



January 26, 2011

Dr. Renosi Mokate  
Executive Director  
World Bank Group, South Africa  
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Washington, DC 20006

Mr. Hassan Ahmed Taha  
Executive Director  
World Bank Group, Sudan  
1818 H St NW  
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Dear Dr. Mokate and Mr. Taha:

We write to express our concern with the direction of the World Bank's review of funding of the palm oil sector by the International Finance Corporation (IFC). As an organization with the objective of supporting poverty alleviation and economic development in Africa, the World Bank's decision to suspend funding to the palm oil sector in 2009 has been to the detriment of African development and poverty reduction.

We are concerned that this review is being undertaken by senior management, and not driven by any expressed approval of the Board of Governors. We have reviewed the material and submissions to the review of the Bank's engagement on palm oil and have the following observations to make.

Following a vocal campaign by Western-based environmental NGOs, the World Bank suspended funding to the sector in September of 2009. Since this development, the Nigerian press reported that a planned US\$123 million loan to support palm oil projects in Africa was cancelled. This freeze is stifling employment for millions, with vital projects reportedly cancelled due to lack of funding.

In addition, palm oil is a food staple in much of Africa as it enhances food security in poorer nations. The World Bank in its own framework review acknowledges this. With rising global food demand, and an estimated 9 billion people to be fed across the world by 2050, palm oil, as the most efficient vegetable oil source in the world, is playing a vital role.

**Initiative for Public Policy Analysis**

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We are therefore gravely concerned with a response we received from President Zoellick to a letter we sent expressing our concerns with the impact that the proposed framework would have on future funding of palm oil development programs in Sub-Saharan Africa. In his response, President Zoellick affirmed that environmental and social sustainability would be at the core of the World Bank's mission.

We do not agree with the precedence that skewed definitions of sustainability should take over poverty alleviation and economic development. These new sustainability standards would deny financial support for small farmers in Africa, thus eliminating a poverty alleviation tool to advance prosperity in the continent and erect barriers to large-scale development of oil palm.

The current proposal being considered by senior management at the World Bank outlines several concrete ways in which the funding structure would change:

First, palm oil projects seeking IFC funding would only be able to do so if they are certified or undertaking certification approved by the World Bank. The proposal fails to account for developments needs of developing communities, or how near-term development can support sustainability.

Second, the proposal would impose the World Bank's guidelines on the industry and national governments, becoming an international regulator of sustainability, rather than a lender towards development and poverty reduction programs.

Third, the World Bank would be unable to support smallholder operations due to the prohibitive cost of certification, undermining a proven tool for poverty reduction.

Fourth, the World Bank would abandon its long support for agriculture development for ceasing land conversion, undermining what it has recognized as the single greatest contributor to poverty alleviation efforts.

The Bank acknowledges the successful poverty alleviation efforts of the palm oil industry and the economic benefits afforded to smallholders through such funding makes these structural changes excessive. The impact from these changes would be to limit support by the World Bank to agriculture writ-large, thus denying critical capital that is required for these development projects.

It is, in our opinion, highly inappropriate to use a voluntary certification scheme, developed for consumers and branding purposes, as a proxy-measure to regulate sustainability. For a start, voluntary certification schemes such as RSPO do not reflect global best practice in standards as provided for in International Organization for Standardization (ISO) guidelines.

As a general principle, the Bank should not prescribe specific modes to demonstrate sustainability - it is not an environmental regulator - but rather expect commitment by recipients to the broad goals. When it does otherwise, it derogates from its duty to use donor funds for the best possible outcomes.

The palm oil industry alone employs 1.8 million Nigerians. Uganda is currently developing palm oil plantation as tool to eradicate poverty. Industries exist in Cote d'Ivoire, Gabon, Ghana, Kenya, Liberia, Nigeria and Uganda among others. Millions more stand to benefit from future agriculture development throughout the continent. However, freezing of support by organizations and institutions such as the World Bank and commercial banks, there can be no sustainability, only poverty.

We suggest that the following changes be made to the framework to ensure that the development benefits afforded by the sector are maintained.

1. The IFC should not mandate a certification system for individual farmers – a large constituency in Africa. This is an overreach of the World Bank's mission.
2. The World Bank Group should include a commitment in the new framework that it will not prioritize one certification system.
3. The World Bank should reaffirm its commitment to supporting development and reducing poverty, and firmly reject dictating to and limiting industry and sovereign governments.

In light of the impact that such a change in policy would have on future lending, we respectfully ask for your support in requesting that this review be presented to the Board of Governors for their approval, to ensure that member governments, particularly from African governments, can register their views of this new strategy and how it would affect small landholder communities.

You may find enclosed our letter to President Zoellick of October 6, 2010, as well as President Zoellick's response of November 1, 2010, in attachment.

Sincerely and respectfully yours,

Thompson Ayodele, Initiative for Public Policy Analysis (Nigeria)

Paul Adepelumi, African Center for Advocacy and Human Development (Nigeria)

George Ayitsey, Global Cheetah Palm Oil Company (Ghana)

Franklin Cudjoe, IMANI Center for Policy and Education (Ghana)

Niger Ennis, Congress for Racial Equality (U.S.)

Mahamadou SINTE, Center for Humane Affairs-CEDAH (Burkina Faso)

Olusegun Sotola, Initiative for Public Policy Analysis (Nigeria)

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