

Media Briefing

Monday 2nd August



**Friends of
the Earth**

DECISION TIME FOR THE WORLD BANK

The World Bank will decide tomorrow (Tuesday 3rd August) whether to help tackle climate change by ending its financial support for oil and mining industries when its board of directors will meet in Washington to give their formal response to the Extractive Industries Review (EIR).

The EIR, completed in December 2003, evaluated the World Bank's role in the oil, mining and gas industries. The EIR found that in the vast majority of cases the World Bank's involvement in the sector did not help end poverty or promote sustainable development, however the World Bank appears adamant not to want to adopt the radical reforms called for in the Review.

The EIR, commissioned by World Bank President James Wolfensohn in 2000 [1], concluded that if the World Bank Group intends to pursue its mandate of poverty alleviation, then it should not support extractive industries unless a broad set of conditions, including good governance, are in place.

The Review found that support for coal and oil, and for projects in critical natural habitats and areas of conflict, do not represent the best use of public World Bank money for promoting and supporting sustainable development. It also proposed that due to climate change, the World Bank Group should phase-out financing for oil and coal and reallocate its funds towards renewable energy. The Review said that the World Bank had failed to demonstrate that it understands or monitors how its investments in extractives achieve its mandate of alleviating poverty. It recommended that projects should be assessed for their poverty alleviation potential.

The Review validated many of the concerns that communities and civil society organizations have been raising with the Bank Group for more than two decades. Labour groups, environmental organisations, development agencies, human rights groups and indigenous peoples' representatives, have all welcomed the Review. Its recommendations, if implemented, would improve conditions and ensure that local communities, especially the poor and most vulnerable, directly benefit from extractive investments in their communities.

Indeed, the EIR is the just latest in a series of reports, including a report carried out by the bank's own OED (Operations Evaluations Department) that concludes that these projects do not generally fulfil the World Bank's mandate of poverty alleviation. In many cases these projects have actually perpetuated poverty. The World Bank's decision on the EIR falls just five days after the Bank's 60th Anniversary when demonstrations took place around the World regarding the Bank's persistent failure to deliver on its mission of poverty alleviation and sustainable development.

A leaked copy of the draft Management Response indicated the Bank was resisting moves to update

Page 1/3

its practices. But a revised draft, issued for public consultation, claims the Bank would endorse some 90 per cent of the recommendations made in the EIR. But with little evidence of concrete proposals, Friends of the Earth and other non-governmental organisations have accused the Bank's response as being one of "business as usual". They have also criticised the Bank's delay in making the document available in translation.

Last week, CODE (The Committee on Development Effectiveness), a subcommittee of the Board of the World Bank Group met in preparation for the board meeting on the 3rd August and endorsed the Management Response to the review. NGOs and civil society groups see this as the latest in a string of attempts from inside the World Bank to avoid the potential huge upheaval implementation of the review would mean.

Opponents of the implementation of the EIR recommendations are led by industrial lobbyists such as Sir Mark Moody-Stuart, chairman of the mining giant Anglo American.

Friends of the Earth's International Financial Institutions Campaigner Hannah Ellis said

"Who will be cheering when the World Bank board decide what to do about the extractive industries review? The poor in the global south, who the World Bank claims to serve, or big business?"

She added:

"If the World Bank refuses to implement the Extractive Industries Review, it will be a slap in the face to the world's poor. It will show the World Bank's lack of commitment to its mandate of poverty alleviation. It is time for governments around the world to pull back the reins on this thoroughly misguided institution."

The World Bank defends its involvement in the extractive industries by arguing that World Bank involvement allows additional value to be added to a project in the way of environmental and social standards. But this argument is disputed by NGOs, who say that the standards required by the World Bank are often no more than window dressing, after the damage has been done.

The World Bank has so far failed to provide any evidence of the alleviation of poverty or additional value resulting from its involvement in the finance of extractives projects.

Notes

[1] Timeline

- | | |
|------------|--|
| 2000 | Ricardo Navarro, Chair of Friends of the Earth International confronts President Wolfensohn on the environmental and social ruin that extractive industry projects have caused. President Wolfensohn agrees to commission the EIR. |
| 2001 | Emil Salim, former Environment and Development Minister of Indonesia, is requested by President Wolfensohn to conduct the EIR to evaluate the role of the World Bank involvement in extractive industries to promote sustainable development. |
| 2001 -3 | Salim conducts the EIR involving consultations with governments, multinational corporations, academics, indigenous groups and civil society representatives in Asia, Africa, the Americas and Europe. |
| Dec 2003 - | Salim presents final conclusions of the EIR to participants at meeting in Lisbon, Portugal. The review concludes that in the vast majority of cases extractive industry projects have not alleviated poverty. That the World Bank must ensure a range of 'enabling conditions' are met to ensure these projects alleviate poverty and promote sustainable development. |
| Jan 2004 - | Salim presents report to World Bank President Wolfensohn in Washington |

- Feb 2004 - Desmond Tutu is among 100s of civil society representatives to write to Wolfensohn endorsing the EIR and demanding full implementation.
- March 2004 - World Bank draft Management Response is leaked to press. The draft management response strongly criticises the process in which the EIR was conducted and is critical of the review findings.
- May 2004 - The European Commission endorse the EIR, and recommend the findings are also implemented by other IFIs (International Financial Institutions) such as the EIB (European Investment Bank) and the EBRD (European Bank for Reconstruction and Development).
- May 2004 - Mark Moody Stuart, chair of Anglo American, writes to the Financial Times criticising the conclusions of the EIR.
- May 2004 - A letter sent to World Bank President James Wolfensohn from several of the 'Equator Banks' (Including Citigroup and Barclays) is leaked, opposing the strengthening of World Bank environmental and social standards as recommended in the EIR.
- June 2004 - A rewritten Management Response is released for a 30 day public consultation. The tone of the response is far less critical, claiming to endorse 90% of the EIR recommendations. The response is about 50 pages but contains little in the way of commitment or concrete plans to implement the EIR. The response was deeply criticised by civil society as a business as usual approach.
- July 2004 - CODE (The Committee on Development Effectiveness--a subcommittee of the Board of the World Bank Group) meet and endorse the management response.

- [2] The recommendations Bank Management will not commit itself to include:
- obtaining prior informed consent of indigenous peoples and local communities affected by extractive projects as a precondition for financing;
 - phase out lending in support of oil and coal and to focus its scarce development resources for renewable energy;
 - set lending targets of increasing renewable energy lending by 20% a year;
 - ensuring the establishment of indigenous peoples' land rights as a pre-condition for project finance;
 - prohibiting the forcible resettlement of indigenous peoples and local communities;
 - guaranteeing indigenous peoples' rights in relation to small-scale mining programmes;
 - ensuring that revenues of Bank-financed projects benefit all affected local groups;
 - requiring that freedom of association be present in Bank financed projects as a basic human/labor rights requirement;
 - ensuring that good governance structures are in place *before* project finance and implementation occurs;
 - protecting biodiversity through establishing "no go" areas for internationally recognized critical habitats such as national parks;
 - requiring that submarine tailings disposal not be used in World Bank Group supported mining projects;
 - ensuring use of safe, modern vessels for oil transport in World Bank Group financed off-shore oil development;
 - and promoting overdue key institutional reforms to deal with the long documented "pressure to lend" in the World Bank that has resulted in weakening of implementation of key environmental and social protection policies.