Management has reviewed the Request for Inspection of the India: Improving Rural Livelihoods through Carbon Sequestration Project (TF058308), received in two parts by the Inspection Panel on April 23 and May 21, 2012 and registered on July 27, 2012 (RQ12/03). Management has prepared the following response.

September 18, 2012
EXECUTIVE SUMMARY

1. On July 27, 2012, the Inspection Panel registered a Request for Inspection concerning the India: Improving Rural Livelihoods through Carbon Sequestration Project (the Project), financed by the BioCarbon Trust Fund (BioCF) and administered by the International Bank for Reconstruction and Development as Trustee (the Bank).

The Project

2. The Project involves the afforestation of 1,608 ha of fallow land belonging to 1,590 farmers in six districts in the states of Orissa and Andhra Pradesh to facilitate the sequestration of carbon in the tree stock and the sale of the related emission reductions. The farmers’ participation is voluntary. The Project activities are additional and the emission reductions revenue forms a small proportion (ca. 5 percent) of the total revenues to the farmers from their tree planting activities.

3. The Project received approval pursuant to the Clean Development Mechanism (CDM) framework of the United Nations Framework Convention on Climate Change (UNFCCC) Kyoto Protocol. The Project must comply with CDM rules, which have been agreed by over 185 countries that are parties to the Kyoto Protocol, including India. The Bank is obliged to follow the CDM framework and its application, and its third party audit and certification process.

4. The Project is implemented by two Project Entities, JK Paper Mills Limited (JKPL) and VEDA Climate Change Solutions (VCCSL). The Project Entities are required to comply with the CDM framework. The Bank is involved in the Project through its role as Trustee of the BioCF, one of several carbon funds it manages. The Project Entities implement the Project through a sub-agreement with the farmers (farmers’ agreements) that sets out their tree planting obligations.

The Request for Inspection

5. The Request for Inspection was submitted by VCCSL on its own behalf and for four farmers. These Requesters: (i) allege that the Bank is responsible for the reduction in payments for emission reductions due to processing delays on the Bank’s part; and (ii) demand that the Bank, as the Trustee, provide additional payments for emission reductions beyond the contractual obligations capped under the Project.

Management’s Response

6. Management believes that this Request does not meet the conditions for eligibility as stated in the Panel Resolution. Specifically, there is no allegation of serious violation of Bank operational policies or procedures, and no material adverse impact on the Requesters from such violation has been demonstrated.

7. The Requesters themselves have confirmed that the issue raised in the request is related to the contractual arrangements under the Emission Reductions Purchase
Improving Rural Livelihoods

Agreement (ERPA). It is Management’s view that this matter should be resolved under the dispute resolution procedures agreed with the Project Entities in the ERPA. Furthermore, it is of great concern to Management that the result of a Panel investigation could prejudice one or more Parties’ positions, including the Bank’s, should the matter proceed to arbitration.

8. Management asserts that to date the Bank has fulfilled all of its obligations under the ERPA. The additional payments sought by the Project Entities would be outside the Project’s agreed contractual arrangements.

9. In Management’s view the Project Entities have failed to fulfill their contractual obligations to the farmers in disbursing funds received from the Bank to the farmers. Instead the Project Entities seek to mobilize additional financial resources from the Bank with the aim to have the Bank fund their contractual obligations to the farmers.

10. Management will continue to strive to ensure that the farmers will receive amounts due to them from the Project Entities.
<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Full Form</th>
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<tr>
<td>A/R</td>
<td>Afforestation/Reforestation</td>
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<td>BioCF</td>
<td>BioCarbon Trust Fund</td>
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<td>CDM</td>
<td>Clean Development Mechanism</td>
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<td>ERPA</td>
<td>Emission Reductions Purchase Agreement</td>
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<td>JKPL</td>
<td>JK Paper Mills Limited</td>
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<td>PDD</td>
<td>Project Design Document</td>
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<td>UNFCCC</td>
<td>United Nations Framework Convention on Climate Change</td>
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<td>UNCITRAL</td>
<td>United Nations Commission on International Trade Law</td>
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<td>VCCSL</td>
<td>VEDA Climate Change Solutions</td>
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I. INTRODUCTION

1. On July 27, 2012, the Inspection Panel registered a Request for Inspection, IPN Request RQ 12/03 (“the Request”), concerning the India: Improving Rural Livelihoods through Carbon Sequestration Project (TF058308) financed by the BioCarbon Trust Fund (BioCF) administered by the International Bank for Reconstruction and Development, as Trustee (the Bank).

2. Structure of the Text. This document has four sections including this introduction: section II – the Request; section III – Project Background; and section IV – Management Response. Annex 1 presents the Requesters’ claims, together with Management’s detailed responses, in table format.

II. THE REQUEST

3. The Request was submitted by Mr. Sriharsha Masabathula, President of VEDA Climate Change Solutions Limited (VCCSL), representing farmers who are “inhabitants of the backwards districts of Orissa and Andhra Pradesh,” in India (the “Requesters”).

4. A first Request for Inspection was made by VCCSL on its own behalf. In a subsequent filing with the Inspection Panel, a Request for Inspection was filed by VCCSL (through Mr. Sriharsha Masabathula) on behalf of farmers, following their request for VCCSL to represent them.

5. Attached to the Request are:

(i) Open letter dated April 19, 2012 addressed to the President, The World Bank Group;

(ii) Email of December 28, 2011 addressed to Ms. Rachel Kyte, Vice President, Sustainable Development Network, The World Bank;

(iii) Powerpoint presentation highlighting the concerns sent to Ms. Rachel Kyte, Vice President (SDN), The World Bank;

(iv) Trail of emails between VCCSL and BioCF ending March 7, 2012;

(v) Open letter dated September 30, 2011 addressed to Ms. Ellysar Baroudy, BioCF Manager;

(vi) Proceedings of the Workshop organized by Sriharsha to determine land eligibility for Project development under CDM I VCS held at Visakhapatnam, India during August 10-12, 2011 (stated in request, but not attached);
(vii) Video Clip on VCCSL placed on YouTube <http://youtu.be/ekaftosWKEg>;

(viii) A research paper on “Implications of afforestation on global climate” written by Sriharsha in association with Prof. Craig Jackson, Ohio Wesleyan University;

(ix) Resolution of the Board of Directors of the VCCSL designating Sriharsha as its President; and

(x) Two brochures on the IRL Project and enterprises i.e., VCCSL and Socio-eC02nomix-Global.

6. No further materials were received by Management in support of the Request.

7. The Requesters: (i) allege that the Bank is responsible for reduced payments from emission reductions due to Project delays; and (ii) demand that the Bank, as the Trustee, provide additional payments for emission reductions beyond the contractual obligations capped under the Project.

8. The Request did not identify any policy violations. In its Notice of Registration, the Panel has indicated that there may be claims that constitute violations by the Bank of various provisions of its policies and procedures, including the following:

   OP/BP 4.01, Environmental Assessment
   OP/BP 4.10, Indigenous Peoples
   OP/BP 13.05, Project Supervision
   OP/BP 14.40, Trust Funds.

III. PROJECT BACKGROUND

9. The Project involves the planting of trees, i.e., afforestation, on 1,608 ha of fallow land, belonging to 1,590 farmers in six districts in the states of Orissa and Andhra Pradesh1 to facilitate the sequestration of carbon in the collective tree stock and the sale of related emission reductions.2 The afforestation would provide the farmers with income from both the emission reductions from the Project and the sale of timber (mainly Eucalyptus and Casuarina species) to JK Paper Mills Limited (JKPL). Since the Project uses exclusively degraded, fallow land, the Project activities do not compete with nor displace alternative agricultural or productive use of the land, and would be purely additional. The emission reductions revenue forms a small proportion (ca. 5 percent) of

1 The Project engages landholders in six districts: Rayagada, Koraput, and Kalahandi districts in Orissa; and the districts of Visakhapatnam, Srikakulam, and Vizianagaram in Andhra Pradesh.
2 An emission reduction is equivalent to one tonne of carbon dioxide.
the total revenues to the farmers from their tree planting and selling activities (ca. 95 percent).

10. The Project received approval from, and must comply with, the Clean Development Mechanism (CDM) framework of the Kyoto Protocol under the United Nations Framework Convention on Climate Change (UNFCCC), to which over 185 countries have agreed to be bound. These CDM rules consist of a certification process for emission reductions by a regulator, following two extensive third-party auditing processes. The Bank is obliged to apply the CDM framework, and its third party audit and certification process.

**Project Objectives**

11. The specific objectives of the Project are: (i) to develop plantation and agroforestry models that can provide multiple benefits to farmers in terms of timber, firewood and non-wood forest products; (ii) to provide additional income to resource-poor farmers through carbon revenues; (iii) to afforest degraded lands to control soil and water erosion and reclaim lands; and (iv) to reduce the dependence of industry on natural forests, thereby conserving biodiversity.

12. **The Project Entities.** The Project was developed and implemented by VCCSL and JKPL, which receive a part of the carbon revenues as their fee. The roles played by the parties involved in implementing the Project are as follows:

- **The farmers** contribute in kind through their land and labor for the establishment of tree plantations;

- **JKPL**, a well established paper company, contributes through identifying participating farmers, supplying them with high quality planting stock, and purchasing the timber from the trees grown in the plantations. JKPL is the main interlocutor for extension and outreach with farmers and is responsible for meeting the regulatory requirements of the CDM; and

- **VCCSL**, a company that functions as the primary technical advisor to the project on CDM issues.

13. **The Bank’s Role.** The Bank’s involvement in the Project is through its role as Trustee of the BioCF, one of several carbon funds it manages. The Bank enters into an agreement with the project sponsor (i.e., the Project Entity) to purchase a portion of the emission reductions expected to be generated by the Project following the rules and procedures of the CDM. As with all Trust Fund operations, the Bank undertakes appropriate due diligence in accordance with Bank policies and procedures.

14. **The Project’s Contractual Relationships.** The Project is based on two contractual arrangements. First, the Emission Reductions Purchase Agreement (ERPA) is a commercially-binding contractual agreement between the Project Entities and the IBRD (as Trustee of the BioCF). It provides for the purchase of emission reductions at a fixed price and volume. Second, there are sub-Project agreements for carbon and timber
transactions between the Project Entities and each of the 1,590 participating farmers (known as farmers’ agreements) which require that 80 percent of the carbon revenue be transferred to the farmers. The remaining 20 percent is distributed equally between the two Project Entities. The Bank is not a party to the farmers’ agreements. Box 1 provides a summary of the structure of the transaction.

**Box 1. Summary of Structure of the ERPA Transaction**

The scheme consists, in part, of two contractual elements in the following manner:

(i) The ERPA is a commercially-binding contract between the Bank (as Trustee) and JKPL and VCCSL (Project Entities). The ERPA provides, inter alia, (a) for the performance-based release of carbon payments conditioned upon delivery of emission reductions; and (b) that the resolution of disputes related to performance under the ERPA are to be resolved in accordance with arbitration rules. The ERPA provides for a standard arbitration mechanism to resolve any ERPA-related dispute between the parties to the ERPA in accordance with the United Nations Commission on International Trade Law (“UNCITRAL”) arbitration rules.

(ii) The farmers’ agreements place legal obligations upon the Project Entities to help the farmers “realize the additional revenue through CDM mechanism and coordinate with each other…the activities required to get the carbon revenue.” Under these agreements, the farmers provided their consent for the Project Entities, and not the Bank “to arrange carbon revenue for the plantation” raised by them; the farmers’ agreements also require that disputes with regard to performance of any obligation should be settled by negotiation, and failing that, arbitration under Indian law is required, providing, “the Courts at Rayagada shall be exclusive Jurisdiction in all Matters.”

**Project Status**

15. The Project Entities are expected to implement the Project and ensure compliance with the procedures of the CDM. The ERPA requires the Project Entities to disburse the emission reduction payments to participating farmers based on the size of their land holding under planting, in accordance with the Project as registered with the CDM.

16. The Project has completed the first third party audit, and is registered with the CDM. The Bank subsequently released into an Escrow Account the first installment (US$200,250) for the emission reductions for this Project to the Project Entities on April 23, 2012. The Project Entities have not yet made the contractually stipulated payments to participating farmers.

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3 Sections 5.02(a) and 5.03(a) of the General Conditions Applicable to Verified Emissions Reduction Purchase Agreement for Clean Development Mechanism projects, dated February 1, 2006 (“General Conditions”).

4 Section 15.03 of the General Conditions.

5 Section 7.02 of the ERPA.

6 Tripartite farmers’ agreement, clauses 1.9 -1.10.

7 Id, clause 2.10.

8 Id, clauses 4.2-4.3.
IV. MANAGEMENT’S RESPONSE

17. The Requesters’ claims, accompanied by Management’s detailed responses, are provided in Annex 1.

Management’s Response

18. In Management’s view, the Request is not eligible for Inspection. At the same time, Management is committed to ensuring the successful implementation of the Project, and provides additional factual information below to allow for a fuller understanding of the issues affecting the Project.

Eligibility Considerations

19. The Request highlights issues that are commercial in nature. The Parties agreed in the ERPA legal documentation governing the Project that such disputes should be handled by good faith negotiation, and failing that by arbitration.

20. The Request does not assert that the Bank has violated any of its policies and procedures. Management therefore asserts that the Request fails to meet the requisite Inspection Panel eligibility requirements. Specifically, the Requesters have not demonstrated that their “rights or interests have been or are likely to be directly affected by an action or omission of the Bank as a result of a failure of the Bank to follow its operational policies and procedures,” which failure “has had, or threatens to have, a material adverse effect.”

21. The 1993 Resolution and its subsequent Clarifications (Review of the Resolution Establishing the Inspection Panel, 1996 Clarification of Certain Aspects of the Resolution; and 1999 Clarification of the Board’s Second Review of the Inspection Panel) (“Resolution”) contain the following relevant considerations regarding eligibility:

   a. “the request does assert in substance that a serious violation by the Bank of its operational policies and procedures has or is likely to have a material adverse effect on the requestor”; and

   b. “[f]or assessing material adverse effect, the without-Project situation should be used as the base case for comparison…Non-accomplishments and unfulfilled expectations that do not generate a material deterioration compared to the without-Project situation will not be considered as a material adverse effect for this purpose.”

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11 1999 Clarification, para 9b.
12 Id., para 14.
22. Management asserts that the Bank has made the payments payable to the Project Entities required under the ERPA promptly, following audits completed under the CDM. Payments to farmers are the responsibility of the Project Entities, not the Bank. Management notes that the Project Entities have yet to make any payment to farmers from amounts disbursed by the Bank for this purpose.

23. The Requesters have not demonstrated that they have been or are likely to suffer direct material adverse impacts from the Project, as required by the Resolution. The 1999 Clarification to the Resolution provides that “[n]on-accomplishments and unfulfilled expectations that do not generate a material deterioration compared to the without-Project situation will not be considered as a material adverse effect for this purpose” [of the Resolution]. In this instance, the Project-related tree planting took place on degraded land:

“These lands are expected to remain under subsistence agriculture or as fallow lands in the absence of the Project. Considering the use of lands for agriculture, the pre-existing vegetation is also either absent or insignificant. As a consequence, these lands are expected to degrade further in the absence of the Project.”

24. Without the Project, the Requesters would not have been able to receive any income generated through the sale of the timber they planted on their degraded lands. The Project tree planting and harvesting allowed the farmers to generate additional income in the form of timber payments, compared with the without-Project alternative. Consequently, the Requesters have not demonstrated a material deterioration compared to the without-Project situation.

25. For these reasons, Management submits that the Request is ineligible for investigation, and urges that this matter be solely addressed under the terms of the contracts. VCCSL has confirmed that the dispute is related to ERPA provisions. Management communicated this position to the Panel in May 2012.

Additional Factual Matters Relevant to the Request

26. The Requesters claim that the Trustee is liable to make additional payments. Such payments would require the Trustee to compensate the Requesters over and above the contractually agreed limit on the volume of emission reductions and would contravene CDM rules.

13 1999 Clarification, para 14.
14 Project Design Document (PDD), Section C.5.1.
15 Management notes that the Requesters’ decision to harvest trees was based on the prevailing market price of timber, health and condition of the trees. Timber prices and not carbon revenue determined their decision to harvest.
16 Email dated August 3, 2012 from VCCSL with response to Aide Mémoire.
27. VCCSL has indicated that certain farmers cannot be paid since they harvested their trees prior to the third-party audit. CDM rules do not allow for payments in respect of trees harvested.

28. The first third-party audit for this Project was completed in 691 days and is within the average time that it takes for CDM forestry projects (689 days). VCCSL and JKPL are familiar with third-party audit processes, including timing, and were involved in the audit through their obligation to monitor the Project results. Management therefore does not accept the Requesters’ assertion that the Project generated a reduced amount of emission reductions because of delays in the third-party audit.

29. The Bank became aware of disagreements among the Project Entities on ways to implement the benefit sharing arrangement following the April 2012 payment. The Bank followed up with a number of conference calls and missions to help the Project Entities resolve the dispute so that the farmers are paid. Specifically, the Bank has advised the Project Entities on compliance of their proposed benefit sharing arrangement with the ERPA. Recent communication with the Project Entities indicates that the matter is not yet resolved. The Bank has repeatedly asked the Project Entities to fulfill their obligations and disburse the funds received to the farmers in accordance with the benefit sharing arrangement.

30. The Project Entities’ claim goes beyond the provisions of the signed ERPA. The BioCF has met its contractual obligation towards payment for emission reductions generated in the period 2004-2010. Further, even if the Project had generated more emission reductions that are eligible under the CDM rules, the Trustee has no obligation to purchase those. Payment by the Bank of amounts in excess of those contractually due under the ERPA would represent a violation of its duty as Trustee to the BioCF and of CDM rules.

**Conclusion**

31. Management believes that this Request does not meet the conditions for eligibility as stated in the Panel Resolution and Clarifications. Specifically, there is no allegation of serious violation of Bank operational policies or procedures, and no material adverse impact on the Requesters from such alleged violation has been demonstrated.

32. Management asserts that to date the Bank has fulfilled all of its obligations under the ERPA. The additional payments sought by the Project Entities would be outside the Project’s agreed contractual arrangements.

33. In Management’s view the Project Entities have failed to fulfill their contractual obligations to the farmers in disbursing funds received from the Bank to the farmers. Instead the Project Entities seek to mobilize additional financial resources from the Bank with the aim to have the Bank fund their contractual obligations to the farmers. For these

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17 From data based on the market according to the United Nations Environment Programme Risoe database of all CDM projects.
reasons, it is also Management’s view that the precise issues raised by the Project Entities in this matter are expressly intended to be resolved under the dispute resolution procedures agreed with the Project Entities in the ERPA.

34. It is of great concern to the Bank that the result of a Panel investigation could prejudice one or more Parties’ positions, including the Bank’s, should the matter proceed to arbitration.

35. Management asserts that it is contractually bound not to make payments beyond those certified as due under the ERPA. Despite this limitation, Management will continue to strive to ensure that the farmers receive the amounts due to them from the Project Entities.
## Annex 1

### Claims and Responses

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<tr>
<th>No.</th>
<th>Claim/Issue</th>
<th>Response</th>
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<tr>
<td>1.</td>
<td><strong>FARMERS’ LETTER</strong>&lt;br&gt;“…However, we have now learnt that the additional revenue would be provided to only some farmers whose plantations are standing and those farmers who have not harvested their plantations would not be getting carbon revenue”…</td>
<td>\textit{It is not correct that carbon revenue would be provided only to farmers with standing trees and that those who have harvested their trees would not receive a share.}&lt;br&gt;Under the Project design, trees are harvested and replanted depending on the species and the age of the plantation. Since not all farmers plant in the same year or use the same species, this means that at any point in time during the life of the Project there will be farmers with young or no trees that do not contribute to the volume of emission reductions. Under the CDM, it is not allowed to have peaks in standing stock coincide with the timing of the verifications. CDM modalities clearly state that “management activities, including harvesting cycles, and verifications are chosen such that a systematic coincidence of verification and peaks in carbon stocks is avoided.”\textsuperscript{1}&lt;br&gt;Therefore under operating conditions, Project management and implementation on the ground should generate and maintain an average carbon stock over the life of the Project. The volume of emission reductions could be adversely affected in case of deviation from Project design for example, if the farmers uproot trees and do not replant.&lt;br&gt;The benefit sharing arrangement included in the PDD is the mechanism to ensure that all participating farmers (irrespective of the age of the trees at the time of verification) receive a fair share of the carbon revenue. (See PDD, sections A.8 ‘Approach for addressing non permanence’ (page 17), and C.6: ‘Assessment and demonstration of additionality’ (page 35)). The PDD registered by the CDM Executive Board confirms that: (i) carbon revenue will accrue on the basis of the average volume of standing timber as in the PDD, contrary to the Requesters’ (VCCSL) more recent argument that the quantity of carbon sequestered in all trees planted at any time (standing, harvested or uprooted) should be deemed as emission reductions and paid for; and (ii) this carbon revenue will be equitably distributed to participating farmers who have implemented the Project, using relative land holding size of each farmer as the basis for this distribution, even if trees on some farmers’ land parcels had been harvested at the time of verification.&lt;br&gt;The Bank has never advised JKPL and VCCSL: (i) that farmers who have harvested their trees and subsequently replanted should not receive a share in the carbon revenue, given the collective participation necessary for feasibility of these projects as elaborated above; or (ii) that harvested trees...}</td>
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\textsuperscript{1} UNFCCC paragraph 12e, 5/CMP.1.
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<td></td>
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<td>count as emission reductions. In correspondence dated 17 January 2012, the Bank asked VCCSL and JKPL for any written evidence showing that the Bank team has misled the Project Entities to believe that harvested trees were eligible as emission reductions; VCCSL confirmed it had not been misled. During the June 2012 mission, it was further clarified that the carbon revenue transferred to JKPL and VCCSL should be shared with all participating farmers.</td>
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2. FARMERS’ LETTER

“…we are in no way responsible for delay in validation and verification. We request you to provide carbon revenue to those farmers who have harvested the plantations also per the management practices.”…

The World Bank does not determine the timeframes for CDM regulatory processes such as validation and verification. The CDM is a robust framework which is subject to internationally agreed modalities which include two independent third party audits, the auditors for which are accredited by the CDM Executive Board, and a review and registration by the CDM Executive Board. The international rules include the unambiguous definition of emission reductions which does not allow accounting for harvested trees as emission reductions. For this project, the third party auditor reconfirmed that harvested trees do not qualify as emission reductions.

The timing of CDM processes is not determined by the Bank. The validation and verification processes are led by independent third party auditors, accredited by the UNFCCC. The Bank enters into a contractual agreement with the auditors, and timelines for various milestones during the validation and verification process are set by them. The procedures require a complex and exhaustive process for checks of consistency of the PDD with the carbon accounting methodology and CDM requirements. The level of scrutiny in the CDM is very high and the tentatively agreed schedules can change based on the nature of issues raised by the auditors, and quality of response by project participants.

The total time to validate and register this Project is within the average time observed for validation in other Afforestation/Reforestation (A/R) CDM projects. Validation time for this Project was 691 days (1 year and 11 months). The average validation time for CDM A/R projects from data based on the market according to the United Nations Environment Programme database of all CDM projects is 689 days, similar to the India IRL project.

This is the only project in the BioCF portfolio that was due to receive a negative validation. It would have failed had it not been for the technical support of the BioCF team. The time required for validation was impacted by the Requester’s responses to the auditors regarding land eligibility; it took the Project Entities approximately 8 months to address these issues. However, the option to pull out of the Project still rested with the Project Entities should they have decided not to pursue the validation.

Verification cannot precede validation as the latter is the process that determines whether the Project even qualifies as
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<td>3.</td>
<td>FROM CLAIM LETTER</td>
<td>We have brought the shortcomings to the notice of The World Bank /BioCF staff on several occasions by emails and also in meetings whenever there was an opportunity. We have not received any response to our requests and when received the responses were neither satisfactory nor adequate. We do not consider that the explanations and answers solved the issues raised. In some cases, the responses were in no way connected to the points highlighted circumventing the issue at stake.</td>
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<td>4.</td>
<td>FROM LETTER TO PRESIDENT</td>
<td>[...] The World Bank / BioCF has shown little or even no commitment to sustain the innovative projects such as IRL project in India and does not want to even match the contributions made by small enterprises like VCCSL for the successful implementation of the project. It seems there is a role reversal. While The World Bank acts in a purely business mode, tiny business enterprises such as VCCSL take on the developmental role which is the domain of the mammoth institutions like The World Bank.(emphasis added)</td>
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<td>9.</td>
<td>Email 15 June 2011 from VCCSL to DM - [...] You will appreciate that VCCSL and JKPL have readily agreed for due diligence of their accounts by the Bank's Financial Expert before release of the advance payment by the Bank earlier. [...] BioCF. Sharing of details of project preparation costs by all project participants would help in appreciation of the costs involved in developing a</td>
<td>The Project preparation costs are agreed to in the ERPA and are capped at US$230,000 for this Project. The General Conditions to the ERPA describe the key cost categories under Project preparation costs. The Project Entity requested the information for potential scale up and replication of the Project. The Bank team has provided the detailed cost information to the extent possible without revealing confidential information on staff salaries etc., in accord with the Bank’s Policy on Access to Information. However, in more recent communication the Project Entity has suggested</td>
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<td>CDM project and to further develop cost effective models for replication by reducing those costs which are considered non-essential. [...]</td>
<td>writing off the Project preparation costs. The cap for Project preparation costs has been exceeded and the BioCF is carrying the excess.</td>
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