



extracts from the eir draft report version II, august 2003

**From chapters 7, 8, 9: CONVERGING ISSUES AND DIVERGING VIEWS,
CONCLUSIONS AND RECOMMENDATIONS**

structural adjustment

“Some EI company, government and WBG representatives have made the point that WBG involvement in the EI sector has helped some poor countries attract foreign direct investment that would otherwise be impossible, and this provides countries with painfully needed revenue that can be used to finance sustainable development. However, due to various reasons including rampant corruption, poor governance, civil unrest, etc, it was proven over and over again that this rarely happens.” (167)

“It is progressively becoming clear that for many countries, often especially for poor developing countries, the bad impacts of national EI sectors can outweigh the benefits enjoyed within those countries. This is not to say the EI sectors in these countries do not bring benefits, but that the benefits from the EI sector could well be flowing to remote countries to benefit people who do not realize or appreciate the pyramids of sacrifice paid local people, for the amenities and profits they enjoy as given. The EI sector could well be the sector that most clearly reveals the “un-level playing field of today’s global economy” in which the strong can easily exploit the weak, and the weak do not have any means of recourse.” (177)

“The (WBG) needs to seriously muster the political will to face the challenge squarely, and begin to venture into the real world beyond politically correct rhetoric about sustainable development and poverty alleviation.” (177)

“The WBG’s pro-privatization, liberalization and deregulation policy agenda, which has helped increase the foreign direct investment by large, primarily OECD based mining, oil and gas transnational corporations in developing countries, with or without direct Bank involvement, has often left local communities and the environment very vulnerable.” (180)

“The EIR observes that WBG involvement in EI projects to this date has proved more successful in attracting funding and political support for a project, and had less success at ensuring that environmental and social costs are internalized economically.” (180)

“The policy lending for structural and sector adjustment by the WBG (...) often undermines the ability of countries to protect their environment, the rights of labor and the livelihood of the poor.” (180)

“Despite efforts by the World Bank to improve the social and environmental performance of the extractive sectors, expansion of these sectors under the aegis of structural reform programs has led to unnecessarily high social and environmental costs, and, in some cases, exacerbation of macroeconomic vulnerabilities. Unintended negative economic, social, and environmental outcomes of structural reform programs have been due to market, policy, and institutional failures that were either left uncorrected or were created by structural adjustment and policy/institutional reforms. The World Bank's collaboration with the IMF on structural adjustment programs associated with the extractive industries has been ineffective with regards to social and environmental development objectives.” (181)

“The WBG through its policy lending and advice, has at times ended up weakening social and environmental policies in developing countries, causing social and environmental costs at times outweighing the benefits accrued from developing extractive industries. These policies have often been weakened in the course of WBG prescribed structural reform programs.” (182)

“Mining, oil and gas projects, and Structural Reform Programs promoted by the World Bank Group may serve to marginalize women. It should not be assumed that women automatically benefit from development efforts, especially in mining, oil and gas projects.” (185)

“Legal and regulatory frameworks need to be supported and put in place before public companies are privatized. Rushed privatization can result in massive social problems and badly managed environmental problems.” (186)

“The World Bank Group has also encouraged “Stabilization Agreements” which may result in industry being immune to changes in the evolving fiscal, environmental and social framework in host nations for several decades, with potential negative fiscal, social and environmental consequences.” (190)

“With the adoption of poverty alleviation and sustainable development as the explicit goal of the extractive industries, we recommend that the World Bank Group require upstream social and environmental analysis for structural reform programs, and specifically revoke the immunity of Structural Adjustment Loans from social and environmental safeguard policies;” (191)

“the World Bank Group is pushing developing countries to expand their global trading through liberalizing trade. This opening or freeing of the market is not equally applied to the industrialized countries, which are imposing high import duties for agriculture and for those extractive industrial products that incorporate higher value added. Such an asymmetric development of free trade has caused many developing countries to suffer the worst side of global trade, namely barriers to increasing value added and the resulting employment, as well as a high level of volatility or fluctuation in prices of raw material resources.” (191)

“(…) the imbalance created when there is substantial World Bank Group support for the development of those extractive products that are exported, and almost no support for extractive production of products required to meet the needs of the poor domestically.” (192)

“While the export sector is surely important, so is the domestic sector. A sustainable development path requires balance between the two. The emphasis has been too much on the export sector and needs to shift toward a greater balance.” (192)

“(…) developing countries as described above have had a difficult time finding ways to add value to export commodities. While the Bank has acknowledged this problem, it has generally proven unable to do much about it. The metals and the crude oil tend to get exported as raw commodities. Intensive efforts to find ways to make more finished products in the country of origin have rarely been successful.” (193)

human rights and security

“The knowledge, power, financial and technical resource gaps between resource rich developing countries, leading EI companies, and civil society throughout the world is extremely profound. The inequalities between local communities and transnational EI companies are not just economic inequalities, but include access to political power and information, ability to know and use the legal system to their advantage and the often unwavering, and sometimes overly enthusiastic support of host-country governments and their military, for these corporations.” (178)

“Often EI development in corrupt and undemocratic countries may actually cause political instability, and fuel violations of human rights, seriously jeopardizing the security of local communities. The EIR supports the idea that EI companies and the WBG should avoid operating in areas or countries that are undergoing armed conflict, or where the risk of armed conflict is imminent.” (183)

“‘Security’ should be seen as an issue that is important for the EI companies and local communities alike, and considered from both these angles. EIR commends initiatives such as the US/UK Voluntary Principles on Security and Human Rights, but acknowledges they do not address the encroachment of human rights which local communities may suffer before decisions on project operation are taken.” (183)

“Security concerns need to be addressed at the broader level, enhancing human security, which includes among others the security of sustainable livelihoods for Indigenous People and local communities.” (183)

“International human rights law places clear and substantial obligations on states in connection with extractive industries: the UN Human Rights Committee has stated that a state's freedom to encourage economic development is limited by the obligations it has assumed under international human rights law; the Inter-American Commission on Human Rights has observed that state policy and practice concerning resource exploitation cannot take place in a vacuum that ignores its human rights obligations, as have the African Commission on Human and Peoples' Rights and other intergovernmental human rights bodies. The activities of the WBG should stay in line with its client countries' obligations under International Law.” (184)

“We recommend that the World Bank Group should systematically incorporate experienced, independent and reputable third parties to verify human rights status in all projects in countries or regions where there are evident questions regarding observance of rights (e.g., IMF use of Witness NGOs in Cambodia's forest sector).” (214)

climate change

“The World Bank Group is the world's second largest source of public funding for fossil fuels, which account for a vast majority of anthropogenic greenhouse gas emissions.

The World Bank has pledged to routinely calculate the potential impact of all its energy projects on climate change and, where there is cause for concern, assist developing country clients to finance more climate-friendly options. It should therefore begin to increase its support for a transition towards more gas and renewable energies.” (183)

“one of EIRs strongest recommendations is to shadow price the emission of GHG above today

“We recommend that the World Bank Group clearly commit to accelerate natural gas as a bridging fuel over the next decades as the world struggles to find a way to reduce its dependence on coal and oil. **The WBG should focus on natural gas during the transition to renewable energy options, leaving oil exploration and oil transport to the private sector.**” (210)

“We recommend a new commitment to the removal of subsidies to carbon based fuels. The Bank is a great center of expertise on identification and removal of subsidies; it should put this expertise to work to help remove the subsidies to fuels that are the source of the greenhouse problem. Society should not have to pay to create a larger and large problem for itself. It should focus on the legal, tax and regulatory infrastructure that subsidizes fossil fuel use and penalizes alternatives.” (210)

“We recommend that there is no more funding for new coal mining or new projects that use coal from now on. The only support for the coal industry should be in (a) job creation and training for coal workers unemployed by mine closure, and (b) rehabilitation of coal mining areas.” (211)

indigenous people

“Many forward thinking opinion leaders from within the EI industry recognize and appreciate the need for Prior and Informed Consent.” (158)

“Governments in Indonesia and in many other developing countries have failed to integrate (...) land tenure and ownership into national legal systems. Communities often do not have legal title to their lands. In these situations, serious and long term conflict with local communities often follows the hand over of control over land and natural resources to EI companies. Indigenous People and local people alike consider this practice a violation of their basic human rights.” (158)

“EIR notes the observation that mining, oil and gas development poses one of the greatest threats facing indigenous peoples and the lands, territories and resources that they depend upon.” (187) .

“More than one third of World Bank projects that impact indigenous peoples have not applied the safeguard policy. While in projects that did apply the policy, 14% had the required ‘Indigenous Peoples Development Plan’ on paper only.” (187)

“The EIR notes the observation that the World Bank Group has directly supported mining, oil and gas ventures without adequate assessment of the social and environmental consequences and without taking heed of the lack of good governance and institutional or regulatory capacity in project areas or countries. Overall, the World Bank Group's involvement in the sector can intensify pressure on indigenous lands which remain unsecured.” (187)

“There are concerns about draft Operational Policy 4.10 on Indigenous Peoples - the policy that will replace the 1991 Operational Directive 4.20 on Indigenous Peoples - reveals that Bank staff and Borrowers are not required to recognize or respect indigenous peoples' property rights. The Bank's new policy on Resettlement states that the Bank will finance activities involving resettlement, even if resulting in significant adverse impacts on indigenous peoples' cultural survival.” (188)

“Experience has shown that if little of the revenue is distributed in communities impacted by the project, it is highly unlikely that they will be able to capture a reasonable level of the potential development and poverty reduction benefits. The result can be political conflict and a failed project;” (193)

“We recommend that WBG should ensure that there will be (...) a process of negotiation over fair division of revenues in any of its proposed projects, whether this is provided for in the national legal framework, or established on a project-specific basis.” (194)

“At a first stage, the Extractive Industries Review supports the recommendation of OED that transparent revenue management becomes a formal requirement for any WBG support.” (195)

“There is also a need to accelerate the use of prior informed consent. **Prior informed consent (PIC) should be seen as the principal determinant of whether there is a social license to operate, hence is a principal tool in deciding whether to support the operation.** If there are real issues that need to be worked out to make prior informed consent a clearer and more effective tool in use, these need to be resolved in full consultation with affected stakeholders.” (200)

“The impact of extractive industries on indigenous peoples, going back through centuries of European colonial expansion, is tragic and unconscionable. It is unlikely that the WBG can move forward adequately to a better future without a clear and unmistakable acknowledgement of the reality and continuing impacts of this experience. “ (202)

no go areas

“The WBG should identify and respect no-go areas to reduce conflict and protect and manage biodiversity.” (174)

“Of special concern is the use of submarine tailings disposal (STD) by mining companies. The debate over the use of this technology is very controversial. Because of the potential risks of this technology on marine biodiversity, **the EIR suggest that the WBG follows the precautionary principle and refrain from financing mining projects that propose to use this technology for the time being.** The impacts of STD use need to be scientifically reviewed to understand risks further. Only when these are satisfactorily understood, and truly informed decisions can be made, should a decision be made concerning WBG involvement in STD projects.” (184)

safeguard policies and accountability

“The WB's documentation and reporting on the economic benefits of the projects (...) have been limited.” (154)

“The WBG should require full and early disclosure of all project documents, where feasible in an accessible and user friendly format” (171)

“The WBG should develop guidelines and require that closure plans are in place from the start” (174)

“As the CAO review of IFC/MIGA safeguard policies has pointed out, the policies of IFC/MIGA with respect to protecting and promoting the human rights of local communities are lacking in substance and application.” (179)

“There is an acute need for an EI accessible mechanism in which the grievances of Indigenous Peoples and local communities are adequately addressed. This need could be met by the establishment of an independent EI industry complaints mechanism that has the ability to hold to account extractive industry companies that violate the human rights of local communities.” (179)

“There is a need for more transparency and public accountability concerning monitoring results in EI projects.” (182)

“Breakdown of trust resulting from manipulation of information or simple inattention to legitimate information needs is one of the most common causes of project failure. The World Bank Group should therefore develop a binding safeguard policy on information availability applicable to any project it supports. Where the legal framework is not adequate, equivalent provisions need to be built effectively into project agreements, or the World Bank Group simply has no business supporting the project. It is important that WBG open the flow of information adequately and speedily to create the necessary level of accountability.” (196)

“It is recommended that the World Bank Group develop a safeguard policy on information availability applicable to any project it supports, at least as progressive as the Aarhus Convention;” (196)

“it is important to start consultation with indigenous and local affected people a sufficient time before the projects move too far ahead. There needs to be much clearer guidance as to when the consultation process needs to start. Current practice generally has too little consultation too late in the game.” (198)

“It is now necessary to move beyond Social Impact Assessment and Environmental Assessment to a merged or coordinated process of Integrated Impact Assessment, to consider all factors relevant to project potential for sustainable development in a single process. All this makes building community capacity to participate more effectively in consultation, impact assessment and planning process a necessity to ensure genuine sustainable development.” (199)

It is recommended that WBG take pro-active role in building capacities of affected communities: (...) To support earlier and more effective public consultation process, especially the process of Prior Informed Consent; (...) Assuring that there is an effective local complaints and dispute resolution system in place in affected communities where the World Bank Group is supporting an extractive project, be project-level assessment and the development of a safeguard policy on access to impartial dispute resolution.” (201)

“Structural reforms, and legal codes, that provide automatic approval of exploration and development concessions on indigenous lands without consultation with those communities exacerbate the problem. “ (202)

“It is recommended that establishing a 'livelihood baseline' and rigorous steps to predict and monitor project impact on livelihoods, become a standard element of the coordinated process of Integrated Impact Assessment for sustainable development .” (203)

“Rigorous planning for closure from the outset of the project has been shown to be an effective way to mitigate these problems. It therefore needs to be in place as part of national legal frameworks, and part of project design. The process must consider environmental factors, but also social dislocation and economic problems: integrated planning for closure.” (206)

governance

“The EIR supports the OED evaluation recommendation that for countries with weak macro and sectoral governance, the WBG's primary focus should be on strengthening governance, for example by making contracts transparent, strengthening revenue management capacities, and increasing stakeholder engagement. There is a strong need for increased transparency of payments and revenues as a means to achieve better poverty alleviation outcomes in the EI sector. EIR supports the idea that a legally binding, rather than voluntary mechanism for revenue transparency would prevent non-transparent or corrupt government officials from requiring confidentiality agreements, which prevent companies from disclosing any revenue payments to the government, and the PWYP initiative from civil society, which calls on G8 countries to cooperate with the WBG in ensuring compliance with the EI disclosure standards among member countries and companies operating in their jurisdiction.” (182)

“It is recommended that WBG first redresses its historic support for government and EI.” (198)

labor

“While the WBG supports the Core Labour Standards as an overall policy commitment, it often undermines labor rights through its advice at the WB country policy level. “ (185)

“It is now timely that the Bank and IDA also follow IFC and MIGA position on the path towards full adoption of all core labour standards that have been adopted by the International Labour Organization, a UN agency, that works and agrees on the basis of a tripartite system of labour, industry and governments.” (212)

“We recommend that in extractive industries the World Bank Group take the initiative to require the acceptance of the identified core ILO conventions as the standard for its operations.” (214)

legacy

“The WBG should identify technologies and support programs to clean up EI legacy of the past, and develop inventories of abandoned sites. Clean-up should be prioritised based on socio-economic and environmental risk, and compensation funds established for people impacted by past developmenrs.” (173)

“The legacy of human rights and environmental violations related to EI development in the past is still truly haunting the EI sector in the present day. This has often fueled the distrust among civil society towards any efforts from EI companies to embark on any sustainability initiatives. In the past ‘green-washing’ and ‘window dressing’ often happened, and may still be practiced by some EI companies.” (179)

“The environmental legacy of the past EI operations is a serious problem that urgently need to be addressed.” (186)

“The ‘legacy of human rights violations’ related to past EI projects, also need serious attention from all stakeholders. Indigenous Peoples and local communities have suffered serious human rights violations, often inflicted by EI companies and governments. Many of these violations have not been acknowledged or addressed. The EIR believes that unless these issues are addressed adequately, future advancements and dialogue between stakeholders will continue to be problematic.” (186)

“The most pervasive and serious part of the environmental legacy is acid rock drainage from mining. It often has direct and very negative impacts on the poor, such as livelihoods of artisanal fishermen and water users. Left unchecked, it can result in such extensive water quality impacts that it could well become this industry's most harmful legacy. Effectively dealing with acid drainage has been - and continues to be - a formidable challenge for which no global solutions currently exist.” (206)

“A major concern is the problem of the legacy: social, economic and environmental costs that were not properly internalised in the past, and that continue to be a burden on society. The first and most important step in dealing with the legacy issue is to avoid adding to the problem in current operations. Its importance cannot be overemphasized.” (214)

artisanal and small scale mining

“When ASM operates outside the legal system of a country, any benefits it brings are likely outweighed by its damaging social and environmental consequences. In contrast, a formal SSM sector can play an important development role, and help maximize the mineral potential of a country, create employment, support communities, and provide additional demand for goods and services, boosting the development of a secondary sector.” (187)

“Progress requires that there be a framework for improving the livelihoods and quality of life of artisanal miners and their families. Many artisanal mining communities are affected by severe problems, from high rates of HIV/AIDS to quasi-forced labor, to inadequate food, housing, education and the health effects of mercury. They need community development assistance rather than illegality.” (216)