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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 PSE 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's (WBG) 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 the Extractive Industry Review Commission, headed by Emil Salim, former Environment Minister of Indonesia, presented its findings to the WBG President in January 2004, 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 application to the European banks, the EIB and the EBRD, because a number of operations are jointly financed by the International Financing Corporations and the European banks and there are also implied 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 and to implement those standards in order to make financial support conditional on 'good governance', respect for human rights with companies and governments, pro-poor achievements and sustainable development,
- H. whereas over the course of two years of examination, 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, an entirely internal report of the World Bank, reached the same conclusions as the EIR in terms of the lack of poverty alleviation achieved through investment in the extractive sectors, and recommended improving governance and transparency as preconditions to lending for these extractive projects,
- J. whereas revenues from oil, mining and gas are vital to around 60 developing or transitional countries in which more than two-thirds of the world's poorest people are surviving on less than USD 2 per day, and 12 of the world's most mineral-dependent states and six of the most oil-dependent are classed by the World Bank as Highly Indebted Poor Countries,
- K. whereas 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,
- L. 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 the governments or the industry in those areas where governance is poor, and human rights abuse or other forms of political risk are very high,
- M. whereas the WBG as a multilateral institution is setting 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,
- N. whereas, to this end, the WBG should promote energy efficiency and set targets for the enhanced use of renewable sources of energy,
- O. whereas a concentration of WBG funding on renewable energies does not prevent states from developing extractive sectors,
- P. whereas the WBG removal of incentives for fossil fuel extraction would be a critical market signal that renewables should become part of mainstream energy consumption
- Q. 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, in which 20 commercial banks declared their intentions to follow World Bank standards even for projects financed without World Bank involvement, can serve as a welcome model,
- 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 EIR report's 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 team; 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 of the next General and External Affairs Council with a view to achieving a concerted EU position in support of the recommendations of the EIR;
3. Calls on the Member States to raise the report's findings in other national or international financial forums, like the EIB, EBRD, national credit agencies, etc., to make sure that the problems explored will be 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 notably in its cooperation with the IMF, the World Bank, the EIB and the EBRD;
5. Calls on 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, in support of this aim, to strongly enhance 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 in particular the following EIR demands and to bring all their weight to bear for their full implementation:
 - (a) align the WBG's energy sector priorities with its environmental and social mandate;
 - (b) simultaneously increase 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 involved governments and industry to combat corruption and allow the design of revenue-sharing agreements with local communities;
 - setting up a dispute settlement mechanism to arbitrate arising conflicts that is fully accessible to local communities;
 - excluding forced resettlements and 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 four core labour standards; and that all WBG policies and practices are consistent with the WBG's own obligations under international human rights law and with the legal obligations that borrowers have to comply with under these laws;
 - (e) demand transparency in revenue flows and project investments 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 the use of submarine tailings disposal;
9. Calls on the New Partnership for Africa's Development to take an active role in encouraging African governments to take on board the principles of the report and set high standards for achieving total transparency in dealings with extractive industries from third countries and indeed for publishing accounts from national companies;
10. Stresses that any measures implemented to increase the transparency of payments and revenues must result in a legal mechanism that would require extractive companies to report publicly, on a country-by-country basis, aggregate taxes, fees and other payments made to government, which should prevent corrupt officials from obtaining confidentiality agreements which prevent companies from disclosing revenue payments to governments;
11. Calls for steps to be taken to ensure that national oil companies are subject to the same levels of transparency as regards payments and revenues as private companies;
12. Instructs its President to forward this resolution to the Council, the Commission, the Member States, the President and the Executive Directors of the World Bank, the Managing Director of the IMF, and the Presidents of the EIB and the EBRD.