The Extractive Industries Review (EIR)

Regional Consultation Workshop for
Eastern Europe and Central Asia
Budapest, Hungary
June 19-22, 2002

Draft
Executive Summary
Notes
The Extractive Industries Review Regional Consultation Workshop for Eastern Europe and Central Asia, was held in Budapest, Hungary from 19-22 June, 2002. This Executive Summary was prepared by the EIR Secretariat and it summarizes the views of 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. This comprises 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
BTC Baku-Tbilisi-Ceyhan (pipeline)
CAO Compliance Adviser and Ombudsman
CPC Caspian Pipeline Consortium
EBRD European Bank for Reconstruction and Development
EIR Extractive Industries Review
GDP Gross Domestic Product
IBRD International Bank for Reconstruction and Development
IDA International Development Agency
IFC International Finance Corporation
ILO International Labour Organization
IMF International Monetary Fund
IPO Indigenous Peoples’ Organization
KTK Caspian Pipeline Consortium
MMSD Mining, Minerals and Sustainable Development
MIGA Multilateral Investment Guarantee Agency
NAMR National Agency for Mineral Resources (Romania)
NGO Non-Government Organization
OECD Organisation for Economic Co-operation and Development
OPEC Organization of the Petroleum Exporting Countries
UNEP United Nations Environment Program
WBG World Bank Group
Executive Summary

Overview
The Extractive Industries Review (EIR) Consultation Workshop for the countries of Eastern Europe and Central Asia was convened in Budapest, Hungary, June 19-22, 2002. This was the second 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 process was guided by the EIR’s Eminent Person, Prof. Dr. Emil Salim, as an exercise to explore the proper role of the World Bank Group with respect to the extractive industries in the region, in particular whether the projects they sponsor contribute to poverty alleviation and sustainable development. Its task was 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 80 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 testimonials and a voluntary information session by the World Bank Group, and the second comprised of a formal three-day consultation with a limited number of invited, or ‘self-selected’ representatives from each stakeholder group. Participants presented case studies relating to regional oil, gas and mining projects, followed by focused group discussions on the positive and negative 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 were to continue their involvement in the extractive industries in Eastern Europe and Central Asia. The themes reflected recent experiences of Bank-supported policies and projects, particularly of coal mining in Russia and the Ukraine, gold extraction in Kyrgyzstan, and oil and gas production in the Caspian Sea region. The main issues of concern included social mitigation, environmental clean-up, governance, revenue management, transparency, community development, no-go zones, technologies to be avoided and the importance of private sector involvement. There was general agreement on addressing the World Bank Group’s activities in the context of region-specific policies for transition from command to market economies.

Privatization should take place in the context of adequate legal regulatory and judicial frameworks and, in the case of mines, of properly financed close-down strategies. Participants wanted the World Bank Group to target corruption, establish socially acceptable conditions for price liberalization, ensure continuity of social services previously provided by state enterprises, and create micro-finance schemes. The use of oil funds could be prioritized in favor of affected areas, and this made a condition of oil sector investment. Participants felt social mitigation should be part of both the country assistance strategies, project design and implementation. Recognizing the problem of environmental legacy found throughout Eastern Europe and Central Asia, participants enjoined the World Bank Group to fund clean-up activities in all its projects and to consider financing projects to clean-up old mines, including uranium mines. It should also work with governments to create social safety nets in advance of mine closures.

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 Petr Hlobil, of CEE Bankwatch Network. The self-selection process gave civil society the responsibility of nominating twenty-five suitable participants from a variety of non-governmental organizations to represent their interests at the workshop.
Participants urged the World Bank Group to embrace specific policies on good governance at the level of country assistance strategies. Also of concern was whether the Bank’s own standards, guidelines and monitoring were fully adequate for the complete life cycle of projects. Regarding revenue management, suggestions included making revenue disclosure by governments and companies a standard loan condition. One proposal was to forbid the use of highly toxic methods in mining and oil exploration, and to ban operations that generated hazardous waste, or dumped waste into water.

**Civil Society Testimonials**

Open forum testimonials by civil society covered three areas: concern over the environmental and social consequences of coal restructuring; the impact of mining activities; and experiences of oil and gas projects.

**Coal Mining**

In the coal sector, testimonials documented under-funding at the expense of social and environmental concerns. Presenters felt the World Bank Group had given bad advice to governments, such as establishing single companies to monopolize mine closure programs. It was felt projects had not always been suitably categorized compared to their real impacts, inappropriate models for restructuring had been used, and too little time had been left between pilot and follow-up programs for lessons to be learnt. NGOs thought the World Bank Group’s monitoring of the restructuring process had not always been sufficient. A lack of analysis of the energy sector meant coal had been stock-piled and economically-viable mines closed, despite the belief of many that they would be needed in the long term.

**Mineral Mining**

Testimonies on gold mining highlighted social, environmental and governance problems arising from a cyanide spill in Romania, in 1998. Speakers pointed to an insufficient emergency response plan, lack of access to information, reports of intimidation, and health concerns resulting from the spill. The local community was also concerned about the structural integrity of the company’s tailings dam and potential hazards it could cause for the village and its water supply. The testimony called on the World Bank Group to consider the effect on communities before it supported such projects, especially where interests lay in different development paths, such as agriculture and tourism. Other testimony concerned the World Bank Group’s preliminary discussions to support the development of an open-pit gold mine in Rosia Montana, Romania. Despite its preliminary status, the Canada-based company was promoting its local position by citing compliance with World Bank directives, while ignoring local demands for a referendum. In addition to environmental concerns and forced resettlement, there were no known plans for sustaining the local economy after extraction was complete.

**Oil and Gas**

One presentation linked the efforts of the World Bank Group to reform national legislation relating to the oil and gas industries in developing countries to the desire of Western governments to diversify their energy supplies. Others claimed project goals to attract foreign investment had not succeeded in halting the decline in per capita GDP, improving unemployment levels or alleviating poverty, and structural adjustment programs had left some governments with no alternative to oil exploitation. It was felt World Bank Group involvement in oil field rehabilitation had not mitigated environmental problems, there was a lack of transparency regarding project information, the Bank had underestimated the level of democracy underlying local decision-making, and ignored warnings of funds misallocation. Many local communities continued to suffer energy shortages despite Bank-sponsored petroleum developments. Noting that Bank participation was crucial to oil and gas investments, speakers felt the World Bank Group should attach conditions to loan agreements with government and industry to ensure environmental and social safeguards were followed. Bank participation should also require transparency over financing and comprehensive environmental
assessments. As with coal restructuring, World Bank Group oil and gas projects in the region should always be category A and there should be independent panels to monitor their social and environmental impacts.

**Indigenous people**
Indigenous people’s associations from Russia testified to their critical situation as a consequence of oil and gas extraction. Ethnic development should be included alongside economic, environmental and social concerns in the concept of sustainable development. Although the World Bank Group had specific policies for indigenous peoples, speakers wanted an ongoing dialogue, full participation from the inception of projects and a full moratorium on new oil developments. They also wanted the interests of indigenous people taken into account in World Bank Group country strategies for Russia.

**World Bank Group Presentations**
In a voluntary information exchange, Bank staff reported on the Group’s global and regional outlays and the changing focus of its projects. Environmental and social standards were now more important, but the Bank wanted to go beyond this to a more holistic approach to sustainable development and poverty reduction. The Bank espoused the Millennium Development Goals, championed globally important development issues and coordinated the efforts of bilateral and multilateral development institutions and agencies.

**Outlays**
World Bank Group outlays in 2001 totaled between $22 and 23 billion, with the region of Eastern Europe and Central Asia accounting for between 13 and 18 per cent. Bank instruments comprised of loans and grants for investment projects, technical assistance and structural adjustment programs. For the extractive industries, the Bank expected resource projects to contribute to overall economic development. It saw the best role of government as that of regulator and administrator, and its emphasis in the past decade had been on reforming legal and regulatory frameworks, with increasing attention given to fiscal management and large structural adjustment operations. The Bank had also had a role in promoting dissemination of best practices in areas such as revenue management.

**Strategy and Projects**
In Eastern Europe and Central Asia, the transition from command to market economies raised major issues in the restructuring of energy and resource markets. The focus had been on reform, privatization and aligning the sector with international market prices. World Bank Group investments amounted to $2 billion for mining and $1 billion for oil and gas. IFC and MIGA had worked together to create frameworks for the competitive development of the newly privatized oil, gas and mining sector. In addition to sector reforms and privatization, the Bank had promoted good governance and proper social and environmental safeguards. The private sector welcomed IFC involvement to mitigate the political risk in higher risk countries, or for complex projects. In the past decade, the World Bank Group had moved to a policy approach more focused on governance, transparency, disclosure, poverty alleviation and other aspects. Future challenges would involve working with small companies to add developmental value to extraction activities at the local level and improve corporate governance and social responsibility. Current strategy sought to close down the huge excess capacity in the region’s mining sector, which was both a drain on national budgets and inhibited the competitiveness of viable mines. The Bank sought to bring about mine closure in an environmentally responsible way and mitigate social impacts.

**World Bank Group Case Studies**
A World Bank case study on the Early Oil project in the Caspian Sea pointed to the significant benefits of the development. These included increased revenues for the participating governments, an increase in upstream investments, growth of business for local shipyards, and greater regional
integration. The Bank’s offshore oil and gas guidelines had improved environmental protection in the area and taken a step toward dealing with the legacy of contamination. In a second case study, World Bank representatives examined mine closure in Romania, where a program had been jointly designed with the Government to mitigate past, present and future problems relating to closure.

Civil society organizations challenged Bank representatives on a number of issues. Most people remained poor despite World Bank Group support for oil and gas developments, they argued. Job creation programs had been inadequate, many local people had no supply of energy, and there was a lack of transparency and dialogue from the perspective of those affected by extractive industry developments. In many cases, environmental problems had not been solved, land use was in dispute, living standards had fallen, revenues were not equitably redistributed, old technologies were still in use, and emergency response plans were lacking. NGOs queried the emphasis on extractive industries in Eastern Europe and Central Asia given that price trends for mineral and energy commodities, compared to manufactured goods, would keep countries relatively poor. Noting the attendant risk of mono-culture economies, they called for diversification including greater support for downstream industry to create knowledge-based markets.

Case Studies
Twelve case studies documented experiences of extractive industry projects in Eastern Europe and Central Asia from the perspective of civil society, industry, government, academia and other organizations.

Oil and Gas
A case study on a 1993 oil and gas field rehabilitation project in Kazakhstan, pointed to the general neglect in region, the few benefits realized for the local community from the oil development, and high levels of corruption in the sector. World Bank staff explained that the project reflected old policies and procedures. Another study reviewed the role of the World Bank Group in the Early Oil project in Azerbaijan and Georgia. Dependence on petroleum development pointed to evidence of “Dutch disease” in the Azeri economy, and many people in both countries remained below the poverty line and suffered energy shortages. There was also concern that World Bank environmental safeguards were not rigorous enough for the Caspian Sea. In Azerbaijan, NGOs complained of lack of transparency regarding key project documents and the management of the oil fund. World Bank staff explained that they would be working further with the Government and IMF to establish procedures for spending the $600 million so far accumulated in the fund. Bank staff affirmed that environmental monitoring had shown no impediment to the ecology surrounding the offshore facilities, though, on land, conditions had improved but there was a huge legacy of contamination. Another case study reported on an NGO inspection of the area surrounding the 1994 Komi oil spill in Northwest Russia. NGOs questioned the actions of the companies charged with the clean-up: restricted access to contaminated areas, inadequate equipment for clean-up operations and health risks posed to workers. They judged the ecological components of World Bank programs throughout Western Siberia and Komi as unsuccessful and felt the Bank should fund re-cultivation of polluted territories where they were involved in projects. NGOs also called on the World Bank Group to instate an independent panel of international NGOs to monitor projects.

Taking a broader view, the International Association of Oil and Gas Producers (OGP) presented a report, prepared for the World Summit on Sustainable Development, on 70 case studies representing industry best practice in twelve areas identified by UNEP. Preservation of biodiversity was exemplified by projects in Azerbaijan and Kazakhstan, and capacity building in projects in the Caspian Sea where oil firms had promoted small and medium-sized enterprises. In addition to ensuring the availability of affordable, environmentally sound and socially acceptable energy products
to a growing world population, the study foresaw the oil industry further contributing to poverty alleviation by broadening the benefits of the wealth it created.

**Coal Mining**

Case studies on World Bank Group involvement in coal industry reconstruction contrasted failures in Ukraine with relative successes in Russia. In Ukraine, the failure of reforms and endemic corruption led the World Bank to withdraw its support; up to half the funds allocated for the social and environmental mitigation of mine closure was embezzled and none of the Bank’s requirements complied with. It was felt the World Bank was in part to blame for encouraging the closure policy which led to such extreme ecological, social and economic impacts. The government still subsidized the mining sector and its agencies had failed to control disbursements to workers. Other concerns were the lack of dialogue, lack of transparency and lack of active monitoring procedures. World Bank staff agreed the situation was grim and explained that remedial measures had been under discussion with the government at the time. Another study analyzed World Bank coal sector restructuring in Russia. Economic data showed a rise in sector growth and labor productivity, and a decline in state subsidies. On the other hand, only 50 percent of the social component of the project had been fulfilled. Defending the closure program, a Russian research institute added that the decommissioning of loss-making mines was crucial for building new ones required to meet the forecasted demand for coal.

**Mineral Mining**

A presentation by the National Agency for Mineral Resources (NAMR), Romania, underlined the contribution of the agency, which was established by the World Bank Group in advance of petroleum and mining rehabilitation projects, to the mineral resources sector. As an independent regulatory authority, the agency had contributed to development of the new legal framework and the preparation of petroleum and mining laws, including a prospective law obliging mine closure plans to be in place from the start of projects. Among the environmental programs funded, a sectoral environmental assessment study analyzed the past, present and future effects of the mining as the basis of a national plan for mitigating the environmental impacts of the sector.

Two case studies referred to the Ovacik gold mine, and the Cayeli copper and zinc mine, in Turkey. The Cayeli project had introduced high standards to the Turkish mining industry and was recognized as a model mining project: it was the first to use submarine tailings disposal, there were no signs of acid rock drainage, spillage or mishandling of waste materials. The Ovacik gold mine was another example of good industry practice following previous mistakes, such as inadequate community consultations and environmental assessments. The project had since been upgraded and World Bank staff confirmed Ovacik was now a showcase project.

Four other case studies raised issues relating to the cyanide spill at the Kumtor Gold Mine, in Kyrgyzstan. Major concerns regarding the circumstances of the spill included the operating company’s failure to implement an emergency response plan, the low degree of public consultation and transparency, and the effects of cyanide contamination on public health and the local environment. More general concerns related to the long-term impact of the mine, including its inadequate preparations for closure and questionable security of its frozen tailings dam. Due to the mine, local farmers had reduced water supplies for irrigation and communities were concerned that dust particles from the mine explosions would contaminate future water supplies from the glacier above the village. A representative from the local Community and Business Forum (CBF), set-up after the Kumtor spill, documented longer-term social concerns including the communications gap, sustainability of benefits from projects and support for small, local projects. Their work was aimed at improving public access to information, increasing employment opportunities, and supporting for new, local enterprises.
World Bank Role
Presenting some recommendations for the mining sector, but also applicable to oil and gas, UNEP highlighted the need for the continued role of the World Bank Group in the extractive industries. Market forces neglected environmental and social costs, and the World Bank and other organizations, needed to come up a mechanism to internalize these costs. Lessons learnt from major mining accidents in the developed and developing world, since 1975, proved inadequate preparation, poor waste control, insufficient emergency response plans, lack of public consultation, lack of recognition of potential impacts, inadequate monitoring, and poor maintenance. UNEP had four recommendations for consideration: environmental impact assessments should be living documents for the life of a project; emergency response plans in place from the beginning; local and national issues should be considered to ensure both community and government support; and corporate environmental management tools should be assessed in project approval and evaluation.

Sector-Specific Recommendations
The Consultation drew up sector-specific recommendations for the coal, mineral, and oil and gas sectors, grouping them according to three scenarios: (1) the World Bank Group maintaining, or expanding, existing policies; (2) changing, or modifying, them; (3) withdrawing from the extractive industries in the region completely. For all sectors, the majority of recommendations focused on changing, or modifying, current practices rather than simply expanding, or withdrawing, World Bank Group support.

Changing, or Modifying, Existing Policies
The World Bank Group should remain engaged in its financing role as a means of enabling the participation of national industries, setting standards, and promoting good practice, governance and transparency in the extractive industries. The Bank should ensure all stakeholders are involved from the earliest stages of projects, and promote partnerships between all parties. Transparency should be a priority in project design and implementation, and project steering committees established, with real accountability, representing all stakeholder groups. World Bank Group leverage would be used to effectively bring governments into the consultation process. There would also be a mechanism for implementation of all declared ‘good intentions’ of best practice, such as the OECD guidelines and ILO conventions. In Eastern Europe and Central Asia, all projects should be considered as category A, eliminating the less rigorous category B procedures. Bank processes should be simplified, and shortened, without compromising fundamental conditions.

Economic Development
Relating to mine closure, the group suggested that restructuring and financing be synchronized and based on an agreed, comprehensive program drawn up in consultation with all major stakeholders. Projects would be financed with more favorable terms and the Bank would negotiate with governments to channel funds to impacted areas to promote sustainable economic activity after mine closure. Investment, though IFC loans and World Bank guarantees, should also target the development of profitable mines. After project completion, there should be measurement of the impact of project on the macro-economy. In the oil sector, priority should be given to energy efficiency and renewable resource projects; the Bank would favor gas development at the expense of oil. Projects should minimize fiscal incentives and maximize the development of domestic, downstream industry. The Bank should undertake capacity-building, and further develop existing programs for small and medium businesses in the area of the extractive industry, with job creation as a major component of every project. Local governments should receive specific revenue allocations in project agreements, incremental to those normally received from the central government.
**Social And Environmental Impacts**
The World Bank Group should only invest in projects able to maximize benefits to a country, ensuring poverty eradication and improved living standards for its people. To that end, the Bank would promote broad consultation at the national level with the participation of all stakeholders, particularly local communities and indigenous peoples. The rehabilitation of existing sites would be a priority, including clean-up operations and the mitigation of environmental, and social, problems. Baseline indicators for poverty, health and the environment should be developed and the Human Development Index (HDI) used in preference to GDP to evaluate the benefits of extractive industry developments. The Bank would implement social and environmental monitoring through dynamic coordination with local communities and other stakeholders. Closure plans would be mandatory, and loan agreements would include models of best international practice for mine closure i.e. transparent with public controls, social and environmental mitigation. Sanctions should be taken against companies who fail to deliver on these requirements. The Bank would insist that emergency response plans be developed with concerned communities, in place from the beginning of a project and be periodically reviewed as a condition of financing. The Bank should define, and implement, environmental, safety and technical standards and recognize that its standards are independently valuable for use as ‘generally accepted international standards’ acceptable to host governments and used by companies.

**Governance**
At all stages of the project cycle, the Bank needed to develop, and maintain, clear procedures for facilitating public partnerships; the role of civil society should be increased in decision-making and project implementation and local governments engaged in community consultations from the start of projects. The Bank would promote transparency regarding information on production sharing agreements and on its own project evaluations. It would insist governments provide details on how royalties and tax revenues were spent, e.g. receipt and expenditure reports, and oil funds would be independently audited. The Bank would look for synergies with other initiatives, such as the Soros Initiative².

**Withdrawal from the Extractive Industries**
For a scenario in which the World Bank would phase-out their involvement in the extractive industries, it should avoid financing new coal mining capacities, including open pit extraction. In mineral mining, the Bank would observe a ban on all new mines in sensitive areas, such as near mountains, national reserves, indigenous people, and subsistence communities. Its projects would ban the use of cyanide and other toxic technologies, and an objective criteria would be developed to identify ‘no-go zones’, which would be respected.

**Final Recommendations: Cross-Cutting Themes**
The Consultation formulated final recommendations in the context of nine cross-cutting themes: governance; transition policy; closure policy and cleaning-up the past; standards, guidelines and monitoring; disclosure policy and information sharing; revenue management and distribution; impacts and benefits at community level; institution building and regulatory frameworks; and social mitigation.

**Good Governance:** the World Bank Group should address this firstly through Country Assistance Strategies by means of legislative frameworks and measures to address human rights issues and to build democracy. Noting that the World Bank Charter presently prohibited it from interfering in political processes, the Bank would also try to change its own charter along the lines the EBRD’s Article 1. The Bank would monitor levels participation and ensure action on issues that arose. It would

---

² [www.publishwhatyoupay.org](http://www.publishwhatyoupay.org)
strengthen its resident missions so that they could facilitate public participation in countries with undemocratic governments.

**Transition Policy:** the World Bank Group should target the development of effective legal and regulatory frameworks prior to privatizing oil, gas and mining industries. The Bank would help to formulate and finance close-down strategies for non-profitable state companies. Micro-finance schemes, training programs and proper pension schemes would have priority in Country Assistance Strategies. The World Bank Group should promote anti-corruption campaigns and link such action to loan agreements with host governments. This called for strong coordination with the IMF. Price liberalization would be effected in a socially acceptable way and implemented as a partnership between the private sector, governments and communities. The Bank should help develop services and value-added sectors through the promotion of small and medium enterprises. Use of oil funds should be prioritized to sustain services in the affected areas and investment in the municipalities could be facilitated through local tax schemes.

**Closure Policy and Cleaning-Up The Past:** closure plans should be in place from the start of new mining developments and be a condition of World Bank Group financing. For ongoing projects, the Bank should insist on adequate closure plans being developed. Detailed decommissioning plans would be published in the language of the country, costs of closure would be met and the World Bank Group and governments would work together to ensure a social safety net was in place in advance of mine closure. To deal with environmental legacy issues, the World Bank should consider funding clean-up of projects, including old uranium mines. Funding could be in the form of grants, low interest clean-up loans or the mine reclamation funds now being required by law in some countries. There would be full transparency and public control.

**Standards, Guidelines and Monitoring:** The World Bank Group should issue sets of guidelines covering all environmental and social aspects of projects. Borrowers should pre-qualify by demonstrating use of best practice, including OECD guidelines on corporate governance and the ILO conventions on minimal acceptable standards. A project governance board could be established with representatives from each stakeholder groups given accountability for the monitoring of various aspects of projects. For monitoring, general indicators on social, environmental, safety, and financial issues would be developed for all World Bank Group projects. Borrowers not following guidelines or maintaining standards would black-listed.

**Disclosure Policy And Information Sharing:** environmental and social impact assessments should be fully disclosed, as well as annual monitoring reports. Disclosure would also cover environmental action plans, emergency response plans, accident and response reports. Product sharing agreements should also be released to the extent feasible. Disclosure of all government revenues should be incorporated into environmental and social impact assessments and actual payments recorded in annual monitoring reports. Disclosure would also track the impact of revenues flowing to local communities. There would be a base-line from which to track human development indicators at both the local and national level, independently validated by civil society experts.

**Revenue Management and Distribution:** all revenues should be disclosed by companies and governments and dedicated funds, such as oil funds, be established to channel revenues from the extractive industries into development. Oil funds should be subject to regular independent auditing by a steering committee including public representatives. The committee would conduct regular public and parliamentary hearings on the use of the fund’s resources. The Bank was recommended to establish best practice guidelines for oil funds and to take a leading role in ensuring such funds work. The manual would address the amelioration of environmental and social impacts from the extractive industries and black-list what the funds should not finance under any circumstances, such as weapons.
purchases. To support revenue management, the Bank would condition loans on disclosure of revenues by governments and companies, and to that end would amend its own disclosure, and other, policies.

**Impacts and Benefits at the Community Level:** the World Bank Group should consistently take steps to provide advantages to the local population whenever it embarked on a project. The Bank should assess the situation at the local level and, with such knowledge, not fund projects that destroyed traditional ways of life or damaged existing conditions at the local level. Procedures would require all concerned parties, including nomadic populations, to be identified, consulted and brought into agreement on project preparations. The Bank could use its leverage to require governments to guarantee, for example, compensation and insurance (including ecological insurance) to local communities. A jointly agreed plan would minimize the negative impacts of a project on the local community, while providing programs for community development. Preservation and protection would be a distinct component of every project, and continuous public monitoring of social and economic impacts, and benefits, would be ensured with the results evaluated in the context of the community development plan.

**Institution Building and Regulatory Frameworks:** opportunities for local business development would be identified from the start of projects to ensure the sustainability of the local economy after extraction activity came to an end. A strategic plan, aimed at building the capacity of local businesses and developing locals skills, would be reflected in community consultations from an early stage and implemented through cooperation between the government and the community. This would be underpinned by an effective regulatory framework and a methodology would be identified for monitoring the progress of local businesses.

**Social Mitigation:** would commence before, or in parallel, with project development. Early consultation with all stakeholders was required to ensure all sensitive factors were addressed. The World Bank should sponsor training and education programs and increase efforts to involve local governments. In co-ordination with other international financial institutions, a set of guidelines should be created on local economic development and social mitigation. These guidelines should be reflected in country assistance strategies.

**Conclusions**
Closing remarks for the Consultation were made by representatives of the World Bank Group, industry, and civil society, respectively, and the Eminent Person to the EIR, Dr. Emil Salim.

**World Bank Group**
On behalf of the World Bank Group, the Director for Oil, Gas and Mining confirmed that poverty reduction and sustainable development were the *sine qua non* of Bank activities. Many region-specific issues had been raised by the Consultation that presented particular challenges; the region was in transition, and its democracies evolving. The importance of disclosure, transparency, good governance and community development were concerns all stakeholders shared. The Bank were willing to admit shortcomings, to learn from the past and to improve future practices. At the same time, there was a danger of setting standards so high that it would result in two unintended consequences, which should be taken into consideration: first, internally, the World Bank Group felt there were limits to what it, and its partners, could do. There was an increasing aversion to risk, and the Bank may not want to be involved in difficult projects. Second, from an external point of view, if standards were set too high, the World Bank Group would not be seen as a useful partner. However, the Bank would continue to work with all stakeholders in succeeding workshops and assess all recommendations thoroughly.
Industry
An industry representative proposed two additions to the set of recommendations. First, there should be a clear recommendation on how to attract private sector investment for future projects; most of the discussions had focused on how to mitigate the impacts of ongoing projects. Second, was an issue raised in the preparatory workshop in Brussels, and not followed through - namely the energy mix. Promoting a shift from other energy sources to natural gas was a golden chance for the World Bank Group; it could assist countries with the gasification of their energy sectors. This change in the energy mix, which had not been addressed, was extremely important from the point of view of sustainability at the local, national and global level.

Civil Society
A civil society representative proposed the addition of a further recommendation on how various modalities of development should be balanced within the World Bank Group. Bearing in mind its limited capital for loans and guarantees, was it better to use money to promote development through the extractive industries, or promote development through other sectors, such as agriculture? This should at least be a topic for consideration in the following Consultations.

Eminent Person
Sustainable development combined three objectives at once: economic, social and environmental development. If the World Bank Group was to stay engaged in the extractive industries, it should do so along the path of sustainable development, minimizing the negative social, environmental and economic impacts of the past. First, social demands must be met; one such demand was poverty eradication. Second, it was important to recognize the demands placed on the environment; resources in the world were limited yet supported an ever-growing global population. Third, came economic considerations; quality of life should be raised, irrespective of an increasing world population. The triangle of government, industry and civil society, represented by the World Bank, were responsible for the realization of sustainable development. Market and policy failures should be remedied through consultation and consensus building. In Eastern Europe and Central Asia, stakeholders had agreed on the need for good governance, without which development objectives would fail. Could extractive industries be a part of sustainable development, when oil, gas and minerals were non-renewable resources? Only if in the process of exploiting non-renewable resources, an investment was made in renewable resources i.e. education, capacity building, the protection of ecosystems and communities. The question was how to translate this into action; the success of the EIR would depend on the goal of sustainable development being embraced by all - industry, government, civil society, and the World Bank Group itself.