

July 19th, 2004

Executive Director
World Bank Group
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Dear Executive Director,

We write to you today as partners in the global struggle to alleviate poverty and create sustainable and equitable development paths for and with all peoples. Over the past three years, many of us have engaged in good faith in the Extractive Industries Review (EIR), which was initiated to review the World Bank Group's involvement in the oil, gas, and mining sectors through the lens of poverty alleviation and sustainable development. We welcomed the publication of the final EIR report, and have urged Bank Management to adopt all of its recommendations, which we continue to support. While we are heartened to see Bank Management's improved understanding of the issues surrounding the extractive industries, and their strong words of concern, we are deeply concerned to find few real commitments to operational changes in Management's Response.

The EIR report clearly states that there is a role for the World Bank Group in the oil, gas and mining sectors “*only* if its interventions allow extractive industries to contribute to poverty alleviation through sustainable development. And that can *only* happen when the right conditions are in place.”¹ These “right conditions” were identified as the recommendations in the EIR report, many of which are largely ignored by Management.

Management's response to the EIR rejects essential conditions for ongoing support for the extractive industries; defers taking decisions or making commitments to later dates and future processes; and accepts some conditions in principle but commits to few enforceable or participatory implementation measures. Within this framework, World Bank Group support for the expansion of investments in the extractive industries, such as gas, is likely to exacerbate poverty, corruption, environmental destruction, conflict, human rights abuses, gender inequity, and unaccountable governance. By avoiding making firm commitments to change, Management has essentially proposed that business as usual will continue. Management unfortunately gives the impression that despite a three-year global consultation process, they have not heard testimony such as the following:

- “*We find that the extractive industries worsen our situation, create greater divisions between rich and poor and escalate violence and repression in our areas*”. – *Indigenous Peoples' Declaration on Extractive Industries, Indigenous EIR Workshop, April 2003 Oxford, United Kingdom*

Under these circumstances, we call on the Board of Directors to take steps to strengthen the Management Response and ensure that the right conditions are in place before supporting any more investments in the extractive industries. In the absence of the right conditions, it is clear that such investments, are likely to exacerbate poverty and undermine sustainable development. Furthermore, it would not be the most efficient use of limited Bank Group resources if the objective is poverty alleviation through sustainable development.

We therefore call for an immediate moratorium on World Bank Group investments in the extractive sector until the following conditions can be put into place:

- 1) Sequencing. Key threshold governance criteria – such as revenue and budget transparency; the absence of armed conflict and large-scale corruption; a political environment that respects freedom of association, expression and the press – must be demonstrably present before World Bank support for extractive industry investments.
- 2) The Bank should evaluate all proposed extractive industries projects against a set of poverty reduction criteria, which should be established in consultation with civil society. Such criteria should give primary consideration to analyzing the impacts of extractive projects on the world's poor, particularly women and children. The Bank should not support projects that do not meet these criteria. Approved projects should be evaluated annually to determine the extent to which the criteria have been fulfilled.
- 3) The baseline figure for renewables investment should be set no lower than \$400 million, which equals the level of the Bank Group's previous best year for renewables (1996). From this baseline, an annual increase of 20% should be set, as Management has recommended. This commitment is a vital step towards World Bank Group leadership in combating climate change.
- 4) The rights of indigenous peoples and local communities to give their free, prior and informed consent is operationalized in Bank Group policies and respected in practice.

¹ *Striking a Better Balance: The Extractive Industries Review Final Report*, Executive Summary, page 1, November 26, 2003. Emphasis added.

- 5) There are certain places left on earth of such high biodiversity and social sensitivity that the Bank should refuse to support extractives in those areas. We call on the World Bank Group to declare World Heritage Sites and IUCN Protected Areas Categories 1-4 off limits from extractives as suggested by the EIR.
- 6) Specify the review and reporting process proposed by Bank Management to include a an evaluation of the poverty impacts of World Bank Group's extractives portfolio, as well as report on implementation and/or ongoing feasibility of the EIR recommended policy changes (including adoption of core labor standards, human rights, mining standards, gender equity, and phase-outs). Terms of reference and indicators for this process should be developed by Management in a consultative manner within 6 months. In addition, the Board should also instruct Bank Management to prepare a mid-term energy strategy which recognizes that fossil fuel lending is not sustainable. This energy strategy should prepare a plan for the World Bank Group to transition away from fossil fuel lending.

Over the last three years, civil society organizations have devoted scarce resources towards the EIR process, in good faith that these efforts would produce results. Although we have seen progress in the dialogue, what the response lacks are commitments to change. It raises concerns which civil society has expressed throughout this process

- *“What assurances do we have that this process will result in real change?”-Oronto Natei Douglas, Nigeria, First EIR Global Consultation, Brussels, November 2001*

We refer you to the more complete civil society analyses of Management's Response to the EIR, which we expect you have received from various sources. Civil society globally – including development, human rights, indigenous peoples, women's, and environmental groups – have been testifying to the impacts of the extractive industries and the World Bank Group's involvement for years. Because these projects severely impact our lives, our communities, our health, our environment, and our collective future, we will continue to bear witness, we will continue to speak out, and we will continue to demand accountability to the ideals of poverty alleviation and sustainable development that we all share.

Sincerely,

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