch workshops in March 2009, OPIC also made available CDs containing all relevant project information to all participants including CELCOR representatives and additional copies were kept at OPIC offices.

As highlighted during the project launch workshops, as part of project implementation OPIC will prepare and distribute project information material specifically aimed at continuing raising community awareness. The goal is also to have the key summary pamphlets translated into Tok Pisin. OPIC will also establish a webpage, which is envisaged to take place within the next six months. Undertaking further awareness-raising initiatives, such as radio programs, is also envisaged. We are of course open to considering other avenues of discussion as we believe that the continual dialogue and transparency are key to the success of a project like SADP.

The Project Implementation Manual (distributed to CELCOR staff in March 2009), indicates that the consultation process and the communication dissemination will be carried out throughout project implementation, will be periodically updated to guide and improve project implementation.

**Indigenous Peoples Policy.** Please note that a separate Indigenous Peoples Plan (IPP) was not prepared for the project and is therefore not posted as such on the web page. According to the Bank's Operational Policy on Indigenous Peoples (OP 4.10) a separate IPP is not required "*when Indigenous Peoples are the sole or the overwhelming majority of direct project beneficiaries*". All projects in PNG are considered this way by the World Bank in PNG. In this case the elements of an IPP are included in the overall

project design, and a separate IPP is not required. The Project Appraisal Document includes a brief summary of how the project complies with the policy and constitutes the Indigenous Peoples Policy.

As you are aware, the World Bank has a long history of interactions with rural communities, local governments, farmers and people living in the Oro province. Going back to the mid-1970s the World Bank financed the Popondetta Smallholder Oil Palm Development project and then again from 1992 to 2001 (since the creation of OPIC) under the Bank-financed Oro Smallholder Oil Palm Development Project. With knowledge of the local socio-economic conditions, and more specifically, based on the free, prior and informed consultations undertaken since 2002 with local communities and oil palm smallholders in the project areas during project preparation, as well as the information generated by the Social and Environmental Assessment, the Bank team concluded that there was broad community support for the project. Finally, please note that participation in the project is completely voluntary and project design and implementation are informed by the active support and participation of the targeted population.

**Forest Policy.** The Bank's forest policy was triggered because the project promotes the active involvement of people living in and near forest areas in all aspects of the management, conservation, and sustainable development of their natural forests. While the project will not have any activities in primary forests, the policy is also specific on how to handle aspects related to plantation forestry. Following these requirements for plantations, the project through the various screening processes gives preference to locating infilling plots on unforested sites or lands already converted (excluding any lands that have been converted in anticipation of the project). The project is further designed to prevent and mitigate potential threats to natural habitats as highlighted through the screening process in the Project Implementation Sub-Manual for Infilling in its Annex 1.

The project will not finance activities that would involve significant conversion or degradation of critical forest areas or related critical natural habitats as defined under the World Bank's Natural Habitats policy. These areas would automatically be excluded under the screening processes already referred to above. In addition please note that the community participation component will not include community forestry activities and that the project will not expand outside of existing planted oil palm areas so there will not be clearing of forested land. Additional oil palm blocks will be planted along existing provincial access roads through in-filling of land consistent with national laws and guidelines and screening processes under the project.

**Environment Regulation.** As highlighted in the project documentation that you refer to, the project design was discussed at length and on various occasions with the Department of Environment and Conservation (DEC). Based on the legal requirements in PNG (the PNG Environment Act 2000, which became effective in April 2004), a "Notice

Mr. Damien Asc

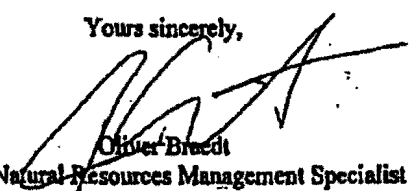
-4-

September 03, 2009

of Intention to Carry out Preparatory Work" on the project was submitted to DEC by OPIC in April 2006. The resulting ruling by DEC was that SADP was "not prescribed under the Environment (Prescribed Activities) Regulation" and therefore an Environment Permit was deemed as not being required by PNG law in order to carry out the proposed project activities. I attach a copy of the letter from DEC for your reference (Attachment 3).

I hope the above clarifies the questions you raise. If you have any further concerns please do not hesitate to contact me.

Yours sincerely,

  
Oliver Braedt  
Senior Natural Resources Management Specialist  
Social, Environment and Rural Development Unit  
Sustainable Development Department  
East Asia and Pacific Region

**List of Attachments:**

- Attachment 1 - List of missions during project preparation
- Attachment 2 - Publication of availability of documents in newspaper
- Attachment 3 - Letter from DEC



## Attachment 1

## List of missions undertaken during project preparation

DATE	Mission	OUTPUT / Specific document
November 2002	WB Identification mission	<ul style="list-style-type: none"> <li>WB Aide-memoire</li> </ul>
March/April 2003	WB - FAO/CP Detailed Identification mission	<ul style="list-style-type: none"> <li>WB Aide-memoire</li> <li>Financial Aspects</li> <li>Preliminary analysis of potential environmental impact</li> <li>Access road program in target oil palm areas: institutional and technical aspects</li> <li>Rural Development Component Study</li> <li>Assessment of social aspects, safeguard policies and identification of stakeholders</li> </ul>
February 2004	WB Technical mission	<ul style="list-style-type: none"> <li>Technical Notes</li> </ul>
October 2004	WB Technical mission	<ul style="list-style-type: none"> <li>Technical Notes</li> <li>Environmental fact finding report</li> <li>Community Development and Local Governance</li> </ul>
November 2005	WB Identification update	<ul style="list-style-type: none"> <li>WB Aide-memoire</li> </ul>
April/May 2006	WB - FAO/CP Preparation mission	<ul style="list-style-type: none"> <li>WB Aide-memoire</li> <li>Credit Component and Financial Analysis</li> <li>West New Britain and Oro Provinces Local Budget Cycles</li> </ul>
October 2006	WB Pre-appraisal mission	<ul style="list-style-type: none"> <li>Aide-memoire</li> </ul>
February 2007	WB Appraisal mission	<ul style="list-style-type: none"> <li>Aide-memoire</li> <li>Social Assessment (including the Beneficiaries Assessment, Environmental and Social Management Framework, Resettlement Policy Framework)</li> <li>Environmental Assessment and Environmental management Plan</li> <li>Project Appraisal Document</li> </ul>

Attachment 2

# The National



## Oil Palm Industry Corporation

### PUBLIC NOTICE

Please be advised that the following documents for Smallholder Agriculture Development project (SADP) are available for public information:

- Environmental Assessment
- Environmental Management Plan
- Environment and Social Management Framework
- Social Assessment
- Beneficiary Assessment and
- Resettlement Policy Framework for project affected people.

The above documents will be available in the following places by 23rd of February 2007.

- OPIC Head Office - Port Moresby
- OPIC Hoskins - Kimbe
- OPIC Blais - WNB
- OPIC Oro - Popondetta
- DAL Office - Konedobu
- Dept of Finance - Vulepindi Haus Walegan
- Rural Industries Council - POM
- Michael Somare Library - UPNG
- Institute of National Affairs

For more information you can contact us

Email: [opic@data.com.pg](mailto:opic@data.com.pg)  
Phone: 20 1588  
Fax: 20 1577

Authorized by Management

Mr. Damien Ase

September 03, 2009

Attachment 3

Smallholder  
Development Program (SADP)  
World Bank



DEPARTMENT OF ENVIRONMENT & CONSERVATION  
ENVIRONMENT DIVISION

Telephone: (675) 325-8154  
Facsimile: (675) 325-8151  
E-mail: [Office@dep.gov.pg](mailto:Office@dep.gov.pg)

Head Office: Port Moresby  
Regional Offices: Milne Bay, New Ireland, New Britain, New Guinea  
P.O. Box 1000, Port Moresby, NCD  
Papua New Guinea

Mr. Felix Bikiaili  
c/o General Manager  
Oil Palm Industry Corporation  
P.O. Box 73,  
PORT MORESBY,  
National Capital District.

Date: 22/5/2006  
Our Reference:

Dear Sir,

Re: Notice of Intention to Carry Out Preparatory Work on Smallholder Agriculture Development Project.

Further to your notice of intention to carry out preparatory work received on 18<sup>th</sup> April 2006, please note that your proposed activity is not prescribed under the Environment (Prescribed Activities) Regulation.

Consequently, you do not require an Environment Permit in order to carry out the proposed agriculture project in West New Britain, Milne Bay, New Ireland and Oro Provinces.

TAKE NOTE that when carrying out the proposed village oil palm development project, it is imperative that the holders of the village oil palm blocks are advised of the need to adhere to all legal requirements under the Environment Act 2000, including complying with relevant environmental codes of practices and guidelines.

Although, the proposed activity is not prescribed under the Act, the Director of Environment may use appropriate provision under the Act to "call up" or require owners of village oil palm blocks to apply for an Environment Permit in the event where there is a risk of environmental harm occurring due to oil palm cultivation.

Do not hesitate to contact this Office if additional clarification is required.

Yours Sincerely,

Robert Norombe  
Deputy Secretary  
Delegate of the  
Department of Environment and Conservation

Appendix 3(14)

To: [etanago@celcor.org.pg](mailto:etanago@celcor.org.pg)  
From: Disclosure/Service/World Bank  
Date: 09/30/2009 07:18PM  
cc:  
Subject: Re: Request for copies of SADP documents

Dear Mr. Tanago,

Thank you for your inquiry.

Requests for country-specific Bank documents should be directed to that country's WB office or Public Information Center (PIC). The Papua New Guinea PIC is located in Port Moresby. Contact information for the PIC can be found here:

<http://web.worldbank.org/WBSITE/EXTERNAL/COUNTRIES/EASTASIAPACIFICEXT/PAPUANEWGUINEAEXTN/0,,contentMDK:20174782~menuPK:333811~pagePK:141137~piPK:141127~theSitePK:333767,00.html>

I have cc'd Ms. Doiwa on this email, and ask for her kind attention to your request.

Kind regards,  
Elizabeth

lbailey@worldbank.org <lbailey@worldbank.org>

Mon, Oct 19, 2009 at 3:23 PM

To: etanago@celcor.org.pg, ddoiwa@worldbank.org  
Cc: msur@worldbank.org, atoft@worldbank.org, cdileva@worldbank.org, Cfeinstein@worldbank.org, Jroome@worldbank.org, Kshankar@worldbank.org, sbrakamusilme@worldbank.org, Slintner@worldbank.org, obraedt@worldbank.org, a\_gangai@hotmail.com, dase@celcor.org.pg, dculligan@celcor.org.pg, dkaima@celcor.org.pg, elizabeth.m.caldwell@gmail.com, etanago@celcor.org.pg, etpalne@gmail.com, glaume@celcor.org.pg, gmeauri@celcor.org.pg, howage@celcor.org.pg, info@celcor.org.pg, Jennifer Kalafut <jen@accountabilityproject.org>, jnilles@celcor.org.pg, lbpokas@celcor.org.pg, mwarisaiho@celcor.org.pg, ngiking60@gmail.com, pbariamu@celcor.org.pg, rt pune@celcor.org.pg, skukufian@celcor.org.pg

Dear Mr. Tanago,

Thank you very much for your request to disclose specific project documentation for the Smallholder Agriculture Development Project (SADP) in PNG.

Please note that we are taking your request seriously and that we are currently reviewing the request in consultation with the SADP Task team and our Washington staff. I will get back to you immediately once a decision on whether these documents can be disclosed has been reached.

While we wait, please do not hesitate if there is anything else we can do for you here in the Country Office.

Yours sincerely,

Laura  
.....

Laura E. Bailey  
Country Manager, Papua New Guinea  
The World Bank  
Deloitte Tower, Level 13, Port Moresby NCD  
Office: +675-321-7111 DAMA: 5787-101  
Mobile: +675-7120-8252  
Email: [lbailey@worldbank.org](mailto:lbailey@worldbank.org)

# K17.8 million to benefit oil palm growers in Oro & West New Britain

By RICHARD KELEBI

OVER 4,000 new Oil Palm Growers in Northern (Oro) and West New Britain Province will soon benefit from a K17.8 million loan project, jointly funded by PNG Sustainable Development Program (PNGSDP) and its subsidiary, PNG Microfinance Ltd (PML).

PNG Microfinance and PNGSDP will contribute equal amounts. The total of K17.8m will then be loaned from PML branches to new small-holders in existing oil palm project areas in Oro Province, Hoskins and Bialla in West New Britain Province.

The oil palm loan program is one component of the wider Smallholder Agriculture Development Project (SADP), a joint initiative of PNGSDP, the Oil Palm Industry Corporation, the Government of PNG and the World Bank. Under the SADP, environmental and social impacts are given equal regard to the overall development impact.

Director of PNGSDP, Lawrence Acanufa presented a mock cheque of K8.9million as the company's counterpart contribution to PNG Microfinance Ltd's Managing Director Paul Thornton in a small ceremony witnessed by over 40 industry stakeholders on Friday (25-9-09) in Kimbe, West New Britain Province. Among the guests were; Governor Peter Humphreys, Deputy Governor Tony Puana, Administrator Steven Raphael, Local Level Government and Grower Representatives, representatives from the World Bank and from the Oil Palm Companies operating in the province.

Mr. Acanufa said the directors of PNGSDP feel very strongly about the rural sector. Unlike the mining sector which is not sustainable, the Agriculture sector is the backbone of the PNG economy. He said agriculture is the best hope of the nation to raise the living standards of our people, so it is important for PNGSDP to support this farming sector.

"We believe that the project



(L-R) PNGSDP Director Lawrence Acanufa, Oliver Broadt (Task Team Leader World Bank), Governor Peter Humphreys & PNG Microfinance Managing Director Paul Thornton.

addresses the critical problem facing the oil palm small holder. The problem, as we all know is bad roads. By working together, we think this project will deliver significantly better road maintenance. It will not happen overnight. There is a lot of work to be done yet.

One of the first things to do is to make sure that we get as much production as possible from every kilometre of road that we look after. The money we are giving today will be available to finance oil palm plantings in Hoskins, Bialla and Popondetta on existing roads.

We believe the planting will commence before April next year. We are really proud to be part of this project. We know that our money will be used by young families starting their own businesses. It is not a gift but something that people will earn through their hard work," Mr. Acanufa said.

The SADP aims to resolve the major issue facing the small holder oil palm sector through:

- Sustainable road maintenance through rebuilding small holder feeder roads, maintaining existing

roads, and starting a fund for sustainable road maintenance.

- Funding is made available for small community grants, technical assistance and training to Local Level Governments and local groups to improve service delivery in the two provinces.

- Extension services are supported to enhance small holder productivity.

- The Oil Palm Industry Corporation (OPIC) is supported to manage the whole SADP and to improve its capacity to deliver effective extension services to the small holders.

The key performance indicators for SADP are:

- Higher incomes to small holder growers.

- Up to K21 million extra income per year for old and new growers after five years.

- Decreased fruits losses from road related collection problems.

- Decreased transport costs per ton of fruit due to better roads and shorter distances

- Over 4000 new growers.

- Non-growers in the targeted provinces will also benefit from

increased economic activity, better roads and community projects.

Paul Thornton, managing director of PNG Microfinance Ltd stated that this was the kind of project that really contributed to sustainable rural development. The additional lending that is being made possible by PNGSDP's co-contribution will greatly enhance PML's operation and the future expansion prospects for the micro-bank. Share holders of PNGMFL include PNGSDP 49 per cent, Bank of South Pacific 32 per cent and International Finance Corporate (World Bank) 19 per cent.

Oil palm General Secretary Felix Bakan commented, "Smallholder oil palm growers have no excuse on credit facilities anymore. We hope this assistance will open windows of opportunities for the growers."

Similarly, Governor of West New Britain, Peter Humphreys acknowledged the support of PNGSDP and The World Bank for their continued interests and investment in the province. He hoped similar support and consideration would be given to other agriculture sectors such as the cocoa sector.