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October 15, 2010

The World Bank's Palm Oil Mistake

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Lagos, Nigeria

WHEN the World Bank held its annual meeting last weekend, there was much discussion of trade imbalances and currency wars, but nothing about Nigerian palm oil. That's a shame, because the bank's loans for plantation agriculture in sub-Saharan Africa and other developing regions — some \$132 million of which have gone to palm oil cultivation — have been humanitarian and economic triumphs. Yet now, under misguided pressure from environmental groups, [the bank is turning its back on the program.](#)

Palm oil, which is extracted from the pulp of the oil palm, is an essential food in sub-Saharan Africa and other poor regions. Accounting for almost 40 percent of the world's vegetable oils, it is an indispensable source of vitamins and calories. The developing world is heavily reliant on palm as a source of nutrition because the plant thrives in tropical climates and yields significantly more fats and calories than other options. It gives the developing world — where hundreds of millions of men and women still live on a few dollars a day — the most caloric bang for the buck.

Nigeria's palm oil industry, which once led the world, was moribund by the end of the last century. But thanks to the World Bank program, it is now one of the world's largest producers, after Indonesia and Malaysia. In addition to providing food, the palm oil sector offers jobs, employing tens of thousands of Nigerians who earn wages similar to those of college graduates. In a country where most people have limited education, this sector has been essential to helping the broader Nigerian economy grow.

The industry is also diverse, as both small-scale landholders and a growing number of industrial farms have used the World Bank loans to invest in more efficient harvesting and production techniques. The revival of the palm oil industry gives Nigeria hope that its economy will not be forever hostage to petroleum production — and the pollution and graft that inevitably accompany it.

But the bank's legacy of success is now in serious jeopardy. Under the leadership of Robert Zoellick, a former United States trade representative, the bank has wavered from its poverty-reduction mission and is increasingly focusing on achieving fashionable political and social goals. As Mr. Zoellick put it, "We are all committed to ensuring that positive developmental outcomes — including environmental and social sustainability — are at the core of all our activities."

This is a huge, and disturbing, change in direction. The World Bank was conceived out of the wreckage of World War II, and its mission has always been simple: extend low-interest loans from rich nations to support development projects in poor nations. Of necessity, many of these loans support agriculture-related projects. These projects do two crucial things. First, they help poor nations feed their populations. Second, they generate goods that can be traded in global markets, thus linking the developing world economically with the wealthy world.

The results have been extraordinary. According to the bank itself, since its inception, life expectancy in developing countries has risen by more than 20 years. Adult illiteracy in poor nations has been cut in half since 1980. And over the past two decades, the number of people living on less than \$1 a day, while unacceptably high, has dropped for the first time.

But in many cases this progress has now run afoul of environmental groups that often put ideology ahead of the needs of the poor. And, unfortunately, these groups have persuaded Mr. Zoellick to suspend all loans for palm-related plantation agriculture indefinitely as the bank undertakes a review of its policies.

The critics of palm oil production, mostly in the United States and Europe, claim that it contributes to the destruction of forests. Yes, Nigeria has a problem with deforestation — but that is primarily in the country's north, and almost all palm oil plantations are in the south. The forest depletion in the north is generally due to climate problems and the population's reliance on firewood for fuel.

Indeed, the expected drop in palm oil production because of the World Bank's decision is likely to worsen deforestation, as a weakened economy will force more Nigerians to chop down trees for cooking fuel and shelter.

The environmental effects of palm oil production around the world should certainly be given consideration, but any new regulations should not impede poverty alleviation in the developing world, as poverty is the biggest driver of ecological harm. And there are many multilateral organizations that focus on environmental health, including several within the United Nations, that are far better equipped than the World Bank to handle the job.

Mission creep is a threat to any large bureaucracy. What has made the World Bank almost uniquely successful over the last half-century has been its sustained focus on the most important humanitarian goal: lessening poverty. The moment the bank takes its eye off economic growth, it loses its reason for being. The residents of the developing world will be the casualties.

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