



FINAL WORLD BANK GROUP FRAMEWORK AND IFC STRATEGY IN THE PALM OIL SECTOR

Summary of Stakeholders' Comments on the Revised Draft and How They Have Been Addressed in the Final Document

MARCH 2011

The World Bank Group (WBG) released its final Framework and IFC Strategy for Engagement in the Palm Oil Sector on [March 31, 2011.] The document was developed following extensive consultations with stakeholders around the world on key issues and the potential role for the WBG in the palm oil sector. The framework and strategy have been endorsed by a wide range of stakeholders, including environmental and social NGOs, governments, and private producers and buyers of palm oil, the WBG Board of Directors and approved by the WBG management as a basis for the Group's re-engagement in the palm oil sector.

The final World Bank Group Framework and IFC Strategy for Engagement in the Palm Oil Sector responds to and incorporates stakeholder comments following consultation and comment periods on two earlier drafts of the Framework. The following document summarizes key stakeholder inputs received during the final consultation period (January 6 – February 7, 2011) on the revised second draft of the WBG Framework and IFC Strategy and how they have been addressed in the final document.

A summary of stakeholder comments and how they have been addressed during the previous consultation periods as well detailed information on the stakeholder engagement process and stakeholder views are available at www.ifc.org/palmoilstrategy.

Stakeholder Input	Final World Bank Group Framework and IFC Strategy in Palm Oil	References
<p>Certification</p> <p>Other certification systems in addition to RSPO should be recognized</p> <p>WBG should not require or set standards for certification</p>	<ul style="list-style-type: none"> The document acknowledges that, while RSPO is currently the only certification system focusing exclusively on the palm oil sector, other certification systems are being developed that could play a role in promoting sustainable practices in the sector. A brief description of some of these certification systems is included in the document. WBG does not seek to set standards for certification. The document summarizes criteria we apply based on our own safeguards to evaluate existing certification standards. 	<p>Section 4.1.4</p> <p>Annex XIII</p>



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<p>Certification for Smallholders Small farmers should not be required to get certification IFC needs to recognize opportunities for smallholders to achieve certification through group application</p>	<ul style="list-style-type: none"> • The market trend is towards sustainable sourcing of palm oil, and smallholders risk losing access to markets if they fail to achieve certification. • The WBG recognizes that additional time and effort will be required for smallholders to achieve certification and the document lays out the measures the WBG proposes to take to help smallholders meet certification requirements by strengthening small farmer producer organizations, establishing group certification schemes, and investing in larger producers with affiliated smallholder suppliers. • We are also facilitating development of smallholder certification schemes on a broader scale by supporting RSPO's work which is paid for by premiums earned on the sale of certified palm oil. 	<p>Section 4.1; Table 4; Section 4.1.3</p>
<p>RSPO IFC should continue to support RSPO but recognize the concerns raised by stakeholders</p>	<ul style="list-style-type: none"> • The document refers to the need of RSPO to continue to broaden its stakeholder representation and to strengthen its audit and enforcement capacity. 	<p>Section 4.1.4</p>
<p>Carbon Emissions IFC needs to fine tune its approach to GHG emissions accounting and aim for carbon neutrality</p>	<ul style="list-style-type: none"> • IFC requires its clients to implement technically and financially feasible and cost-effective options to reduce project-related GHG emissions for projects that produce or are expected to produce more than 100,000 tons of CO2-equivalent annually. IFC is considering lowering the threshold to 25,000 tons as part of the ongoing review of its Performance Standards. • In the palm oil sector, IFC sees opportunities for CO2 reductions in processing and storage such as the collection of methane from effluent treatment ponds. • IFC would not support any palm oil plantations that would convert high-carbon-stock peatlands or primary tropical forests. • IFC is supporting RSPO in its efforts to develop GHG guidelines for the sector. 	<p>Section 4.7</p>
<p>REDD + IFC should clarify how its investments will be reconciled with ongoing REDD+ activities</p>	<ul style="list-style-type: none"> • IFC will identify potential REDD+ activities during project review (including through use of early risk assessment tool) and will take them into account in designing its investments to complement and fit within such REDD+ programs. • The document notes that REDD+ has potential to contribute to the protection of forest assets by providing financial incentives to avoid forest conversion. This can steer palm oil expansion to degraded/ converted lands. 	<p>Annex XII Section 3.1.3</p>



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<p>Recent Deforestation In its investments, IFC should avoid rewarding recent deforestation by clients</p>	<ul style="list-style-type: none"> The document states that, consistent with the requirements in Performance Standard 6, IFC will avoid investments in which primary tropical forest has been cleared specifically for the purpose of the palm oil expansion under consideration. In other cases where an area has suffered recent deforestation, IFC will assess when the deforestation occurred and take it into account in decision making on a project. 	Section 4.7; Annex XII
<p>High Conservation Value IFC needs to clarify how it will apply the HCV concept and how this relates to the Performance Standards; provide a definition of high carbon stock</p>	<ul style="list-style-type: none"> IFC Performance Standard 6 requirements on protection and conservation of biodiversity and ecosystems services are qualitatively similar to the concept of High Conservation Value (HCV) areas incorporated in various certification systems. In assessing any potential project IFC will consider the ecosystem services, habitat functionality, carbon stock and biodiversity value associated with the land in question. The document states that palm oil plantations that result in significant conversion or degradation of high carbon stock or high conservation value habitats will be avoided. Research is underway to define agreed methodologies for assessing and measuring carbon stocks and to define thresholds. The RSPO GHG Working Group has recommended the threshold of 35,000 tons or less of pre-existing carbon stock to allow land conversion to palm under RSPO certification requirements. As of March, 2011 the voting membership of RSPO has not agreed to modify its Principles and Criteria to adopt this standard. We will continue to follow RSPO deliberations as well as those of others working to quantify what constitutes “high-carbon-stock.” 	Section 4.7; Section 4.2.3; Annex XII
<p>Supply Chains Supply chain due diligence should assess social issues in addition to environmental</p>	<ul style="list-style-type: none"> A detailed description of IFC’s risk assessment and requirements for Supply chains is provided in Annex XIII including the requirement for a Social and Environmental Management System (SEMS) which looks at social as well as environmental risks. It includes provisions for a supplier database, traceability and a move away from higher risk to lower risk suppliers over time. 	Section 4.7; Annex XIII
<p>Land Rights/ Customary Land Rights WBG needs to ensure respect for land rights of affected communities and Indigenous Peoples</p>	<p>The importance of land rights, and the problems that arise when they are not legally established and protected, is acknowledged in the document at length. The document describes the following protection and mitigation measures by the WBG around land rights:</p> <ul style="list-style-type: none"> World Bank Safeguards and IFC Performance Standards incorporate land rights protections and mitigation measures. Upstream clients will be required to meet RSPO or equivalent certification that include clearly articulated principles and code of conduct to address deficiencies around land rights (e.g. requiring FPIConsent). 	Annex VI; Annex VII, Annex XIII Section 4.7



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	<ul style="list-style-type: none"> IFC will consider land rights including customary land rights through the application of its early risk screening and assessment tool. Guidance to staff on all of the above comes in the form of a "Good Practice Note" 	<p>Annex XII; Annex XIII</p> <p>Annex VII</p>
<p>Project Impacts IFC needs to demonstrate project-level developmental impacts as well as explicitly including impact assessment on human rights, Indigenous Peoples, labor.</p>	<ul style="list-style-type: none"> The document provides a summary of possible WBG interventions under the four pillars that addresses issues of human rights, Indigenous Peoples, and labor. A monitoring and evaluation framework provides a detailed listing of the parameters that will be measured to evaluate outcomes and impact. In addition the framework indicates the inputs and activities, the expected outputs and outcomes, and how the information will be disclosed. Baselines and targets will be established in connection with individual interventions. 	<p>Section 4.1; Table 4</p> <p>Section 4.2.6; Table 5; Annex VIII; Annex VII</p>
<p>Gender The document should include discussion of gender aspects of resource constrained livelihoods.</p>	<ul style="list-style-type: none"> The document recognizes vulnerabilities of a number of groups including women and discusses different impacts of the industry on women and men. WBG will seek where possible to establish gender-disaggregated monitoring and evaluation indicators, such as relating to employment, training, and ownership, to track and measure projects' impact. The document stresses the importance of gender inclusiveness when designing projects to promote benefit sharing with smallholders and communities IFC expects its clients to minimize gender-related business activities risks and unintended gender differentiated impacts. The proposed revisions to PS1, 4, 5, 7, and 8 include increased emphasis on a gender-responsive approach and related requirements during project risk and impact assessment. 	<p>Section 3.3.3</p> <p>Section 4.2.6</p> <p>Section 4.1.3; Table 4</p> <p>Annex XIII</p>
<p>Free, Prior, and Informed Consent Should be mandatory requirement for projects</p>	<ul style="list-style-type: none"> IFC will require clients to seek RSPO or equivalent certification, and RSPO certification includes FPIC consent as one of its requirements. On an institution-wide level IFC is considering the adoption of FPIC consent as part of the ongoing review of its Performance Standards. If adopted, it will apply to all IFC projects across all sectors, including palm oil. The final decision on this point is subject to Board approval. The WB will similarly examine it during the recently initiated process of updating and consolidating its safeguard policies. 	<p>Section 4.7</p> <p>Section 4.7; Box 8</p>



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<p>Categorization All investments in the palm oil sector should be category A and all projects with FIs category B</p>	<ul style="list-style-type: none"> • IFC categorizes investments based on specific projects risks. • The adoption of IFC's new risk screening and assessment tool enhances IFC's ability to identify E&S risks that will inform initial categorization, subsequent due diligence, and any mitigation measures. In practice, projects in the palm oil value chain are likely to be classified as Category A or B which will subject them to a higher levels of due diligence. • As part of the on-going PS review, IFC is proposing to introduce a risk categorization system for financial intermediaries based on the environmental and social risks associated with their lending operations. Depending on country and sector circumstances, the provision of IFC financing for clients in the palm oil sector through financial intermediaries would likely be classified as either high or medium risk according to this approach. 	<p>Section 4.7; Annex XIII; Annex XII</p>
<p>WBG Coordination There is a lack of clarity as to how coordination between the WB and IFC will be improved There is a lack of clarity as to whether IFC will invest if the WB is not also involved in improving the public sector legal and regulatory framework</p>	<ul style="list-style-type: none"> • The paper indicates how the World Bank and IFC will collaborate at the country and project levels including through joint reviews of project concept notes as well as undertaking joint country situation analysis. • The country situation analysis will help identify opportunities and challenges providing guidance on where the World Bank and/ or IFC may be able to constructively intervene. • The paper addresses at some length the issue of regulatory and policy limitations and the opportunity for IFC and the World Bank to work side-by-side in these circumstances. As the paper also indicates, the decision to engage with the World Bank on regulatory or policy issues ultimately rests with host country governments. If such limitations, and associated lack of engagement, preclude the ability of a prospective IFC client to meet IFC's Performance Standards and certification requirements IFC would not proceed with the investment. 	<p>Section 4.2; Section 4.2.1; Section 4.2.2; Figure 3 Section 4.6</p>
<p>Conflict Resolution The WBG needs to ensure proper conflict resolution in its projects</p>	<p>The document highlights existing WBG policies applicable to WBG financed projects that provide mechanisms to work with affected parties and relevant stakeholders to address conflicts or help remediate project level deficiencies such as:</p> <ul style="list-style-type: none"> • Requirement for proper consultation with communities at the early stages of project development. • Requirement for adoption of dispute resolution mechanisms to help further protect the interests of local communities. • Where relevant, provision of assistance for lost income / livelihoods as a result of a WBG financed project. <p>In addition, there are institution wide recourse mechanisms – office of Compliance Advisor/Ombudsman for IFC and the Inspection Panel for the World Bank.</p>	<p>Annex VI; Annex XIII</p>

