

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

July 12, 2010

Dear Mr. Ian H. Solomon, Dr. Michael Hofmann, Mr. Toru Shikibu, Ms. Susanna Moorehead, Mr. Samy Watson, Mr. Ambroise Fayolle, Mr. James Hagan, Mr. Konstantin Huber, Mr. Sun Vithespongse, Ms. Anna Brandt and Mr. Giovanni Majnoni:

We are writing to express our deep and informed concerns over a proposed guarantee for a mining project in Indonesia that threatens communities and important ecosystems. The World Bank Group Board of Directors is scheduled to deliberate on a \$207 million guarantee application to MIGA from PT Weda Bay Nickel (PT WBN), which would be used to support the exploration and pre-construction phases of the proposed nickel and cobalt mine and hydrometallurgical processing plant on Halmahera Island, North Maluku Province, eastern Indonesia. The Board is scheduled to consider the guarantee on July 13, 2010. **We urge the Board not to approve the guarantee application given the major social, environmental and political risks, as well as the fundamental procedural and technical flaws with the PT WBN project.**

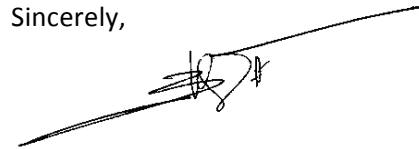
Attached, please find the civil society concerns with the project. Additionally, a preliminary independent evaluation of the project done by a mining expert is included, which highlights our fundamental concern with MIGA's technical ability to properly assess the environmental and social impacts and mitigate the risks of this extractive investment.

We are deeply critical of this guarantee application to MIGA because, if approved, it would create a serious threat to both the people and the ecosystems of the island of Halmahera. The mine is likely to adversely affect indigenous peoples and the forests they live in on Halmahera and is likely to devastate sustainable livelihoods in the area. The project would destroy a large area of Protection Forest in a tropical biodiversity hotspot region next to a National Park. Sediment, large quantities of sulfuric acid, and mine waste would threaten massive contamination of streams, rivers, and the ocean in Weda Bay. Such impacts are likely to occur in the exploration, feasibility, construction, operation, and closure phases of the mine. The assessment procedures and plans for the mine also violate the Performance Standards as indicated in the attached documents.

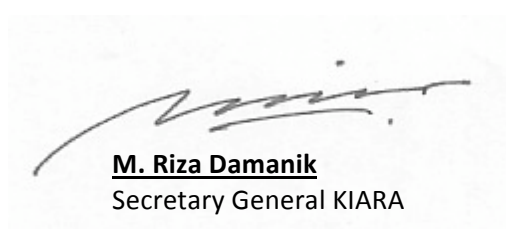
The companies involved in the project are cause for concern as well. PT WBN was one of the lobbyists seeking an amendment of forestry Regulation No. 41 in 1999 that prohibited surface mining in protected forests. In addition to majority owners Eramet France and Mitsubishi, the controversial PT Antam owns 10% of the project. PT Antam's involvement in a comparable nickel mine until 2004 on the island of Gebe, in Central Halmahera, created incredible environmental damage and had devastating economic impacts for the local people, who mostly worked as farmers and fishermen.

Given the problems with the assessments and plans for the project, the potential severe environmental, social and political risks associated with the project, the Compliance Advisor Ombudsman complaint recently filed in Indonesia (attached), and the apparent failure of the project to abide by the Performance Standards, **we urge the Board not to approve the guarantee application**. Under the circumstances, we advocate an end to the feasibility assessment and cancellation of plans to provide political risk insurance for this dangerous project.

Sincerely,



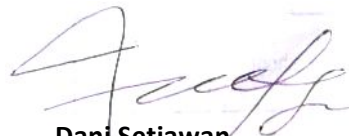
Berry Nahdian Forgan
Executive Director WALHI



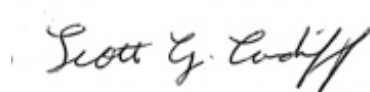
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Attachments:

1. Indonesia groups' official complaint letter to Compliance Advisor Ombudsman (CAO) on July 2
2. CAO's acknowledgement of the complaint letter
3. Summary and full review of PT WBN's Environmental and Social Impact Assessment from the independent mining expert and separate supplemental biodiversity review

Copied:

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