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## **MOTION FOR A RESOLUTION**

further to the Council and Commission statements

pursuant to Rule 37(2) of the Rules of Procedure

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on behalf of the Verts/ALE Group

on the World Bank-commissioned Extractive Industries Review

**European Parliament resolution on the World Bank-commissioned Extractive Industries Review**

*The European Parliament,*

– having regard to Rule 37(2) of its Rules of Procedure,

- A. whereas, in the year 2000, World Bank President James Wolfensohn commissioned an independent study to examine the World Bank Group (WBG)'s support for oil, mining and gas projects within the context of the World Bank's affirmed mission of poverty reduction and promotion of sustainable development,
- B. whereas in January 2004 the Extractive Industry Review Commission, headed by Emil Salim, former Environment Minister of Indonesia, presented to the WBG President its findings resulting from a two year long multi-stakeholder process that included consultations with industry, civil society, academia and government on five continents, as well as research and project visits,
- C. whereas the results of the Extractive Industries Review (EIR) report also have implications for the European banks, the EIB and the EBRD, because many operations are jointly financed by the International Finance Corporation and the European banks; whereas they also have consequences for the Export Credit Agencies of the Member Countries,
- D. whereas all European Union governments, as members of the World Bank, have to formulate their position on the conclusions of the report and vote on their adoption in order to contribute to recommendations regarding the future of the World Bank Group's involvement in the extractive industries sector,
- E. whereas the European Union Member States hold almost 30% of the vote on the Boards of the World Bank and the IMF and would represent an important factor in the World Bank decision-making process if a concerted EU approach were achieved,
- F. whereas the EIR report concludes that there is a role for the World Bank Group in the oil, mining and gas sectors, but only when the right conditions are in place to promote poverty reduction and sustainable development,
- G. whereas the EIR demands a better balance between ecological, economic and social considerations, calling on the WBG to reform its social and environmental standards, to implement those standards more efficiently and to make financial support conditional on 'good governance', respect for human rights on the part of companies and governments, pro-poor achievements and sustainable development,
- H. whereas, over the course of two years of examination, the WBG was unable to provide an example of a single instance where an oil project alleviated poverty while many examples were provided of oil projects that exacerbated poverty and harmed the environment,

- I. whereas the 2002 OED/OEG report on the extractive sector, the outcome of a purely internal process of the World Bank, reached the same conclusion as the EIR as regards the failure of investment in the extractive sectors to alleviate poverty, and in recommending improving governance and transparency as preconditions for lending for these extractive projects,
- L. whereas one of the key findings of the EIR is that countries that rely primarily on extractive industries tend to have higher levels of poverty, child mortality, civil war, corruption and totalitarianism than countries that have more diversified economies,
- M. whereas the whole extractive sector represents only 2% of WBG activities, primarily through the International Finance Corporation, its private-sector lending arm, and the review has shown that this support is sought by governments or industry in those areas where governance is poor and the risk of human rights abuses or other forms of political risk are very high,
- N. whereas the above makes it all the more important that those scarce resources are used not to support investment in areas where those risks are high but instead in priority sectors for poverty alleviation, sustainability and climate protection,
- O. whereas the WBG as a multilateral institution sets world standards and, in order to accomplish its mandate of poverty alleviation through sustainable development, should use its leverage to support forward-looking industries in developing countries, which exclude by definition fossil fuels,
- P. whereas the WBG should to this end set targets for the enhanced use of renewable sources of energy and energy efficiency,
- Q. whereas a concentration of WBG funding on renewable energies does not prevent states from developing extractive sectors, for which financing via commercial banks does not usually present a major problem due to its economic attractiveness,
- R. whereas the WBG's abolition of incentives for fossil fuel extraction will be a critical market signal that renewables are ready, and that public money from the world's largest development institution will go to advance clean, emerging technologies and to correct current market distortions,
- S. whereas, even without WBG involvement, companies cannot assume that social and environmental abuses will not be denounced by the people affected and international public opinion, and the so-called 'Equator obligations' can serve as a welcome model, in which 20 commercial banks declared their intention to follow World Bank standards for projects financed even without World Bank involvement,
- 1. Strongly welcomes the initiative taken by World Bank President Wolfensohn to scrutinise the Extractive Industries sector (EIR) and hopes that the World Bank Group will demonstrate its commitment to sustainable development by adopting the full EIR report recommendations this fiscal year and by setting up a process for their implementation through changes to existing WBG policies and standards, development of new policies and procedures, with clear benchmarks and timetables and a fully resourced and staffed

responsible team; considers that the implementation process should be transparent, and the WBG should provide quarterly progress reports to the board, Member States and the public at large;

2. Calls on the Irish Presidency to put the EIR report on the agenda for the next General and External Affairs Council with a view to achieving a concerted EU attitude in support of the recommendations of the EIR which are interrelated and should be adopted and implemented as a whole;
3. Calls on the Member States to raise the findings of the report in other national or international financial forums, such as the EIB, EBRD, national credit agencies, etc., to ensure that the problems explored are duly discussed and acted upon;
4. Calls on the Commission to adopt a process in order to reflect the spirit of all the EIR recommendations in the EU environmental and social guidelines for economic and development cooperation and to scrutinise all its financial support programmes in Europe and with third countries and implement them, notably in its cooperation with the IMF, the World Bank, the EIB and the EBRD;
5. Calls on the Council and Commission to propose a regulation with the aim of harmonising the procedures and policies of the national export credit agencies of the Member States, in support of the implementation of the EIR findings;
6. Calls on the Commission and the Member States to promote resource development that respects human rights and responds to the needs of the world's poor and, to this end, to strongly promote renewable energies;
7. Calls on the Commission to express a position in favour of the adoption of the full EIR recommendations and their implementation when the European Development Commissioner is - as usual - invited to give a speech before the joint WB/IMF Development Committee during the 2004 Bretton Woods Institutions joint Spring meetings;
8. Calls on the Commission, Council and Member States to support notably the following demands of the EIR and to bring all their influence to bear with the aim of their full implementation:
  - (a) align the WBG's energy sector priorities with its environmental and social mandate by developing a concrete, time-tabled plan for the phasing-out of investment in oil production by 2008 and until then only engaging in the poorest countries under the conditions stated below, and continuing to avoid new coal mining development;
  - (b) simultaneously increase by 20 per cent annually its investments in renewable energy projects that can meet the energy needs of the world's poor;
  - (c) ensure that a set of adequate governance conditions is in place before a project can go ahead, notably by
    - \* defining clear rules on the publication of the financial agreements between the

governments and industry involved to combat corruption and allow the drafting of revenue-sharing agreements with local communities,

\* setting up a dispute settlement mechanism to arbitrate on any conflicts, which must be fully accessible to local communities,

\* excluding forced resettlements, conducting participatory assessments of potentially affected communities and ensuring that free, prior informed consent for potentially impacted communities and indigenous peoples has been achieved; adoption of these principles should be informed and guided by the United Nations Permanent Forum on Indigenous Issues;

- (d) ensure that the projects it supports comply with international human rights law and all the four core labour standards;
  - (e) demand transparency in revenue flows and project investment from the extractive industry projects it supports;
  - (f) strengthen its Natural Habitats policy and refuse to finance extractive industry projects in protected areas, critical natural habitats and World Heritage sites;
  - (g) refuse to finance in areas of armed conflict or where the risk of an armed conflict is high;
  - (h) minimise its support for mines using toxic materials such as cyanide and mercury, and impose a moratorium on submarine tailings disposal;
8. Calls on the World Bank Board, in the event of a rejection of any of the recommendations of the report, to give a written explanation of the incompatibilities with the World Bank mandate of poverty alleviation or with existing World Bank policies;
9. Instructs its President to forward this resolution to the Council, the Commission, the Member States, the President and Executive Directors of the World Bank, the Managing Director of the IMF and the Presidents of the EIB and the EBRD.