
World Bank Extractive Industries Review - Lessons learned (and promptly ignored)

The World Bank and Extractive Industries

Many of the world's poorest countries possess astounding natural wealth. Paradoxically, those governments that choose to exploit their mineral, oil and gas reserves often find their citizens worse off as a result.¹ Not only do local citizens fail to accrue financial benefits from the extraction of these resources, communities often bear a disproportionate burden of the adverse social and environmental impacts that are generated. Despite this, the World Bank has played a critical role in promoting private sector investment in the extractive sectors in lesser developed countries.

In response to a growing chorus of affected communities and civil society organizations, then World Bank President James Wolfensohn agreed to evaluate the role of the World Bank Group (WBG) in the extractive industries. The Extractive Industries Review (EIR), which was undertaken between July 2001 and December 2003, sought to assess whether the World Bank's involvement in the extractive industries is compatible with its goals of promoting sustainable development and poverty reduction.²

The Extractive Industries Review - a new way forward

Dr. Emil Salim, former Indonesian Minister for Population and Environment, led the Review. The EIR included consultations with diverse stakeholders,³ conferences and regional workshops⁴ that provided open fora for civil society testimony.

After two years of work, the Review concluded that, with some exceptions, World Bank involvement in the extractive sectors is compatible with its mission, provided that the institution makes immediate and dramatic reforms to the way it approaches these sectors. The EIR identified a series of recommendations to assist the WBG to make the necessary shift.

The recommendations covered a broad range of issues. They concerned strengthened governance, the adoption of policies that are pro-poor, the observance of human rights

¹ For a discussion of this phenomenon, often referred to as the resource curse, see the Oxfam America report *Extractive Sectors and the Poor* at <http://www.oxfamamerica.org/pdfs/eireport.pdf>

² See the report, *Striking a Better Balance: the Extractive Industries Review: The Final Report of the Extractive Industries Review* at <http://www.eireview.org/>.

³ Stakeholders included governments, NGOs, indigenous peoples' organizations, affected communities and community based organizations, labour unions, industry, academia, international organizations and the WBG.

⁴ Workshops were held in Mozambique, Indonesia, Hungary, Brazil and Morocco.

standards, the implementation of strengthened protections for indigenous peoples and the environment, enhanced disclosure and transparency, as well as broad procedural reforms.⁵

One key recommendation concerns governance issues in those countries that are the recipients of extractive investments. The EIR called on the World Bank to provide recipient governments with assistance to adopt pro-poor public and corporate governance conditions and practices, prior to extractive industry investments. Essential conditions include the absence of armed conflict or a high risk of such conflict, government recognition of and willingness to protect the internationally guaranteed rights of indigenous peoples, government capacity and willingness to publish and manage revenue transparently, and the existence of effective and equitable frameworks for revenue sharing among local, regional and national authorities.

The EIR also called on the WBG to make a number of more specific changes. These included: adopting and implementing effective social and environmental policies; approving policies that ensure greater respect for human rights; and, adopting a policy requiring that project proponents secure the free, prior and informed consent of potentially affected communities, affording such communities the opportunity to effectively engage in the decision-making processes that concern their lands, resources and livelihoods.

The World Bank Response - Thanks, but no thanks

In 2004, World Bank management released its response to the EIR.⁶ While the WBG agreed with many of the EIR recommendations, it made very few commitments. Those it did make fell far short of the reforms advocated by Dr. Salim. For example, the WBG rejected the need for the free, prior and informed consent of affected communities. Not surprisingly Dr. Salim's final submission was very critical of the WB management's response, calling it "Business as Usual with Marginal Change."

Nevertheless, Bank Management purports to be moving some of the recommendations forward, and in December 2005, it issued its first report on *Implementation of the Management Response to the Extractive Industries Review*. The Bank Information Center (BIC), a Washington-based NGO, and Environmental Defense, together with other civil society groups, have also begun monitoring and releasing regular reports on WBG implementation of its EIR commitments.⁷ They have found that the WBG has yet to fulfill the few, inadequate EIR commitments it adopted.⁸

⁵ Bank Information Center. *Summary of EIR Recommendations for Adoption by the World Bank Group*. http://www.bicusa.org/bicusa/issues/misc_resources/1414.php

⁶ For the Bank Management response see:

<http://siteresources.worldbank.org/INTOGMC/Resources/finaleirmanagementresponse.pdf>

⁷ For further information, please refer to the Bank Information Site, "Energy and Extractive Industries."

http://www.bicusa.org/bicusa/issues/energy_and_extractive_industries/index.php

⁸ "Despite the commitments made in its response to the EIR more than a year ago, the World Bank Group has done little to effectively and transparently factor governance considerations into its support for extractive industry (EI) projects and strategies." For detailed analysis and further examples see: Lawrence, Shannon and Nikki Reisch. "The World Bank Group, the Extractive Industries Review (EIR) and Governance: Evaluating the Bank Group's

The World Bank's failure to show leadership in addressing identified shortcomings has resulted in continued problems in areas affected by its extractive projects. For example, Canadian Glamis Gold's controversial Marlin Mine in Guatemala has generated consistent and strong local opposition to the project, and a number of human rights and environmental violations despite the involvement of the World Bank - many of which could have been avoided had the Bank chosen to learn from the lessons of the Extractive Industries Review.

The Government of Canada's Role

In the lead-up to, and while waiting for the Bank Management's Response to, the EIR it was very difficult to determine the precise role that the Government of Canada was playing in the discussions at the World Bank. Finance Canada, Natural Resources Canada and Canadian International Development Agency officials were all involved in regular meetings with civil society groups on the EIR. To a large extent, however, the Government of Canada was in "listening mode" rather than engaging civil society in discussions on official government perspectives.

Government officials indicated that overall they were happy with the Management Response and indicated that the Canadian government would at most be seeking clarification of issues, rather than putting their weight behind aspects of the recommendations of the Extractives Industry Review. In general, government officials displayed a lack of enthusiasm around gaining support for the recommendations of the EIR. They consistently said that Bank involvement in extractives made projects better, something the EIR found to be untrue in most cases and subject to clear conditions and transparent processes. Furthermore, the provisions for ensuring that World Bank investment in extractives contributed to poverty alleviation were the same elements that received no commitment from Bank Management in their response. The lack of interest of the Canadian government in addressing this particular shortcoming remains a huge concern, especially given the role of Canadian mining companies abroad.

The only semi-public statement from the Government of Canada on the EIR came through a document circulated to the Halifax Initiative Coalition which reflected the "Personal Views of Canada's World Bank Executive Director on the EIR and World Bank Management's Response." Unfortunately, the statement was released after Bank Management had approved their response to the EIR.



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implementation of its commitments, January 2006."
[http://www.environmentaldefense.org/documents/5057_ED_BIC%20WBEIR%20governance%20\(Jan06\).pdf](http://www.environmentaldefense.org/documents/5057_ED_BIC%20WBEIR%20governance%20(Jan06).pdf)

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