

OFFICE MEMORANDUM

DATE: February 12, 2010

TO: Amar Inamdar, CAO

FROM: Oscar Chemerinski, Director, CAG 

EXTENSION: 36703

SUBJECT: **Response to CAO Assessment Report: Regarding Community and Civil Society Concerns of 2nd Complaint in Relation to Activities of the Wilmar Group of Companies in Indonesia**

Thank you for providing us with your Assessment Report regarding the second complaint on the Wilmar Group. We have reviewed the report and are pleased to learn that the CAO and Wilmar are working effectively together to address the community issues identified in the second Wilmar complaint. We concur with your finding that these types of community issues are broadly present throughout the palm oil sector in Indonesia, and agree that private sector operators have a responsibility to build their own capacity to deal with such issues in a constructive fashion.

You note that IFC is addressing the complainants' concerns through, among others, the palm oil sector strategy development process and the Performance Standards Review and Update process, both of which are ongoing. We have developed an Action Plan to address the issues raised by the CAO and are reporting regularly to our senior management, and through them to the CAO, on progress in this regard.

Your Assessment Report provides three recommendations for IFC to consider: to review regulations regarding land acquisition and prepare guidance for sponsors; to help build capacity among sponsors for improved community relations and community development; and, to work with IBRD to address the structural challenges in this regard. At this stage we note these recommendations and will consider these actions in the framework of the strategy which we are developing.

We look forward to continuing our discussion with you as we move forward with our strategy development.

cc: Greg Radford, Peter Neame