

**INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT  
INTERNATIONAL DEVELOPMENT ASSOCIATION**

---

**THE INSPECTION PANEL**

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

Telephone: (202) 458-5200  
Fax : (202) 522-0916  
Email: ipanel@worldbank.org

**IPN REQUEST RQ01/4**

December 7, 2001

**NOTICE OF REGISTRATION**

**Re: Request for Inspection – PAPUA NEW GUINEA:  
Governance Promotion Adjustment Loan (Loan No. 7021-PNG)**

On December 6, 2001 the Inspection Panel (the “Panel”) received a Request for Inspection (the “Request”) dated November 29, 2001 related to the above-referenced Project. The Request was submitted by the Center of Environmental Law and Community Rights Inc. (CELCOR), a Papua New Guinean non-governmental organization representing about 550 customary landowners of lands and forests in 21 villages in the Kiunga District of the Western Province of Papua New Guinea (“the Requesters”), in relation to the Governance Promotion Adjustment Loan (“the Loan”) made by the International Bank for Reconstruction and Development (“the Bank”) to the Independent State of Papua New Guinea (“the Borrower”) on June 16, 2000.

The Requesters claim that Management, in violation of the terms and conditions under which the Board of Executive Directors approved the Loan, intends to release its last tranche, despite the fact that the Borrower has not complied with disbursement conditions related to forestry management which are applicable to the tranche in question, and would include:

- “to reinstate the forestry log tax regime; and satisfactorily implement reforms on the forestry revenue and royalty to landowners regime.
- to fund an independent inspection of log exports, pre-shipment.
- a moratorium on all new timber concessions, pending a complete review of all existing concessions (but implemented as a review of new/proposed concessions).
- new laws on forest clearances for roads and agricultural schemes.
- new laws restraining powers of delegation.
- new laws insisting on a better balance on the Board of the Papua New Guinea Forest Authority.
- new laws on transparency and non-commercial disclosure by the Forestry Board.”

According to the Requesters, the Bank's disbursement of the second tranche without:

- “maintaining the moratorium
- fully implementing the findings of the partial review, including the requirements seeking the remediation of illegal activities, and
- requiring a full review of the contractual provisions of the loan” would constitute
- “a violation of the contractual provisions of the SAL by loaning to a borrower, who with bad faith, defaults to implement its own promises. There are very clear examples set out in the body of this claim indicating the development objectives of the governance loan have not been met and are unlikely to be met, if the disbursement of the second tranche is completed.
- a violation of Operational Directives 13.05 on supervision and monitoring because of poor judgment and imprudent lending to a borrower who promotes illegal practices.
- A violation of the Bank's forest policy OP 4.36 as the acts of the State show that it did not implement, follow, adhere to, or is in fact committed to, sustainable forest management, sustainable forestry, conservation-oriented forestry or good forestry practice.”

The Requesters also claim that the actions described above have caused and will continue to cause “grave financial loss to the claimants” and that the Request deals with “significant instances of social, cultural, ecological and economic harm.”

The Requesters' allegations could constitute violations of various provisions of the following Bank Policies and Procedures:

OP 4.36 on Forestry  
OP/BP 4.01 on Environmental Assessment  
OD/OP/BP 13.05 on Project Supervision

CELCOR has submitted copies of authorization of representation signed by the Requesters, who have requested that their names be made available only to the Panel members, but otherwise remain confidential. All communications with the Requesters in connection with the Request will be sent to Mr. Damien Ase, CELCOR's Executive Director.

In accordance with paragraph 17 of the Panel's Operating Procedures (the “*Operating Procedures*”), I am notifying you that I have, on December 7, 2001, which is also the date of the dispatch of this notice, registered this Request in the Inspection Panel Register. Due to the fact that the Panel's “registration” process is often misunderstood, I would like to emphasize that “registration” is an administrative procedure established by the Panel and that it implies no judgment whatsoever concerning the eligibility of the Request.

In accordance with paragraph 18 of the Resolution, paragraphs 2 and 8 of the “*Conclusions of the Board's Second Review of the Inspection Panel*” (the “1999 Clarifications”), and paragraph 18 (d) of the *Operating Procedures*, Bank Management must provide the Panel, no later than January 11, 2002, with written evidence that it has complied, or intends to comply with the Bank's relevant policies and procedures in relation to the above-referenced Projects.

The subject matter the Management must deal with in a response to the Request is set out in paragraphs 3 and 4 of the 1999 Clarifications.

After receiving the Management response, the Panel will, as outlined in the 1999 Clarifications and as provided by paragraph 19 of the Resolution, *“determine whether the Request meets the eligibility criteria set out in paragraphs 12 to 14 and shall make a recommendation to the Executive Directors as to whether the matter should be investigated.”*

The Request has been assigned IPN Request Number RQ01/4.

Yours sincerely,

A handwritten signature in black ink, appearing to read "Jim MacNeill". The signature is fluid and cursive, with the first name "Jim" being particularly prominent.

Jim MacNeill  
Chairman

Mr. Damien Ase, Executive Director  
Center for Environmental Law and Community Rights Inc. – CELCOR  
P O BOX 4373, Boroko, National Capital District  
Papua New Guinea

Mr. James D. Wolfensohn  
President  
International Bank for Reconstruction and Development  
Room MC12-750

The Executive Directors and Alternates  
International Bank for Reconstruction and Development