Annex 4. Civil Society's Views

Increasing investment in extractive industries has had an immense negative impact on livelihoods in local communities around the world. Developing country governments typically have little capacity to prevent often extensive, negative consequences to human health, livelihoods and sustainability of ecosystems. The mining industry spews almost half of all toxic emissions in some countries, ess ruining agriculture and causing a substantial boost in respiratory disorders and raising cancer rates among workers and people in nearby communities. Oil and gas projects have led to rampant deforestation, spills and accidents. Extractive industries are also frequently pushing indigenous peoples and other rural communities off their land. Extractive industries may have the potential to promote economic growth and poverty alleviation, but only if they are properly regulated. Comprehensive and enforceable regulations are necessary in order to control the negative social and environmental impacts of these industries, and to guarantee equitable distribution of benefits to impacted areas.[1]

Oxfam America, 2003

The government and Banks are promoting oil and gas development as a key element of their economic strategy for Bolivia. However, the potential for this development approach to further concentrate wealth, displace people from their lands and degrade the resources upon which many poor people depend, raises serious questions about its contribution to poverty alleviation for the majority of Bolivians. Indigenous peoples are particularly at risk, since the lands which they have traditionally depended on for their survival are being overrun by logging, mining and oil and gas interests, while the legal process to grant land titles is stifled by lack of political will and inefficient bureaucracy.[2]

Amazon Watch

The Bretton Woods institutions (including the World Bank Group, the IMF and the regional development banks), together with bilateral aid agencies, and the World Trade Organization, have a major responsibility for promoting and enforcing the structural adjustment and liberalization policies which lead countries to exploit their fossil fuel reserves with devastating effects not only on the global climate, but also on regional ecosystems and local peoples.[3]

statement on climate change by
200 Southern and Northern NGOs and Community Groups

Civil society is obviously a large and complex constituency, ranging from local community groups and nongovernmental organizations (NGOs) to local and international labor unions and multinational environmental, human rights, and development NGOs. Despite this diversity, civil society's concerns regarding the extractive industries and the role of the World Bank Group (WBG) have tended to fall into the following broad categories:

- *Environmental impacts.* Environmentalists have long had reason to be concerned about the local and global impacts of fossil fuel and minerals extraction. Civil society sees oil

spills, tailing ponds, toxic emissions, and other local impacts as the well-documented rule around most extractive projects; well run projects seem to be the exception. While "best practices" can mitigate some environmental impacts, the issue of climate change from the burning of fossil fuels raises serious questions about the environmental sustainability of these projects.

- *Developmental impacts.* As a recent internal paper from the International Finance Corporation (IFC) pointed out, "the notion that governments invest incremental rents/returns from extractive industries profitably and for the benefit of poor people is all too often more of an aspiration than a reality." In Africa, for example, while the sector accounts for 40–60 percent of foreign exchange earnings, it contributes on the average less than 10 percent to gross domestic product (GDP) of the continent and accounts for, on the average, about 2 percent of total employment of the region. For all its mineral wealth and massive foreign direct investment to the sector, Africa remains impoverished and the number of poor people is on the increase.

- *Human Rights impacts.* Civil society points to and offers testimony regarding an alarming record of human rights abuses by governments and corporations associated with extractive operations, resulting in forced relocation and the brutal and sometimes deadly suppression of critics. Citizens in Chad and Cameroon voiced loud concerns to the WBG that the financing and revenues for the Chad-Cameroon oil project would fuel an ongoing civil war and intimidate citizens in affected communities. These fears were justified when it was revealed that the President of Chad spent millions of dollars of project funds on weapons.

- *Systemic rather than situational impacts.* Civil society concerns in recent years have often moved beyond individual projects, corporations, or countries to the social and economic systems behind them. Examples include studies and anecdotal evidence pointing to these conclusions:
  - Structural adjustment policies are facilitating increased extraction.
  - Increased reliance on extractive industries exacerbates poverty.
  - Increased reliance on extractive industries is associated with poor governance.
  - Increased reliance on extractive industries is associated with an increased likelihood of armed conflict and with a declining standard of living.

During the EIR process, civil society often referred to research findings from academia and to a number of international conventions and the views of U.N. agencies as well as to WBG policies in order to substantiate their views. This was especially the case with international and nationally based NGOs. With these general observations in mind, specific critiques that the EIR encountered are presented here from the perspective of communities, NGOs, and labor unions.

Indigenous Peoples and Other Affected Communities

Mining, oil, and gas extraction in most cases happens in isolated remote areas; thus not surprisingly a significant proportion of these operations are on indigenous peoples' lands. In

many developing countries with WBG projects, local communities often regard themselves as indigenous peoples, even if the related nation state in which they are located does not recognize them as such (for example, the 'Dayak' People in Borneo and the 'Papua' people in West Papua). Thus most of the reports and testimonies from the local level (in writing or in words) were received by the EIR from people who preferred to identify themselves as indigenous peoples.

Indigenous peoples consider mining, oil, and gas development as one of the greatest threats facing the lands, territories, and resources they depend on and their existence. As the global economy expands, pressure on indigenous peoples' lands to yield to extractive industries is intensifying. Existing human rights laws recognize indigenous peoples' rights to the ownership and control of their lands, territories. and natural resources and to free prior and informed consent over developments proposed on their lands. However, states also claim rights over natural resources and assert the right to control subsurface resources to develop them in the national interest. These competing rights are not easily reconciled, often resulting in the violations of the basic human rights of indigenous peoples.

The EIR received many grievances from indigenous peoples and affected communities alike who believe that WBG interventions in the extractive industries sector have had negative impacts on them and on other communities. This section reviews the grievances that were most consistently and acutely raised across the board in all regions by indigenous peoples and affected communities alike.

Loss of Land and Access to Land Resulting in Loss of Livelihoods and Cultural Erosion

In many countries rural farmers, forest dwellers, and indigenous peoples do not hold nationally recognized legal title to the lands on which they have lived from generation to generation for centuries. In this situation, when an extractive company is granted the legal right by national governments to exploit resources in certain territories, locals and indigenous peoples are often evicted from their traditional lands or lose access to land that may hold cultural and survival significance to them. Local communities living in remote forest or rural areas are entirely dependent on the land for their livelihoods and cultural identity. When a government gives a company the right over a territory without consulting and receiving the consent of its inhabitants, this can result in a breakdown of communities and cultural norms as well as cutting off the people from their sources of livelihood. The EIR received numerous reports on this issue, including situations where:

- communities no longer had access to traditional forests to gather products they had depended on for cash income and consumption;
- traditional small-scale miners had been displaced, most often without the provision of alternative income or compensation;
- sacred sites and burial grounds had been desecrated by extractive companies, and community elders complained about a growing disregard of traditional norms and values;
- well-functioning communities had broken down and social integrity eroded, breeding internal conflict within communities;
- communities no longer had access to the fish and potable water formerly freely available in rivers because of EI pollution; and

- the risk of corruption by local officials dealing with land issues had often increased, along with organized crime against landowners that receive compensation.

Human Rights Abuses

The EIR received many reports in which the military and police were often involved in securing company control over territory and protecting their operations. In other cases, companies were reported to be using private militia. When conflicts arise between corporations and local community interests, human rights abuses and violations are often reported. In the case of indigenous peoples, when extractive industries operate on traditional lands and territories without their consent, it is seen as a human rights violation in itself that, in turn, often leads to other human rights violations.

The EIR received reports of human rights violations ranging from intimidation, torture, kidnapping, and detention to rape and murder. Women and children are often the most severely harmed victims.[4] The human rights violations that surfaced during the EIR consultation process included cases where:

- inadequate respect was paid to community land rights and there was no effective protection for traditional livelihoods and cultures;[5]
- people were forcibly evicted from their lands;
- cultural rights were disregarded, such as the desecration of ancestral burial grounds and other sites considered sacred by local people;
- violent means were used by the military, police, or militia against local communities and indigenous peoples when these groups opposed a project,[6] or violent means were used against people by proponents of extractive industries projects;
- local communities were discouraged or hampered from seeking legal advice and help from concerned NGOs;[7]
- people were imprisoned without trial for up to four months;[8]
- people who were vocally questioning project operations were intimidated;
- indigenous peoples in mining areas were killed by military forces (examples include over 150 cases of individual killings of the Amungme and other indigenous peoples in and around the Freeport mine in West Papua since the 1970s);[9] and
- communities lived in constant fear of the threat of violent eviction, of using land for any economic activity, of the impacts of pollution, and of having community school buildings demolished.[10]

The information received by the EIR revealed a situation where the incidents of human rights violations were mostly not acknowledged by governments or courts. Even when they were, none of the individuals or communities had received compensation, creating deep resentment and distrust among communities toward extractive companies as a whole. (This is rather different in cases involving environmental degradation or the physical acquisition of land by extractive industry companies; in these cases, many companies have on occasion paid compensation to communities and individuals.)

Degradation of the Environment and Natural Resources

With the absence of adequate environmental regulations and laws, and the lack of capacity of governments to monitor what is going on, extractive industry operations may create serious environmental damage to their surroundings. This often has resulted in a loss of livelihood or a loss of access to resources such as clean water, even if in reality a community is not physically displaced from its existing habitat. The impacts of WBG-facilitated mining ventures have been severe, not just in terms of the direct social and environmental impacts of the mines or wells themselves, but also because of spills of poisonous chemicals such as cyanide and mercury, ruptured oil pipes, breached tailings dams, and long-term pollution through acid mine drainage. The case study from Papua New Guinea (PNG) reveals World Bank Group support for the use of the highly controversial technique of submarine tailings disposal (STD) without consideration of the long-term implications for marine ecosystems and the livelihoods that depend on them.[11]

Mining activities need to be reduced, with more emphasis put on substitution, efficiency and recycling. There is far more scope in recycling than has been achieved to date; new extraction should take place only when the limits of recycling are being approached. Product substitution should be fully explored before resorting to new mining. Recycling can be promoted by "cradle-to-grave" analyses, and use of the "full cost" concept. It is recognized, however, that some virgin mining done in a responsible way will remain necessary, but it will be at a fraction of today's level if recycling becomes the priority, if manufacturing is designed to ensure mostly recycling, and if manufacturing uses less damaging substitutes for what cannot be recycled.

Air pollution, much of it coming from coal power stations, coal-fired boilers, and domestic coal fires and stoves is one of the world's leading causes of preventable death and disease. Fossil fuels account for 80 percent of human-generated greenhouse gas emissions. Worldwide coal subsidies are inequitable, as they benefit industry and the private sector while harming the poor.

Numerous other examples of environmental degradation were reported to the EIR:

- Access to clean water was reduced.

- Fishing or other community hunting and gathering activities were reduced. For example, fisher people and coastal communities experienced a reduction in the availability of fish and "nener" experiences after their bay was used for STD in Indonesia.[12] Similarly in Lihir, PNG, it is feared that the pollution from dumping tailings into the ocean could destroy reefs and affect marine resources. This could have adverse impacts on the long-term sustainability of food production. The Lihir gold mine has also attracted in-migration that has significantly increased the island's population; previously, when the population was smaller, people could catch fish and the fish grew large.[13]

- Respiratory problems due to dust and other health problems have increased.

- A fishing community in the Asia-Pacific region could no longer gain access to its fishing port because it was replaced by a new port built by an oil and gas company, which

reoriented the mouth of the local river. Many hectares of village land adjacent to this new artificial port have eroded into the sea, leaving some villagers without homes and others without valuable farmland.[14]

- In Kenya, the Olkaria Geothermal Plant, the largest and longest running plant in Africa, is reported to be discharging toxic emissions and effluent into the immediate environment. Poor pipeline maintenance has resulted in frequent noxious gas emissions from burst wells.

- In Chad and Cameroon, the issue of noncompliance with the environmental management plan was reported: water quality was being degraded, rivers were being polluted, and poor quality reclamation of boor pits.

- The number of vehicles on roads increased, often degrading existing transportation infrastructure.

Lack of Consultation

Information and reports received by the EIR reveal that in most cases local communities and indigenous peoples in developing countries with WBG-related projects do not have the capacity or the institutions to negotiate in an international context. To compound these problems, consultations are often only done as a formality to fulfill legal obligations or the WBG procedures.

The following problems were recorded relating to the consultation process in many WBG-related projects:

- In the consultation process, the relevant documents that should be disclosed and provided to communities are often not physically accessible or are available only in a foreign language.

- Affected communities are often not informed about their rights or their entitlement to comment on the various project documents.

- People who oppose the project are often ignored, threatened, or harassed.

- Consultations are often not properly announced, only select people or groups are invited, or they are organized at an inconvenient time or location.

- The process of consultation is often not adequately monitored by WBG staff.

- There is a failure to include women in the consultation process, even where the local community follows a matrilineal tradition.

At the EIR Asia-Pacific consultation, a representative from Lihir Island spoke of how the Lihir gold mine, which received IBRD/IDA-MIGA support, had greatly affected her life and

those of local women and children. Even though Lihir is a matrilineal society, in which land and wealth are inherited through the female birth line, when negotiations concerning the mine occurred, only men were at the negotiating table. This is still the case today: "In terms of structural inequalities, politically and economically, Lihirian women are in a deteriorating position. There has been a shift in economic power to a relatively small group of men that has taken away from women the little power they have as recognised providers of food. No women have benefited in the ways that men have from the money paid as a result of the mine development."[15]

It has been pointed out to the EIR that gender inequalities are not natural, biological, or static: these injustices are caused by illegitimate cultural, historical, political, and economic barriers. In the case of Lihir, the injustices were the result of the MIGA-supported mining project negotiating inappropriately only with the men and failing to take account of the women's perspectives, thereby disenfranchising the local women, undermining their traditional roles and responsibilities, and increasing gender inequalities within the community. As a result, women have largely been denied access to the benefits from the mine, while at the same time they bear the burden of the negative impacts, including alcohol-related problems and marriage break-down.

Lack of Credible and Easily Accessible Grievance Mechanisms

Due to the lack of credible and easily accessible grievance mechanisms for communities, struggles against human rights violations often go on for a very long time—in some cases, up to 30–40 years—without any resolution. Often governments and companies refuse to discuss or provide compensation for these violations. In some cases, companies have paid compensation to communities for lands or resources, and even for the environmental damage they have created, but not for most human rights abuses that involve violence. Past violations of human rights are one of the most haunting legacies that extractive industries will need to address if they expect to be trusted by communities in the future.

Examples abound of communities not being able to seek recourse for the environmental, social, and human rights violations inflicted by extractive companies. Oxfam America documented a case in Ecuador in which a Chevron-Texaco oil venture spanning three decades left behind 350 contaminated waste sites containing 1.8 million gallons of spilled crude oil.[16] After leaving the country in 1992, the company sidestepped lawsuits filed by indigenous peoples demanding that they pay for the cleanup. In August 2002, the U.S. Court of Appeal in New York ruled that the case should be sent to Ecuador, as Chevron-Texaco originally wanted. The court also ruled that it could step back in if the plaintiffs were unable to bring their case to justice in Ecuador or if Chevron-Texaco failed to adhere to the Ecuadorian court's final decision; meanwhile, nearby communities continue to suffer the effects of soil and water contamination, deforestation, and cultural erosion.[17]

Accidents

The EIR received information about a number of accidents within the extractive industry sector in which communities and NGOs felt that companies were not entirely transparent

about impacts, the extent of the accident, or the nature of emergency plans in case of accidents. Reported accidents ranged from mercury spills, STD pipe ruptures, leaking pipelines, and oil spills to ruptured tailing dams. There is serious concern about the impacts of these kinds of accidents on the environment and the life of communities. (See Annex Box 4–1.) For example, testimonies from civil society highlighted social, environmental, and governance problems arising from cyanide spills in Romania in 1998, revealing insufficient emergency response plans, lack of access to information, reports of intimidation, and health issues resulting from the spill.

Civil society organizations often expressed skepticism concerning the effectiveness of company cleanup initiatives. For example, NGOs were concerned about the inadequate equipment for cleanup operations and health risks for the workers after the 1994 Komi oil spill in Northwest Russia.

Communities, as well as national and international NGOs, are highly concerned about the impacts and probability of accidents within the extractive industry sector. Communities are concerned predominantly with compensation, provision of mitigation services when accidents happen, freedom from fear of accidents, and transparency and accessibility to emergency plans. NGOs, while supporting the concerns of local communities, focus on the potential environmental damage such accidents can cause. They also focus on improving standards, policies, and compliance. International NGOs like WWF often can provide scientific information following an accident. For example, after the Baia Mare spill on the river Tisza in central Eastern Europe in early 2000, WWF released a report that was a synthesis of the various studies on the ecological consequences of the cyanide/heavy metal spill. This accident caused the release of 100,000 cubic meters of wastewater contaminated with heavy metal sludge and up to 120 tons of cyanide, resulting in a drastic decrease of water quality in the Tisza River system.[18]

NGOs also help to focus the international media spotlight on serious oil, gas, and mining accidents to ensure they do not go unnoticed and unmitigated and to push for better regulations and more responsible practices. It was Greenpeace, for example, that alerted the World Bank Group to work on the Komi oil spill.

Annex Box 4–1. Lessons from the *Prestige* Sinking

The 26-year-old *Prestige* sank off Galicia, Spain's richest fishery grounds, in November 2002 carrying 77,000 metric tons of heavy fuel oil, which is still spilling and may continue to have an impact for decades. This single-hulled tanker would have been banned from U.S. and Canadian territorial waters, while the European Union (EU) is struggling to catch up with industry practice. It was en route from Latvia, via Gibraltar, to Singapore. The *Prestige* was built in Japan, flagged in Liberia, operated by Greeks, chartered by the Swiss/Russian Crown Resources of Zug in Switzerland, with the U.S. American Bureau of Shipping (ABS) allegedly responsible for its safety supervision. The flag state is technically responsible under international law, but the Government of Spain is suing ABS for 2 billion Euro. The International Oil Compensation Fund mandates tanker owners to carry insurance, which would be only $25 million in the *Prestige* case.

The lessons are that unsafe tankers should be phased out. Old tankers cause most of the spills. Tanker inspection and Captains of the Ports need the capacity to inspect more thoroughly. International hazardous spill response teams need to be mandated and ready. The world's unsafe tankers are well known; the EU maintains a database containing the 66 riskiest ones. The Marpol Convention's phaseout of single-hulled tankers by 2015 needs to be accelerated. Insurance, compensation, and fines need to be mandated at realistic levels. Penal sanctions are probably needed. Especially sensitive areas of the ocean need to be "off-limits" to hazardous cargo.

The best practice is to avoid using Flags of Convenience (FOC), which allow unscrupulous ship owners to avoid international regulations. FOC users look for the cheapest and least regulated ways of operating their tankers. FOCs let owners use risky vessels and unjust labor standards while carrying illegal cargoes (such as immigrants, drugs, wildlife, timber, fish, armaments, and hazardous waste). FOCs contravene the Convention on the Law of the Sea. Article 91 states that there must be a genuine link between the flagging state and the vessel. Because FOC nations dominate the voting structure of the International Maritime Organization, it has been unable to enforce Article 91.

The Shipbuilders Council of America notes that profits are substantial for ship owners to keep using single hulls to the bitter end. Four of the five largest shipping registries by tonnage belong to FOC nations: Panama (122), Liberia (52), the Bahamas (22), and Malta (27), according to Lee. Of Japan's FOC fleet, for example, 43 percent is flagged in Panama; 71 percent of Greek FOC vessels are flagged in Cyprus; 24 percent of U.S. ones are flagged in the Bahamas.

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Source: Lee, M. 2003. Flags of convenience. *Ecologist* 48–49. [[date being checked]] The numbers refer to million gross metric tons, according to the UNCTAD 2001 Review of Maritime Transport, International Transport Workers Federation Flags of Convenience campaign report 2002.

Armed Conflict

EIR heard one testimony directly from a person living close to a U.S. oil and gas project situated within an armed conflict zone between government and separatist armed forces. The testimony revealed that while the company was seen partly as a victim, having to pay "security fees" to both sides, its very presence helped financially to fuel the conflict. Also, it was perceived that the project further endangered surrounding communities by increasing the possibilities of intimidation and terror from both sides in the conflict.

Lack of Perceived Benefits from Projects and Social-Economic Problems

Local communities and NGOs working with them have continuously raised the issue of the lack of perceived benefits from locally based projects. It is reported that companies often promise various benefits to local communities but seldom keep their promises. From Eastern Europe and Africa it was reported that local communities whose lands were being used for big energy projects were living without electricity and, in Africa, without health clinics, schools, or roads.

Beyond failing to provide benefits for local communities, extractive industry projects often were instrumental in creating many social and economic problems:

- In the Chad-Cameroon pipeline project, people felt intimidated when they spoke up in the consultation process; there were disputes over funds for compensation; there was a proliferation of prostitution along the pipeline route; and a notable increase in HIV/AIDS cases due to the influx of workers. The majority of people living in the vicinity of the oil field and along the pipelines feel that their standard of living has not improved. NGOs pointed out that the WBG Inspection Panel and the International Advisory Group have also documented the project's serious failure to put in place the necessary conditions for poverty alleviation prior to or at least in conjunction with project construction. Capacity-building, environmental protection, and regional development were falling seriously behind.

- From Lihir, in Papua New Guinea, women reported the increased problem of squatters, alcohol-related violence, criminal activities, marriage breakdown, and an increased number of single mothers in the villages.[19]

- In Chad, some husbands took new wives after receiving compensation money from the Chad-Cameroon pipeline project, leaving their first wives at best no better off than before.[20]

Mine Closure and Past Legacies

Legacies of the past were by far the most frequent grievance voiced by community members in the EIR hearings, many of which continue to haunt communities to the present day. Examples included the testimony of a Mapuche, whose people traditionally straddle the border between Argentina and Chile, who described a struggle that had continued for approximately 30 years to seek indemnity for ecological debt.

EIR also received many materials documenting the dark legacy that trails many oil, gas, and mining projects around the world, including some in the United States, where for example the source of grievances goes back as far as 1948, when Navajos worked in the uranium mines in the northern and western Carizzo Mountains near Arizona. By that time science had already determined that uranium mining caused cancer. The Navajo miners knew nothing about this and were prevented from finding out about it by the complicity of the mining companies and the government in choosing not to tell them. In the 1960s, miners began to fall ill, sparking a process of learning and advocacy. Some 30 years later, the Radiation Exposure Compensation Act was passed. However, the broad intent of this legislation failed to provide compensation to many deserving claimants. An analysis of recent interviews suggest that the communities adjacent to present-day abandoned mines that have not been reclaimed may be exposed to the hazardous constituents of uranium ore and as a result could be experiencing incidents of disease.[21]

Civil society organizations and communities also are very often concerned about the perceived lack of closure plans for extraction projects, including projects that still are in the proposal stage. Some communities felt these plans are put in place too late, as was observed by some in Misima, PNG.

In Eastern Europe, testimonials reported that many WBG mine closure projects in the coal sector were under-funded, at the expense of social and other concerns. The WBG was seen as providing bad advice to governments which, for example, established a single company to monopolize mine closure programs. It was felt that: projects had not always been suitably categorized in accordance with their real impacts; inappropriate models for restructuring had been used; and too little time had been left between the pilot and follow up stages. This has resulted in situations where communities are much poorer off than before.

Ineffective WBG Safeguard Policies

Indigenous peoples and other affected communities are strongly critical of the ability of WBG's Safeguard Policies to protect them from the many adverse impacts of oil, gas, and mining projects they have described to the EIR. These policies are considered to be ineffective due to, among others, the following reasons:

- WBG policies make little mention of human rights. For example, the Safeguard Policies on indigenous peoples and involuntary resettlement seek only to mitigate the impacts of destructive development schemes. They permit forced resettlement. However, in order to lessen the consequences for vulnerable social groups, specific plans are required during project preparation, which, in the case of indigenous peoples are meant to secure their lands and ensure participation in WBG-funded projects.

- Communities and Indigenous peoples were not involved in the development of these Safeguard Policies; the indigenous peoples policy, for instance, was developed without the participation of indigenous peoples and has since been strongly criticized by them. The World Bank Group is currently reviewing this policy. The revision has been repeatedly repudiated by indigenous peoples, both for the manner in which consultations have been carried out and for the fact that the revised draft fails to uphold their rights and is weaker than the previous policy. In resisting indigenous demands for a policy that respects their rights, the WBG claims that it is prohibited from addressing human rights by its Articles of Agreement, arguing that it cannot require its borrowers or clients to observe even the human rights agreements to which they are party. This argument, while legally questionable, is routinely deployed by WBG staff and can be said to be part of the culture of the institution. In an era when discourse about "rights-based development" has become routine, the World Bank Group appears out of date and out of touch.

- Successive reviews show that these safeguard policies are routinely flouted in practice. WBG studies show that more than a third of its projects that affect indigenous peoples have not applied the Safeguard Policy in any way at all. Even in the projects that did apply the policy, only 14 percent had the required Indigenous Peoples Development Plan, and

then only on paper. Case studies presented from India and the Cameroon revealed the shocking consequences of this negligence for indigenous peoples.

- The Cameroon case also illustrates how application of the Natural Habitats Safeguard Policy, which requires the funding of compensatory conservation measures to "offset" habitat destruction, has had negative impacts on indigenous peoples by excluding them from the national parks set up in their forests. They thus suffer a double jeopardy—losing rights in the area affected by the WBG-funded oil pipeline and also in the GEF-funded conservation zones.

- In Chad, the World Bank Group's independent Inspection Panel in its September 2002 report found that the institution's own policy on consultation with affected communities had been violated. At least prior to 1997, consultations with affected communities were conducted in the presence of armed security forces, and later they were in the presence of government officials—a practice not conducive to an open airing of views.[22]

National and International NGOs

WBG Policy Lending (Structural and Sector Adjustment Loans)

In the last few decades global mining, oil, and gas industries have seen substantial restructuring, moving from direct state ownership and control to private ownership and control. A critical element of this restructuring has been the role of the World Bank Group in the formulation or revision of mineral codes of mineral- and petroleum-endowed developing countries worldwide and in financing mining and petroleum projects. The global economic paradigm prescribed by the WBG has contributed to the growing resurgence in the mining, oil, and gas industries over the past few decades.

Responding to this paradigm, several mineral-endowed developing countries have implemented policy and institutional reforms focusing on promoting private (mainly foreign) companies to take the lead in operating, managing, and owning mining, oil, and gas enterprises. In Africa, for instance, at least 30 countries (some of them without known mineral potential), have revised or developed mining codes to radically deregulate the mining, oil, and gas sectors and to provide generous incentive packages to investors in these sectors. By the mid-1980s, the World Bank Group had assumed leadership in the process of redefining the role and functions of the state in mineral- and petroleum-endowed developing countries.

As a result of these measures, developing countries experienced an investment boom in their mining, oil, and gas sectors. In Africa, exploration investment, which stood at 4 percent of worldwide exploration expenditure in 1991, rose to 17.5 percent ($494 million) in 1998. Mineral exploration and mine development investment in the continent also more than doubled between 1990 and 1997.

Unfortunately, the boom in mining, oil, and gas production has had serious negative impacts on the economic development of African countries endowed with extractive resources, as well

as on their environment and the rights of their citizens, particularly in the communities where these projects are located. In Africa, while the sector accounts for 40–60 percent of foreign exchange earnings, on average it contributes less than 10 percent to the continent's GDP and accounts for about 2 percent of total employment of the region. For all the mineral wealth and massive foreign direct investment to the sector, Africa remains impoverished and the number of poor people is on the increase. Africa's role in the world economy is shrinking. Its share of world trade has fallen from 3 percent in the 1950s to only 1 percent in 1995. Ghana, which was once regarded as the darling of WBG reform programs, is now one of the highly indebted poor countries, after 19 years of adjustments.

Measures implemented under the global mining, oil, and gas sector restructuring replaced subsistence economies with market-based economies in rural communities around the fringes of WBG-supported EI projects. This change has resulted in increased dependency and poverty.

Extractive industries projects tend not to support economic conditions that the WBG argues are necessary for poverty alleviation, including sustained economic growth, economic diversification, and the creation of income-generating opportunities for the poor. With regard to growth, extractive-based economies tend to grow more slowly than other economies. By drawing capital away from other sectors and by inflating the value of a country's currency during a resource boom, extractive sectors can make diversification into higher-value-added forms of production extremely difficult. Thus countries can remain trapped in a vicious circle of extractive commodity dependence.

Several studies have concluded that the benefits from developing extractive industries, and the structural and policy reforms that encourage the expansion of these sectors, are often outweighed by the associated social and environmental costs.[23]

An analysis based on three country case studies in Peru, Tanzania, and Indonesia, all involving World Bank Group and International Monetary Fund (IMF) structural adjustment programs and accompanying policy and institutional reforms linked to the extractive sectors, including privatization, investment liberalization, trade liberalization, labor market liberalization, and decentralization, reached the following conclusions:[24]

- *Development policy lending linked to the expansion of the extractive industries did not adequately address core elements essential for poverty alleviation and sustainable development.*

  The World Bank Group development policy lending programs associated with extractive industries are significantly concentrated on providing opportunities for private business, mainly foreign, to expand investment and production while giving little attention to strengthening the rights of the poor and improving environmental management. As a result, development of extractive industries directly led to unacceptable and unnecessary social and environmental costs.

Examples of important social and environmental issues that did not receive adequate consideration in development policy lending associated with extractive industries include formalization, competition capacity, and environmental performance of small-scale mining; access of domestic firms to long-term finance; good governance reforms benefiting the poor and the environment, such as land use issues; military involvement in extractive industries; environmental and social quality of the new contract models; revenue management; external market constraints to creating more value-added economic sectors; employment creation; and environmental regulation and mitigation of degradation.

- *Expansion of these sectors, driven and shaped by development policy lending, has increased environmental degradation, has not reduced poverty, and has produced harmful macroeconomic imbalances.*

The WBG's *ex-post*, complementary technical assistance approach to improving social and environmental performance of the extractive sectors is not a reasonable approach, as development of these sectors significantly outpaces progress on social and environmental governance, and, moreover, governments typically do not follow up on the good advice provided by technical assistance programs.

Examples of important outcomes related to poverty include no reduction in rural poverty (EI development is predominantly in rural areas); increased vulnerability to shocks from mineral and oil prices; decreases in payroll and long-term employment; negative health impacts associated with increased environmental degradation; EI revenue often not being transferred to affected communities, thereby increasing social antagonism and conflict.

Examples of important environmental outcomes include marginal gains in environmental mitigation associated with WBG assistance being unable to offset the overall increase in exploration and production of the EI sectors; exploration and production that have moved to more socially and environmentally sensitive areas, including protected areas supported by WBG project funding; negative climate change and air pollution effects due to significant increase in thermal generation using diesel, fuel oil, and coal in the mining sector; and increases in greenhouse gas emissions with increased EI production and the combustion of fossil fuels.

Examples of important macro imbalances include increased economic dependency on primary commodities; increased vulnerability to external shocks; negative pressure on balance of payments from increased energy imports in the mining sector; and overly concentrated investment by large foreign enterprises.

- *Negative economic, social, and environmental outcomes of development policy lending were due to market, policy, and institutional failures that were either left uncorrected or were created by structural adjustment processes and policy/institutional reforms.*[25]

In some cases, WBG and IMF development policy lending corrected important market, policy, and institutional failures. However, in all the study countries significant failures persisted and, moreover, new failures were created by program reforms. As a result, the

development of extractive industries moved forward prior to addressing important failures that were harmful to the poor, the environment, and the economy.

Furthermore, under these harmful conditions, structural adjustment processes induced the selling off of many of the country's core mineral and hydrocarbon assets, mostly to foreign investors. In some countries, structural adjustment and policy reforms ushered investment into extractive industries heavily troubled by military involvement. Also, there are several cases of weak environmental and social standards that are contractually locked in for 10–20 years.

Examples of important market, policy, or institutional failures created by WBG-supported reforms in the country case studies include dismantling and privatizing State-owned extractive enterprises without adequately building State capacity to regulate the sectors regarding, for example, competition and the environment; unclear roles and responsibilities of EI sector actors; absence of governmental authority, independent of the EI sector, promoting institutions to address social and environmental compliance issues; preferential tax treatment for the EI sectors; and new EI contract models providing no size limits on EI concessions.

- *The World Bank Group's current arrangement with the IMF regarding collaboration on structural adjustment programs and IMF program prerequisites for WBG lending is often incompatible with objectives of sustainable development and poverty alleviation.*

To begin with, the IMF's objective for structural adjustment is for immediate macroeconomic stabilization. For example, in the case study countries the IMF promoted aggressive privatization of significant mining and hydrocarbon assets for short-term financing of the deficit. Such an objective did not ensure the creation of competition, efficiency gains, development of a domestic private sector, or environmentally and socially sound development strategies for the extractive sectors.

Currently, adjustment lending is not normally undertaken by the WBG unless a country has an IMF arrangement in place. Furthermore, in the case study countries socially and environmentally based WBG loans were cancelled due to a lack of progress on IMF structural benchmarks. Thus difficulties with structural adjustment, for whatever reasons, became a barrier to progress on social and environmental programs. Given a mission of sustainable development and poverty alleviation, it would be more reasonable to cancel adjustment lending when progress is not made on social and environmental objectives.

Moreover, the WBG has repeatedly stated that it has no responsibility for assessing the environmental or social impacts of IMF macroeconomic policy prescriptions or structural benchmarks (even though, according to the framework for collaboration, the WBG is the lead agency responsible for environmental policy areas). This includes IMF reforms and structural benchmarks that could potentially undermine WBG-supported social and environmental operations, such as the Peru-Camisea natural gas concession and WBG project support for the Vilcabamba Indigenous Peoples Reserve.

Structural Adjustment Programs and Indigenous Peoples

In pursuit of national development through trade liberalization, structural adjustment, and the promotion of foreign direct investment, the World Bank Group has routinely advised countries to rewrite national mining codes to facilitate large-scale mining by foreign companies. The revised codes have been pushed through without the participation of indigenous peoples and without taking into account their interests and rights. Case studies from Colombia and the Philippines show how the new codes have intensified pressure on indigenous peoples' lands and have weakened or overridden the legal protections previously enjoyed by indigenous peoples. In Colombia, mineral, oil, and gas reserves are exploited by unaccountable companies, which enjoy legal impunity while regularly violating national laws and using severely repressive measures to overcome local resistance. In Ecuador, the WBG has also promoted national mineral surveys, again without taking the rights of indigenous peoples into account or assessing the likely consequences of intensified mineral extraction.[26]

Structural Adjustment Programs and Women

Extreme poverty affects women differently and often more severely than men. While the gender impacts of structural adjustment programs is not uniformly negative throughout the reform process and across countries and economies, it is clear that it is women who—as workers, producers, consumers, wives, and mothers—are the main shock absorbers of adjustment efforts, at immense cost to their well-being.

WBG structural adjustment programs that promote the deregulation, liberalization, and privatization of extractive industries within resource-rich but economically poor countries have not considered the impacts of such programs on gender equity and women's rights. Feminist economists have identified how such reform programs have failed women:[27]

- They do not recognize the large contribution to economies provided by women through the production and maintenance of labor supply through childbirth and childcare, shopping, housework, and cooking. Women's unpaid contributions to the informal economy are largely "invisible" in these economic models, which obscures the economic and social costs of extractive industries on women's work and lives. An export-driven, privatized, and deregulated extractives sector dominated by foreign transnational corporations has had enormous impacts on women, and this has not been considered by the WBG.

- Productive or income-generating activities relate to the market, while reproductive activities such as caring for the young and old, maintaining health and sanitation, and taking responsibility for food, fodder, fuel, and water are unpaid and usually female activities. Extractive industries have a detrimental impact on the reproductive economy by increasing the burden on women in non-income-generating areas. In short, World Bank Group support for government reform packages that seek to liberalize, privatize, and de-regulate extractive industry sectors transfer the negative burdens from the paid economy to the unpaid economy, exacerbate existing gender inequities in the household and the workplace, and worsen conditions of poverty and deprivation for women.

Biodiversity Conservation and the Importance of Protected Areas

Many large international environmental NGOs are seriously concerned with the impacts that the oil, gas, and mining industries have had and can continue to have on fragile ecosystems and the biodiversity they contain. While these organizations are highly critical of extractive industries, they also focus on producing work they hope will help guide companies to becoming more responsible and improving their operations. WWF, for example, in a 1992 publication called "To Dig or Not to Dig" developed criteria to help companies determine the sustainability or acceptability of mineral exploration, extraction, and transport from ecological and social perspectives. Ultimately the aim is to help industry conserve biodiversity and protect the rights of people who depend on it for survival. As a first step, WWF requests industry to respect IUCN's Amman 2000 Resolution, which calls on the industry to stay out of Categories I–IV Protected Areas, which cover 4 percent of the global terrestrial area. WWF also asks industry to help conserve critical areas of high biodiversity wherever they are found.[28] Many NGOs at the international and national level strongly oppose mining and oil and gas extraction in protected areas and demand they be declared "no-go zones."

During the EIR consultation in Eastern Europe and Central Asia, civil society participants from CEE Bank Watch pointed out that "no-go zones" should also include all areas of high conservation value, territories of indigenous peoples and nations, areas where local communities oppose oil, gas, and mining projects, and areas where investment may exacerbate armed conflict.

EIR observed that in many cases the indigenous peoples' representatives who participated in the consultation process did not demand their territories and lands be made into "no-go zones." However, they did demand that their rights to self-determination be respected and that extractive industry companies obtain the "prior, free and informed consent" of indigenous peoples before operating in their lands and territories. EIR also heard that many indigenous peoples do not feel that their rights over territories and lands are respected by extractive industry companies, governments, and the WBG. This has resulted in a strong demand from many regions for the WBG to put a moratorium on oil, gas, and mining investments until these rights are formally recognized.

Human Rights

Lacking legitimate and trusted grievance mechanisms in the case of conflict with companies, many remote communities turn to concerned national and international NGOs for support. For many years national and international NGOs have documented serious human rights violations within the extractive sector. The Oxfam Community Aid Abroad Mining Ombudsman is an NGO that provides an accessible mechanism worldwide to communities with grievances against or facing conflicts with Australian-based mining companies. It has found that the grievances of local communities affected by mining activities often come from direct denials of their basic human rights, especially their rights to prior, free and informed consent, to self-determination, and to land and livelihoods. These grievances have proved to

be largely similar across the industry and throughout the life of exploration and mining projects.[29]

In some countries, the Catholic Church has also been active in recording and witnessing human rights violations perpetrated by some big multinational companies doing natural resource extraction. For example, EIR was shown a report released in 1995 by the Catholic Church in West Papua, Indonesia, that documented incidents of torture at the Freeport security post and in Freeport shipping containers; these events resulted in bloodied heads, bruised faces, multiple wounds, loss of consciousness, and, in one case, death due to a broken neck.

There's a large body of opinion that women are the most discriminated against, the most vulnerable, and least empowered members of many societies, including those with rich endowments of mining, oil, and gas resources. Women account for 70 percent of the poor and this proportion is growing. The Oxfam Community Aid Abroad Mining Ombudsman has listened to and documented the following grievances from women in mining communities concerning violations and infringement of their human rights:[30]

- Negotiations being entered into only with men, making women neither party to the negotiations nor beneficiaries of royalties or compensation payments. This practice strips women of their traditional means of acquiring status and wealth;

- A lack of recognition for the religious and spiritual connections of indigenous women to their environment and land, especially when they are displaced by mining activities.

- Women generally have little or no control over and access to any of the benefits from mining developments, especially money and employment. They therefore become more dependent on men.

- The traditional roles and responsibilities of women are marginalized as the community becomes more dependent on the cash-based economy created by mining development.

- The workload of women increases as men work in the cash economy created by mining operations, and women bear increased responsibility for the household and food provision through traditional means.

- Women risk becoming more impoverished, particularly in women-headed households.

- Women bear both the physical and mental strain from mining development, especially when it involves resettlement.

- Women suffer from an increased risk of HIV/AIDS and other sexually transmitted diseases, family violence, rape, and prostitution—often fuelled by alcohol abuse or a transient male work force.

- Women suffer from environmental degradation and contamination, as they often are responsible for providing the family's water and food, which becomes increasingly more difficult when water sources and land are polluted.

- Women suffer active and often brutal discrimination in the workplace.

These impacts from extractive industries are a denial of the basic human rights of women. They are consistent across mining, oil, and gas projects and have been detailed in numerous conferences, testimonials, and studies on the detrimental impacts of extractive industries on the lives and rights of women and children.[31] They are the result of gender insensitivity in extractive projects as well as a false assumption of gender neutrality and are exacerbated by insufficient or non-existent gender analysis and planning. Therefore the WBG, with its mandate of poverty alleviation, should make improving gender equality and promoting women's rights a priority.

There is a broad group of gender impacts applicable to extractive industries:

- *Access to and Control over Natural, Economic, and Sociocultural Resources.* Displacement generates massive shifts in the ways that men and women gain access to and control resources; projects may build on and exacerbate existing inequalities in the distribution of resources.

- *Gender Relations.* The implementation of major projects causing changes in social and gender relations within a community, which may exacerbate rather than ease gender asymmetries.

- *Division of Labor and Economic Activities.* Processes such as resettlement may cause significant changes in the gender division of labor, the impacts of which will differ according to class and social standing.

- *Participation and Decisionmaking Processes.* Efforts to involve communities in decisionmaking may exclude women during the planning stages or may not include them in a culturally appropriate manner that does not antagonize or alienate male community members. Lack of consultation with women regarding resettlement leads to unanticipated consequences for the well-being and health of women and their families.

- *Sociocultural Well-being and Questions of Identity.* A change in community identity due to a change in the natural surroundings can affect a community's sense of well-being. Gender disparities embedded in social practice and tradition render women vulnerable to sexual and physical violence; when a community suffers the deleterious consequences of enforced change, women—outside and inside the family—can become more subject to violence.

- *Institutional Arrangements.* Institutions reflect the prevailing gender and power relations in a society, and those created because of a new project may be male-dominated and may not empower women or enhance their bargaining power.[32]

It is clear that the impacts of extractive industries are not gender-neutral. Women experience the direct and indirect consequences of mining in different and more pronounced ways than men. In its support for extractive industries, whether through structural adjustment programs promoting increased investment in extractive industries or in direct support for projects, the World Bank Group has helped to further disadvantage and disenfranchise women within their communities and to increase gender inequalities.

Lack of Transparency

In the actions of corporations, NGOs are concerned with the lack of transparency in the following:

- *How private companies are influencing public policies and laws*. Oxfam America gives the example of the expensive law suits that all the NAFTA participating governments have had to face as a result of too broadly defined investment agreement provisions. In Oxfam's words, "private corporations operating in these countries are using secretive, international arbitral tribunals to pressure governments to change governmental regulations and laws that protect public health or the environment, claiming they are a form of indirect expropriation."[33] If this is the case faced by the United States and Canada, as well as Mexico, there is cause for alarm about the situation faced by governments of less powerful governments in developing countries.

- *How companies make operational decisions that are relevant to the public*. For example, WWF and a coalition of British, European, Canadian, and American investors have filed a resolution calling on BP to disclose how it measures risk to shareholder value from drilling in environmentally and culturally sensitive areas. This resolution reflects investment guidelines issued by the Association of British Insurers, which encourages companies to adopt best practice and greater disclosure when responding to social, ethical, and environmental risks.[34]

- *How oil, gas, and mining revenues are paid to governments*. This is considered important to promote financial accountability within governments, for democratization, and to ensure the oil, gas, and mining sectors contribute to poverty alleviation and sustainable development. There is a growing coalition worldwide of NGOs and other civil society organizations, including Global Witness, Amnesty UK, CAFOD, Christian Aid, Environmental Defense, Friends of the Earth UK and US, Tearfund, and various chapters of Transparency International, united in the Publish What You Pay campaign, calling for oil gas and mining companies to disclose net payments made to national governments.[35]

- *How companies provide information to developing-country governments and local communities.* [36] EIR has received reports about how companies have not fulfilled best practice standards, including:
  - Lack of honest disclosure of information regarding closure and emergency plans, has been reported to the EIR in all regions—From Eastern Europe and Central Asia, for example, the EIR received the following information: "Oil companies have pressured

the Azerbaijani government to increase limits on waste dumping in the Caspian Sea and increased their activity in the Black Sea. The Black Sea has become one of the most polluted and degraded seas in the world. In Azerbaijan, where an oil spill could result in an ecological tragedy in the Caspian Sea, the oil consortium refuses to release its emergency plans."[37] Other reports of this kind have been received from all other regions that the EIR has consulted.

- Neglecting to identify and consult with relevant stakeholders interested in development issues, or initiating contact belatedly when an Environmental and Social Impact Assessment (ESIA) is being finalized—Lack of consultation is often also reflected in the fact that ESIA documents do not sufficiently reflect community perceptions and expectations of a project. Vague information on benefits and the lack of openness in managing community expectations often result in resentment and anger when hopes for employment, the provision of infrastructure, health and education, are not adequately met.[38]
- Vague and superficial environmental and social management plans that will make it difficult to effectively monitor and evaluate the operating performance of a company—The EIR also found that, in many cases, monitoring of environmental and social impacts was carried out by the extractive companies, but the results were often not communicated to the public.

Many civil society organizations in all the regions consulted by the EIR expressed discontent about the way the WBG conducts its business. Many feel it is not inclusive or transparent in informing the public about its plans, transactions, and deals with governments or with its corporate and private partners. The EIR received many strong recommendations to relay to the WBG on this issue. The most complete submission was received from CEE Bank Watch during the EIR's first planning meeting. It covered the following points:[39]

- It is vital that all elements of the WBG work in a clear and transparent manner, adhering to its own policies to make informed decisions guided by the rights and opinions of civil society. It is important that NGOs, affected communities, local authorities, expert groups, and trade unions are involved in the process and have a voice in deciding about projects that will affect their lives and futures. The participation processes at local, national, and international levels should have clear procedures and timelines that are known by all participants.

- Detailed information about WBG investments must be available to the public prior to project approval. During project preparation, environmental and social impact assessment processes should be followed scrupulously and the principles of the 1991 Convention on Environmental Impact Assessment in a Transboundary Context (the Espoo convention) should be applied for projects with transboundary impacts. The public also should have access to independent monitoring and evaluation during project implementation.

- The WBG should adhere to the principals and procedures of the U.N. Economic Commission for Europe's Convention on Access to Information, Public Participation in Decision-Making and Access to Justice in Environmental Matters (the Aarhus Convention), making it mandatory for its own direct activities.

- There is an urgent need for new rules to include public participation in structural and sectoral adjustment lending programs of the WBG. These programs should also use enhanced Strategic Environmental Assessment and Social Assessment.

- The WBG needs to develop better guidelines for consultation, preparation, and implementation of Country Assistance Strategies (CASs). A CAS should be discussed at an earlier stage with broader public participation. This would also help decrease corruption.

- The WBG should focus on projects that will provide benefits to the widest possible segment of societies. This includes ensuring people's food and water supplies; access to transportation services; and access to clean and sustainable energy and providing support for social and health services. Structural adjustment lending operations should avoid negative impacts on social, educational, and healthcare services.

- To stimulate local production, special emphasis should be placed on microcredit lines for small-scale industry and services. The WBG should not promote practices that discriminate against local industry, such as tax and legal exemptions for foreign investors.

In the actions of governments, lack of transparency is a concern especially in terms of how resource revenues are used. Globally, oil, gas and mining is important for the economies of over 50 developing countries. Although these countries are endowed with resource wealth, however, many have not been able to break the cycle of poverty. It is estimated that up to 1.5 billion people in these countries live in dire poverty on less that $2 per day; 12 of the most mineral- dependent nations and 6 of the world's most oil-dependent states are classified by the World Bank Group as Highly Indebted Poor Countries, with among the worst human development indicators.

Algeria, Angola, Azerbaijan, Myanmar, Cape Verde, Cambodia, Chad, Congo-Brazzaville, Democratic Republic of Congo, Equatorial Guinea, Gabon, Indonesia, Kazakhstan, Nigeria, Sudan, Vanuatu, and Venezuela are all rich in extractive resources. Yet the *Human Development Report 2002* shows that many of these countries have the highest levels of mismanagement and failed development, indicated by the discrepancy between a country's Human Development Index (HDI) and its GDP ranking. For example, Equatorial Guinea's HDI ranking is 73 places below its GDP rank.[40] Many of these same countries also show a very high level of resource revenue misappropriation and diversion. The government of Angola, for instance, had not accounted for at least $1 billion of its oil receipts for five years in a row through 2001.[41]

The Publish What You Pay campaign demands that the WBG use its leverage in all new development projects to make sure that all revenues emerging from extractive industry projects are placed in an escrow account and managed transparently and accountably. In existing projects, where leverage is less clear, the WBG should provide aggregate net revenue payment information. The WBG should also help build civil society capacity to hold governments accountable in the management of such revenues.

Climate Change

There is a strong global civil society movement that sees global warming, or climate change, as the major global environmental threat of our time. Caused by the excessive buildup of heat-trapping "greenhouse gases" in Earth's atmosphere—in particular, carbon dioxide (CO_2) emissions from the burning of oil, gas and coal—climate change threatens virtually every segment of the biosphere and human society. NGOs note that the Intergovernmental Panel on Climate Change (IPCC) has stated that "atmospheric concentration of carbon dioxide has increased by 31 percent since 1750. The present CO_2 concentration has not been exceeded during the past 420,000 years and likely not during the past 20 million years. The current rate of increase is unprecedented during at least the past 20,000 years."[42]

Furthermore, according to civil society, it should be recognized that "about three-quarters of the anthropogenic emissions of CO_2 to the atmosphere during the past 20 years is due to fossil fuel burning. The rest is predominantly due to land-use change, especially deforestation."[43] The industrial world, home to most of the world's fossil fuel industries and the vast majority of its consumption, bears the historic responsibility for these gasses. But it is the developing world, particularly in the tropics and small island states, that will bear the brunt of the consequences.

The WBG recognizes the threat that climate change poses to the world's poor.[44] And yet, after the U.S. Government, the World Bank Group is the world's largest source of public funding for fossil fuels. There is an obvious tension between these two facts that many civil society organizations feel the Bank has consistently avoided to date.

Roughly one-fifth of all World Bank Group lending is devoted to increasing energy production and power supply in developing countries. The WBG's energy lending portfolio is dominated by fossil fuels; more than three-fourths of all its energy-related lending is spent on oil, gas, and coal or power projects that use these fuels.[45] From 1992 to 2002, total WBG financing for 229 fossil fuels projects amounted to $25 billion, leading to estimated emissions of 46.7 billions tons carbon equivalent. In the same period, only $ 1.35 billion of WBG funds were spent on 39 renewable energy or energy efficiency projects—less than 5.5 percent as much as fossil fuel projects.[46]

These WBG-financed fossil fuel projects will have a significant impact on the global climate: the projects approved since the 1992 Earth Summit will contribute 46.7 billion tons of carbon dioxide to Earth's atmosphere, equivalent to twice the total amount emitted from fossil fuel burning by all the world's countries in 2000.

It is pointed out that by funding fossil fuels projects, the WBG encourages more consumption of fossil fuels, particularly in industrial countries, hence increasing greenhouse gas emissions in the atmosphere.

In response to growing criticism regarding the carbon content of the WBG energy portfolio, in June 1997 at the Earth Summit II in New York, WBG President James Wolfensohn said "the World Bank will 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." Despite this pledge, greenhouse gas accounting is not always undertaken for energy projects—and in particular not in relation to oil, gas, and coal extraction or transport projects that are funded by the World Bank Group.

Civil society organizations point out that many governments also endorse the idea that the WBG needs to take climate change into full account in their policies and operations, as reflected in the May 1998 G8 Summit, where the final communiqué noted that "We must ensure that the policies and operations of the World Bank and other International Financial Institutions take full account of climate change."

However, beyond efforts to simply ensure full accounting of the WBG's responsibility for additional greenhouse gases, many civil society organizations feel that the institution has focused unnecessarily on adaptation to climate change rather than mitigation of the problem. Mitigation would clearly include a limiting, and perhaps a reduction and phaseout of support for the primary source of anthropogenic greenhouse gases—fossil fuels. While new exploration for fossil fuels is usually undertaken for economic and political reasons, civil society organizations concerned with climate change often view these projects from an ecological perspective with an eye toward the amount of carbon they will ultimately release into the atmosphere.

Viewed from the perspective of climate change, ongoing exploration for additional coal, oil, and gas makes no sense at all. Current estimates of recoverable fossil fuel reserves indicate that they hold a great deal more carbon than can be released without triggering the worst effects of climate change.[47] This geological fact underscores the need for fossil fuels to be phased out—they will not run out first; there will have to be a conscious decision taken if the worst effects of climate change are to be avoided.[48]

According to the IPCC, reserves of oil, gas, and coal identified as economically recoverable are over 1,000 billion tons of carbon—or 820 billion tons excluding unconventional sources such as oil shale and tar sands. In reality, reserves are rapidly expanding due to economics, to oil, coal and gas exploration, and to the development of unconventional sources of oil. The resource base that could be brought into reserves is estimated to be over 4,000 billion tons of carbon.[49]

These figures beg the question of why the petroleum and coal industries are investing billions annually in ongoing exploration for new sources of oil and gas.[50] From the corporate perspective, at least part of the answer lies in the fact that industry financial analysts value oil and gas corporations primarily on the basis of their ability to replace their reserves (that is, find new oil and gas). Civil society maintains that public institutions such as the World Bank Group should not be burdened by such considerations.

Recognizing that extractive industries, particularly fossil fuels mining, are responsible for the major source of climate change, environmental NGOs are calling for an immediate moratorium on and subsequent phaseout of all financing of fossil fuels and mining project by multilateral development banks, including the IFC.[51] As a first step, NGOs are demanding the removal of incentives and various subsidies enjoyed by fossil fuels, while moving more aggressively to support non-fossil fuel alternatives.[52] During the Asia Pacific workshop, the Transition Institute stressed the urgent need to shift out of fossil fuels and move to renewable energy sources and technologies.

There is also a strong need to increase energy efficiency. Taking into account that the fastest energy consumption growth within the next 20 years will happen in Asia, several issues are emphasized:[53]

- the ecological limits of climate change require immediate action;
- Asian energy growth means the region should be a focus of attention;
- fuel switching and demand side management are not enough;
- interventions by the WBG can have the effect of locking out renewables unless market and policy consequences are understood and corrections are made; and
- WBG action should engender the creation of favorable market and policy conditions for renewable energy development and technology transfer.

Many NGOs point out that most developing countries have high potential for renewable energy, such as solar heating, biomass, micro-hydro, and wind power. However, the financial and institutional arrangements do not encourage the development of it. The WBG has the leverage to bring about this change. The WBG can send a strong message to encourage the development of renewables.[54]

Weak National Legislation and Capacity

Many organizations strongly maintain that while developing countries are rushing to exploit their wealth of oil, gas, and mining, often with the encouragement of the WBG, these nations do not have adequate policies in place to protect the environment or the people or to manage the resulting revenues for the greater benefit of the nation.

Through its various arms, the World Bank Group has directly supported mining, oil, and gas ventures without adequately assessing 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. In the case of the Chad-Cameroon pipeline, the World Bank Board voted to go ahead with the project even when the forest-dwelling Bagyeli indigenous peoples and supporting NGOs had clearly articulated the risks, although Board members admitted that the WBG Safeguard Policy on indigenous peoples had not been properly applied. (See Annex Box 4–2.) The IFC has even supported mining by companies with bad track records in war-torn countries like the Democratic Republic of the Congo—projects that have been condemned by the United Nations.[55]

The liberalization of the mining and petroleum sectors, plus generous investment incentives in the last two decades, has not been matched with the necessary environmental management

legislation to address the inevitable environmental impacts. The zeal to implement policy reforms to attract investment has led to the diminution of state power and regulation needed for protection of the environment and local communities. Some WWF case studies revealed that adjustment lending that is normally undertaken by the World Bank Group when a country has an IMF arrangement in place may result in the canceling of socially and environmentally based WBG loans due to lack of progress on IMF structural benchmarks. Thus, difficulties with structural adjustment, for whatever reasons, potentially become a barrier to progress on social and environmental programs. Given the mission of sustainable development and poverty alleviation, it would be more reasonable to cancel adjustment lending when progress is not made on social and environmental objectives.[56] Many developing countries, in the drive to achieve global competitiveness in the exploitation of oil, gas, and mining, are offering concessions such as tax breaks. This tax competition in natural resources has led the U.N. Economic Commission for Latin America and the Caribbean to warn about the dangers of exacerbating the concentration of economic activity in natural resources when the region still does not have an institutional environmental system fully able to deal with negative externalities of this phenomenon.[57]

Annex Box 4–2. Managing Oil Revenues Without Capacity

The Chad revenue management plan is widely showcased as an example for oil-exporting countries. As a requirement for its participation in the Chad-Cameroon project, the World Bank Group required the Chad government to pass a new revenue management law stipulating that 80 percent of petrodollar revenues would be devoted to education, health, rural development, infrastructure, and water and environmental issues; 5 percent to affected communities; and, until 2007, the remaining 15 percent could be used to finance recurrent government expenditures. The law established a Petroleum Revenue Oversight and Control Committee, an independent government-civil society committee whose task is to verify, authorize, and oversee expenditures of oil revenues. The WBG also provided a $41 million loan to develop a revenue management and financial control system, including financial support for key institutions.

Even if followed exactly as designed, the project still has major flaws that need to be addressed if revenues are to benefit the poor. These include:

- *Significant oil revenues fall outside of the scope of the Revenue Oversight Committee*. Fiscal revenue is only exercised over special accounts corresponding to direct revenues generated by royalties and dividends. Indirect revenues such as taxes and custom duties go into ordinary Treasury accounts. According to an analysis by Agence Francaise de Developpement, these levies may represent up to 45 percent over the life of the project. A WBG projection of the distribution of net revenues, using the assumption of 917 million barrels produced at an average of $25 per barrel, shows that $3.3 billion would go into general budget expenditures, while only $1.6 billion would go to priority sectors, the Doba Region, and the Future Generation Fund.
- *The law does not cover all of Chad's oil; it specifically covers only the three Doba fields.* This is of concern since there are high possibilities of finding more oil in the country. If more oil is indeed discovered and extracted, this could mean that a large amount of new petrodollars could fall outside the revenue management system.

management has said that the figure of 5 percent was reached through an internal political process in Chad. But given the human rights and security situation in southern Chad, observers doubt that the people in the region had much say, if any, in selecting that figure.

- *The 5 percent specified by the law for the Doba oil- producing region can be changed by presidential decree five years after passage of the law.* The President of Chad will have the power to change these allocations. There is no effort to strengthen other branches of government that might serve as a counterweight to presidential decree. Institutions related to the judiciary, or the rule of law, are not earmarked as priority sectors. This is troubling because, as the World Bank Inspection Panel noted, the successful "translation of oil revenues into equitable, effective economic development and poverty alleviation extends well beyond budget allocations, and the auditing and control of public expenditures." It also requires democratic institutions.
- *The law fails to create oil sterilization and stabilization funds.* According to project documents, windfall oil revenues that cannot be used immediately or efficiently for the objectives of the project or the spending of which would affect macroeconomic stability are to be "sterilized under arrangements acceptable to the Bank." This arrangement is not spelled out in the law; as of early 2003, negotiations for such an arrangement had not been concluded. The Inspection Panel report noted that no provision for sterilization is in the law or in the loan agreement documents for the petroleum revenue management program. There is also no provision for a stabilization fund to cushion a newly oil-dependent Chad against price fluctuations.
- *The law is vague regarding priority sector and regional spending.* While the law stipulates sectors such as health and education, spending within these areas is wide open. There is no directive about whether money may be spent on a state-of-the-art hospital in the capital or primary health care clinics in rural areas, for example. Regional allocations are also not specified. In a country with a history of ethnic and regional discrimination, this may sow seeds for future conflicts over the distribution of oil rents.

Source: Ian Gary, Catholic Relieve Services, and Terry Lynn Karl, Stanford University, *Bottom of the Barrel: Africa's Oil Boom and the Poor*, June 2003, p. 69–70.

Armed Conflict and Militarization

While many testimonials received by the EIR revealed the bare facts of human rights violations by the military, police, or commercial mercenaries often paid by extractive industry corporations in a number of countries, systematic documentation and investigation by international NGOs show that these phenomena are not unusual cases that stand alone. Michael Ross in the Oxfam America Report, *Extractive Sectors and the Poor*, for example, found that "Oil and mineral wealth heightens the risk of civil war in several ways. Poorly-governed mining operations can lead to the expropriation of land, environmental damage, and human rights violations; these factors, in turn may create grievances that lead to armed conflict, as in the Bougainville rebellion in Papua New Guinea, and the West Papua (Irian Jaya) rebellion in Indonesia. The discovery of resource wealth in a discontent region may add fuel to separatist sentiments, as in Nigeria (in the Biafra rebellion), Angola (the Cabinda rebellion) and Indonesia (the Aceh Rebellion)."[58]

The Oxfam Community Aid Abroad Mining Ombudsman of Australia in its 2003 annual report also documents many situations where security forces and the military in relation to extractive industry companies are responsible for violent actions against people and forced relocations of local people, mostly indigenous.[59] The EIR testimonials in Asia Pacific and Africa also revealed similar incidences.

In *All the Presidents' Men*, Global Witness reveals the alarming reality in Angola, where oil revenue is being used to finance arms deals and at the same time those deals are enriching an elite illegally. Furthermore, this report documents how the Angolan "oil for arms" corruption scandal involves key international political and business players.[60] In a country where every three minutes a baby dies of malnutrition and where life expectancy is as low as 45, the reality that oil wealth is being used to fuel war is unacceptable. Global Witness maintains that oil companies are complicit in this problem of "oil for arms and corruption" by refusing to publish what they pay to the Angolan government. The organization estimates that over the last four years $4–5 billion of Angola's oil revenue have gone missing, which should be compared with "the 200 million dollars in food aid raised by the UN to feed displaced refugees over the same period."[61]

There are many other distressing cases, including the civil suit filed by the International Labor Rights Fund on behalf of 11 anonymous plaintiffs alleging that the "the Indonesian military provided 'security services' for Exxon Mobil's joint venture in Indonesia's conflict ridden Aceh province," and that the Indonesian military committed "genocide, murder, torture, crimes against humanity, sexual violence and kidnapping" while providing security for the company from 1999 to 2001." [62] This has been a controversial case for the pro human rights community internationally and in Indonesia due to the U.S. State Department's involvement, in which a letter was sent to the judges to dismiss the case, claiming that the suit "may actually hurt progress on human rights in Indonesia."[63] A similar ongoing U.S. case was filed on behalf of Myanmar farmers, alleging the country's military of terrorizing, raping, and using forced labor in the construction of a jointly owned gas pipeline by Unocal, Myanmar's state-owned company, and the French oil firm Total.[64]

The phenomena of military violence against civilians in relation to extractive industry activities is also recorded in Latin America. It is alleged that one out of four Colombian soldiers, for example, is currently involved in protecting oil installations, and Occidental Petroleum (OXY) is said to estimate that 10 percent of its in-country budget is spent on security costs. A June 2001 report, *Drillbit and Tailings*, highlights a Colombian government enquiry about OXY's active collaboration with security forces to protect its oil operations, in which "according to testimony from Colombian military officials, AirScan (a private security firm based in the US and contracted by OXY) provided key strategic information to the Colombian military gathered during their security work for OXY and helped coordinate the air attack using the plane's infrared and video equipment to pinpoint targets on the ground. While allegedly targeting the Revolutionary Armed Forces of Colombia (FARC), a left wing guerilla group, the Attack actually killed 18 civilians, nine of which were children."[65]

To summarize, Catholic Relief Services notes clearly: "Fights over oil revenues become the reason for ratcheting up the level of preexisting conflict in society, and oil may even become

the very rational for starting war. . . .Petroleum revenues are also a central mechanism for prolonging violent conflict and only rarely a catalyst for resolution. Think, for example, of Sudan, Algeria, the Republic of Congo, Indonesia (Aceh), Nigeria, Iraq, Chechnya and Yemen."[66]

Many NGOs believe that the road to peace can be helped significantly if it became mandatory for oil companies to publish what they pay to governments. This would at least help citizens to hold their governments accountable and could help prevent revenues from flowing into illegal arms deals. This alone is not enough, however: "Companies must ensure that their operations cause no further harm to local communities. Oil companies must undertake to co-operate with independent assessment, ensure that security forces protecting oil installations adhere to the voluntary principles of security and human rights, and consider carefully the direct effects of their operations on the safety and rights of local people."[67] The WBG and G8 governments could help to make "Publish What You Pay" and the "Principles of Security and Human Rights" mandatory for extractive industry companies.

Corruption and the Need for Accountable EI Revenue Management

As Mary Robinson, Executive Director of the Ethical Globalization Initiative and Chairperson of Oxfam International, notes: "Corruption creates and perpetuates discrimination between the various groups in societies, minorities, castes, religious groups. It affects women in particular. Corruption attacks society as a whole and cripples essential societal functions. It results in an unlawful and undue gain for one party, be it a government official, private individual or business organization at the expense of the public good. Thus education, justice, health, law enforcement, and the provision of essential services, which the State is obligated to provide to everyone without discrimination, are mismanaged."[68]

It is necessary for extractive companies to publicly disclose all payments made to governments and others in order to help eradicate any corruption, misappropriation, mismanagement, and squandering of these funds. Otherwise known as the "resource curse," numerous studies, including Oxfam America's *Extractive Sectors and the Poor*, have shown that many of the world's most resource-rich countries are also the world's poorest in economic terms.[69] Oil, gas, and mining industries are important to more than 50 developing countries, which are home to 3.5 billion people. Resource-rich but economically poor states are among some of the lowest rated nations of the 102 countries listed in the Transparency International Corruption Perception Index.[70]

Despite enormous funds being generated through resource extraction, the monies largely have not been used to combat poverty. Instead, they often have been embezzled by corrupt elites, spent on military armaments by authoritarian regimes, or fuelled regional instability through groups warring over control of the revenue streams.[71] Principally, the people living in resource-rich countries have the constitutional right to benefit from the revenues resulting from mining, oil, and gas extraction. Many of these people remain impoverished, however, and their rights undermined due to corruption and economic mismanagement.

If EI companies become publicly transparent in terms of the aggregate payments made to governments (see Annex Box 4–3), this will assist people in holding governments accountable and thereby reduce corruption, increase good governance, and improve economic development. This is also in line with international trends in corporate disclosure and social responsibility. As stated in the Guidelines for Multinational Enterprises of the Organisation for Economic Co-operation and Development, "enterprises should be transparent in their operations and responsive to the public's increasingly sophisticated demands for information."[72]

Annex Box 4–3. Publish What You Pay

The Publish What You Pay coalition believes that countries should have extraterritorial regulations that require extractive companies to publicly report aggregate taxes, fees, and other payments made to all governments, on a country-by-country basis. This campaign "proposes that publicly listed natural resource and oil companies be required by market regulators, as a condition of public listing, to disclose aggregate information about tax payments, payments-in-kind, forward sales of future revenues, and commercial transactions with government and public sector entities."[73]

Such a legal rather than voluntary mechanism would ensure that nontransparent countries or corrupt government officials cannot require confidentiality agreements that prevent the company from disclosing any revenue payments made to the government. This industry-wide regulated proposal would help level the playing field between competing companies by ensuring that the companies that do disclose payments are not discriminated against by governments that do not want disclosure. As a result, while the recent U.K. Government's Extractive Industries Transparency Initiative is a step in the right direction in that it proposes requirements for the public disclosure of extractive industries payments to governments, it fails in its proposal of voluntary rather than regulatory requirements.[74] There will also be minimal regulatory burden and additional costs for companies, as the information already exists; it will just involve repackaging it for public disclosure.

Overall, this initiative will be good for business in developing countries by reducing corruption, increasing growth, increasing the accountability of governments to citizens, and ensuring that mining revenues are used for the public good rather than private gain. Mining companies will benefit through improved competitiveness, a more level playing field, greater security of legal rights, enhanced reputation, and consistency with the principles of corporate social responsibility and recent trends, such as the OECD Convention against bribery.

Source: www.publishwhatyoupay.org.

Joint Declarations by Civil Society Participants in EIR Consultations

The civil society and indigenous participants of the Extractive Industries Review Workshop in Rio De Janeiro, Brazil:

- Recommended the WBG should redirect its investments into other sectors, and reorient its development policies to activities that have a greater impact on poverty alleviation, such as education, health, sustainable agriculture and tourism.
- Rejected efforts to expand indiscriminately oil and mining activities in their countries, as they threaten the natural resource base on which current and future activities are based.
- Demanded development resources to be redirected to support small-scale mining, and towards mitigating environmental impacts caused by extractive industries.
- Demanded that the WBG and governments should respect local communities' wishes to oppose extractive industry projects threatening their way of life.

- Finally indigenous participants declared their support for the Inter-American Working Group on Indigenous Rights of the Organization of American States, regarding the WBG's revision of Operational Policy 4.10 on Indigenous People, as the document is judged to not emphasize recognition of the fundamental rights of Indigenous Peoples already guaranteed internationally, such as the right to land and territories, natural resources, cultural integrity, rights to self-determination, customary decision-making and conflict resolution processes, and the right to prior informed consent.

Indigenous Peoples' Declaration at the LAC EIR Consultation

We reiterate once more that the indigenous communities bear the overwhelming social, cultural, economic and environmental impacts of the extractive industries on indigenous territories, for which there must be indemnity to compensate for the negative effects of these activities. There has been a failure to recognize our fundamental rights, such as legal entitlement to our territories and our organizational structures.

There are constant attempts to manipulate our leaders, with the intention of dividing our communities.

There are no standards and procedures to guarantee previous consultation, and our right to participate in decision-making.

There are no policies and procedures to guarantee that communities benefit from profits generated by the extractive industries, and that these contribute to the development of our communities. This could directly contribute to poverty alleviation.

Indigenous communities' participation in the tripartite dialogue does not meet the basic principles of equity, given our unequal standing, not only financially but also in terms of capacity, against the government and the industry.

The World Bank's and the respective governments' information systems are extremely limiting, as they are inaccessible by indigenous communities.

Extractive activities in indigenous territories threaten biodiversity conservation, and our ancestral traditions, which are guaranteed by other international instruments such as the International Labor Organization's Convention 169 on Indigenous and Tribal Peoples in Independent Countries, as well as the Biological Diversity Convention.

African civil society in Maputo, Mozambique issued a position on the WBG investment in mining, oil, and gas with the following demands:

- The cancellation of the debts of poor African countries to allow these countries to invest in more productive and sustainable sectors.
- An extensive independent review of the impacts of existing WBG investments in the EI sector, to ascertain how to correct and compensate for the damages to communities.
- A clear guarantee from the World Bank Group that all new loans to government or private sector investors must be approved by the legislature of the host country and given extensive prior publicity in the interest of the citizens that are supposed to be beneficiaries.
- Genuine prior consultation with communities rather than the information sessions. Such consultations should respect and recognize the rights of host communities to reject investments that will harm their livelihood and violate human rights.
- A clear commitment by the World Bank Group to address and put an end to the culture of impunity that has characterized acts of gross human rights abuses involving members of the security forces and foreign multinationals operating in resource-rich areas.
- A clear guarantee from the World Bank Group that there should be no funding of projects in countries that are ruled by undemocratic regimes, involved in armed conflicts, or where extractive projects may create conflicts.
- A clear guarantee that there shall be no funding for projects located in ecological sensitive zones such as forest reserves and state and/or community protected areas.
- A clear guarantee from the World Bank Group that there shall be no loans for mining projects in countries where the rate of corruption is high and where there is no acceptable mechanism to tackle corrupt revenue management.
- All extractive investments should be subjected to prior independent Environmental Impact Assessment using the best available standards.
- The World Bank Group should ensure that the profit of beneficiary companies and the royalties to governments are disclosed to the citizens.
- Improve the accountability of the complaint investigation and resolution mechanisms of the World Bank Group by enhancing their transparency and strengthening their independence.
- A clear commitment by the World Bank Group and governments to support artisanal mining by protecting their land and mining rights, and through the provision of financial and technical assistance to improve their productivity, minimize social and environmental risks associated with their activities, and enhance access to markets for their produce.
- All conditions should apply to all members of the World Bank Group including the IFC and MIGA.

CEE Bankwatch Statement issued in Budapest, Hungary, contains the following recommendations:

- Extractive industry projects should not go on if there are no substantial social and economic benefits for a significant part of the local population.
- A strict ban on financing for any new fossil fuel and mineral exploration, transportation and industrial processing projects in areas of high conservation value, territories of Indigenous Peoples and nations, areas where local communities oppose such projects, and areas where investments may exacerbate armed conflict. The World Bank should immediately consult and work openly with civil society and governments to establish these critical 'no-go zones'.
- Plans for the sustainable and rational exploitation of mineral reserves must be enhanced, within a framework of environmental planning and taking into account the needs of future generations.
- The World Bank must assume responsibility for any damage caused by their projects to ecosystems and to the economic and social situation in communities. The World Bank must provide resources for compensation for damage and the physical restoration of affected areas, from its own capital base.
- The sovereign rights of communities to choose their own development path must be respected, based on their own priorities and preferences. Therefore, the World Bank must establish participatory systems through which communities to be affected by Bank-financed projects can freely make their decision about the project, with the capacity to modify or veto such projects. Also, the World Bank should guarantee the recognition of cultural and territorial rights of Indigenous Peoples and traditional communities, in relevant cases.
- Clear and logical environmental management plans should be incorporated into mining and oil projects, based upon active public participation and including development and public access to risk prevention schemes, in contrast to the ad hoc approach currently taken.
- Technical assistance towards cleaner production technologies for all scales of existing mining activity should be provided; the World Bank must clearly forbid the use of highly toxic methods of mining (eg, cyanide leaching) and oil exploration (eg, synthetic muds), and the generation of hazardous waste and/or dumping waste into the water.
- The World Bank must implement health and environmental monitoring schemes through the dynamic coordination of local authorities, companies and grassroots entities. These monitoring schemes should include full public disclosure of all documents related to safety, public health, environment and social impact of the operating facilities.
- Lending in the mining and oil sectors must be conditional on full transparency and public accessibility to production-sharing agreements, profit-sharing agreements and other similar documents. There must be full transparency in the use of the funds and an overview of the investment of mining and oil royalties and profits.
- World Bank activities must abide by, protect and promote the human rights embodied in international human rights instruments and customs. This includes political as well as economic, social and cultural rights.
- The World Bank Group should develop a concrete action plan for the complete phase-out of financing for any new fossil fuel and mineral exploration, transportation and industrial

processing within five years. This plan should systematically identify energy and other policies and projects that help phase in a positively targeted energy lending shift, and programs focused on mineral and metal use reduction, recycling and re-use. This plan should lead to limiting investments in projects that are based on technologies with a high use of fossil fuels and oil by-products. The plan should enable the World Bank to target social issues and prevent catastrophic climate change.

Recommendations from the Indigenous Peoples' Workshop in Oxford, United Kingdom:

In view of this experience and in line with precautionary principles:

- We call for a moratorium on further mining, oil and gas projects that may affect us until our human rights are secure. Existing concessions should be frozen. There should no further funding by international financial institutions such as the World Bank, no new extractive industry initiatives by governments, and no new investments by companies until respect for the rights of Indigenous Peoples is assured.
- Destructive practices such as riverine tailings disposal, submarine tailings disposal, and open pit mining should be banned.
- Moreover, before new investments and projects are embarked on, we demand - as a show of good faith - that governments, companies and development agencies make good the damages and losses caused by past projects which have despoiled our lands and fragmented our communities. Compensation for damages encompasses not only remuneration for economic losses, but also reparations for the social, cultural environmental and spiritual losses we have endured. Measures should be taken to rehabilitate degraded environments, farmlands, forests and landscapes, and to restitute our lands and territories taken from us. Promises and commitments made to our communities must be honored. Appropriate mechanisms must be established to address these outstanding problems, with the full participation of the affected peoples and communities.
- Once and if these conditions are met, we call for a change in all future mining, oil and gas development. All future extractive industries development must uphold Indigenous Peoples' rights.
- Equally, international development agencies must require borrower countries and private sector clients to uphold human rights in line with their international obligations. The international financial institutions and development agencies, such as the World Bank, must themselves observe international law and be bound by it in legally accountable ways.
- By human rights, we refer to our rights established under international law. We hold our rights to be inherent and indivisible, and seek recognition not only of our full social, cultural and economic rights, but also our civil and political rights. Respect for all our rights is essential if 'good governance' is to have any meaning for us.
- In particular we call for recognition of our collective right as peoples to self-determination, including a secure and full measure of self-governance and control over our territories, organizations and cultural development.

The Indigenous Peoples declared Plan of Implementation on Sustainable Development, declared in Johannesburg, South Africa, 2 September 2002, submitted to the EIR during the Asia Pacific Consultation:

- A demand for declaring a moratorium on mining activities until governments and corporations recognize and respect Indigenous Peoples fundamental rights to self-determination and to free, prior and informed consent on all forms of mining;
- A demand for multi-criteria assessment of mining activities, which incorporates environmental, social, cultural and health impact assessments;
- An urge for governments to establish laws, rules and constitutional provisions that prohibit the confiscation of lands for mining and for developing energy-related activities. Indigenous lands and territories must not be included in the planning zones for these activities;
- A call for declaring a moratorium on the expansion of new exploration for the extraction of oil, natural gas, and uranium and coal mining within or near indigenous lands and territories, especially in pristine areas and environmentally, socially, culturally and historically sensitive areas;
- A commitment to support and promote the use of renewable energy sources to meet energy needs of indigenous communities, and to work towards the development of international mechanisms to support capacity-building, financial mechanisms and technology transfer for communities to address renewable, clean energy development;
- A demand that in addition to environmental impact assessments, social, cultural and health impact assessments must also be conducted; and a commitment to participate actively in these assessments;
- A commitment to identify government subsidies of unsustainable forms of energy and demand that such subsidies be phased out under a five year time frame[75].

Labor

Few stakeholders have the multiple roles and involvement that workers bear in the extractive industries. For workers, the extractive industries are livelihoods. And they have a desire for industries that are sufficiently successful to offer increasingly attractive livelihoods, with higher skill levels, more diverse work, and higher pay. But workers have multiple roles and multiple interactions with the industry.

Individual mining and oil and gas projects tend to come and go. Project closure is something that many workers and their families live through, often several times. Sustainable development in the extractive industries really must imply the building of human capital, so that when the time of closure comes, workers have the skills to find other jobs. It also requires a more transparent atmosphere around closure, so that workers gradually learn where the project is going and have a chance to make their own plans or decisions rather than be subject to “surprise closures,” as has too often occurred. And the transition to something new is a shared responsibility that must be planned for: government, unions, companies, and individual workers each have some of the responsibility. But social and economic planning for closure and economic transition—vital to sustainable development—have lagged far behind environmental planning for closure.

Safety and Health Issues

A major worker concern is health and safety. Historically, mining and the oil and gas sectors have often been dangerous and unhealthy places to work.

Modern companies have made progress in improving health and safety mostly by embracing and developing partnerships with workers and worker organizations. While the best companies have made great progress in health and safety, this is hardly the case everywhere. In the "shadow companies" prevalent in many developing countries, in smaller national companies, in artisanal and small-scale production, and elsewhere, these industries still present extremely dangerous and often seriously unhealthy working environments. It is estimated that each year 14,000 mine workers are killed in accidents on the job, and many more are exposed to chemicals and particulates that increase their risks of respiratory disorders and certain kinds of cancers. There have been significant improvements in mine safety in the last few decades, but mining is still the world's most hazardous occupation. According to the International Labour Organization (ILO) , the sector employs less than 1 percent of all workers but is responsible for 5 percent of all workers deaths on the job.[76]

The Right to Organize and Affiliate with Labor Organizations

ILO Conventions, other treaties, and international law recognize a series of workers' rights, including the right to organize and affiliate with labor organizations. Particularly in remote areas where companies are a dominant economic and political power, these rights are far from universally recognized. In the worst areas, intimidation of workers by paramilitaries, murders of union activists, and the like are still quite prevalent.

Quality of Life in the Community

Workers and their families live near project sites; they are vitally concerned about quality of life in the communities where they live. The following are a few examples of issues of concern:

- The all-male workers' barracks, with a nearby force of female sex workers, that was so characteristic of apartheid working conditions in southern Africa, has not disappeared everywhere. It provides near-ideal conditions for the spread of HIV/AIDS and other sexually transmitted diseases.

- Even where things are not at this extreme, the "mining camp" or "oil town" atmosphere may provide limited opportunity for workers and their families to enjoy many amenities taken for granted elsewhere. There tend to be more bars than movie theaters and limited opportunities for a more balanced social life.

- The history of many workers in these industries is one of mobility. This stresses family and social ties. It makes things such as the two-career family very difficult. It creates real challenges for educating children.

- Working schedules, including 10 days on, 4 days off at “fly in, fly out” sites, also stress family and social ties.

Sustainable Careers As Central to Sustainable Development

The main reason for the existence of the labor movement is to improve the quality of life not only for people in the workplace but also for their families and the communities they live in. That is why trade unions believe that they have some important insights to share on social sustainability and social indicators, won over many decades of learning how best to benefit the societies in which trade unions operate.

For labor, sustainable development principles involve:

- ensuring employment creation, job security, and promotion of quality of life at work and in the community;
- ensuring fair distribution of the costs and benefits of economic development;
- avoiding concentration of wealth and power by the few;
- respecting fundamental human rights, including rights of workers;
- respecting democracy and promoting participatory decisionmaking in the workplace and in society;
- ensuring transparency and access to relevant information;
- promoting responsible care for natural resources and the environment; and
- ensuring that adequate socioeconomic measures are in place in the event of downscaling and eventual closure of operations.

Labor Standards and Poverty Alleviation

As pointed out in a 2001 WBG publication, "The principles embedded in the ILO’s Core Labor Standards can contribute to the World Bank's development mission. . . .[They] can contribute to economic growth and reduce workplace risks faced by the poor.”[77]

The International Labour Conference of 1998 drafted and adopted the ILO Declaration on Fundamental Principles and Rights at Work. This Declaration, adopted by the ILO's highest decisionmaking body, makes observance of certain fundamental labor rights an obligation for all 177 ILO member countries arising from the very fact of their membership. Even if they have not ratified the conventions in question, all member states must provide regular reports to the ILO on how the specified rights are observed in the country. These rights, generally known as the Core Labor Standards (CLS), cover four areas of fundamental rights and are defined in eight ILO Conventions, out of a total of 185:

- elimination of all forms of forced or compulsory labor (C. 29 and C. 105);
- abolition and effective elimination of child labor (C. 138 and C. 182);
- elimination of discrimination in respect of employment and occupation (C. 100 and C. 111); and
- freedom of association and the effective recognition of the right to collective bargaining (C. 87 and C. 98).

The core ILO Conventions define certain basic workers' rights that are deemed to be of universal application. In addition, they are considered to be a joint and mutually supportive package. WBG publications produced over the past decade show some evolution in the institution's attitudes to the role of international labor standards in development and poverty alleviation.

In 1995 the theme of the *World Development Report* was "Workers in an Integrating World." This report contains positive language about the importance of free trade unions for achieving greater transparency and democracy in societies, for contributing to increased productivity, and for sharing the benefits of growth. It also speaks in favor of "standards that aim at protecting the vulnerable."

In early 2001, subsequent to the WBG having adopted poverty alleviation as its overall priority, the institution found an additional reason for supporting some, but not yet all, of the CLS: "since labor is often poor people's main or only asset, equitable access to safe and well paid employment is one of the most important aspects of risk reduction." The publication went on to speak positively of the role of the CLS in "the formalization of the labor relationship,"

Although within the WBG there is often hesitation or conflicting views about the benefits of CLS, the institution began to follow the observance of CLS somewhat more systematically in late 1999, at least in countries eligible for concessional lending. This was a result of the donors' agreement for the 12th Replenishment of the International Development Association, which contained a recommendation to include an assessment of CLS in CASs prepared for the 80 IDA countries. Brief assessments of CLS have been included in several CASs, particularly after WBG staff, with assistance from the ILO, produced a toolkit on CLS in early 2001. Although labor welcomed this development, it also pointed out the inconsistency of requiring these assessments only in CASs prepared for the poorest borrowing countries—that is, of countries eligible for concessional loans and grants—rather than in all CASs.

It should be remembered that since 1999 the WBG's overarching goal is poverty alleviation. Promotion of the CLS, which WBG research determines to be a factor that favors more equal distribution of income without harming growth, would appear to be consistent with the institution's stated mandate. It would seem to be even more called for given the evidence, highlighted by its own labor issues specialists, showing increasing earnings inequality in several developing countries: "Developing countries tend to have much higher levels of inequality than developed countries [and] inequality appears to be increasing in many developing countries."[78] Measures to combat child labor, forced labor, and discrimination have their greatest impact among low-income workers, but so do measures that would enhance unionization. Wage dispersion among unionized workers tends to be lower, to the benefit of lower-wage workers. In addition, high levels of unionization are often associated with things like higher minimum wages and better basic income support programs, the principal beneficiaries of which are usually unorganized workers.

The participation of unions in defining poverty alleviation strategies would very likely give a higher profile to concerns about employment goals and improved labor conditions than if they

were absent. Both the World Bank Group and the IMF have insisted that civil society organizations be involved in the formulation and implementation of Poverty Reduction Strategy Papers in order for these documents to obtain the institution's endorsement. Obviously, genuine civil society participation cannot take place if civil society organizations, including unions, do not have the right to exist or are completely marginalized. Once again, respect of the CLS would seem to be an important ingredient for poverty alleviation. However, WBG policy in many countries has ignored and undermined trade unions, often attacking wage agreements and social security provisions applicable to workers in the belief that deregulating the labor market is the cure for economic ills. In several transitional economies, affiliates have complained that WBG officials have pressured governments to bypass established mechanisms for social dialogue between labor, government, and employers. The WBG is active in many countries that do not respect the CLS and that suppress legitimate trade union activity.

The eight ILO conventions on which the CLS are based define fundamental workers' rights that clearly can help to combat poverty, but of course they do not cover all the standards that can contribute to this goal. In light of WBG concern for "access to safe employment" and reduction of "workplace risks faced by the poor," the institution could be expected to promote some of the basic ILO standards in the field of occupational health and safety. Key instruments in this field are the Labor Inspection Convention, the Employment Injury Benefits Convention, the Occupational Safety and Health Convention, and the Occupational Health Services Convention. Low-wage workers often tend to suffer problems of nonpayment or delayed payment of wages, as Ukraine coal miners have experienced. The WBG could act against this phenomenon by promoting the ILO Protection of Wages Convention, which stipulates the regular and full payment of wages. A concrete gesture in favor of the standards contained in these Conventions would be for the WBG to include within its procurement guidelines a requirement that the key health and safety and payment of wages conventions, as well as the CLS, be abided by in WBG-funded projects.

While trade unions have welcomed commitments in favor of the CLS by the World Bank Group and other international financial institutions, they have frequently complained about loan conditions or country-level policy advice from these same institutions that appear to work in the opposite direction. These often include recommendations that governments act to reduce wage levels or increase labor market flexibility through measures that can lead to job losses and downward pressure on wages and working conditions. This has led to questions being raised as to how seriously the institutions are applying their poverty-reduction mandate when, for example, they recommend reducing labor costs even in countries where many wage earners' incomes are below the poverty line.

In some cases, the IMF and the WBG have been on record as supporting measures that could even constitute de facto recommendations that countries violate some of the CLS, in spite of the institutions' policies supporting them. In 1999 and early 2000, for instance, WBG spokespersons in Argentina publicly promoted changes to the country's labor code that would restrict sector-level bargaining, and in effect remove access to collective bargaining procedures for many workers in small and medium enterprises. Later that same year, representatives in Croatia publicly urged the government to annul negotiated collective

agreements and decree wage reductions. In a CAS Progress Report for Pakistan in May 2001, the WBG supported a government decree annulling labor agreements in the education sector and naming panels to reassign or fire teachers.[79]

Also in May 2001, a Comprehensive Development Agenda for Mexico included recommendations that the government "phase out" several labor practices, including severance pay, seniority-based promotions, and industry-wide collective bargaining.[80] In Serbia and Montenegro and in the Republic of Srpska, WBG officials put enormous pressure on governments to privatize their electricity industries despite widespread public and union opposition. Unions have complained that their views have been completely ignored, creating more distrust and fear of massive job losses, thus contributing to unemployment and further poverty.

In these examples, and in several others, it would seem that the WBG's objective to reduce labor costs or "enhance labor market flexibility," along with sector restructuring and privatization, overrode concerns about poor working conditions, the need for social protection, or respect and promotion of CLS. Labor notes that the institution has stated it does not have any predisposition in favor of privatization as opposed to increased public investment in basic services. Yet public opinion, particularly in Latin America, Africa, and Asia, is turning against privatization because of the negative impact on employment, wealth, and income distribution, although the WBG continues to insist on this as a condition for aid.

Labor's Recommendations for the WBG

Labor argues that WBG policy support for the Core Labor Standards would be not only consistent with the institution's development mandate but should also be considered a vital component for helping achieve the WBG poverty alleviation objective. However, it is important that the WBG follow up on its position statements in support of promoting the CLS by ensuring that its operational practices are consistent with this support.

Adoption of the following measures could ensure that the WBG plays a positive and consistent role in improving working conditions through promotion of the CLS:

- The World Bank Group should apply the Hippocratic rule to "do no harm" by ensuring that country-level policy advice or loan conditions do not constitute de facto recommendations to violate CLS or other ILO Conventions ratified by the country.

- The labor standards policies of the IFC and MIGA, which were adopted in early 1998, should be updated by making respect of all, not just some, of the CLS a contractual requirement for project financing. These standards should also apply to export credits financed by the IFC and MIGA.

- The CLS should be integrated into World Bank Group procurement guidelines as mandatory elements of the Standard Bidding Document; currently only some voluntary labor standards are included in this document. Key ILO health and safety conventions, as

well as the convention guaranteeing regular and full payment of wages, should also be included.

- No WBG funding should be provided for restructuring or privatization of enterprises or sectors when employees do not have the freedom to join a union, when managers refuse to negotiate with the union when one exists, or when unions are not actively involved in such processes.

- Assessments of observance of CLS should be included in all Country Assistance Strategies, not just in those of IDA countries.

- As part of the institution's overall poverty alleviation strategy, the WBG should join with the ILO in projects to promote respect of the CLS, particularly concerning the most vulnerable and poor, such as rural workers and unprotected or informal economy workers.

- In conformity with the poverty alleviation objective and recognition of the necessity to reduce workplace risks faced by the poor, the WBG should also join with the ILO to promote key ILO health and safety conventions.

Notes

[1] Oxfam America 2003.
[2] Amazon Watch, http://amazon@amazonwatch.org.
[3] FOE et al. 1997.
[4] Testimonials from Regional EIR Consultations, including closed testimonials in the Asia Pacific Region and in Eastern Europe and Central Asia.
[5] Abrash 2002.
[6] Global Response action alert on Sarayacu (January 2003), see http://www.globalresponse.org/gra_index/gra0103.html.
[7] Kimerling 2001.
[8] Closed testimonial in the EIR Asia Pacific Consultation.
[9] Abrash 2002.
[10] Adam 2003.
[11] Forest Peoples Programme and the Tebtebba Foundation 2003.
[12] Opinion Article submitted to the EIR by Raja Siregar, Marine Policy Campaigner, WALHI Indonesia, Jakarta 2003.
[13] Tiogo and Pasap 2003.
[14] Information from closed confidential EIR testimonials for the Asia and Pacific Region, April 2003.
[15] Tiogo and Pasap 2003.
[16] Amazon Watch 2003; see also Epstein 2003.
[17] New York court ruling from *New York Times*, 8 May 2003; Oxfam America 2003.
[18] WWF 2002.
[19] Tiogo and Pasap 2003.
[20] Extractive Industries Review 2002a.
[21] ACHRE 1995; Eichstaedt 1994; Moure-Eraso 1999 quoted by Brugge, Benally, and Yazzie-Lewis n.d.
[22] Gary and Karl 2003.
[23] Reed 1992, 1996, 2001; Gibbon 1995; SAPRIN 2000; Asafu-Adjaye 2001; Chachage 1995; McPhail 2000
[24] Mainhardt-Gibbs 2003a.
[25] Given that there is a lack of primary social and environmental data on the impacts of structural and policy changes linked to the extractive sectors, the best indicator of impacts is to assess how program reforms affect socially and environmentally important market, policy, and institutional failures.
[26] Forest Peoples Programme and the Tebtebba Foundation 2003.
[27] Sadasivam 1997, pp. 636-37.
[28] Dudley and Stolton 2002.
[29] Oxfam Community Aid Abroad 2002a, pp. 2, 16-17.
[30] Oxfam Community Aid Abroad 2002b.
[31] Oxfam Community Aid Abroad 2002b, Minewatch-London 2000, Yukon Conservation Society and Yukon Status of Women Council 2001.
[32] Mehta and Srinivasan 2000.
[33] Oxfam America 2003.
[34] WWF calls on BP to disclose risk assessment criteria, press release, 23 January 2002, http://www.wwf.org.uk/news/n_0000000501.asp.
[35] Global Witness 2002c.
[36] Nielson 2002.
[37] CEE Bankwatch Network and Pacific Environment Resource Center 2000.
[38] WWF 2002.
[39] CEE Bankwatch Network, 2000.

[40] Global Witness 2002a.
[41] CEE Bankwatch Network 2000.
[42] IPCC 2001b.
[43] IPCC 2001b.
[44] WBG et al. 2003.
[45] "Energy lending portfolio" defined here as power projects plus energy-related extractive and transport projects
[46] SEEN 2002.
[47] Greenpeace International n.d.
[48] Where that limit is, and thus exactly how much carbon can be "safely" burned, is the subject of some ongoing debate. The Framework Convention on Climate Change signed at Rio de Janeiro in 1992 identified the need to stay within environmental limits as a central objective. Its objective is the "stabilization of greenhouse gas concentrations in the atmosphere at a level that would prevent dangerous anthropogenic interference with the climate system." To keep long-term global temperature increases below 1 degree Celsius, Greenpeace n.d. calculated that 75 percent of the known, economically recoverable reserves of conventional fossil fuels can never be used as fuels.
[49] Greenpeace International n.d.
[50] Steve Kretzmann and Shannon Wright estimated annual petroleum industry exploration at $156 billion using PetroConsultants data in Project Underground and Rainforest Action Network 1998.
[51] FOE 2001b.
[52] FOE 2001b.
[53] Draft Report of EIR Asia and Pacific Regional Workshop, Bali, Indonesia, 26-30 April 2003.
[54] Draft Report of EIR Asia and Pacific Regional Workshop, Bali, Indonesia, 26-30 April 2003.
[55] Forest Peoples Programme and the Tebtebba Foundation 2003.
[56] Mainhardt-Gibbs 2003b.
[57] Oxfam America 2003.
[58] Ross 2001b.
[59] Oxfam Community Aid Abroad 2002a.
[60] Global Witness 2002a.
[61] http://www.monitor.upeace.org/innerpg.cfm?id_article=5.
[62] Human Rights Watch 2002.
[63] Human Rights Watch 2002.
[64] Benner 2003.
[65] Project Underground 2001.
[66] Gary and Karl 2003.
[67] Save the Children, Christian Aid, Oxfam, Care International, IRC, and TEARFUND 2002.
[68] Robinson 2003.
[69] Ross 2001b, p. 7.
[70] Hafield 2003.
[71] Ross 2001b, Global Witness 1999, Hafield 2003.
[72] OECD 2001, p.16.
[73] PWYP 2003a.
[74] See http://www.dfid.gov.uk for information on the Extractive Industries Transparency Initiative and http://www.publishwhatyoupay.org.
[75] Tebtebba Foundation 2003.
[76] Sampat 2003.
[77] World Bank 2001a.
[78] Betcherman 2003.
[79] World Bank 2001b.

[80] World Bank 2001c.