

**U.S. Position on World Bank's Inspection Panel's report: Smallholder Agriculture  
Development Plan for Papua New Guinea  
December 13, 2011**

The Inspection Panel is an essential accountability mechanism of the World Bank. It helps ensure that Bank management is accountable to the Board in applying agreed operational policies and procedures, and provides a mechanism of potential redress for individuals and communities adversely affected by Bank operations as a result of non-compliance. In this case, the Panel has again demonstrated its value by highlighting some important procedural shortcomings in project preparation that Management is now taking steps to remedy.

The United States welcomes the finding that Management has broadly complied with Bank policies on poverty reduction, environmental assessment, natural habitats, forests, and project supervision. Similarly, the United States welcomes the finding that the project is an effective response to poverty reduction and includes appropriate provisions to avoid deforestation and risks to critical habitats. The project's focus on roads and access will improve access to critical social services for smallholders and communities in the project areas, enabling them to diversify their incomes and reduce poverty.

The Panel found instances of non-compliance with the Indigenous Peoples policy (OP 4.10) and Environmental Assessment (OP 4.01). Regarding the documentation of the consultation process with impacted communities, it is clear that there is scope for improvement and Management's commitment to support the local authorities in strengthening this capacity is welcomed. Similarly, the sharing of environmental assessment information in writing and in the local language is important, which Management should remain committed to doing as implementation gets underway. Further, the effluent study should have included better analysis of the impacts from mill effluents. The study has now been completed and an agreed effluent management plan has been developed.

With respect to the Indigenous Peoples Policy, there are differences between Management and the Panel on the extent of analysis needed for this type of operation. It is not entirely clear where the line should be drawn, but the United States reaffirms support for the principle of proportionality in applying the Indigenous Peoples Policy to ensure risk-based assessments and appropriate use of World Bank resources. The constructive Action Plan proposed by Management is a positive step.

It is unclear why the chapter on systemic issues is included in a formal Panel report since this does not relate to compliance. While the Panel is encouraged to share lessons learned, the United States believes that this type of material does not belong in an investigation report, and that it would be more appropriate for the Panel to include it in its Annual Report. The United States reaffirms its support for the World Bank's framework for palm oil, which was endorsed by the Board in April 2011.