



Draft
The Extractive Industries Review (EIR)

Asia and Pacific
Regional Workshop
Executive Summary

Bali, Indonesia
26-30 April 2003

TESTIMONIALS AND CONSULTATION REPORT

Notes

The following report on the Extractive Industries Review's Asia and Pacific Regional Workshop, held in Bali from April 26-30, 2003, was prepared by the EIR Secretariat. It summarizes the views expressed by workshop participants, neither endorsing nor contradicting them.

As in common usage, unless otherwise indicated, use of the terms 'World Bank' or 'the Bank' refers to the entire World Bank Group. The Bank components principally concerned with extractive industries (the oil, gas and mining sectors) are the International Bank for Reconstruction and Development (IBRD), International Development Agency (IDA), the International Finance Corporation (IFC) and the Multilateral Investment Guarantee Agency (MIGA).

Abbreviations

ASM	Artisanal and Small-scale Mining
CAO	Compliance Adviser and Ombudsman
CASM	Communities and Small-scale Mining Initiative
CSIRO	Commonwealth Scientific and Industrial Research Organisation
EIA	Environmental Impact Assessment
EIR	Extractive Industries Review
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
IBRD	International Bank for Reconstruction and Development
IDA	International Development Agency
IFC	International Finance Corporation
IFI	International Financial Institution
ILO	International Labour Organization
IPO	Indigenous Peoples' Organization
MMSD	Mining, Minerals and Sustainable Development
MIGA	Multilateral Investment Guarantee Agency
NGO	Non-Government Organization
PRI	Political Risk Insurance
PRSP	Poverty Reduction Strategy Papers
SOE	State Owned Enterprise
SME	Small and Medium Enterprise
SSM	Small-Scale Mining
WBG	World Bank Group

Executive summary

Overview

The Extractive Industries Review (EIR) Consultation Workshop for the countries of Asia and Pacific was convened in Bali, Indonesia, April 26-30, 2003. This was the fourth in a series of regional multi-stakeholder consultations: the first, for Latin America and the Caribbean, took place in Rio de Janeiro, Brazil, April 2002; the second, for Eastern Europe and Central Asia, took place in Budapest, Hungary, June 2002; and the third, for Africa, took place in Maputo, Mozambique, January 2003.

The process was guided by the EIR's Eminent Person, Dr. Emil Salim, in order to explore the proper role of the World Bank Group with respect to extractive industries in the region, in particular whether or not the projects the WBG sponsors contribute to poverty alleviation and sustainable development. The task is to look to the future to see whether a role for the World Bank Group was still necessary in the extractive industries and, if so, whether this role should be improved.

The workshop attracted over 100 participants from civil society (non-government organizations, community-based organizations and labor unions), government, the oil, gas and mining industry, academia, and the World Bank Group itself. The workshop was organized into two parts: the first comprising a two-day open forum for civil society and other testimonials, and a voluntary information session by the World Bank Group; and the second comprising a formal three-day consultation with a limited number of invited or 'self-selected'¹ representatives from each stakeholder group. Participants presented case studies relating to regional projects, followed by focused group discussions on selected thematic issues on environmental, social and economic impacts of the extractive industries.

The Consultation identified a number of cross-cutting themes where change was deemed necessary if the World Bank Group is to continue its involvement in the extractive industries in Asia and the Pacific. The themes reflected recent experiences of Bank-supported policies and projects, particularly social and environmental impacts in mining and gas projects. The main issues of concern were poor governance – corruption, conflict resolution, disclosure policy, revenue management and human rights; the environment – global warming from continuing use of fossil fuels and deep sea disposal of tailings; and uncontrolled artisanal and small-scale mining. There was general agreement on finding a way to legitimize artisanal and small-scale mining, and to bring it under the broad umbrella of community development; the critical importance of having all the components of good governance in place before starting new projects; the need for tailor-made solutions that fit the specific needs and conditions of each country, location and situation; and the essential importance of taking sufficient time to make sure that all stakeholders are on-board and up-to-speed before starting projects or setting policy

¹ 'Self-Selection': the selection of civil society representatives attending the formal 3-day session of the consultation workshop was coordinated with the help of Mr. Longgena Ginting, Executive Director of WALHI (Friends of the Earth, Indonesia). The self-selection process gave civil society the responsibility of nominating 25 suitable participants from a variety of non-governmental organizations to represent their interests at the workshop.

Participants urged the World Bank Group to include extractive industries in the Country Assistance Strategy and related Poverty Reduction Strategy Papers, and to be more cognizant of links and conflicts between policies in different sectors, and the actual impact of policies on what happens on the ground in terms of poverty alleviation and sustainable development. Concern was expressed regarding the lack of follow through over the entire project cycle, due to the short term involvement from WBG institutions. The disconnect between Bank rhetoric and practice in reality was noted as especially worrying. Participants pressed the Bank to embrace international human rights conventions and instruments. Factors of good governance, such as transparent revenue disclosure, an equitable revenue distribution plan and the elimination of corrupt practices, should be a standard requirement for borrowers. The use of unproven waste disposal methods, such as submarine tailing disposal, should follow the 'precautionary principle' and not be used until proven fully safe.

Open Forum Testimonials

Open forum testimonials were made by representatives from civil society, government and industry, addressing three sectors: large-scale mining, small-scale mining and gas. The civil society presentations raised issues and concerns about the environment - submarine tailing disposal, a gas field blow out, and sustainable energy; small- and large-scale mining; and processes of community empowerment and conflict resolution. A government representative looked at sustainability issues. Industry spokespersons discussed examples of small-scale mining, working with community development in the exploration phase, and integrated social development, as well as the benefits and value of mining.

Large-Scale Mining

Submarine Tailing Disposal (STD)

A major concern in the region is the potential for submarine tailing disposal to cause serious environmental and socio-economic impacts in areas rich with marine biodiversity and dependent on aquatic resources for livelihoods. This is especially so in the waters surrounding Indonesia, which are the breeding and migratory areas for large numbers and varieties of marine life, including large mammals. Because there are very strong ocean flows, the widespread transport of waste materials is another potential problem. A number of speakers urged using the 'precautionary principle', until more is known and understood about the actual impacts of this practice.

Newmont, Sumbawa

Views expressed by community NGOs and local government in the open forum were very positive about the contribution of this project to the local communities, and the way they were working with local people. The company has invested in roads, telecommunication, health and educational facilities and programs, as well as improving livelihoods in agriculture and business. Concerns were raised about the impact of tailing disposal, how to spread the benefits more widely, and how to involve women more deeply. Strong concern was expressed about negative information from NGOs and the media that was deemed inaccurate and counter-productive.

Small-Scale Mining

North Sulawesi, Indonesia

Small-scale miners overran a company's gold mining operation, causing widespread mercury pollution in local soils and waterways. Local people were eventually able to regulate mining activities and enlisted help from local NGOs in curbing polluting practices. Some of the technologies being used were questioned by experts because they combine both mercury and cyanide in extracting the gold.

International Survey on Artisanal Small-scale Mining

The preliminary results of an international survey on ASM (artisanal and small-scale mining) indicate that respondents would like to see ASM 'legitimized' and integrated within poverty reduction strategies and policies, so that working and living conditions can be substantially improved, and livelihoods will be enhanced and diversified in a way that miners receive better earnings and have wider opportunities to generate income. There is a strong wish to see regional pilot projects established to explore and demonstrate the viability and benefits of this approach, and the Bank should be directly involved in promoting and supporting this initiative at both grass-roots and country levels.

Gas

Gas Field Blowout

In 1997 in Bangladesh the Magurcha gas field blowout devastated humans, animals, plants and soils over a wide area, affecting the health and livelihoods of indigenous people. So far no compensation has been provided from the involved companies, which are supported by the Bank. In addition, the country has a lot of pressure to export the gas, instead of using it domestically to reduce poverty and improve the lives of the local populations. A comprehensive and coordinated approach should be instigated to utilize this resource to alleviate poverty, primarily using local resources and expertise.

Community Empowerment

An NGO in West Papua, Indonesia, where BP has a LNG project raised the issue of the balance between services provided by government vs. services provided by companies or NGOs, which in the case of diminished government involvement, weakens their relationship with the local people and their ability to properly supervise and regulate industrial activities. This can have a long term destabilizing influence on the ability of government to function and the quality of governance. Building responsible relationships between local people and the company requires some capacity-building. Most communities normally do not have the resources or capability to hire in services, so this is when there is a role for a third party (eg, NGO) to step into this breach.