



# World Bank Group

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## EXTRACTIVE INDUSTRIES

### *AT A GLANCE:*

- The World Bank Group invests in extractive industries (oil, gas, mining) projects as natural resources can be an important driver of economic growth and poverty reduction. Our focus is to assist countries and companies in ensuring that benefits of resource development are sustainable. To this end, we help governments put in place regulatory frameworks and develop their capacity to manage their resource sectors across the value chain, i.e. from resource extraction to revenue management and spending.
- In its energy investments, the Bank Group's aim is to alleviate poverty by supporting a mix of traditional and alternative energy sources (fossil fuels, wind, solar, thermal energy etc.). As access to affordable and available energy is essential for development and poverty reduction, fossil fuels (such as natural gas) must play a role as a transition fuel to a less carbon intensive economy.
- We support private sector investment in extractive industries by working with investors and communities in ensuring that communities enjoy concrete benefits such as jobs, improved infrastructure, and economic opportunities. We help to develop capacity among small and local companies; involve communities in improving projects' long-term development benefits; and foster transparency and governance to combat corruption and support poverty reduction.

### **Industry and Investment Trends**

As millions in developing countries are cut off from energy needed by their families and businesses – less than one quarter of Sub-Saharan Africa's population has access to electricity – providing access to affordable energy is essential in fulfilling the Bank Group's mission of poverty reduction. We alleviate energy poverty by supporting renewable energy and energy efficiency where feasible. For example we help finance alternative energy technologies such as solar power. We also alleviate energy poverty by supporting fossil fuels, such as natural gas, where this is economic and where we can make a contribution to accessing them in ever less carbon-intensive ways, for example, using greenhouse-gas-reducing technologies. In many uses and locations, fossil fuels will be the most economical fuel and will play a vital role as a transition fuel to a less carbon intensive economy. This is particularly the case for many developing countries where the use of such fuels is low (as recognized in the Kyoto Protocol agreement).

The Bank Group helps countries access additional energy sources, while working with them to increase low-carbon ways of doing so. For instance:

- We support cleaner and alternative sources of energy, such as extracting gas out of coal – coalbed methane and greater efficiency in energy use, particularly in the chemical industry.
- IFC launched Carbon Delivery Guarantees in March 2008, supporting companies in developing countries to access the Kyoto Protocol's carbon credit trading market at attractive prices while addressing the challenge of climate change.

### **WBG EI/Energy Data**

- In fiscal year 2008 (ending June 30, 2008), the Bank Group invested \$1.03 billion in extractive industries (oil, gas, and mining) projects, up 33 percent from fiscal year 2007.

- In the same year, of all Bank Group energy investments (\$7.55 billion), less than one-third (\$2.04 billion) were to support the production or use of fossil fuels (oil, gas, and coal).
- Excluding large hydro projects (those larger than 10 MW), financial support for renewable energy and energy efficiency rose almost 144 percent to \$1.67 billion in fiscal year 2008, outperforming the Bank Group's pledge to increase funding of new renewable/energy efficiency projects by 20 percent annually.

## **Community Development**

The Bank Group plays a strong role in helping develop capacity among small and local companies and at all levels of government. Empowering and building expertise among local communities is particularly critical for EI projects' success. Therefore, IFC has set-up a Community Development Facility ([www.commddev.org](http://www.commddev.org)) to educate community foundations and those involved in local and regional governance; to help develop local suppliers and small businesses; and to support programs on the environment, gender, and HIV/AIDS.

## **Extractive Industries Transparency Initiative (EITI)**

Knowing what governments receive, and what companies pay, is crucial to holding decision-makers accountable for revenues from extractive industries. Therefore, the Bank Group, in partnership with the secretariat of EITI, is working with more than 20 countries to implement the Extractive Industries Transparency Initiative, which works to improve transparency and accountability in response to concerns about corruption in resource-rich countries ([www.eitransparency.org](http://www.eitransparency.org)).

## **EITI++**

As part of the EITI++ approach, the World Bank also works with countries and other partners to implement a comprehensive approach to managing natural resources across the whole of the extractive industries value chain (from access to resources, regulation and oversight of operations to spending of revenues).

## **Global Gas Flaring Reduction Partnership**

To deepen the sustainability of oil development, the World Bank also manages and facilitates the Global Gas Flaring Reduction Partnership, which supports national governments and the petroleum industry in their efforts to reduce the wasteful and polluting flaring and venting of gas that is associated with the extraction of crude oil. ([www.worldbank.org/ggfr](http://www.worldbank.org/ggfr)). GGFR-facilitated carbon projects will reduce CO2 emissions by around 32 million tons by 2012.

## **Background: Extractive Industries Review (EIR)**

In 2004, the World Bank Group concluded a multi-stakeholder review of its investments in EI industries ([www.worldbank.org/ogmc](http://www.worldbank.org/ogmc), [www.ifc.org/oeg](http://www.ifc.org/oeg), [www.cao-ombudsman.org](http://www.cao-ombudsman.org)). The Bank Group's management responded to the three reports' recommendations with reforms to better ensure that projects contribute to development. Extractive industry investment projects now require disclosure of revenues. Projects' development impacts are tracked more thoroughly. An advisory group has been established and reports of its meetings are made public, as are annual implementation progress reports. A revision of the World Bank's Indigenous Peoples policy was approved in 2006, reflecting Bank efforts to strengthen local community participation in EI projects. IFC has updated its environmental and social performance standards also in 2006.

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